



**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, the aggregate discretely presented component unit, each major fund, and remaining fund information of Ashland County, Ohio, (the County) as of and for the year ended December 31, 2005, 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, the aggregate discretely presented component unit, each major fund and remaining fund information of Ashland County, Ohio, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the General; Motor Vehicle and Gasoline Tax; Job and Family Services; Alcohol, Drug Addiction and Mental Health Services; and Mental Retardation and Developmental Disabilities funds, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3, the County restated its December 31, 2004 fund balance of the Alcohol, Drug Addiction and Mental Health Services fund and its December 31, 2004 net assets balance of its Governmental Activities.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2006, 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, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to 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 the 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.



Betty Montgomery
Auditor of State

September 20, 2006

Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
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, 2005. 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 \$1,734,327, or 3 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 2005. 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.

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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 Notes 1 and 22 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
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2005 and 2004.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<u>Assets</u>						
Current and Other Assets	\$26,324,841	\$23,933,006	\$1,184,004	\$1,356,310	\$27,508,845	\$25,289,316
Capital Assets, Net	45,118,574	45,779,902	1,342,901	1,408,168	46,461,475	47,188,070
Total Assets	<u>71,443,415</u>	<u>69,712,908</u>	<u>2,526,905</u>	<u>2,764,478</u>	<u>73,970,320</u>	<u>72,477,386</u>
<u>Liabilities</u>						
Current and Other Liabilities	8,309,467	8,183,280	114,075	91,550	8,423,542	8,274,830
Long-Term Liabilities	5,637,774	5,997,275	1,900,485	1,931,089	7,538,259	7,928,364
Total Liabilities	<u>13,947,241</u>	<u>14,180,555</u>	<u>2,014,560</u>	<u>2,022,639</u>	<u>15,961,801</u>	<u>16,203,194</u>
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	40,393,574	40,699,824	1,342,901	1,408,168	41,736,475	42,107,992
Restricted	11,914,130	9,769,294	0	0	11,914,130	9,769,294
Unrestricted (Deficit)	5,188,470	5,063,235	(830,556)	(666,329)	4,357,914	4,396,906
Total Net Assets	<u>\$57,496,174</u>	<u>\$55,532,353</u>	<u>\$512,345</u>	<u>\$741,839</u>	<u>\$58,008,519</u>	<u>\$56,274,192</u>

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

For governmental activities, current and other assets increased almost \$2.4 million from the prior year. The primary source of this increase was cash and cash equivalents in the Mental Retardation and Developmental Disabilities fund, the result of collections of a new 1.5 mill operating levy approved in August 2004. In addition, this fund received more grant and entitlement monies than the prior year. These increases are also reflected in the increase in restricted net assets.

Two of three enterprise funds had a decrease in cash and cash equivalents resulting in a decrease in current and other assets as well as a decrease in unrestricted net assets for business-type activities.

Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Table 2 reflects the change in net assets for 2005 and 2004.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$4,037,551	\$3,913,386	\$1,497,022	\$1,398,356	\$5,534,573	\$5,311,742
Operating Grants, Contributions, and Interest	16,518,786	15,324,884	51,612	64,600	16,570,398	15,389,484
Capital Grants and Contributions	0	17,000	0	0	0	17,000
Total Program Revenues	<u>20,556,337</u>	<u>19,255,270</u>	<u>1,548,634</u>	<u>1,462,956</u>	<u>22,104,971</u>	<u>20,718,226</u>
General Revenues						
Property Taxes Levied for:						
General Operating	2,125,465	2,109,132	0	0	2,125,465	2,109,132
Health-Alcohol, Drug Addiction, and Mental Health Services	723,184	718,846	0	0	723,184	718,846
Health-Mental Retardation and Developmental Disabilities	3,515,534	2,349,510	0	0	3,515,534	2,349,510
Permissive Sales Taxes Levied for:						
General Operations	4,919,228	4,341,146	0	0	4,919,228	4,341,146
County Jail Operations	829,332	684,619	0	0	829,332	684,619
Debt Service	400,200	400,200	0	0	400,200	400,200
Other Local Taxes	4,146	4,176	0	0	4,146	4,176
Grants and Entitlements	2,079,328	1,800,672	0	0	2,079,328	1,800,672
Interest	556,138	316,195	0	0	556,138	316,195
Other	1,263,777	1,462,966	11,287	9,158	1,275,064	1,472,124
Total General Revenues	<u>16,416,332</u>	<u>14,187,462</u>	<u>11,287</u>	<u>9,158</u>	<u>16,427,619</u>	<u>14,196,620</u>
Total Revenues	<u>36,972,669</u>	<u>33,442,732</u>	<u>1,559,921</u>	<u>1,472,114</u>	<u>38,532,590</u>	<u>34,914,846</u>
<u>Program Expenses</u>						
General Government:						
Legislative and Executive	5,904,447	5,336,861	0	0	5,904,447	5,336,861
Judicial	1,541,401	1,559,406	0	0	1,541,401	1,559,406
Public Safety						
Sheriff	5,405,118	5,214,502	0	0	5,405,118	5,214,502
Other	520,259	417,950	0	0	520,259	417,950
Public Works	4,492,160	4,214,257	0	0	4,492,160	4,214,257
Health						
Alcohol, Drug Addiction, and Mental Health Services	4,353,949	4,113,464	0	0	4,353,949	4,113,464
Mental Retardation and Developmental Disabilities	5,266,378	4,514,536	0	0	5,266,378	4,514,536
Other	253,210	266,536	0	0	253,210	266,536

(continued)

Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Table 2
Change in Net Assets
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Human Services						
Children Services	\$1,079,751	\$1,172,785	\$0	\$0	\$1,079,751	\$1,172,785
Job and Family Services	3,458,993	3,095,361	0	0	3,458,993	3,095,361
Other	1,528,293	1,399,464	0	0	1,528,293	1,399,464
Conservation and Recreation	77,409	46,154	0	0	77,409	46,154
Intergovernmental	335,884	586,048	0	0	335,884	586,048
Internal Service Fund-External Portion	140,185	142,309	0	0	140,185	142,309
Interest and Fiscal Charges	295,068	372,444	0	0	295,068	372,444
County Home	0	0	1,180,907	1,005,879	1,180,907	1,005,879
Landfill	0	0	323,472	525,395	323,472	525,395
Recycling	0	0	641,379	576,715	641,379	576,715
Total Expenses	<u>34,652,505</u>	<u>32,452,077</u>	<u>2,145,758</u>	<u>2,107,989</u>	<u>36,798,263</u>	<u>34,560,066</u>
Increase (Decrease) in Net Assets Before Transfers	2,320,164	990,655	(585,837)	(635,875)	1,734,327	354,780
Transfers	<u>(356,343)</u>	<u>(362,280)</u>	<u>356,343</u>	<u>362,280</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Assets	1,963,821	628,375	(229,494)	(273,595)	1,734,327	354,780
Net Assets Beginning of Year	<u>55,532,353</u>	<u>54,903,978</u>	<u>741,839</u>	<u>1,015,434</u>	<u>56,274,192</u>	<u>55,919,412</u>
Net Assets End of Year	<u>\$57,496,174</u>	<u>\$55,532,353</u>	<u>\$512,345</u>	<u>\$741,839</u>	<u>\$58,008,519</u>	<u>\$56,274,192</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 56 percent of total revenues for 2005, just slightly less than for 2004. 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. 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. Both of these revenue sources increased from the prior year, property taxes from the 1.5 mill operating levy approved in August 2004 for MRDD and sales taxes from additional retail establishments.

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 over 83 percent of all governmental expenses (82 percent in 2004).

The County's business-type activities are almost entirely provided for through program revenues, primarily charges for services. Both revenues and expenses for business-type activities remained very comparable to the prior year.

Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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	
	2005	2004	2005	2004
General Government:				
Legislative and Executive	\$5,904,447	\$5,336,861	\$3,073,133	\$3,130,230
Judicial	1,541,401	1,559,406	570,442	431,735
Public Safety				
Sheriff	5,405,118	5,214,502	4,763,183	4,371,316
Other	520,259	417,950	204,085	(63,217)
Public Works	4,492,160	4,214,257	206,203	302,521
Health				
Alcohol, Drug Addiction and Mental Health Services	4,353,949	4,113,464	930,963	666,522
Mental Retardation and Developmental Disabilities	5,266,378	4,514,536	2,200,854	2,250,297
Other	253,210	266,536	110,957	127,510
Human Services				
Children Services	1,079,751	1,172,785	672,943	781,983
Job and Family Services	3,458,993	3,095,361	273,619	35,035
Other	1,528,293	1,399,464	424,216	386,293
Conservation and Recreation	77,409	46,154	77,409	46,154
Intergovernmental	335,884	586,048	283,344	348,129
Internal Service Fund-External Portion	140,185	142,309	9,749	9,855
Interest and Fiscal Charges	295,068	372,444	295,068	372,444
Total Expenses	<u>\$34,652,505</u>	<u>\$32,452,077</u>	<u>\$14,096,168</u>	<u>\$13,196,807</u>

The County's general revenues (primarily property taxes, sales taxes, and unrestricted grants and entitlements) support approximately 44 percent (42 percent in 2004) of the governmental programs provided by the County. A review of the above table reveals that a number of the County's programs have consistently received substantial support through program revenues. For instance, 39 percent of legislative and executive costs were provided for through various charges for services. The judicial program also provides for 63 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 78 percent of the costs for alcohol, drug addition, and mental health services programs and for over 87 percent of the costs for job and family services activities. Programs through Dale Roy are also largely funded by operating grants, which provide for over half of their operating costs.

Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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 the only fund which experienced a significant change in fund balance was the Mental Retardation and Developmental Disabilities fund. All revenue sources in this fund increased while all expenditures decreased. The largest impact on this fund was the result of additional taxes from the 1.5 mill operating levy.

Business-Type Activities Financial Analysis

Again in 2005 (third consecutive year), all three of the County's enterprise funds had operating losses. While a smaller loss than the prior year, the Landfill enterprise fund continues to experience the greatest decrease in net assets (over 15 percent for 2005). This is primarily due 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. The increase in the final budget amount for revenues is primarily the result of increasing estimates for sales taxes. The addition of retail establishments led to this increase. The change from the final estimates to actual revenues was not significant. The change from original to final budget to actual expenditures also was not significant.

Capital Assets and Debt Administration

Capital Assets - The County's investment in capital assets for governmental and business-type activities as of December 31, 2005, was \$40,393,574 and \$1,342,901, 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 but also included two buses, a truck, and a salt shed. 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, 2005, the County had outstanding general obligation bonds, in the amount of \$4,725,000. In addition, the County's long-term obligations also include compensated absences, capital leases, and landfill postclosure costs. For further information regarding the County's long-term obligations, refer to Notes 17 and 18 to the basic financial statements.

Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Current Issues

Seven-term County Commissioner Marilyn Byers will be retiring at the end of 2006.

There continues to be a significant amount of retail construction in the County which will provide for additional future increases 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, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	D-R Services, Inc.
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$14,194,117	\$1,118,945	\$15,313,062	\$0
Cash and Cash Equivalents in Segregated Accounts	32,986	2,230	35,216	44,653
Accounts Receivable	152,394	51,188	203,582	22,762
Accrued Interest Receivable	72,697	0	72,697	0
Permissive Sales Taxes Receivable	1,039,466	0	1,039,466	0
Due from Other Governments	3,506,345	5,445	3,511,790	0
Due from External Parties	717	0	717	0
Internal Balances	14,402	(14,402)	0	0
Prepaid Items	73,067	0	73,067	0
Materials and Supplies Inventory	475,506	0	475,506	2,588
Inventory Held for Resale	0	20,598	20,598	0
Property Taxes Receivable	6,707,137	0	6,707,137	0
Other Local Taxes Receivable	12,989	0	12,989	0
Notes Receivable	43,018	0	43,018	0
Nondepreciable Capital Assets	884,068	118,865	1,002,933	0
Depreciable Capital Assets, Net	44,234,506	1,224,036	45,458,542	66,294
Total Assets	71,443,415	2,526,905	73,970,320	136,297
<u>Liabilities</u>				
Accrued Wages Payable	273,572	34,382	307,954	0
Accounts Payable	605,245	56,310	661,555	6,633
Contracts Payable	34,453	0	34,453	0
Matured Compensated Absences Payable	28,863	0	28,863	0
Due to Other Governments	427,154	23,383	450,537	1,616
Due to External Parties	16,094	0	16,094	0
Deferred Revenue	6,541,399	0	6,541,399	0
Claims Payable	354,141	0	354,141	0
Accrued Interest Payable	19,535	0	19,535	0
Notes Payable	0	0	0	0
Retainage Payable	9,011	0	9,011	0
Long-Term Liabilities:				
Due Within One Year	675,391	54,463	729,854	4,147
Due in More Than One Year	4,962,383	1,846,022	6,808,405	18,038
Total Liabilities	13,947,241	2,014,560	15,961,801	30,434
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	40,393,574	1,342,901	41,736,475	44,109
Restricted for:				
Debt Service	732,448	0	732,448	0
Motor Vehicle and Gasoline Tax	2,696,175	0	2,696,175	0
Alcohol, Drug Addiction, and Mental Health Services	1,885,386	0	1,885,386	0
Mental Retardation and Developmental Disabilities	2,210,695	0	2,210,695	0
Real Estate Assessment	1,042,194	0	1,042,194	0
Other	3,347,232	0	3,347,232	0
Unrestricted (Deficit)	5,188,470	(830,556)	4,357,914	61,754
Total Net Assets	\$57,496,174	\$512,345	\$58,008,519	\$105,863

See Accompanying Notes to the Basic Financial Statement:

Ashland County
Statement of Activities
Primary Government and Discretely Presented Component Unit
For the Year Ended December 31, 2005

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest
<u>Governmental Activities</u>			
General Government			
Legislative and Executive	\$5,904,447	\$2,308,004	\$523,310
Judicial	1,541,401	596,132	374,827
Public Safety			
Sheriff	5,405,118	276,727	365,208
Other	520,259	711	315,463
Public Works	4,492,160	217,276	4,068,681
Health			
Alcohol, Drug Addiction, and Mental Health Services	4,353,949	0	3,422,986
Mental Retardation and Developmental Disabilities	5,266,378	63,294	3,002,230
Other	253,210	140,048	2,205
Human Services			
Children Services	1,079,751	0	406,808
Job and Family Services	3,458,993	141,474	3,043,900
Other	1,528,293	163,449	940,628
Conservation and Recreation	77,409	0	0
Intergovernmental	335,884	0	52,540
Internal Service Fund-External Portion	140,185	130,436	0
Interest and Fiscal Charges	295,068	0	0
Total Governmental Activities	34,652,505	4,037,551	16,518,786
<u>Business-Type Activities</u>			
County Home	1,180,907	711,766	0
Landfill	323,472	238,155	887
Recycling	641,379	547,101	50,725
Total Business-Type Activities	2,145,758	1,497,022	51,612
Total Primary Government	\$36,798,263	\$5,534,573	\$16,570,398
<u>Component Unit</u>			
D-R Services, Inc.	\$266,485	\$228,591	\$0

<u>General Revenues</u>
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.	
(\$3,073,133)	\$0	(\$3,073,133)	\$0	
(570,442)	0	(570,442)	0	
(4,763,183)	0	(4,763,183)	0	
(204,085)	0	(204,085)	0	
(206,203)	0	(206,203)	0	
(930,963)	0	(930,963)	0	
(2,200,854)	0	(2,200,854)	0	
(110,957)	0	(110,957)	0	
(672,943)	0	(672,943)	0	
(273,619)	0	(273,619)	0	
(424,216)	0	(424,216)	0	
(77,409)	0	(77,409)	0	
(283,344)	0	(283,344)	0	
(9,749)	0	(9,749)	0	
(295,068)	0	(295,068)	0	
(14,096,168)	0	(14,096,168)	0	
0	(469,141)	(469,141)	0	
0	(84,430)	(84,430)	0	
0	(43,553)	(43,553)	0	
0	(597,124)	(597,124)	0	
(14,096,168)	(597,124)	(14,693,292)	0	
0	0	0	(37,894)	
2,125,465	0	2,125,465	0	
723,184	0	723,184	0	
3,515,534	0	3,515,534	0	
4,919,228		4,919,228	0	
829,332		829,332	0	
400,200		400,200	0	
4,146	0	4,146	0	
2,079,328	0	2,079,328	0	
556,138	0	556,138	233	
0	0	0	23,108	
1,263,777	11,287	1,275,064	4,545	
16,416,332	11,287	16,427,619	27,886	
(356,343)	356,343	0	0	
1,963,821	(229,494)	1,734,327	(10,008)	
55,532,353	741,839	56,274,192	115,871	
\$57,496,174	\$512,345	\$58,008,519	\$105,863	

Ashland County
Balance Sheet
Governmental Funds
December 31, 2005

	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	\$4,276,118	\$675,641	\$428,752	\$1,641,923
Cash and Cash Equivalents in Segregated Accounts	1,088	0	0	0
Accounts Receivable	7,902	772	0	0
Accrued Interest Receivable	69,223	1,629	0	0
Permissive Sales Taxes Receivable	831,591	0	0	0
Due from Other Governments	749,926	1,780,664	65,052	261,799
Due from External Parties	567	0	150	0
Interfund Receivable	57,033	112	212,026	0
Prepaid Items	72,546	0	0	0
Materials and Supplies Inventory	22,763	431,031	14,618	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	47,525	0	0	0
Property Taxes Receivable	2,266,895	0	0	759,720
Other Local Taxes Receivable	0	12,989	0	0
Notes Receivable	0	0	0	0
Total Assets	\$8,403,177	\$2,902,838	\$720,598	\$2,663,442
<u>Liabilities</u>				
Accrued Wages Payable	\$119,336	\$41,748	\$49,375	\$4,525
Accounts Payable	176,666	83,957	119,127	6,386
Contracts Payable	0	1,904	0	0
Matured Compensated Absences Payable	23,045	0	0	0
Due to Other Governments	159,465	22,520	70,731	5,929
Due to External Parties	0	0	3,833	0
Interfund Payable	0	0	7,499	0
Deferred Revenue	3,395,604	1,489,233	0	919,290
Retainage Payable	0	0	0	0
Total Liabilities	3,874,116	1,639,362	250,565	936,130
<u>Fund Balance</u>				
Reserved for Unclaimed Monies	47,525	0	0	0
Reserved for Notes Receivable	0	0	0	0
Reserved for Encumbrances	63,679	0	0	0
Unreserved, Reported in:				
General Fund	4,417,857	0	0	0
Special Revenue Funds	0	1,263,476	470,033	1,727,312
Debt Service Funds	0	0	0	0
Total Fund Balance	4,529,061	1,263,476	470,033	1,727,312
Total Liabilities and Fund Balance	\$8,403,177	\$2,902,838	\$720,598	\$2,663,442

See Accompanying Notes to the Basic Financial Statements

Mental Retardation and Developmental Disabilities	Other Governmental	Total
\$2,122,386	\$4,764,692	\$13,909,512
0	31,898	32,986
66,545	1,243	76,462
966	879	72,697
0	207,875	1,039,466
323,181	325,723	3,506,345
0	0	717
0	6,322	275,493
521	0	73,067
5,588	1,506	475,506
0	0	47,525
3,680,522	0	6,707,137
0	0	12,989
0	43,018	43,018
<u>\$6,199,709</u>	<u>\$5,383,156</u>	<u>\$26,272,920</u>
\$50,534	\$8,054	\$273,572
47,511	171,598	605,245
0	32,549	34,453
5,818	0	28,863
56,390	112,119	427,154
0	12,261	16,094
0	258,671	266,170
3,910,577	344,259	10,058,963
0	9,011	9,011
<u>4,070,830</u>	<u>948,522</u>	<u>11,719,525</u>
0	0	47,525
0	37,941	37,941
0	23,538	87,217
0	0	4,417,857
2,128,879	3,654,528	9,244,228
0	718,627	718,627
<u>2,128,879</u>	<u>4,434,634</u>	<u>14,553,395</u>
<u>\$6,199,709</u>	<u>\$5,383,156</u>	<u>\$26,272,920</u>

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Ashland County
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 December 31, 2005

Total Governmental Fund Balances \$14,553,395

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. 45,118,574

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

Accounts Receivable	1,655	
Accrued Interest Receivable	70,750	
Permissive Sales Taxes Receivable	510,393	
Due from Other Governments	2,769,028	
Property Taxes Receivable	165,738	
		3,517,564

An internal balance is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities. 5,079

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

Accrued Interest Payable	(19,535)	
General Obligation Bonds Payable	(4,725,000)	
Compensated Absences Payable	(912,774)	
		(5,657,309)

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. (41,129)

Net Assets of Governmental Activities \$57,496,174

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, 2005

	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Alcohol, Drug Addiction, and Mental Health Services
<u>Revenues</u>				
Property Taxes	\$2,118,563	\$0	\$0	\$720,993
Permissive Sales Taxes	4,835,080	0	0	0
Other Local Taxes	4,146	168,339	0	0
Charges for Services	1,780,366	0	0	0
Licenses and Permits	4,055	0	0	0
Fines and Forfeitures	97,009	0	0	0
Intergovernmental	2,678,077	3,920,848	2,669,446	3,685,409
Interest	531,527	24,805	0	0
Rent	0	0	0	0
Other	448,027	43,243	215,611	46,524
Total Revenues	12,496,850	4,157,235	2,885,057	4,452,926
<u>Expenditures</u>				
Current:				
General Government				
Legislative and Executive	5,015,842	0	0	0
Judicial	1,315,280	0	0	0
Public Safety				
Sheriff	4,055,409	0	0	0
Other	88,863	0	0	0
Public Works	109,161	4,221,070	0	0
Health				
Alcohol, Drug Addiction, and Mental Health Services	0	0	0	4,345,774
Mental Retardation and Developmental Disabilities	0	0	0	0
Other	95,732	0	0	0
Human Services				
Children Services	0	0	0	0
Job and Family Services	0	0	3,077,162	0
Other	318,325	0	0	0
Conservation and Recreation	55,000	0	0	0
Intergovernmental	302,691	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	27,832	0	0	0
Total Expenditures	11,384,135	4,221,070	3,077,162	4,345,774
Excess of Revenues Over (Under) Expenditures	1,112,715	(63,835)	(192,105)	107,152
<u>Other Financing Sources (Uses)</u>				
Transfers In	198,868	0	137,510	0
Transfers Out	(1,144,540)	(75,438)	0	0
Total Other Financing Sources (Uses)	(945,672)	(75,438)	137,510	0
Changes in Fund Balances	167,043	(139,273)	(54,595)	107,152
Fund Balances Beginning of Year - Restated (Note 3)	4,362,018	1,402,749	524,628	1,620,160
Fund Balances End of Year	\$4,529,061	\$1,263,476	\$470,033	\$1,727,312

See Accompanying Notes to the Basic Financial Statements

Mental Retardation and Developmental Disabilities	Other Governmental	Total
\$3,496,583	\$0	\$6,336,139
0	1,208,517	6,043,597
0	0	172,485
63,250	1,441,331	3,284,947
0	144,458	148,513
0	49,937	146,946
3,078,041	2,611,610	18,643,431
10,233	23,310	589,875
0	141,474	141,474
298,533	228,008	1,279,946
<u>6,946,640</u>	<u>5,848,645</u>	<u>36,787,353</u>
0	690,632	5,706,474
0	201,980	1,517,260
0	969,342	5,024,751
0	431,278	520,141
0	22,563	4,352,794
0	0	4,345,774
5,272,910	0	5,272,910
0	159,732	255,464
0	1,079,751	1,079,751
0	341,945	3,419,107
0	1,195,561	1,513,886
0	0	55,000
0	33,193	335,884
5,078	350,000	355,078
9,264	259,581	296,677
<u>5,287,252</u>	<u>5,735,558</u>	<u>34,050,951</u>
<u>1,659,388</u>	<u>113,087</u>	<u>2,736,402</u>
0	726,125	1,062,503
0	(198,868)	(1,418,846)
0	527,257	(356,343)
1,659,388	640,344	2,380,059
<u>469,491</u>	<u>3,794,290</u>	<u>12,173,336</u>
<u>\$2,128,879</u>	<u>\$4,434,634</u>	<u>\$14,553,395</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, 2005

Changes in Fund Balances - Total Governmental Funds \$2,380,059

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 outlay in the current year:

Capital Outlay - Construction in Progress	34,535	
Capital Outlay - Depreciable Capital Assets	1,472,047	
Depreciation	<u>(2,006,485)</u>	(499,903)

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. (161,425)

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

Property Taxes	28,044	
Permissive Sales Taxes	105,163	
Charges for Services	44	
Intergovernmental	(68,038)	
Interest	(3,567)	
Other	<u>(6,766)</u>	54,880

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	350,000	
Capital Leases Payable	<u>5,078</u>	355,078

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding obligations on the statement of net assets. 1,609

Compensated absences reported on the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds. 4,423

(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, 2005
(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. (161,151)

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. (9,749)

Change in Net Assets of Governmental Activities: \$1,963,821

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, 2005

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<u>Revenues</u>				
Property Taxes	\$2,102,536	\$2,126,536	\$2,111,192	(\$15,344)
Permissive Sales Taxes	4,100,000	4,769,000	4,768,927	(73)
Other Local Taxes	4,000	4,000	4,146	146
Charges for Services	1,634,367	1,734,367	1,776,980	42,613
Licenses and Permits	4,100	4,100	4,055	(45)
Fines and Forfeitures	97,000	97,000	110,603	13,603
Intergovernmental	2,161,450	2,706,350	2,674,178	(32,172)
Interest	205,673	485,673	518,410	32,737
Other	301,147	316,147	419,026	102,879
Total Revenues	10,610,273	12,243,173	12,387,517	144,344
<u>Expenditures</u>				
Current:				
General Government				
Legislative and Executive	4,650,961	5,221,832	4,989,415	232,417
Judicial	1,487,826	1,493,928	1,345,750	148,178
Public Safety				
Sheriff	4,092,006	4,128,255	4,017,733	110,522
Other	134,538	134,538	99,340	35,198
Public Works	141,152	141,152	106,858	34,294
Health				
Other	86,540	97,148	95,732	1,416
Human Services				
Other	381,794	381,794	320,786	61,008
Conservation and Recreation	20,000	55,000	55,000	0
Intergovernmental	309,485	309,485	302,701	6,784
Total Expenditures	11,304,302	11,963,132	11,333,315	629,817
Excess of Revenues Over (Under) Expenditures	(694,029)	280,041	1,054,202	774,161
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	15,000	15,000	18,304	3,304
Advances In	0	17,000	16,400	(600)
Advances Out	0	(16,400)	(16,400)	0
Transfers In	180,000	180,000	198,868	18,868
Transfers Out	(1,178,682)	(1,192,051)	(1,127,505)	64,546
Total Other Financing Sources (Uses)	(983,682)	(996,451)	(910,333)	86,118
Changes in Fund Balance	(1,677,711)	(716,410)	143,869	860,279
Fund Balance Beginning of Year	3,974,115	3,974,115	3,974,115	0
Prior Year Encumbrances Appropriated	62,950	62,950	62,950	0
Fund Balance End of Year	\$2,359,354	\$3,320,655	\$4,180,934	\$860,279

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, 2005

	<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	\$167,760	(\$2,240)
Intergovernmental	4,533,600	4,533,600	3,917,236	(616,364)
Interest	15,000	15,000	24,805	9,805
Other	25,000	25,000	42,931	17,931
Total Revenues	4,743,600	4,743,600	4,152,732	(590,868)
<u>Expenditures</u>				
Current:				
Public Works	5,187,562	5,351,522	4,118,061	1,233,461
Excess of Revenues Over (Under) Expenditures	(443,962)	(607,922)	34,671	642,593
<u>Other Financing Uses</u>				
Transfers Out	(75,438)	(75,438)	(75,438)	0
Changes in Fund Balance	(519,400)	(683,360)	(40,767)	642,593
Fund Balance Beginning of Year	552,448	552,448	552,448	0
Prior Year Encumbrances Appropriated	163,960	163,960	163,960	0
Fund Balance End of Year	<u>\$197,008</u>	<u>\$33,048</u>	<u>\$675,641</u>	<u>\$642,593</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
Job and Family Services Fund
For the Year Ended December 31, 2005

	<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	\$3,322,600	\$3,322,600	\$2,671,939	(\$650,661)
Other	858,000	858,000	216,304	(641,696)
Total Revenues	4,180,600	4,180,600	2,888,243	(1,292,357)
<u>Expenditures</u>				
Current:				
Human Services				
Job and Family Services	4,395,600	4,395,600	3,104,446	1,291,154
Excess of Revenues Under Expenditures	(215,000)	(215,000)	(216,203)	(1,203)
<u>Other Financing Sources</u>				
Transfers In	125,000	125,000	137,510	12,510
Changes in Fund Balance	(90,000)	(90,000)	(78,693)	11,307
Fund Balance Beginning of Year	507,445	507,445	507,445	0
Fund Balance End of Year	<u>\$417,445</u>	<u>\$417,445</u>	<u>\$428,752</u>	<u>\$11,307</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, 2005

	<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	\$700,347	\$700,347	\$719,681	\$19,334
Intergovernmental	3,638,310	3,688,310	3,692,949	4,639
Other	0	0	46,663	46,663
Total Revenues	4,338,657	4,388,657	4,459,293	70,636
<u>Expenditures</u>				
Current:				
Health				
Alcohol, Drug Addiction, and Mental Health Services	4,243,847	4,380,847	4,352,249	28,598
Changes in Fund Balance	94,810	7,810	107,044	99,234
Fund Balance Beginning of Year	1,511,398	1,511,398	1,511,398	0
Fund Balance End of Year	<u>\$1,606,208</u>	<u>\$1,519,208</u>	<u>\$1,618,442</u>	<u>\$99,234</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, 2005

	<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	\$3,228,233	\$3,092,233	\$3,074,141	(\$18,092)
Charges for Services	0	0	2,570	2,570
Intergovernmental	2,204,057	3,236,457	3,100,415	(136,042)
Interest	0	3,000	9,826	6,826
Other	30,000	351,000	300,132	(50,868)
Total Revenues	5,462,290	6,682,690	6,487,084	(195,606)
<u>Expenditures</u>				
Current:				
Health				
Mental Retardation and Developmental Disabilities	4,906,904	5,611,399	5,261,730	349,669
Excess of Revenues Over Expenditures	555,386	1,071,291	1,225,354	154,063
<u>Other Financing Uses</u>				
Transfers Out	0	(96,260)	(96,260)	0
Changes in Fund Balance	555,386	975,031	1,129,094	154,063
Fund Balance Beginning of Year	879,153	879,153	879,153	0
Fund Balance End of Year	<u>\$1,434,539</u>	<u>\$1,854,184</u>	<u>\$2,008,247</u>	<u>\$154,063</u>

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Fund Net Assets
Proprietary Funds
December 31, 2005

	Business-Type Activities				Governmental Activity
	County Home	Landfill	Recycling	Total Enterprise	Internal Service
<u>Assets</u>					
<u>Current Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$21,055	\$70,703	\$33,448	\$125,206	\$237,080
Cash and Cash Equivalents in Segregated Accounts	0	0	2,230	2,230	0
Accounts Receivable	9,010	23,593	18,585	51,188	75,932
Due from Other Governments	0	0	5,445	5,445	0
Inventory Held for Resale	0	0	20,598	20,598	0
<u>Restricted Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	0	993,739	0	993,739	0
Total Current Assets	30,065	1,088,035	80,306	1,198,406	313,012
<u>Non-Current Assets</u>					
Nondepreciable Capital Assets	0	61,465	57,400	118,865	0
Depreciable Capital Assets, Net	834,639	34,765	354,632	1,224,036	0
Total Non-Current Assets	834,639	96,230	412,032	1,342,901	0
Total Assets	864,704	1,184,265	492,338	2,541,307	313,012
<u>Liabilities</u>					
<u>Current Liabilities</u>					
Accrued Wages Payable	22,388	788	11,206	34,382	0
Accounts Payable	26,617	13,487	16,206	56,310	0
Compensated Absences Payable	9,520	973	3,860	14,353	0
Due to Other Governments	16,784	867	5,732	23,383	0
Interfund Payable	5,385	0	3,938	9,323	0
Claims Payable	0	0	0	0	354,141
Postclosure Costs Payable	0	40,110	0	40,110	0
Total Current Liabilities	80,694	56,225	40,942	177,861	354,141
<u>Non-Current Liabilities</u>					
Compensated Absences Payable	15,385	1,701	7,063	24,149	0
Postclosure Costs Payable	0	1,821,873	0	1,821,873	0
Total Non-Current Liabilities	15,385	1,823,574	7,063	1,846,022	0
Total Liabilities	96,079	1,879,799	48,005	2,023,883	354,141
<u>Net Assets</u>					
Invested in Capital Assets	834,639	96,230	412,032	1,342,901	0
Unrestricted (Deficit)	(66,014)	(791,764)	32,301	(825,477)	(41,129)
Total Net Assets (Deficit)	\$768,625	(\$695,534)	\$444,333	517,424	(\$41,129)
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.				(5,079)	
Net Assets of Business-Type Activities:				<u>\$512,345</u>	

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005

	Business-Type Activities			Governmental Activity	
	County Home	Landfill	Recycling	Total Enterprise	Internal Service
<u>Operating Revenues</u>					
Charges for Services-Internal	\$711,766	\$238,155	\$146,600	\$1,096,521	\$2,478,279
Charges for Services-External	0	0	0	0	130,436
Sale of Recyclables	0	0	400,501	400,501	0
Other	10,669	507	111	11,287	0
Total Operating Revenues	722,435	238,662	547,212	1,508,309	2,608,715
<u>Operating Expenses</u>					
Personal Services	801,751	57,536	309,050	1,168,337	0
Materials and Supplies	162,586	2,572	1,659	166,817	0
Contractual Services	94,240	116,300	41,760	252,300	370,493
Purchase of Recyclables	0	0	8,460	8,460	0
Claims	0	0	0	0	2,433,202
Other	60,240	139,394	230,048	429,682	0
Depreciation	42,826	7,670	45,586	96,082	0
Total Operating Expenses	1,161,643	323,472	636,563	2,121,678	2,803,695
Operating Loss	(439,208)	(84,810)	(89,351)	(613,369)	(194,980)
<u>Non-Operating Revenues</u>					
Grants	0	887	50,725	51,612	0
Loss Before Transfers	(439,208)	(83,923)	(38,626)	(561,757)	(194,980)
Transfers In	356,343	0	9,883	366,226	0
Transfers Out	0	(9,883)	0	(9,883)	0
Changes in Net Assets	(82,865)	(93,806)	(28,743)	(205,414)	(194,980)
Net Assets (Deficit) Beginning of Year	851,490	(601,728)	473,076		153,851
Net Assets (Deficit) End of Year	\$768,625	(\$695,534)	\$444,333		(\$41,129)

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.

(24,080)

Change in Net Assets of Business-Type Activities

(\$229,494)

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005

	Business-Type Activities			Governmental Activity	
	County Home	Landfill	Recycling	Total Enterprise	Internal Service
Increase (Decrease) in Cash and Cash Equivalents					
<u>Cash Flows from Operating Activities</u>					
Cash Received from Customers	\$727,318	\$257,643	\$540,728	\$1,525,689	\$0
Cash Received from Transactions with Other Funds	0	0	0	0	2,537,693
Cash Received from Other Revenues	11,002	531	219	11,752	0
Cash Payments for Personal Services	(613,225)	(47,448)	(253,023)	(913,696)	0
Cash Payments to Suppliers	(253,910)	(154,200)	(39,632)	(447,742)	(370,493)
Cash Payments for Claims	0	0	0	0	(2,414,676)
Cash Payments for Transactions with Other Funds	(180,710)	(10,134)	(52,881)	(243,725)	0
Cash Payments for Other Expenses	(59,113)	(141,300)	(219,200)	(419,613)	0
Net Cash Used for Operating Activities	<u>(368,638)</u>	<u>(94,908)</u>	<u>(23,789)</u>	<u>(487,335)</u>	<u>(247,476)</u>
<u>Cash Flows from Noncapital Financing Activities</u>					
Grants	0	887	56,600	57,487	0
Transfers In	356,343	0	9,883	366,226	0
Transfers Out	0	(9,883)	0	(9,883)	0
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>356,343</u>	<u>(8,996)</u>	<u>66,483</u>	<u>413,830</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities</u>					
Acquisition of Capital Assets	<u>0</u>	<u>0</u>	<u>(30,815)</u>	<u>(30,815)</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(12,295)	(103,904)	11,879	(104,320)	(247,476)
Cash and Cash Equivalents Beginning of Year	<u>33,350</u>	<u>1,168,346</u>	<u>23,799</u>	<u>1,225,495</u>	<u>484,556</u>
Cash and Cash Equivalents End of Year	<u><u>\$21,055</u></u>	<u><u>\$1,064,442</u></u>	<u><u>\$35,678</u></u>	<u><u>\$1,121,175</u></u>	<u><u>\$237,080</u></u>

Ashland County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005
(continued)

	Business-Type Activities			Governmental	
	County Home	Landfill	Recycling	Total Enterprise Internal Service	
<u>Reconciliation of Operating Loss to</u>					
<u>Net Cash Used for Operating Activities</u>					
Operating Loss	(\$439,208)	(\$84,810)	(\$89,351)	(\$613,369)	(\$194,980)
<u>Adjustments to Reconcile Operating Loss to</u>					
<u>Net Cash Used for Operating Activities</u>					
Depreciation	42,826	7,670	45,586	96,082	0
Changes in Assets and Liabilities					
(Increase) Decrease in Accounts Receivable	15,552	19,488	427	35,467	(71,022)
Decrease in Due from Other Governments	333	24	108	465	0
Decrease in Inventory Held for Resale	0	0	1,660	1,660	0
Decrease in Accrued Wages Payable	249	16	634	899	0
Increase in Accounts Payable	6,656	2,696	12,058	21,410	0
Increase (Decrease) in Compensated Absences Payable	5,751	(171)	1,506	7,086	0
Increase (Decrease) in Due to Other Governments	1,366	(2,131)	981	216	0
Increase (Decrease) in Interfund Payable	(2,163)	0	2,602	439	0
Increase in Claims Payable	0	0	0	0	18,526
Decrease in Postclosure Costs Payable	0	(37,690)	0	(37,690)	0
Total Adjustments	70,570	(10,098)	65,562	126,034	(52,496)
Net Cash Used for Operating Activities	<u>(\$368,638)</u>	<u>(\$94,908)</u>	<u>(\$23,789)</u>	<u>(\$487,335)</u>	<u>(\$247,476)</u>

See Accompanying to the Basic Financial Statements

Ashland County
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2005

Assets

Equity in Pooled Cash and Cash Equivalents	\$2,310,757
Cash and Cash Equivalents in Segregated Accounts	680,913
Accounts Receivable	375
Due from Other Governments	2,360,253
Due from External Parties	16,094
Property Taxes Receivable	46,356,523
Other Local Taxes Receivable	12,043
Special Assessments Receivable	137,187
	<hr/>
Total Assets	<u><u>\$51,874,145</u></u>

Liabilities

Due to Other Governments	50,418,192
Due to External Parties	717
Undistributed Assets	1,455,236
	<hr/>
Total Liabilities	<u><u>\$51,874,145</u></u>

See Accompanying Notes to the Basic Financial Statements

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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 22 to the basic financial statements.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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 23, 24, and 25 to the basic financial statements. These organizations are:

Ashland County Regional Planning Commission
Northern Ohio Juvenile Community Corrections Facility
Ashland County Improvement Corporation (CIC)
Ashland Area Council for Economic Development
County Risk Sharing Authority, Inc. (CORSAs)
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.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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 landfill for the dumping of Ashland County waste.

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 2005. 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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, 2005, but were levied to finance 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 2 - Summary of Significant Accounting Policies (continued)

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

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 appropriations 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”.

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”.

Note 2 - Summary of Significant Accounting Policies (continued)

During 2005, 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, 2005.

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 2005 was \$531,527, which includes \$416,464 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, 2005, 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.

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.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 2 - Summary of Significant Accounting Policies (continued)

All capital assets are capitalized at 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 and construction in progress. 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. The County reports all infrastructure, including that acquired prior to the implementation of GASB Statement No. 34. 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".

L. Compensated Absences

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

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

The entire compensated absences liability is reported on the government-wide financial statements.

Note 2 - Summary of Significant Accounting Policies (continued)

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

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, 2005, net assets restricted by enabling legislation was \$2,782,537.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

Q. Interfund Transactions

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Extraordinary and Special Items

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

S. Estimates

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

Note 3 - Change in Accounting Principles, Correction of Error, and Restatement of Fund Balance/Net Assets

A. Change in Accounting Principles

For 2005, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosure" and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries".

GASB Statement No. 40 establishes and modifies the disclosure requirements related to deposit and investment risks. The implementation of this statement did not result in any change to the County's financial statements.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. The implementation of this statement did not result in any change to the County's financial statements.

B. Correction of Error

In the prior year, the County incorrectly recorded receivables related to grants.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 3 - Change in Accounting Principles, Correction of Error, and Restatement of Fund Balance/Net Assets (continued)

The restatement due to this correction 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, 2004	\$4,362,018	\$1,402,749	\$524,628	\$2,123,826
Correction of an Error				
Due from Other Governments	0	0	0	(503,666)
Adjusted Fund Balance	<u>\$4,362,018</u>	<u>\$1,402,749</u>	<u>\$524,628</u>	<u>\$1,620,160</u>

	Mental Retardation and Developmental Disabilities	Other Governmental	Total
Fund Balance December 31, 2004	\$469,491	\$3,794,290	\$12,677,002
Correction of an Error			
Due from Other Governments	0	0	(503,666)
Adjusted Fund Balance	<u>\$469,491</u>	<u>\$3,794,290</u>	<u>\$12,173,336</u>

	Total Governmental Activities
Net Assets, December 31, 2004	\$56,036,019
Due from Other Governments	(503,666)
Adjusted Net Assets	<u>\$55,532,353</u>

Note 4 - Accountability and Compliance

A. Accountability

At December 31, 2005, the following funds had deficit fund balances/net assets:

Fund	Deficit
Special Revenue Funds	
CHIP	\$14,396
Violence Against Women	343
Public Defender Client Fee	55
Rape Crisis Service	1,343
Workforce Investment Act	32,270
Enterprise Fund	
Landfill	695,534
Internal Service Fund	
Self-Insurance	41,129

Note 4 - Accountability and Compliance (continued)

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

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

B. Compliance

For the year ended December 31, 2005, the Recorder State Fees special revenue fund had appropriations in excess of estimated resources plus available balances, in the amount of \$1,012. The County Auditor will review budgeted resources to ensure they are sufficient for amounts appropriated.

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 and other sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures and other uses 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.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 5 - Budgetary Basis of Accounting (continued)

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	\$167,043	(\$139,273)	(\$54,595)	\$107,152	\$1,659,388
<u>Increase (Decrease) Due To</u>					
Revenue Accruals					
Accrued 2004, Received in Cash 2005	506,518	302,430	68,388	109,908	123,930
Accrued 2005, Not Yet Received in Cash	(566,068)	(306,933)	(65,202)	(102,229)	(160,637)
Expenditure Accruals					
Accrued 2004, Paid in Cash 2005	(333,618)	(139,604)	(68,335)	(23,315)	(148,754)
Accrued 2005, Not Yet Paid in Cash	478,512	150,129	38,539	16,840	160,253
Cash Adjustments					
Unrecorded Activity 2004	14,760	0	0	22,169	104,599
Unrecorded Activity 2005	(17,319)	0	0	(23,481)	(114,139)
Prepaid Items	(2,990)	0	0	0	401
Materials and Supplies Inventory	4,222	92,484	2,512	0	4,053
Interest Paid on Tax Anticipation Notes	0	0	0	0	9,569
Reallocation of Debt Activity	0	0	0	0	(509,569)
Advances In	16,400	0	0	0	0
Advances Out	(16,400)	0	0	0	0
Transfers Out	17,035	0	0	0	0
Excess of Revenues Under Expenditures for Nonbudgeted Activity	1,164	0	0	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(125,390)	0	0	0	0
Budget Basis	<u>\$143,869</u>	<u>(\$40,767)</u>	<u>(\$78,693)</u>	<u>\$107,044</u>	<u>\$1,129,094</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;
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;

Note 6 - Deposits and Investments (continued)

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
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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,572,989 of the County's bank balance of \$6,545,136 was exposed to custodial credit risk because it 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.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 6 - Deposits and Investments (continued)

The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of December 31, 2005, the County had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Repurchase Agreement	\$1,448,595	1/3/06
Federal Home Loan Mortgage Corporation Notes	493,435	11/24/06
Federal National Mortgage Association Bonds	496,565	4/28/06
Federal Home Loan Bank Bonds	492,970	7/20/06
Federal Home Loan Bank Bonds	494,065	7/28/06
Federal Home Loan Bank Bonds	494,375	7/28/06
Federal Home Loan Bank Bonds	494,220	8/10/06
Federal Home Loan Bank Bonds	493,440	8/23/06
Federal Home Loan Bank Bonds	495,315	8/25/06
Federal Home Loan Bank Bonds	491,875	9/22/06
Federal Home Loan Bank Bonds	490,625	10/13/06
Federal Home Loan Bank Bonds	490,315	10/27/06
Federal Home Loan Bank Bonds	490,780	10/30/06
Federal Home Loan Bank Bonds	299,250	11/28/06
Federal Home Loan Bank Bonds	489,375	12/15/06
Federal Home Loan Bank Bonds	488,750	1/29/07
Federal Home Loan Bank Bonds	496,875	5/25/07
STAR Ohio	3,630,413	39.41 days
	<u>\$12,771,238</u>	

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in anything other than as identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the County. The investment policy also requires a minimum of 20 percent of the County's portfolio to mature in less than thirty days and no more than 30 percent may be invested beyond twelve months.

The securities underlying the repurchase agreement (U.S. Treasury Notes), Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Bonds, and Federal Home Loan Bank Bonds carry a rating of AAA by Moody's. STAR Ohio carries a rating of AAA,m by Standard and Poor's. The County has no investment policy dealing with investment credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 6 - Deposits and Investments (continued)

The County places no limit on the amount of its inactive monies it may invest in a particular security. The following table indicates the percentage of each investment to the County's total portfolio.

	Fair Value	Percentage of Portfolio
Repurchase Agreement	\$1,448,595	11.34%
Federal Home Loan Mortgage Corporation Notes	493,435	3.86
Federal National Mortgage Association Bonds	496,565	3.89
Federal Home Loan Bank Bonds	6,702,230	52.48

Note 7 - Receivables

Receivables at December 31, 2005, 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. Notes receivable, in the amount of \$37,941, will not be received within one year.

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 2005 follows:

	Balance December 31, 2004	New Loans	Repayments	Balance December 31, 2005
Special Revenue Fund				
CDBG Revolving Loan	\$48,688	\$0	\$5,670	\$43,018

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 7 - Receivables (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Local Government	
Local Government Revenue Assistance	\$607,392
Estate Tax	11,383
Auditor of State	6,492
Public Defender Grant	8,836
Homestead and Rollback	115,446
Other	377
Total General Fund	749,926
Motor Vehicle and Gasoline Tax	
Gasoline Tax	915,166
Motor Vehicle License Tax	864,763
Other	735
Total Motor Vehicle and Gasoline Tax	1,780,664
Job and Family Services	
ODHS Public Assistance	65,052
Alcohol, Drug Addiction, and Mental Health Services	
Medicaid	166,431
Block Grant - Federal	48,043
Youth Mentoring Initiative	10,769
Homestead and Rollback	36,556
Total Alcohol, Drug Addiction, and Mental Health Services	261,799
Mental Retardation and Developmental Disabilities	
Subsidy Program	5,722
Title VI	211
Title VI-B	32,759
Preschool	10,101
Title XX	19,308
Medicaid	81,235
Homestead and Rollback	173,845
Total Mental Retardation and Developmental Disabilities	323,181
Total Major Funds	3,180,622

(continued)

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 7 - Receivables (continued)

	Amount
Governmental Activities (continued)	
Nonmajor Funds	
Victims of Crime Assistance	
Victims of Crime Grant	\$31,724
Children Services	
Title IV-E	25,870
PSCA	17,839
Ashland County Emergency Grant	
Emergency Management Assistance	10,421
FEMA Hazard Mitigation Grant	23,301
Child Support Enforcement Agency	
State of Ohio	28,135
Violence Against Women	
Violence Against Women Grant	344
Rape Crisis Service	
Rape Crisis Service Grant	3,545
Parents and Children Cooperating Together Grant	6,090
Workforce Investment Act	
Workforce Investment Act Grant	48,220
Felony Delinquent Care	
RECLAIM Grant	72,137
Community Corrections	
Community Corrections Grant	58,097
Total Nonmajor Funds	325,723
Total Governmental Activities	\$3,506,345
Business-Type Activities	
Recycling	
Recycling Grant	\$5,445
Agency Funds	
Local Government	\$512,569
Local Government Revenue Assistance	120,569
Library Local Government	960,590
Gasoline Tax	501,438
Motor Vehicle License Tax	246,246
Permissive Motor Vehicle License Tax	10,331
Homestead and Rollback	8,510
Total Agency Funds	\$2,360,253

Note 8 - Permissive Sales and Use Tax

The County Commissioners, by resolution, imposed a 1.25 percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. The allocation of the sales tax is 1 percent to the County's General Fund and .25 percent for the jail operations and 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 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, 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 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2003, were levied after October 1, 2004, 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 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. 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, 2005, and for which there was an enforceable legal claim. In the governmental funds, the entire receivable for property taxes has been deferred since the current taxes were not levied to finance 2005 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, 2005

Note 9 - Property Taxes (continued)

The full tax rate for all County operations for the year ended December 31, 2005, was \$8.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$561,591,030
Agriculture	87,363,300
Commercial/Industrial/Mineral	110,467,420
Public Utility Property	
Real	312,600
Personal	64,096,580
Tangible Personal Property	84,595,355
Total Assessed Value	\$908,426,285

Note 10 - Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$849,533	\$0	\$0	\$849,533
Construction in Progress	0	34,535	0	34,535
Total Nondepreciable Capital Assets	849,533	34,535	0	884,068
Depreciable Capital Assets				
Land Improvements	106,000	0	0	106,000
Buildings	19,471,295	267,730	(165,000)	19,574,025
Building Improvements	860,654	0	0	860,654
Roads	40,620,500	924,976	0	41,545,476
Bridges	12,424,598	67,558	(25,849)	12,466,307
Equipment	1,796,269	52,389	0	1,848,658
Vehicles	2,060,288	159,394	0	2,219,682
Total Depreciable Capital Assets	77,339,604	1,472,047	(190,849)	78,620,802

(continued)

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 10 - Capital Assets (continued)

	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
Less Accumulated Depreciation for				
Land Improvements	(\$2,120)	(\$2,120)	\$0	(\$4,240)
Buildings	(3,533,892)	(427,710)	16,500	(3,945,102)
Building Improvements	(571,153)	(23,475)	0	(594,628)
Roads	(19,708,422)	(1,037,394)	0	(20,745,816)
Bridges	(6,212,299)	(249,326)	12,924	(6,448,701)
Equipment	(1,213,660)	(103,601)	0	(1,317,261)
Vehicles	(1,167,689)	(162,859)	0	(1,330,548)
Total Accumulated Depreciation	<u>(32,409,235)</u>	<u>(2,006,485)</u>	<u>29,424</u>	<u>(34,386,296)</u>
Total Depreciable Capital Assets, Net	<u>44,930,369</u>	<u>(534,438)</u>	<u>(161,425)</u>	<u>44,234,506</u>
Governmental Activities Capital Assets, Net	<u>\$45,779,902</u>	<u>(\$499,903)</u>	<u>(\$161,425)</u>	<u>\$45,118,574</u>
	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
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	267,311	0	0	267,311
Equipment	450,998	0	0	450,998
Vehicles	120,640	30,815	0	151,455
Total Depreciable Capital Assets	<u>2,404,635</u>	<u>30,815</u>	<u>0</u>	<u>2,435,450</u>
Less Accumulated Depreciation for				
Land Improvements	(32,680)	(2,454)	0	(35,134)
Buildings	(691,505)	(25,277)	0	(716,782)
Building Improvements	(97,993)	(12,054)	0	(110,047)
Equipment	(231,635)	(41,152)	0	(272,787)
Vehicles	(61,519)	(15,145)	0	(76,664)
Total Accumulated Depreciation	<u>(1,115,332)</u>	<u>(96,082)</u>	<u>0</u>	<u>(1,211,414)</u>
Total Depreciable Capital Assets, Net	<u>1,289,303</u>	<u>(65,267)</u>	<u>0</u>	<u>1,224,036</u>
Business-Type Activities Capital Assets, Net	<u>\$1,408,168</u>	<u>(\$65,267)</u>	<u>\$0</u>	<u>\$1,342,901</u>

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 10 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Government	
Legislative and Executive	\$54,240
Judicial	10,598
Public Safety	
Sheriff	333,100
Public Works	1,429,126
Health	
Mental Retardation and Developmental Disabilities	118,055
Other	1,219
Human Services	
Job and Family Services	31,458
Other	6,280
Conservation and Recreation	22,409
Total Depreciation Expense - Governmental Activities	\$2,006,485

Note 11 - Interfund Receivables/Payables

Interfund balances at December 31, 2005, consisted of the following receivables and payables:

Due to General Fund from:

Job and Family Services	\$1,065
Other Governmental	46,645
County Home	5,385
Recycling	3,938
Total General Fund	\$57,033

Due to Motor Vehicle and Gasoline Tax fund from:

Job and Family Services	\$112
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Due to Job and Family Services fund from:

Other Governmental	\$212,026
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Due to Other Governmental funds from:

Job and Family Services	\$6,322
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Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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 the Motor Vehicle and Gasoline Tax fund was for services provided to Job and Family Services. This amount is expected to be received within one year.

The amount due to the Job and Family Services fund 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 2005, the County contracted with the 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	57,968,519
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 2004, and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials' bonds by statute.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 12 - Risk Management (continued)

For 2005, 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 \$75,000 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, 2005, are estimated by the third party administrator at \$354,141.

The changes in the claims liability for 2005 and 2004 were:

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2005	\$335,615	\$2,433,202	\$2,414,676	\$354,141
2004	363,771	2,500,723	2,528,879	335,615

Note 12 - Risk Management (continued)

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 2004, and settled claims have not exceeded this coverage in the past three years.

Note 13 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

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

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

For the year ended December 31, 2005, 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 2005 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.

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 was \$1,173,601, \$1,155,099, and \$1,023,741, respectively; 89 percent has been contributed for 2005 and 100 percent has been contributed for 2004 and 2003. The unpaid contribution for 2005, in the amount of \$134,095 is recorded as a liability. Contributions to the member-directed plan for 2005 were \$9,506 made by the County and \$15,154 made by plan members.

Note 13 - Defined Benefit Pension Plans (continued)

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, 2005, plan members were required to contribute 10 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, 2005, 2004, and 2003 was \$82,561, \$78,882, and \$77,094, respectively; 96 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003. Contributions for the CP for the fiscal year ended June 30, 2005, were \$1,163 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 2005 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, 2004, 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 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$481,380. 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, 2004 (the latest information available), was \$10.8 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 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 the fund in response to increasing health care costs. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

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 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, 2005

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, 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount was \$6,351.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000, and STRS had 115,395 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 \$75,000 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 2005 were as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
<u>Governmental Activities</u>					
<u>Tax Anticipation Notes</u>					
2003 Mental Retardation and Developmental Disabilities	2.50%	\$200,000	\$0	\$200,000	\$0
2004 Mental Retardation and Developmental Disabilities	2.85	300,000	0	300,000	0
Total Governmental Activities		\$500,000	0	\$500,000	\$0

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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 and Developmental and Disabilities special revenue fund. The 2003 Mental Retardation and Developmental Disabilities tax anticipation notes were fully retired in 2005.

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 and Developmental and Disabilities special revenue fund. The 2004 Mental Retardation and Developmental Disabilities tax anticipation notes were fully retired in 2005.

Note 17 - Long-Term Obligations

The County's long-term obligations activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
1991 Job and Family Services (Original Amount \$1,500,000)	5.0%	\$750,000	\$0	\$85,000	\$665,000	\$95,000
1994 County Garage (Original Amount \$1,100,000)	5.0	370,000	0	85,000	285,000	90,000
2001 County Jail (Original Amount \$5,100,000)	4.75	3,955,000	0	180,000	3,775,000	190,000
Total General Obligation Bonds		5,075,000	0	350,000	4,725,000	375,000
Other Long-Term Obligations						
Compensated Absences Payable		917,197	299,509	303,932	912,774	300,391
Capital Leases Payable		5,078	0	5,078	0	0
Total Other Long-Term Obligations		922,275	299,509	309,010	912,774	300,391
Total Governmental Activities		\$5,997,275	\$299,509	\$659,010	\$5,637,774	\$675,391
<u>Business-Type Activities</u>						
Compensated Absences Payable		\$31,416	\$21,439	\$14,353	\$38,502	\$14,353
Closure/Postclosure Costs Payable		1,899,673	0	37,690	1,861,983	40,110
Total Business-Type Activities		\$1,931,089	\$21,439	\$52,043	\$1,900,485	\$54,463

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.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 17 - Long-Term Obligations (continued)

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, 2003, 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, 2003, in multiples of \$5,000, at a redemption price equal to 100 percent of the principal plus accrued interest to the redemption date.

1994 County Garage Bonds The County Garage general obligation bonds are serial bonds. The bonds maturing on or after November 15, 2004, 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, 2004, in multiples of \$5,000, at a redemption price equal to 100 percent of the principal plus accrued interest to the redemption date.

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; 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.

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

Year	General Obligation Bonds	
	Principal	Interest
2006	\$375,000	\$240,123
2007	390,000	220,037
2008	410,000	199,025
2009	330,000	176,838
2010	345,000	158,575
2011-2015	1,440,000	543,001
2016-2020	1,435,000	187,386
	\$4,725,000	\$1,724,985

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 17 - Long-Term Obligations (continued)

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, 2005, were an overall debt margin of \$20,979,284 and a unvoted debt margin of \$8,852,890.

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

	Date of Issue	Amount of Issue	Amount Outstanding December 31, 2005
Bretheran Care, Inc. - Brookwood Place	2/1/96	\$2,825,000	\$2,530,000
Good Shepherd Home for the Aged Project	1/21/99	3,960,000	3,520,000
Bretheran Care, Inc.	9/23/99	14,685,000	13,385,000
Good Shepherd Home-Assisted Living Facilities	11/15/99	4,750,000	4,540,000
		\$26,220,000	\$23,975,000

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.

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 2005 were \$5,078 for governmental funds. The debt was fully retired in 2005.

	Governmental Activities
Equipment	\$19,136
Less Accumulated Depreciation	(15,627)
Carrying Value, December 31, 2005	\$3,509

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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 \$1,861,983 reported as the landfill postclosure liability at December 31, 2005, 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, 2005, the liability decreased from the prior year by \$37,690.

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 passed the financial accountability test in which the County has proven to be able to self-fund these future costs.

Note 20 - Interfund Transfers

During 2005 the following transfers were made:

	Transfers Out				Total
	General	Motor Vehicle and Gasoline Tax	Other Governmental	Landfill	
Governmental Activities					
General	\$0	\$0	\$198,868	\$0	\$198,868
Job and Family Services	137,510	0	0	0	137,510
Other Governmental	650,687	75,438	0	0	726,125
Total Governmental Activities	<u>788,197</u>	<u>75,438</u>	<u>198,868</u>	<u>0</u>	<u>1,062,503</u>
Business-Type Activities					
County Home	356,343	0	0	0	356,343
Recycling	0	0	0	9,883	9,883
Total Business-Type Activities	<u>356,343</u>	<u>0</u>	<u>0</u>	<u>9,883</u>	<u>366,226</u>
Total	<u>\$1,144,540</u>	<u>\$75,438</u>	<u>\$198,868</u>	<u>\$9,883</u>	<u>\$1,428,729</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.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 21 - Federal Food Stamp Program (continued)

Federal food stamp activity for the year was as follows:

Balance at Beginning of Year	\$2,905
Amount Received for Distribution	0
Amount Distributed to Entitled Recipients	0
Balance at End of Year	\$2,905

Note 22 - 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.

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:

Asset Category	Estimated Lives
Equipment	5-12 years
Vehicles	5-10 years

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 22 - D-R Services, Inc. (continued)

B. Capital Assets

A summary of the D-R Services, Inc. capital assets at December 31, 2005, follows:

Equipment	\$231,120
Vehicles	62,534
	293,654
Less Accumulated Depreciation	(227,360)
Net Capital Assets	\$66,294

C. Loan Payable

The changes in D-R Services, Inc. loan payable during 2005 were as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
2005 Vehicle Loan	7.14%	\$0	\$23,500	\$1,315	\$22,185	\$4,147

On August 30, 2005, D-R Services, Inc. obtained a vehicle loan, in the amount of \$23,500, for the purchase of a box truck. The loan was obtained for a five year period, with final maturity in 2010. The loan has an interest rate of 7.14 percent.

Note 23 - 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 2005, 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.

Note 23 - Jointly Governed Organizations (continued)

C. Ashland Community Improvement Corporation

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.

D. Ashland Area Council for Economic Development

The Ashland Area Council for Economic Development (Council) is a jointly governed organization between Ashland County and the City of Ashland. The Council was organized to undertake joint programs for economic development of the Ashland County area. The Council board consists of President of Council from the City of Ashland, a representative appointed by City Council, a member of the Board of County Commissioners, and a representative appointed by the Board of County Commissioners. Each term is for three years. Financial information can be obtained from the Ashland Area Council for Economic Development, 206 Claremont Avenue, Ashland, Ohio 44805.

Note 24 - 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.

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.

Note 24 - Insurance Pools (continued)

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 25 - 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 2005, this allocation was \$55,000.

Note 26 - Related Party Transactions

During 2005, 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 \$20,017 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 \$2,624,319.

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
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 28 - Subsequent Event

On May 2, 2006, the voters approved a 2.1 mill three-year renewal levy for Mental Retardation and Developmental Disabilities operations.

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**ASHLAND COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. Department of Health and Human Services</u>						
<i>Passed through the Ohio Department of Mental Health:</i>						
Alcohol and Drug Abuse and Mental Health Services Block Grant	93.958	FY05	\$33,573		\$33,573	
Prevention Block Grant		FY05	3,850		3,850	
Total Alcohol and Drug Abuse and Mental Health Services Block Grant			37,423		37,423	
Social Services Block Grant	93.667	FY05	35,495		35,495	
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Social Services Block Grant	93.667	FY05	20,268		20,268	
		FY06	19,395		19,395	
			39,663		39,663	
Total Social Services Block Grant			75,158		75,158	
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>						
Block Grants for Prevention and Treatment of Substance Abuse	93.959	FY05 Per Capita FY05 TANF	178,493		178,493	
			42,222		42,222	
Total Block Grants for Prevention and Treatment of Substance Abuse			220,715		220,715	
<i>Passed through the Ohio Department of Mental Health:</i>						
Medical Assistance Program	93.778	FY05 CAFS FY05	5,958		5,586	
			1,018,995		1,007,462	
			1,024,953		1,013,048	
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>						
Medical Assistance Program	93.778	FY05	54,847		61,269	
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	93.778	FY00 CAFS	84,333		84,333	
		FY00 TCM	2,276		2,276	
		FY01 CAFS	73,237		73,237	
		FY01 TCM	4,170		4,170	
		FY02 CAFS	198,810		198,810	
		FY02 TCM	12,696		12,696	
		FY03 CAFS	250,988		250,988	
		FY03 TCM	86,893		86,893	
		FY05 CAFS	414,840		414,840	
		FY05 TCM	26,862		26,862	
		FY06 CAFS	112,348		112,348	
		FY06 TCM	9,768		9,768	
			1,277,221		1,277,221	
Total Medical Assistance Program			2,357,021		2,351,538	
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
State Children's Insurance Program	93.767	FY05 CAFS SCHIP	724		724	
		FY05 TCM SCHIP	122		122	
		FY06 CAFS SCHIP	221		221	
		FY06 TCM SCHIP	94		94	
Total State Children's Insurance Program			1,161		1,161	
Total U.S. Department of Health and Human Services			2,691,478		2,685,995	

(Continued)

**ASHLAND COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. Department of Housing and Urban Development</u>						
<i>Passed through the Ohio Department of Development:</i>						
Community Development Block Grant	14.228	BF-03-003-1	31,081		31,453	
State's Program		BF-04-003-1	19,950		19,932	
		BC-03-003-1	88,257		88,257	
		BC-03-003-2	190,019		187,982	
		BW-04-003-1	300		270	
Total U.S. Department of Housing and Urban Development			329,607		327,894	
<u>U.S. Department of Labor</u>						
<i>Passed through Area 7 Workforce Investment Board:</i>						
Workforce Investment Act Cluster:						
Workforce Investment Act Youth Activities	17.259		109,290		138,530	
Workforce Investment Act Adult Program	17.258		66,398		70,397	
Workforce Investment Act Adult Program Administration			11,852		12,779	
Total Workforce Investment Act Adult Program			78,250		83,176	
Workforce Investment Act Dislocated Workers	17.260		109,642		98,676	
Workforce Investment Act Dislocated Workers Administration			19,570		17,912	
Total Workforce Investment Act Dislocated Workers			129,212		116,588	
Total Workforce Investment Act Cluster			316,752		338,294	
Unemployment Insurance Program	17.225		9,287		11,164	
Total U.S. Department of Labor			326,039		349,458	
<u>U.S. Department of Education</u>						
<i>Passed through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	84.027	069625-6BSF-2005	34,782		34,782	
		069625-6BSF-2006	21,839		21,839	
Total Special Education Grants to States			56,621		56,621	
Special Education Preschool Grants	84.173	069625-PGS1-2005	11,277		11,277	
		069625-PGS1-2006	6,734		6,734	
Total Special Education Preschool Grants			18,011		18,011	
Total Special Education Cluster			74,632		74,632	
Innovative Education Program Strategies	84.298	069625-C2SI-2005	153		153	
		069625-C2SI-2006	141		141	
Total Innovative Education Program Strategies			294		294	
Total U.S. Department of Education			74,926		74,926	
<u>U.S. Department of Agriculture</u>						
<i>Passed through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
School Breakfast Program	10.553	069625-05PU-2005	10,454		10,454	
National School Lunch Program	10.555	069625-LLP4-2005	19,926		19,926	
Food Distribution	10.550	N/A		\$9,924		\$9,924
Total U.S. Department of Agriculture - Child Nutrition Cluster			30,380	9,924	30,380	9,924

(Continued)

ASHLAND COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. General Service Agency</u>						
<i>Passed through the Ohio Secretary of State:</i>						
Election Reform Payments	39.011	05-SOS-HAVA-03	14,530		14,530	
<u>Elections Assistance Commission</u>						
<i>Passed through the Ohio Secretary of State:</i>						
Help America Vote Act Requirement Payments	90.401	E05-0187-03	479,420		479,420	
<u>U.S. Department of Homeland Security</u>						
<i>Passed through the Ohio Emergency Management Agency:</i>						
Homeland Security Grant Program	16.007	2003-MU-T3-0015	63,238		121,323	
	97.004	2004-GE-T4-0025	201,266		190,670	
Total Homeland Security Grant Program			264,504		311,993	
Public Assistance Program	97.036	FEMA-DR-1580-OH	75,514		75,514	
Hazard Mitigation Grant Program	97.039	FEMA-DR-1484-OH	2,589		1,500	
Total U.S. Department of Homeland Security			342,607		389,007	
<u>U.S. Department of Justice</u>						
<i>Passed through the Ohio Criminal Justice Services:</i>						
Crime Victim Assistance	16.575	2005-VAGENE-306	27,383		29,488	
		2006-VAGENE-306	10,575		4,532	
Total Crime Victim Assistance			37,958		34,020	
Violence Against Women Formula Grant	16.588	2003-WF-VA6-8182	9,763		3,585	
		2004-WF-VA5-8182	23,627		23,971	
Total Violence Against Women Formula Grant			33,390		27,556	
Local Law Enforcement Block Grants Program	16.592	2003-LE-LEB-3545	879		879	
Total U.S. Department of Justice			72,227		62,455	
Total			<u>\$4,361,214</u>	<u>\$9,924</u>	<u>\$4,414,065</u>	<u>\$9,924</u>

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

ASHLAND COUNTY

**NOTES TO FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005**

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, 2005, 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, 2005, the gross amount of loans outstanding was \$43,018 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, the aggregate discretely presented component unit, each major fund and remaining fund information of Ashland County, Ohio, (the County) as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 20, 2006 in which we noted the County restated its December 31, 2004 fund balance of the Alcohol, Drug Addiction and Mental Health Services fund and its December 31, 2004 net assets balance of its Governmental Activities. 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 20, 2006, 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 20, 2006, 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 20, 2006



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, 2005. 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 County'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, 2005.

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 County'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.

In a separate letter to the County's management dated September 20, 2006, we reported an other matter related to the internal control over federal compliance we deemed immaterial.

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 20, 2006

ASHLAND COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Was there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block State's Program CFDA#14.228 Workforce Investment Act Cluster: WIA Youth Activities \CFDA#17.259; WIA Adult Program\CFDA#17.258; WIA Dislocated Workers\CFDA#17.260 and WIA Rapid Response \CFDA#17.260 Help America Vote Act Requirement Payments CFDA#90.401 Block Grants for Prevention and Treatment of Substance Abuse CFDA#93.959
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

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 17, 2006**