

**ASHLAND COUNTY, OHIO**  
***BASIC FINANCIAL STATEMENTS***  
***(Audited)***

***FOR THE YEAR ENDED***  
***DECEMBER 31, 2012***

**CINDY FUNK, AUDITOR**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Ashland County, prepared by Julian & Grube, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 18, 2013

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ASHLAND COUNTY

BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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Independent Auditor's Report

Ashland County  
142 West 2<sup>nd</sup> Street  
Ashland, Ohio 44805

To the Board of Commissioners:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component unit and remaining fund information of Ashland County, Ohio, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Ashland County's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component unit and remaining fund information of Ashland County, Ohio, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof 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 Developmental Disabilities funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on Ashland County's basic financial statements taken as a whole.

The schedule of expenditures of federal awards presents additional analysis as required by the 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 financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2013, on our consideration of Ashland County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ashland County's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
August 28, 2013



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Ashland County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2012  
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, 2012. 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 position decreased \$987,427, or less than 2 percent. Governmental activities decreased \$869,162, or less than 2 percent, and business-type activities decreased \$118,265, or over 18 percent, with both enterprise funds having a decrease for 2012. Business-type activities continued to have deficit net position at year end.

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 position 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; Developmental Disabilities; and Landfill funds.

Reporting the County as a Whole

The statement of net position and the statement of activities reflect how the County did financially during 2012. 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 position and changes in net position. This change in net position 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 position and the statement of activities, the County is divided into three distinct types of activities.

Governmental Activities - Most of the County's programs and services are reported here including general government, public safety, public works, health, human services, and conservation and recreation. These services are funded primarily by property and sales taxes and intergovernmental revenues, including federal and state grants and other shared revenues.

Ashland County  
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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 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; Developmental Disabilities; and Landfill 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  
Management's Discussion and Analysis  
For the Year Ended December 31, 2012  
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Government-Wide Financial Analysis

Table 1 provides a summary of the County's net position for 2012 and 2011.

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<u>Assets</u>						
Current and Other Assets	\$29,469,835	\$30,122,173	\$498,578	\$654,167	\$29,968,413	\$30,776,340
Capital Assets, Net	39,931,049	40,981,043	342,668	364,919	40,273,717	41,345,962
Total Assets	69,400,884	71,103,216	841,246	1,019,086	70,242,130	72,122,302
<u>Liabilities</u>						
Current and Other Liabilities	1,278,986	1,729,538	30,811	40,050	1,309,797	1,769,588
Long-Term Liabilities	3,171,396	3,445,347	1,562,522	1,612,858	4,733,918	5,058,205
Total Liabilities	4,450,382	5,174,885	1,593,333	1,652,908	6,043,715	6,827,793
<u>Deferred Inflows of Resources</u>	6,701,710	6,810,377	0	0	6,701,710	6,810,377
<u>Net Position</u>						
Net Investment in Capital Assets	37,955,058	38,635,599	342,668	364,919	38,297,726	39,000,518
Restricted	17,630,466	17,523,771	0	0	17,630,466	17,523,771
Unrestricted (Deficit)	2,663,268	2,958,584	(1,094,755)	(998,741)	1,568,513	1,959,843
Total Net Position (Deficit)	\$58,248,792	\$59,117,954	(\$752,087)	(\$633,822)	\$57,496,705	\$58,484,132

There was an overall decrease in net position for governmental activities of less than 2 percent which was not significant. The decrease in current and other assets mostly resulted from a decrease in cash and cash equivalents due to the General Fund transferring a larger amount to subsidize activities in other funds than in the prior year. The decrease in net capital assets and investment in capital assets is primarily due to annual depreciation as 2012 asset disposals were minimal. The decrease in current and other liabilities was largely the result of a funding reduction for child support.

The 18 percent decrease in net position for business-type activities is due to cash carryover spending as both the landfill and recycling operations has operating losses for 2012.

Ashland County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2012  
Unaudited

Table 2 reflects the change in net position for 2012 and 2011.

Table 2  
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$3,560,179	\$3,562,687	\$865,377	\$882,131	\$4,425,556	\$4,444,818
Operating Grants, Contributions, and Interest	15,275,488	16,315,384	0	0	15,275,488	16,315,384
Capital Grants and Contributions	483,377	0	0	0	483,377	0
<b>Total Program Revenues</b>	<b>19,319,044</b>	<b>19,878,071</b>	<b>865,377</b>	<b>882,131</b>	<b>20,184,421</b>	<b>20,760,202</b>
General Revenues						
Property Taxes Levied for						
General Operations	2,151,832	2,267,086	0	0	2,151,832	2,267,086
Health-Alcohol, Drug Addiction, and Mental Health Services	844,436	695,295	0	0	844,436	695,295
Health-Developmental Disabilities	3,345,521	3,336,333	0	0	3,345,521	3,336,333
Health – Other	498,996	498,757	0	0	498,996	498,757
Payment in Lieu of Taxes	23,424	24,131	0	0	23,424	24,131
Permissive Sales Taxes Levied for						
General Operations	5,186,391	5,135,970	0	0	5,186,391	5,135,970
County Jail Operations	916,556	900,610	0	0	916,556	900,610
Debt Service	379,800	383,200	0	0	379,800	383,200
Other Local Taxes	3,619	3,338	0	0	3,619	3,338
Grants and Entitlements	2,219,664	2,213,043	0	0	2,219,664	2,213,043
Interest	98,478	138,903	0	0	98,478	138,903
Other	1,180,521	863,505	15,708	2,221	1,196,229	865,726
<b>Total General Revenues</b>	<b>16,849,238</b>	<b>16,460,171</b>	<b>15,708</b>	<b>2,221</b>	<b>16,864,946</b>	<b>16,462,392</b>
<b>Total Revenues</b>	<b>36,168,282</b>	<b>36,338,242</b>	<b>881,085</b>	<b>884,352</b>	<b>37,049,367</b>	<b>37,222,594</b>
<u>Program Expenses</u>						
General Government						
Legislative and Executive	5,268,820	4,895,792	0	0	5,268,820	4,895,792
Judicial	1,896,633	1,819,618	0	0	1,896,633	1,819,618
Public Safety						
Sheriff	6,140,036	5,741,701	0	0	6,140,036	5,741,701
Other	207,864	275,139	0	0	207,864	275,139
Public Works	5,638,010	6,512,307	0	0	5,638,010	6,512,307
Health						
Alcohol, Drug Addiction, and Mental Health Services	3,635,141	4,229,053	0	0	3,635,141	4,229,053
Developmental Disabilities	6,996,160	6,627,373	0	0	6,996,160	6,627,373
Other	942,474	937,698	0	0	942,474	937,698

(continued)

Ashland County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2012  
Unaudited

Table 2  
Change in Net Position  
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Human Services						
Children Services	\$2,312,461	\$1,495,667	\$0	\$0	\$2,312,461	\$1,495,667
Job and Family Services	2,749,615	3,008,457	0	0	2,749,615	3,008,457
Other	978,468	1,634,788	0	0	978,468	1,634,788
Conservation and Recreation	43,349	50,349	0	0	43,349	50,349
Intergovernmental	167,836	167,095	0	0	167,836	167,095
Internal Service Fund-External Portion	0	31,280	0	0	0	31,280
Interest and Fiscal Charges	47,362	200,035	0	0	47,362	200,035
Landfill	0	0	341,737	215,061	341,737	215,061
Recycling	0	0	670,828	628,557	670,828	628,557
Total Expenses	<u>37,024,229</u>	<u>37,626,352</u>	<u>1,012,565</u>	<u>843,618</u>	<u>38,036,794</u>	<u>38,469,970</u>
Increase (Decrease) in Net Position Before Transfers	(855,947)	(1,288,110)	(131,480)	40,734	(987,427)	(1,247,376)
Transfers	(13,215)	0	13,215	0	0	0
Increase (Decrease) in Net Position	(869,162)	(1,288,110)	(118,265)	40,734	(987,427)	(1,247,376)
Net Position (Deficit) Beginning of Year	59,117,954	60,406,064	(633,822)	(674,556)	58,484,132	59,731,508
Net Position (Deficit) End of Year	<u>\$58,248,792</u>	<u>\$59,117,954</u>	<u>(\$752,087)</u>	<u>(\$633,822)</u>	<u>\$57,496,705</u>	<u>\$58,484,132</u>

For governmental activities, both program revenues and general revenues remained very similar to the prior year with a change of less than 1 percent overall. For program revenues, there was a decrease in operating grants, contributions, and interest due to a reduction in grant funding and an increase in capital grants and contributions resulting from funding from the Ohio Department of Transportation for bridge replacement.

Expenses for governmental activities also remained very similar to the prior year with a decrease of 2 percent overall. The programs having the greatest costs continue to be for legislative and executive (which are the primary general government operations); the sheriff; public works; alcohol, drug addiction, and mental health services, developmental disabilities (Dale Roy), and job and family services activities (including children's services). These programs account for over 88 percent of all governmental expenses.

For business-type activities, revenues changed very little from the prior year. Overall, expenses increased 20 percent. The increase in the landfill was primarily for miscellaneous expenses and almost all categories of expense increased for the recycling operation.

Ashland County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2012  
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	
	2012	2011	2012	2011
General Government:				
Legislative and Executive	\$5,268,820	\$4,895,792	\$3,646,685	\$3,231,062
Judicial	1,896,633	1,819,618	837,653	818,030
Public Safety				
Sheriff	6,140,036	5,741,701	5,486,213	5,170,990
Other	207,864	275,139	163,670	105,754
Public Works	5,638,010	6,512,307	567,588	1,515,340
Health				
Alcohol, Drug Addiction and Mental Health Services	3,635,141	4,229,053	758,981	429,797
Developmental Disabilities	6,996,160	6,627,373	3,994,960	4,096,779
Other	942,474	937,698	708,405	697,079
Human Services				
Children Services	2,312,461	1,495,667	1,310,237	695,293
Job and Family Services	2,749,615	3,008,457	194,797	(47,577)
Other	978,468	1,634,788	(133,445)	704,415
Conservation and Recreation	43,349	50,349	43,349	50,349
Intergovernmental	167,836	167,095	78,730	78,897
Internal Service Fund-External Portion	0	31,280	0	2,038
Interest and Fiscal Charges	47,362	200,035	47,362	200,035
Total Expenses	<u>\$37,024,229</u>	<u>\$37,626,352</u>	<u>\$17,705,185</u>	<u>\$17,748,281</u>

The County's general revenues (primarily property taxes, sales taxes, and unrestricted grants and entitlements) support nearly 48 percent of the governmental programs provided by the County (47 percent in 2011). 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, 31 percent of legislative and executive costs were provided for through various charges for services. The judicial program also provides for 56 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 as well as from charges to other governmental entities for which the County Engineer provides services. Various operating grants provided for 79 percent of the costs for alcohol, drug addiction, and mental health services programs, 43 percent of the costs for developmental disabilities programs, and 93 percent of the costs of the job and family services program.

Ashland County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2012  
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 Developmental Disabilities special revenue funds. The General Fund had decrease in fund balance for 2012. Both revenues and expenditures remained similar to the prior year; however, the General Fund transferred a larger amount of resources to subsidize activities in other funds than the prior year. The Motor Vehicle and Gasoline Tax Fund had a decrease in fund balance of 1 percent which was not significant. Fund balance decreased 6 percent in the Job and Family Services Fund largely due to a reduction in grant funding. The Alcohol, Drug Addiction, and Mental Health Services Fund also experienced a decrease in grant funding; however, because revenues were in excess of expenditures for the year, the fund experienced an increase in fund balance. Lastly, the Developmental Disabilities fund had a modest 1 percent decrease in fund balance.

Business-Type Activities Financial Analysis

For 2012, the Landfill enterprise fund had an operating loss. The landfill had been operating at a loss for more than nine years. The County closed its landfill in 1997 and costs are currently related to postclosure activities. The Recycling program also had an operating loss for 2012.

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. For revenues, changes from the original budget to the final budget were largely due to improved sales tax revenue expectations as the economy has been making a slow recovery. Changes from the final budget to actual revenues were minimal. For expenditures, changes from the original budget to the final budget and from the final budget to actual expenditures were not significant.

Capital Assets and Debt Administration

Capital Assets - The County's net investment in capital assets for governmental and business-type activities as of December 31, 2012, was \$37,955,058 and \$342,668, respectively (net of accumulated depreciation and related debt). The primary additions for governmental activities consisted of road improvements and bridge replacements. Disposals were minimal. For business-type activities, there were no additions or disposals. For further information regarding the County's capital assets, refer to Note 11 to the basic financial statements.

Debt - At December 31, 2012, the County had outstanding general obligation bonds and capital leases, in the amount of \$1,935,000 and \$40,991, respectively. In addition, the County's long-term obligations also include compensated absences and the liability for landfill postclosure costs. For further information regarding the County's long-term obligations, refer to Notes 17, 18, and 19 to the basic financial statements.



Ashland County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2012  
Unaudited

Current Issues

The County's General Fund continues to experience some budget difficulties as a result of shrinking revenue, a lower carryover balance compared to years past, and rising costs of Children Services. The County is discussing a Children Services sales tax levy to help alleviate some of the burden on the General Fund. If a tax levy is not passed, budgets will likely see reductions.

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 Cindy Funk , Ashland County Auditor, 142 West Second Street, Ashland, Ohio 44805.

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Ashland County  
Statement of Net Position  
Primary Government and Discretely Presented Component Unit  
December 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	D-R Services, Inc.
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$15,694,029	\$430,349	\$16,124,378	\$0
Cash and Cash Equivalents in Segregated Accounts	33,882	7,648	41,530	54,925
Accounts Receivable	7,583	44,104	51,687	13,977
Accrued Interest Receivable	13,171	0	13,171	0
Permissive Sales Taxes Receivable	1,613,784	0	1,613,784	0
Other Local Taxes Receivable	13,014	0	13,014	0
Due from Other Governments	4,394,425	0	4,394,425	0
Prepaid Items	72,326	0	72,326	0
Materials and Supplies Inventory	526,772	0	526,772	2,940
Inventory Held for Resale	0	16,477	16,477	0
Property Taxes Receivable	7,080,370	0	7,080,370	0
Payment in Lieu of Taxes Receivable	20,479	0	20,479	0
Nondepreciable Capital Assets	894,007	118,865	1,012,872	0
Depreciable Capital Assets, Net	39,037,042	223,803	39,260,845	28,094
<b>Total Assets</b>	<b>69,400,884</b>	<b>841,246</b>	<b>70,242,130</b>	<b>99,936</b>
<u>Liabilities</u>				
Accrued Wages Payable	138,683	7,306	145,989	0
Matured Compensated Absences Payable	23,103	0	23,103	0
Accounts Payable	619,227	17,501	636,728	29,211
Contracts Payable	86,647	0	86,647	0
Due to Other Governments	396,509	6,004	402,513	0
Retainage Payable	11,246	0	11,246	0
Accrued Interest Payable	3,571	0	3,571	0
Long-Term Liabilities:				
Due Within One Year	771,703	60,861	832,564	0
Due in More Than One Year	2,399,693	1,501,661	3,901,354	0
<b>Total Liabilities</b>	<b>4,450,382</b>	<b>1,593,333</b>	<b>6,043,715</b>	<b>29,211</b>
<u>Deferred Inflows of Resources</u>				
Property Taxes	6,681,231	0	6,681,231	0
Payment in Lieu of Taxes	20,479	0	20,479	0
<b>Total Deferred Inflows of Resources</b>	<b>6,701,710</b>	<b>0</b>	<b>6,701,710</b>	<b>0</b>
<u>Net Position</u>				
Net Investment in Capital Assets	37,955,058	342,668	38,297,726	28,094
Restricted for:				
Debt Service	525,592	0	525,592	0
Public Works	3,540,978	0	3,540,978	0
Alcohol, Drug Addiction, and Mental Health Services	2,139,067	0	2,139,067	0
Developmental Disabilities	6,881,219	0	6,881,219	0
Real Estate Assessment	1,063,315	0	1,063,315	0
County Jail	704,955	0	704,955	0
Other Purposes	2,775,340	0	2,775,340	0
Unrestricted (Deficit)	2,663,268	(1,094,755)	1,568,513	42,631
<b>Total Net Position (Deficit)</b>	<b>\$58,248,792</b>	<b>(\$752,087)</b>	<b>\$57,496,705</b>	<b>\$70,725</b>

See Accompanying Notes to the Basic Financial Statements

Ashland County  
Statement of Activities  
Primary Government and Discretely Presented Component Unit  
For the Year Ended December 31, 2012

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities</u>				
General Government				
Legislative and Executive	\$5,268,820	\$1,600,500	\$21,635	\$0
Judicial	1,896,633	992,451	66,529	0
Public Safety				
Sheriff	6,140,036	399,460	254,363	0
Other	207,864	175	44,019	0
Public Works	5,638,010	228,685	4,358,360	483,377
Health				
Alcohol, Drug Addiction, and Mental Health Services	3,635,141	0	2,876,160	0
Developmental Disabilities	6,996,160	390	3,000,810	0
Other	942,474	145,130	88,939	0
Human Services				
Children Services	2,312,461	0	1,002,224	0
Job and Family Services	2,749,615	0	2,554,818	0
Other	978,468	193,388	918,525	0
Conservation and Recreation	43,349	0	0	0
Intergovernmental	167,836	0	89,106	0
Interest and Fiscal Charges	47,362	0	0	0
<b>Total Governmental Activities</b>	<b>37,024,229</b>	<b>3,560,179</b>	<b>15,275,488</b>	<b>483,377</b>
<u>Business-Type Activities</u>				
Landfill	341,737	237,093	0	0
Recycling	670,828	628,284	0	0
<b>Total Business-Type Activities</b>	<b>1,012,565</b>	<b>865,377</b>	<b>0</b>	<b>0</b>
<b>Total Primary Government</b>	<b>\$38,036,794</b>	<b>\$4,425,556</b>	<b>\$15,275,488</b>	<b>\$483,377</b>
<u>Component Unit</u>				
D-R Services, Inc.	\$218,820	\$211,122	\$0	\$0

General Revenues  
Property Taxes Levied for  
  General Operations  
  Health-Alcohol, Drug Addiction, and Mental Health Services  
  Health-Developmental Disabilities  
  Health-Other  
Payment in Lieu of Taxes  
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

Total General Revenues and Transfers

Change in Net Position

Net Position (Deficit) Beginning of Year

Net Position (Deficit) End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Change in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	D-R Services, Inc.
(\$3,646,685)	\$0	(\$3,646,685)	\$0
(837,653)	0	(837,653)	0
(5,486,213)	0	(5,486,213)	0
(163,670)	0	(163,670)	0
(567,588)	0	(567,588)	0
(758,981)	0	(758,981)	0
(3,994,960)	0	(3,994,960)	0
(708,405)	0	(708,405)	0
(1,310,237)	0	(1,310,237)	0
(194,797)	0	(194,797)	0
133,445	0	133,445	0
(43,349)	0	(43,349)	0
(78,730)	0	(78,730)	0
(47,362)	0	(47,362)	0
(17,705,185)	0	(17,705,185)	0
0	(104,644)	(104,644)	0
0	(42,544)	(42,544)	0
0	(147,188)	(147,188)	0
(17,705,185)	(147,188)	(17,852,373)	0
0	0	0	(7,698)
2,151,832	0	2,151,832	0
844,436	0	844,436	0
3,345,521	0	3,345,521	0
498,996	0	498,996	0
23,424	0	23,424	0
5,186,391	0	5,186,391	0
916,556	0	916,556	0
379,800	0	379,800	0
3,619	0	3,619	0
2,219,664	0	2,219,664	0
98,478	0	98,478	0
0	0	0	8,508
1,180,521	15,708	1,196,229	7,312
16,849,238	15,708	16,864,946	15,820
(13,215)	13,215	0	0
16,836,023	28,923	16,864,946	15,820
(869,162)	(118,265)	(987,427)	8,122
59,117,954	(633,822)	58,484,132	62,603
<u>\$58,248,792</u>	<u>(\$752,087)</u>	<u>\$57,496,705</u>	<u>\$70,725</u>

Ashland County  
Balance Sheet  
Governmental Funds  
December 31, 2012

	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	\$1,256,672	\$1,124,050	\$273,668	\$1,743,007
Cash and Cash Equivalents in Segregated Accounts	20	0	0	0
Accounts Receivable	824	0	0	0
Accrued Interest Receivable	12,825	174	0	0
Permissive Sales Taxes Receivable	1,291,065	0	0	0
Other Local Taxes Receivable	0	13,014	0	0
Due from Other Governments	810,818	2,152,841	201,807	383,165
Interfund Receivable	20,000	465	259,716	0
Prepaid Items	72,326	0	0	0
Materials and Supplies Inventory	37,330	471,110	7,548	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	113,257	0	0	0
Property Taxes Receivable	2,041,218	0	0	898,925
Payment in Lieu of Taxes Receivable	8,400	0	0	0
<b>Total Assets</b>	<b>\$5,664,755</b>	<b>\$3,761,654</b>	<b>\$742,739</b>	<b>\$3,025,097</b>
<u>Liabilities</u>				
Accrued Wages Payable	\$38,698	\$40,321	\$34,928	\$2,473
Matured Compensated Absences Payable	0	0	23,103	0
Accounts Payable	74,609	84,712	27,504	10,795
Contracts Payable	0	6,240	0	0
Due to Other Governments	167,616	27,524	42,178	5,658
Interfund Payable	465	0	0	5,768
Retainage Payable	0	0	0	0
<b>Total Liabilities</b>	<b>281,388</b>	<b>158,797</b>	<b>127,713</b>	<b>24,694</b>
<u>Deferred Inflows of Resources</u>				
Property Taxes	1,926,149	0	0	848,250
Payment in Lieu of Taxes	8,400	0	0	0
Unavailable Revenue	1,694,650	1,855,724	82,666	117,399
<b>Total Deferred Inflows of Resources</b>	<b>3,629,199</b>	<b>1,855,724</b>	<b>82,666</b>	<b>965,649</b>
<u>Fund Balances</u>				
Nonspendable	221,313	471,110	7,548	0
Restricted	9,153	1,276,023	524,812	2,034,754
Committed	2,107	0	0	0
Assigned	1,026,222	0	0	0
Unassigned	495,373	0	0	0
<b>Total Fund Balances</b>	<b>1,754,168</b>	<b>1,747,133</b>	<b>532,360</b>	<b>2,034,754</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$5,664,755</b>	<b>\$3,761,654</b>	<b>\$742,739</b>	<b>\$3,025,097</b>

See Accompanying Notes to the Basic Financial Statements

<u>Developmental Disabilities</u>	<u>Other Governmental</u>	<u>Total</u>
\$6,745,146	\$4,438,229	\$15,580,772
0	33,862	33,882
6,084	675	7,583
135	37	13,171
0	322,719	1,613,784
0	0	13,014
378,347	467,447	4,394,425
0	28,192	308,373
0	0	72,326
9,471	1,313	526,772
0	0	113,257
3,603,498	536,729	7,080,370
12,079	0	20,479
<u>\$10,754,760</u>	<u>\$5,829,203</u>	<u>\$29,778,208</u>
\$10,767	\$11,496	\$138,683
0	0	23,103
72,761	348,846	619,227
66,302	14,105	86,647
88,522	65,011	396,509
0	302,140	308,373
0	11,246	11,246
<u>238,352</u>	<u>752,844</u>	<u>1,583,788</u>
3,400,360	506,472	6,681,231
12,079	0	20,479
<u>577,223</u>	<u>509,896</u>	<u>4,837,558</u>
<u>3,989,662</u>	<u>1,016,368</u>	<u>11,539,268</u>
9,471	1,313	710,755
6,517,275	4,041,621	14,403,638
0	17,057	19,164
0	0	1,026,222
0	0	495,373
<u>6,526,746</u>	<u>4,059,991</u>	<u>16,655,152</u>
<u>\$10,754,760</u>	<u>\$5,829,203</u>	<u>\$29,778,208</u>

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Ashland County  
 Reconciliation of Total Governmental Fund Balances  
 to Net Position of Governmental Activities  
 December 31, 2012

Total Governmental Fund Balances		\$16,655,152
<p>Amounts reported for governmental activities on the statement of net position are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		39,931,049
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds:		
Accounts Receivable	2,398	
Accrued Interest Receivable	8,861	
Permissive Sales Taxes Receivable	1,167,618	
Due from Other Governments	3,259,542	
Delinquent Property Taxes Receivable	399,139	
		4,837,558
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(3,571)	
General Obligation Bonds Payable	(1,935,000)	
Capital Leases Payable	(40,991)	
Compensated Absences Payable	(1,195,405)	
		(3,174,967)
Net Position of Governmental Activities		\$58,248,792

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, 2012

	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Alcohol, Drug Addiction, and Mental Health Services
<u>Revenues</u>				
Property Taxes	\$2,189,163	\$0	\$0	\$841,696
Payment in Lieu of Taxes	10,726	0	0	0
Permissive Sales Taxes	5,188,289	0	0	0
Other Local Taxes	3,619	176,657	0	0
Charges for Services	1,777,896	0	0	0
Licenses and Permits	2,535	0	0	0
Fines and Forfeitures	102,249	50,630	0	0
Intergovernmental	1,831,865	4,741,668	2,119,717	2,925,570
Interest	99,947	1,703	0	0
Other	380,409	109,169	109,045	68,278
<b>Total Revenues</b>	<b>11,586,698</b>	<b>5,079,827</b>	<b>2,228,762</b>	<b>3,835,544</b>
<u>Expenditures</u>				
Current:				
General Government				
Legislative and Executive	4,474,573	0	0	0
Judicial	1,276,882	0	0	0
Public Safety				
Sheriff	4,337,019	0	0	0
Other	206,167	0	0	0
Public Works	82,305	5,057,094	0	0
Health				
Alcohol, Drug Addiction, and Mental Health				
Services	0	0	0	3,639,511
Developmental Disabilities	0	0	0	0
Other	187,902	0	0	0
Human Services				
Children Services	0	0	0	0
Job and Family Services	0	0	2,355,735	0
Other	304,989	0	0	0
Conservation and Recreation	22,500	0	0	0
Intergovernmental	55,000	0	0	0
Debt Service:				
Principal Retirement	0	39,453	0	0
Interest and Fiscal Charges	0	3,137	0	0
<b>Total Expenditures</b>	<b>10,947,337</b>	<b>5,099,684</b>	<b>2,355,735</b>	<b>3,639,511</b>
Excess of Revenues Over (Under) Expenditures	639,361	(19,857)	(126,973)	196,033
<u>Other Financing Sources (Uses)</u>				
Transfers In	3,914	0	92,984	0
Transfers Out	(1,184,984)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(1,181,070)</b>	<b>0</b>	<b>92,984</b>	<b>0</b>
Changes in Fund Balances	(541,709)	(19,857)	(33,989)	196,033
Fund Balances Beginning of Year	2,295,877	1,766,990	566,349	1,838,721
Fund Balances End of Year	<u>\$1,754,168</u>	<u>\$1,747,133</u>	<u>\$532,360</u>	<u>\$2,034,754</u>

See Accompanying Notes to the Basic Financial Statements

Developmental Disabilities	Other Governmental	Total
\$3,375,116	\$503,682	\$6,909,657
12,698	0	23,424
0	1,296,828	6,485,117
0	0	180,276
3,101	945,620	2,726,617
0	235,227	237,762
0	240,571	393,450
3,277,966	2,750,468	17,647,254
7,826	612	110,088
180,981	375,780	1,223,662
<u>6,857,688</u>	<u>6,348,788</u>	<u>35,937,307</u>
0	647,716	5,122,289
0	599,634	1,876,516
0	1,433,754	5,770,773
0	1,470	207,637
0	5,644	5,145,043
0	0	3,639,511
6,930,433	0	6,930,433
0	752,082	939,984
0	2,298,360	2,298,360
0	367,235	2,722,970
0	680,717	985,706
0	0	22,500
0	112,836	167,836
0	330,000	369,453
0	44,500	47,637
<u>6,930,433</u>	<u>7,273,948</u>	<u>36,246,648</u>
<u>(72,745)</u>	<u>(925,160)</u>	<u>(309,341)</u>
0	1,092,000	1,188,898
0	0	(1,184,984)
<u>0</u>	<u>1,092,000</u>	<u>3,914</u>
(72,745)	166,840	(305,427)
<u>6,599,491</u>	<u>3,893,151</u>	<u>16,960,579</u>
<u>\$6,526,746</u>	<u>\$4,059,991</u>	<u>\$16,655,152</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, 2012

Changes in Fund Balances - Total Governmental Funds (\$305,427)

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 - Depreciable Capital Assets	1,216,010	
Capital Outlay - Nondepreciable Capital Assets	504,972	
Depreciation	<u>(2,721,960)</u>	(1,000,978)

The book value of capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (49,016)

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

Delinquent Property Taxes	(68,872)	
Permissive Sales Taxes	(2,370)	
Charges for Services	(2,711)	
Intergovernmental	306,318	
Interest	(9,669)	
Other	<u>(130)</u>	222,566

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

General Obligation Bonds Payable	330,000	
Capital Leases Payable	<u>39,453</u>	369,453

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding obligations on the statement of net position. 275

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (95,502)

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 as well as the transfer of residual resources to close out the fund. (10,533)

Change in Net Position of Governmental Activities (\$869,162)

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$2,168,000	\$2,183,000	\$2,184,045	\$1,045
Payment in Lieu of Taxes	10,726	10,726	10,726	0
Permissive Sales Taxes	5,025,000	5,225,000	5,246,327	21,327
Other Local Taxes	3,500	3,500	3,619	119
Charges for Services	1,664,013	1,753,013	1,781,922	28,909
Licenses and Permits	2,100	2,100	2,535	435
Fines and Forfeitures	108,200	108,200	104,977	(3,223)
Intergovernmental	1,553,349	1,693,349	1,740,909	47,560
Interest	107,665	97,665	95,687	(1,978)
Other	222,725	303,325	346,718	43,393
<b>Total Revenues</b>	<b>10,865,278</b>	<b>11,379,878</b>	<b>11,517,465</b>	<b>137,587</b>
<u>Expenditures</u>				
Current:				
General Government				
Legislative and Executive	4,891,608	4,888,242	4,720,849	167,393
Judicial	1,403,011	1,431,001	1,300,966	130,035
Public Safety				
Sheriff	4,362,715	4,388,674	4,358,922	29,752
Other	207,994	214,251	203,935	10,316
Public Works	85,100	84,189	81,857	2,332
Health				
Other	192,449	191,412	187,896	3,516
Human Services				
Other	445,725	443,059	308,451	134,608
Conservation and Recreation	22,500	37,500	37,500	0
Intergovernmental	55,000	55,000	55,000	0
<b>Total Expenditures</b>	<b>11,666,102</b>	<b>11,733,328</b>	<b>11,255,376</b>	<b>477,952</b>
Excess of Revenues Over (Under) Expenditures	(800,824)	(353,450)	262,089	615,539
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	40,000	40,000	37,513	(2,487)
Advances Out	0	(20,000)	(20,000)	0
Transfers In	0	0	3,914	3,914
Transfers Out	(966,756)	(1,209,055)	(1,184,984)	24,071
<b>Total Other Financing Sources (Uses)</b>	<b>(926,756)</b>	<b>(1,189,055)</b>	<b>(1,163,557)</b>	<b>25,498</b>
Changes in Fund Balance	(1,727,580)	(1,542,505)	(901,468)	641,037
Fund Balance Beginning of Year	1,711,208	1,711,208	1,711,208	0
Prior Year Encumbrances Appropriated	202,371	202,371	202,371	0
<b>Fund Balance End of Year</b>	<b>\$185,999</b>	<b>\$371,074</b>	<b>\$1,012,111</b>	<b>\$641,037</b>

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Other Local Taxes	\$170,000	\$180,000	\$177,060	(\$2,940)
Fines and Forfeitures	42,000	50,900	50,929	29
Intergovernmental	4,701,991	4,387,991	4,750,348	362,357
Interest	5,000	5,000	1,703	(3,297)
Other	58,009	58,009	108,704	50,695
<b>Total Revenues</b>	<b>4,977,000</b>	<b>4,681,900</b>	<b>5,088,744</b>	<b>406,844</b>
<u>Expenditures</u>				
Current:				
Public Works				
Engineer	6,031,008	5,786,259	4,991,351	794,908
Road and Bridge	42,000	98,000	446,181	(348,181)
<b>Total Expenditures</b>	<b>6,073,008</b>	<b>5,884,259</b>	<b>5,437,532</b>	<b>446,727</b>
Changes in Fund Balance	(1,096,008)	(1,202,359)	(348,788)	853,571
Fund Balance Beginning of Year	930,947	930,947	930,947	0
Prior Year Encumbrances Appropriated	291,008	291,008	291,008	0
<b>Fund Balance End of Year</b>	<b>\$125,947</b>	<b>\$19,596</b>	<b>\$873,167</b>	<b>\$853,571</b>

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, 2012

	<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	\$2,398,000	\$2,098,000	\$2,085,452	(\$12,548)
Other	167,600	167,600	109,045	(58,555)
Total Revenues	2,565,600	2,265,600	2,194,497	(71,103)
<u>Expenditures</u>				
Current:				
Human Services				
Job and Family Services	2,565,600	2,705,131	2,468,111	237,020
Excess of Revenues Over (Under) Expenditures	0	(439,531)	(273,614)	165,917
<u>Other Financing Sources</u>				
Transfers In	0	0	92,984	92,984
Changes in Fund Balance	0	(439,531)	(180,630)	258,901
Fund Balance Beginning of Year	441,119	441,119	441,119	0
Fund Balance End of Year	<u>\$441,119</u>	<u>\$1,588</u>	<u>\$260,489</u>	<u>\$258,901</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, 2012

	<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	\$762,463	\$762,463	\$840,016	\$77,553
Intergovernmental	3,367,332	3,116,928	2,978,459	(138,469)
Other	7,362	7,362	68,278	60,916
<b>Total Revenues</b>	<b>4,137,157</b>	<b>3,886,753</b>	<b>3,886,753</b>	<b>0</b>
<u>Expenditures</u>				
Current:				
Health				
Alcohol, Drug Addiction, and Mental Health Services	5,481,696	5,339,014	4,190,409	1,148,605
Changes in Fund Balance	(1,344,539)	(1,452,261)	(303,656)	1,148,605
Fund Balance Beginning of Year	546,129	546,129	546,129	0
Prior Year Encumbrances Appropriated	906,132	906,132	906,132	0
<b>Fund Balance End of Year</b>	<b>\$107,722</b>	<b>\$0</b>	<b>\$1,148,605</b>	<b>\$1,148,605</b>

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  
Developmental Disabilities Fund  
For the Year Ended December 31, 2012

	<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	\$3,213,000	\$3,367,000	\$3,366,917	(\$83)
Payment in Lieu of Taxes	12,698	12,698	12,698	0
Charges for Services	0	0	571	571
Intergovernmental	2,546,542	3,412,862	3,403,173	(9,689)
Interest	2,500	2,500	7,826	5,326
Other	132,302	199,002	196,930	(2,072)
Total Revenues	5,907,042	6,994,062	6,988,115	(5,947)
<u>Expenditures</u>				
Current:				
Health				
Developmental Disabilities	7,013,746	7,801,746	6,992,934	808,812
Changes in Fund Balance	(1,106,704)	(807,684)	(4,819)	802,865
Fund Balance Beginning of Year	6,491,335	6,491,335	6,491,335	0
Fund Balance End of Year	<u>\$5,384,631</u>	<u>\$5,683,651</u>	<u>\$6,486,516</u>	<u>\$802,865</u>

See Accompanying Notes to the Basic Financial Statements

Ashland County  
Statement of Fund Net Position  
Proprietary Funds  
December 31, 2012

	<u>Business-Type Activities</u>		
	<u>Landfill</u>	<u>Other Enterprise</u>	<u>Total Enterprise</u>
<u>Assets</u>			
<u>Current Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$59,960	\$5,129	\$65,089
Cash and Cash Equivalents in Segregated Accounts	0	7,648	7,648
Accounts Receivable	17,836	26,268	44,104
Inventory Held for Resale	0	16,477	16,477
<u>Restricted Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	365,260	0	365,260
<b>Total Current Assets</b>	<b>443,056</b>	<b>55,522</b>	<b>498,578</b>
<u>Non-Current Assets</u>			
Nondepreciable Capital Assets	61,465	57,400	118,865
Depreciable Capital Assets, Net	3,870	219,933	223,803
<b>Total Non-Current Assets</b>	<b>65,335</b>	<b>277,333</b>	<b>342,668</b>
<b>Total Assets</b>	<b>508,391</b>	<b>332,855</b>	<b>841,246</b>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accrued Wages Payable	170	7,136	7,306
Accounts Payable	14,167	3,334	17,501
Compensated Absences Payable	1,599	3,957	5,556
Due to Other Governments	1,000	5,004	6,004
Postclosure Costs Payable	55,305	0	55,305
<b>Total Current Liabilities</b>	<b>72,241</b>	<b>19,431</b>	<b>91,672</b>
<u>Non-Current Liabilities</u>			
Compensated Absences Payable	2,030	6,751	8,781
Postclosure Costs Payable	1,492,880	0	1,492,880
<b>Total Non-Current Liabilities</b>	<b>1,494,910</b>	<b>6,751</b>	<b>1,501,661</b>
<b>Total Liabilities</b>	<b>1,567,151</b>	<b>26,182</b>	<b>1,593,333</b>
<u>Net Position</u>			
Net Investment in Capital Assets	65,335	277,333	342,668
Unrestricted (Deficit)	(1,124,095)	29,340	(1,094,755)
<b>Total Net Position (Deficit)</b>	<b>(\$1,058,760)</b>	<b>\$306,673</b>	<b>(\$752,087)</b>

See Accompanying Notes to the Basic Financial Statements

Ashland County  
Statement of Revenues, Expenses,  
and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2012

	Business-Type Activities			Governmental Activity
	Landfill	Other Enterprise	Total Enterprise	Internal Service
<u>Operating Revenues</u>				
Charges for Services	\$237,093	\$181,600	\$418,693	\$0
Sale of Recyclables	0	446,684	446,684	0
Other	14,705	1,003	15,708	8,409
Total Operating Revenues	<u>251,798</u>	<u>629,287</u>	<u>881,085</u>	<u>8,409</u>
<u>Operating Expenses</u>				
Personal Services	66,388	241,173	307,561	0
Materials and Supplies	13,288	2,911	16,199	0
Contractual Services	61,508	32,298	93,806	0
Claims	0	0	0	1,813
Purchase of Recyclables	0	10,325	10,325	0
Other	196,682	365,741	562,423	0
Depreciation	3,871	18,380	22,251	0
Total Operating Expenses	<u>341,737</u>	<u>670,828</u>	<u>1,012,565</u>	<u>1,813</u>
Income (Loss) before Transfers	(89,939)	(41,541)	(131,480)	6,596
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,914)</u>
Changes in Net Position	(89,939)	(41,541)	(131,480)	2,682
Net Position (Deficit) Beginning of Year	<u>(968,821)</u>	<u>348,214</u>		<u>(2,682)</u>
Net Position (Deficit) End of Year	<u>(\$1,058,760)</u>	<u>\$306,673</u>		<u>\$0</u>

The change in net position reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net income of the internal service fund and the transfer of residual resources to close out the fund.

13,215

Change in Net Position of Business-Type Activities

(\$118,265)

See Accompanying Notes to the Basic Financial Statements

Ashland County  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2012

	Business-Type Activities			Governmental Activity
	Landfill	Other Enterprise	Total Enterprise	Internal Service
Increase (Decrease) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$237,872	\$638,764	\$876,636	\$0
Cash Received from Other Revenues	14,705	1,003	15,708	8,409
Cash Payments for Personal Services	(66,681)	(239,364)	(306,045)	0
Cash Payments to Suppliers	(13,242)	(2,733)	(15,975)	0
Cash Payments for Contractual Services	(121,613)	(32,953)	(154,566)	0
Cash Payments for Claims	0	0	0	(27,731)
Cash Payments for Other Expenses	(196,682)	(366,296)	(562,978)	0
Net Cash Used for Operating Activities	(145,641)	(1,579)	(147,220)	(19,322)
<u>Cash Flows from Noncapital Financing Activities</u>				
Cash Payments for Transfers Out to Other Funds	0	0	0	(3,914)
Net Decrease in Cash and Cash Equivalents	(145,641)	(1,579)	(147,220)	(23,236)
Cash and Cash Equivalents Beginning of Year	570,861	14,356	585,217	23,236
Cash and Cash Equivalents End of Year	<u>\$425,220</u>	<u>\$12,777</u>	<u>\$437,997</u>	<u>\$0</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities</u>				
Operating Income (Loss)	(89,939)	(\$41,541)	(\$131,480)	\$6,596
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities</u>				
Depreciation	3,871	18,380	22,251	0
Changes in Assets and Liabilities				
Decrease in Accounts Receivable	779	10,480	11,259	0
Decrease in Inventory Held for Resale	0	10,325	10,325	0
Increase in Accrued Wages Payable	170	647	817	0
Increase (Decrease) in Accounts Payable	12,048	(1,020)	11,028	0
Decrease in Contracts Payable	(19,709)	0	(19,709)	0
Increase (Decrease) in Compensated Absences Payable	(160)	2,222	2,062	0
Decrease in Due to Other Governments	(303)	(1,072)	(1,375)	0
Decrease in Claims Payable	0	0	0	(25,918)
Decrease in Postclosure Costs Payable	(52,398)	0	(52,398)	0
Total Adjustments	(55,702)	39,962	(15,740)	(25,918)
Net Cash Used for Operating Activities	<u>(\$145,641)</u>	<u>(\$1,579)</u>	<u>(\$147,220)</u>	<u>(\$19,322)</u>
See Accompanying to the Basic Financial Statements				

Ashland County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
December 31, 2012

Assets

Equity in Pooled Cash and Cash Equivalents	\$3,114,165
Cash and Cash Equivalents in Segregated Accounts	744,522
Other Local Taxes Receivable	8,243
Due from Other Governments	1,882,063
Property Taxes Receivable	47,098,749
Special Assessments Receivable	<u>594,124</u>
 Total Assets	 <u><u>\$53,441,866</u></u>

Liabilities

Due to Other Governments	\$51,731,582
Undistributed Assets	<u>1,710,284</u>
 Total Liabilities	 <u><u>\$53,441,866</u></u>

See Accompanying Notes to the Basic Financial Statements

**Note 1 - Reporting Entity**

Ashland County, Ohio (the 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 Developmental Disabilities (DD), Mental Health and Recovery Board of Ashland County, 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, 2012

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**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 Developmental Disabilities (DD), provides sheltered employment for developmentally disabled adults in Ashland County. The Ashland County Board of DD 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 developmentally disabled 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 ended 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:

Northern Ohio Juvenile Community Corrections Facility  
Ashland Community Improvement Corporation (CIC)  
Ashland Area Council for Economic Development  
County Risk Sharing Authority, Inc. (CORSA)  
County Commissioners Association of Ohio Service Corporation (CCAOSC)  
County Employee Benefits Consortium of Ohio, Inc. (CEBCO)  
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. 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 position 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 position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The 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 position 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 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 and deferred inflows of resources 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 restricted to providing 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 restricted to paying the costs of contracts with local mental health agencies that provide services to the public.

Developmental Disabilities - This fund accounts for a county-wide property tax levy and federal and state grants restricted for the operation of a school for the developmentally disabled.

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

**Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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 is the County's major enterprise fund:

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 landfill in Richland County for the dumping of Ashland County waste.

The other enterprise fund of the County accounts for operations of the recycling center.

**Note 2 - Summary of Significant Accounting Policies** (continued)

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.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. 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 2012. 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 position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

Fund Financial Statements

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

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, 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 fees), grants and interest.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The County did not report any deferred outflows of resources for 2012.

**Note 2 - Summary of Significant Accounting Policies** (continued)

In addition to liabilities, the statement of net position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes, payment in lieu of taxes, and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of December 31, 2012, but which were levied to finance 2013 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the County, unavailable revenue includes delinquent property taxes, permissive sales taxes, charges for services, intergovernmental, grants, and interest. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

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 the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. 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 final amended certificate of estimated resources requested by the County prior to year end.

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.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**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”.

During 2012, 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 net asset value per share, which is the price the investment could be sold for on December 31, 2012.

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 2012 was \$99,947, which includes \$91,604 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, 2012, 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.

**Note 2 - Summary of Significant Accounting Policies** (continued)

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, 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 position 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 position and in the respective funds.

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.

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 1980.

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	20-50 years	n/a
Roads	10-50 years	n/a
Bridges	50 years	n/a
Equipment	5-30 years	10 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 position, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as "Internal Balances".

**Note 2 - Summary of Significant Accounting Policies** (continued)

**L. Compensated Absences**

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

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

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

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 accounts "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 governmental fund financial statements when due.

**N. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes primarily includes resources restricted for various law enforcement activities and activities of the County's courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**O. Fund Balance**

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

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

Restricted - The restricted classification includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (County resolutions).

Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the County can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for purposes specified by the legislation.

Committed - The committed classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the County Commissioners. The committed amounts cannot be used for any other purpose unless the County Commissioners remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the County Commissioners, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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



**Note 2 - Summary of Significant Accounting Policies** (continued)

**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 landfill and recycling center, as well as charges for internal service fund activities. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as nonoperating.

**Q. Interfund Transactions**

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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. 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 Principals**

For 2012, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements", Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53", Statement No. 65, "Items Previously Reported as Assets and Liabilities", and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62".

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements which are a type of public-public or public-private partnership. The implementation of this statement did not result in any change to the County's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change to the County's financial statements.

**Note 3 - Change in Accounting Principals** (continued)

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related note disclosures. These changes were incorporated in the County's 2012 financial statements; however, there was no effect on beginning net position and/or fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change to the County's financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets or liabilities as inflows of resources (revenues) or outflows of resources (expenses or expenditures). These changes were incorporated in the County's 2012 financial statements; however, there was no effect on beginning net position and/or fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and, thereby, enhance the usefulness of the financial reports. The implementation of this statement did not result in any change to the County's financial statements.

**Note 4 - Accountability and Compliance**

**A. Accountability**

At December 31, 2012, the Landfill enterprise fund had a deficit net position, in the amount of \$1,058,760. The deficit resulted from the requirement to report future postclosure costs. Management is analyzing the situation to alleviate future deficits.

**B. Compliance**

The Motor Vehicle and Gasoline Tax Fund had expenditures plus encumbrances in excess of appropriations for road and bridge, other expense, contrary to Ohio Revised Code Sections 5705.41(B) and 5705.40 for the year ended December 31, 2012, in the amount of \$348,181. The County Auditor will review budgetary activity to ensure that expenditures are within appropriations.

**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; and the Motor Vehicle and Gasoline Tax; Job and Family Services; Alcohol, Drug Addiction, and Mental Health Services; and Developmental Disabilities special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Ashland County  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

**Note 5 - Budgetary Basis of Accounting** (continued)

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).

Adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget 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	Developmental Disabilities
GAAP Basis	(\$541,709)	(\$19,857)	(\$33,989)	\$196,033	(\$72,745)
<b><u>Increase (Decrease) Due To</u></b>					
Revenue Accruals					
Accrued 2011, Received in Cash 2012	518,293	319,388	84,876	369,330	149,107
Accrued 2012, Not Yet Received in Cash	(535,951)	(310,770)	(119,141)	(316,441)	(10,481)
Expenditure Accruals					
Accrued 2011, Paid in Cash 2012	(352,467)	(282,903)	25,417	(11,488)	(168,341)
Accrued 2012, Not Yet Paid in Cash	281,388	158,797	(132,003)	24,694	238,352
Cash Adjustments					
Unrecorded Activity 2011	111,530	3,855	0	28,618	114,231
Unrecorded Activity 2012	(126,146)	(3,556)	0	(30,298)	(121,510)
Prepaid Items	(2,359)	0	0	0	0
Materials and Supplies Inventory	(2,355)	33,585	7,389	0	3,688
Advances Out	(20,000)	0	0	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(231,692)	(247,327)	(13,179)	(564,104)	(137,120)
Budget Basis	<u>(\$901,468)</u>	<u>(\$348,788)</u>	<u>(\$180,630)</u>	<u>(\$303,656)</u>	<u>(\$4,819)</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.

Ashland County  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

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**Note 6 - Deposits and Investments** (continued)

Monies held by the County, which are not considered active, are classified as inactive. 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;
4. Bonds and other obligations of the State of Ohio;
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);
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange similar securities, or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
  - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed 10 percent of the value of the outstanding commercial paper of the issuing corporation, and which mature within two hundred seventy days after purchase;
  - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within one hundred eighty days after purchase;
10. Up to 15 percent of the County's average portfolio in notes issued by United States corporations or by depository institutions that are doing business under authority granted by the United States provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;

**Note 6 - Deposits and Investments** (continued)

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, \$7,183,202 of the County's bank balance of \$10,970,960 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.

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.

Ashland County  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

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**Note 6 - Deposits and Investments** (continued)

Investments

As of December 31, 2012, the County had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Repurchase Agreement	\$1,570,769	1/1/13
Federal Farm Credit Bank Notes	500,835	6/18/15
Federal Farm Credit Bank Notes	501,265	7/9/15
Federal Home Loan Bank Notes	500,030	2/27/15
Federal Home Loan Bank Notes	502,980	4/9/15
Federal Home Loan Bank Notes	502,000	6/26/15
Federal Home Loan Bank Notes	500,075	10/16/15
Federal Home Loan Bank Notes	503,320	7/6/16
Federal National Mortgage Association Notes	502,080	12/23/14
Federal National Mortgage Association Notes	1,001,505	4/30/15
Federal National Mortgage Association Notes	500,450	5/6/16
STAR Ohio	2,372,236	55.4 Days
	<u>\$9,457,545</u>	

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those 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 securities underlying the repurchase agreement (Federal Home Loan Mortgage Corporation Notes), Federal Farm Credit Bank Notes, Federal Home Loan Bank Notes, and Federal National Mortgage Association Notes carry a rating of Aaa by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The County has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that repurchase agreements be limited to investments in United States treasury securities and federal government agency securities. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreement is exposed to custodial credit risk as it is uninsured, unregistered, and held by the counterparty's trust department or agent, but not in the County's name. The County has no investment policy dealing with custodial credit risk beyond the requirements of State statute.

Ashland County  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

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**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	\$1,570,769	16.61%
Federal Farm Credit Bank	1,002,100	10.60
Federal Home Loan Bank	2,508,405	26.52
Federal National Mortgage Association	2,004,035	21.19

**Note 7 - Receivables**

Receivables at December 31, 2012, consisted of accounts (e.g., billings for user charged services, including unbilled charges); accrued interest; permissive sales taxes; other local taxes; intergovernmental receivables arising from grants, entitlements, and shared revenues; interfund; property taxes; and payment in lieu of taxes. All receivables are considered fully collectible within one year, except for property taxes. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected 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 had an annual interest rate of 3.5 percent and were repaid over periods ranging from seven to ten years. A summary of the changes in notes receivable during 2012 follows:

	Balance December 31, 2011	New Loans	Repayments	Balance December 31, 2012
Special Revenue Fund				
CDBG Revolving Loan	\$23,667	\$0	\$23,667	\$0

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Local Government	\$352,639
Estate Tax	16,261
Casino Tax	270,332
Public Defender Grant	7,986
Homestead and Rollback	161,337
State of Ohio	2,263
Total General Fund	810,818
Motor Vehicle and Gasoline Tax	
Gasoline Tax	1,161,273
Motor Vehicle License Fees	906,019

(continued)

Ashland County  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

**Note 7 - Receivables** (continued)

	Amount
Governmental Activities (continued)	
Major Funds (continued)	
Motor Vehicle and Gasoline Tax (continued)	
Ohio Public Works Commission	\$73,070
Ohio Department of Transportation	11,696
Ruggles Township	355
Troy Township	261
Village of Savannah	167
Total Motor Vehicle and Gasoline Tax	2,152,841
Job and Family Services	
Public Assistance Grant	201,807
Alcohol, Drug Addiction, and Mental Health Services	
State Disbursement	279,347
Federal Block Grant	14,742
State Block Grant	13,573
Youth Mentoring Grant	8,779
Homestead and Rollback	62,053
Personal Property Phase-Out	4,671
Total Alcohol, Drug Addiction, and Mental Health Services	383,165
Developmental Disabilities	
Title VI-B	45,191
Preschool	14,622
Title XX	40,208
Family Resources/Respite	13,590
Homestead and Rollback	241,850
Personal Property Phase-Out	22,886
Total Developmental Disabilities	378,347
Total Major Funds	3,926,978
Nonmajor Funds	
Victims of Crime	
Victims of Crime Grant	4,046
Children Services	
Title IV-E	81,785
PCSA	66,422
Foster Care Reimbursement	69,376
CHIP	
CHIP	21,637
Child Support Enforcement Agency	
Child Support Enforcement Agency	65,240
Senior Citizens Services	
Homestead and Rollback	37,139
Felony Delinquent Care	
RECLAIM Grant	66,529
Community Corrections	
Community Corrections Grant	55,273
Total Nonmajor Funds	467,447
Total Governmental Activities	\$4,394,425



Ashland County  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

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**Note 7 - Receivables** (continued)

	<u>Amount</u>
Agency Funds	
Local Government	\$367,159
Library Local Government	560,419
Gasoline Tax	646,969
Motor Vehicle License Fees	287,578
Permissive Motor Vehicle License Tax	8,217
Homestead and Rollback	11,721
Total Agency Funds	<u>\$1,882,063</u>

**Note 8 - Permissive Sales and Use Tax**

The County Commissioners, by resolution, imposed a 1.25 percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. The allocation of the sales tax is 1 percent to the County's General Fund and .25 percent for the repayment of the debt and operations of the County Jail. 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 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.

**Note 9 - Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the County. Real property tax revenues received in 2012 represent the collection of 2011 taxes. Real property taxes received in 2012 were levied after October 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of 2011 taxes. Public utility real and tangible personal property taxes received in 2012 became a lien on December 31, 2010, were levied after October 1, 2011, 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.

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.

Ashland County  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

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**Note 9 - Property Taxes** (continued)

Accrued property taxes receivable represents real, public utility, and outstanding delinquent property taxes which were measurable as of December 31, 2012, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2012 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, delinquent real property taxes have been recorded as a receivable and revenue; on the modified accrual basis, the revenue has been reported as deferred inflows of resources - unavailable revenue.

The full tax rate for all County operations for the year ended December 31, 2012, was \$9.40 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2012 property tax receipts were based are as follows:

Real Property	
Residential	\$635,245,080
Agriculture	122,311,940
Commercial/Industrial/Mineral	140,374,920
Public Utility Property	
Real	406,500
Personal	65,475,730
Total Assessed Value	\$963,814,170

**Note 10 - Payment in Lieu of Taxes**

According to State law, Ashland County has entered into agreements with a number of property owners under which the County has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the County which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

**Note 11 - Capital Assets**

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$820,937	\$0	\$0	\$820,937
Construction in Progress	79,981	504,972	(511,883)	73,070
Total Nondepreciable Capital Assets	900,918	504,972	(511,883)	894,007
Depreciable Capital Assets				
Land Improvements	285,596	0	0	285,596
Buildings	20,883,989	0	0	20,883,989
Building Improvements	1,131,613	0	0	1,131,613

(continued)

Ashland County  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

**Note 11 - Capital Assets** (continued)

	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012
<b>Governmental Activities (continued)</b>				
Roads	\$46,785,652	\$1,012,873	\$0	\$47,798,525
Bridges	13,414,019	656,684	(136,155)	13,934,548
Equipment	3,340,987	58,336	0	3,399,323
Vehicles	2,954,184	0	(63,928)	2,890,256
<b>Total Depreciable Capital Assets</b>	<b>88,796,040</b>	<b>1,727,893</b>	<b>(200,083)</b>	<b>90,323,850</b>
Less Accumulated Depreciation for				
Land Improvements	(64,837)	(11,100)	0	(75,937)
Buildings	(7,216,882)	(450,305)	0	(7,667,187)
Building Improvements	(900,646)	(35,112)	0	(935,758)
Roads	(28,787,508)	(1,662,699)	0	(30,450,207)
Bridges	(7,802,835)	(278,691)	87,139	(7,994,387)
Equipment	(1,896,361)	(126,760)	0	(2,023,121)
Vehicles	(2,046,846)	(157,293)	63,928	(2,140,211)
<b>Total Accumulated Depreciation</b>	<b>(48,715,915)</b>	<b>(2,721,960)</b>	<b>151,067</b>	<b>(51,286,808)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>40,080,125</b>	<b>(994,067)</b>	<b>(49,016)</b>	<b>39,037,042</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$40,981,043</b>	<b>(\$489,095)</b>	<b>(\$560,899)</b>	<b>\$39,931,049</b>
	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012
<b>Business-Type Activities</b>				
<b>Nondepreciable Capital Assets</b>				
Land	\$118,865	\$0	\$0	\$118,865
<b>Depreciable Capital Assets</b>				
Land Improvements	49,072	0	0	49,072
Buildings	250,510	0	0	250,510
Equipment	427,591	0	0	427,591
Vehicles	141,557	0	0	141,557
<b>Total Depreciable Capital Assets</b>	<b>868,730</b>	<b>0</b>	<b>0</b>	<b>868,730</b>
Less Accumulated Depreciation for				
Land Improvements	(48,239)	(833)	0	(49,072)
Buildings	(87,677)	(4,177)	0	(91,854)
Equipment	(377,249)	(10,059)	0	(387,308)
Vehicles	(109,511)	(7,182)	0	(116,693)
<b>Total Accumulated Depreciation</b>	<b>(622,676)</b>	<b>(22,251)</b>	<b>0</b>	<b>(644,927)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>246,054</b>	<b>(22,251)</b>	<b>0</b>	<b>223,803</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$364,919</b>	<b>(\$22,251)</b>	<b>\$0</b>	<b>\$342,668</b>

Ashland County  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

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**Note 11 - Capital Assets** (continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Government	
Legislative and Executive	\$124,251
Judicial	6,433
Public Safety	
Sheriff	307,625
Public Works	2,110,813
Health	
Alcohol, Drug Addiction, and Mental Health Services	9,063
Developmental Disabilities	102,821
Other	1,219
Human Services	
Job and Family Services	31,932
Other	6,954
Conservation and Recreation	20,849
Total Depreciation Expense - Governmental Activities	\$2,721,960

Depreciation expense was charged to other enterprise funds as follows:

Other Enterprise Funds	
Recycling	\$18,380

**Note 12 - Interfund Receivables/Payables**

Interfund balances at December 31, 2012, consisted of the following receivables and payables:

Due to General Fund from:	
Other Governmental Funds	\$20,000
Due to Motor Vehicle and Gasoline Tax Fund from:	
General Fund	\$465
Due to Job and Family Services Fund from:	
Other Governmental Funds	\$259,716
Due to Other Governmental Funds from:	
Alcohol, Drug Addiction, and Mental Health Services	\$5,768
Other Governmental Funds	22,424
Total Due to Other Governmental Funds	\$28,192

Ashland County  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

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**Note 12 - Interfund Receivables/Payables** (continued)

The amounts due to the General Fund, Motor Vehicle and Gasoline Tax Fund, and Job and Family Services Fund were for services provided and short-term loans made 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 13 - 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 2012, 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
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
Building and Contents	87,786,992
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 and dental coverage for Developmental Disabilities employees, and workers' compensation, insurance is held with CORSA. There has been no significant reduction in insurance coverage from 2011, and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials' bonds by statute.

For 2012, the County participated in the County Commissioners Association of Ohio Service Corporation, a workers' 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.

**Note 13 - Risk Management** (continued)

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.

On November 9, 2012, the County terminated its self-insured program for prescription drug benefits. Prior to its termination, the County offered prescription drug benefits to all employees through a self-insured program. All funds of the County, except the Board of Developmental Disabilities, participated in the program and made payments to the Self Insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current year claims. Settled claims have not exceeded this coverage for the past three years. The changes in the claims liability for 2012 and 2011 were:

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2012	\$25,918	\$1,813	\$27,731	\$0
2011	23,949	598,626	596,657	25,918

**Note 14 - Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

Plan Description - 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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

**Note 14 - Defined Benefit Pension Plans** (continued)

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 stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for public safety and law enforcement employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in the state and local classifications and 12.1 percent for public safety and low enforcement members. For the year ended December 31, 2012, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.5 percent and 12.1 percent, respectively. Effective January 1, 2013, the member contribution rate for public safety and law enforcement increased to 12 percent and 12.6 percent, respectively. While members in the state and local classifications may participate in all three plans, public safety and law enforcement classifications exist only within the traditional plan. For 2012, member and employer contribution rates were consistent across all three plans.

The County's 2012 contribution rate was 14 percent, except for those plan members in public safety or law enforcement, for whom the County's contribution was 18.1 percent of covered payroll. The portion of the County's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the County's contribution allocated to health care for members in the traditional plan was 4 percent for 2012. The portion of the employer contribution allocated to health care for members in the combined plan was 6.05 percent for 2012. Employer contribution rates are actuarially determined.

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2012, 2011, and 2010 was \$1,305,960, \$1,297,094, and \$1,152,413, respectively. For 2012, 90 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010. Contributions to the member-directed plan for 2012 were \$21,099 made by the County and \$15,071 made by the plan members.

**B. State Teachers Retirement System of Ohio**

Plan Description - Certified teachers, employed by the school for Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**Note 14 - Defined Benefit Pension Plans** (continued)

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the 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. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP member with five or more years 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 of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The County's required contribution for pension obligations to the DBP for the years ended December 31, 2012, 2011, and 2010 were \$88,518, \$105,369, and \$102,238, respectively; 100 percent has been contributed for all three years.

**Note 15 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

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

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.



**Note 15 - Postemployment Benefits** (continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed 14 percent of covered payroll and public safety and law enforcement employers contributed 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in the traditional plan was 4 percent for 2012. The portion of the employer contribution allocated to health care for members in the combined plan was 6.05 percent for 2012. Effective January 1, 2013, the portion of the employer contribution allocated to health care was lowered to 1 percent for both plans as recommended by the OPERS actuary.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The County's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2012, 2011, and 2010 was \$500,670, \$495,487, and \$626,682, respectively. For 2012, 90 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

**Note 15 - Postemployment Benefits** (continued)

**B. State Teachers Retirement System of Ohio**

Plan Description - For certified teachers employed by the school for Developmental Disabilities, the County participates in a cost-sharing, multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The County's contribution for health care for years ended December 31, 2012, 2011, and 2010 was \$6,809, \$8,105, and \$7,864, respectively; 100 percent has been contributed for all three years.

**Note 16 - 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 pay period. 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 sixty-five days, depending on department policy or union contract.

**B. Employee Health Insurance**

Ashland County offers employee medical, dental, and vision benefits through the County Employee Benefits Consortium of Ohio. Depending on the plan chosen, the employees share the cost of the monthly premium with the County.

Ashland County  
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For the Year Ended December 31, 2012

**Note 17 - Long-Term Obligations**

The County's long-term obligations activity for the year ended December 31, 2012, was as follows:

	Interest Rate	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
2011 County Jail (Original Amount \$2,265,000)	1.0-3.0%	2,265,000	0	330,000	1,935,000	335,000
Other Long-Term Obligations						
Capital Leases		80,444	0	39,453	40,991	40,991
Compensated Absences		1,099,903	245,406	149,904	1,195,405	395,712
Total Governmental Activities		<u>\$3,445,347</u>	<u>\$245,406</u>	<u>\$519,357</u>	<u>\$3,171,396</u>	<u>\$771,703</u>
<u>Business-Type Activities</u>						
Compensated Absences Payable		\$12,275	\$2,062	\$0	\$14,337	\$5,556
Closure/Postclosure Costs Payable		1,600,583	0	52,398	1,548,185	55,305
Total Business-Type Activities		<u>\$1,612,858</u>	<u>\$2,062</u>	<u>\$52,398</u>	<u>\$1,562,522</u>	<u>\$60,861</u>

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

On May 5, 2011, the County issued general obligation bonds, in the amount of \$2,265,000, to currently refund the remaining balance of the 2001 County Jail bonds. The bonds were issued for a seven year period, with final maturity in 2018. The bonds are being retired through the County Jail debt service fund.

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

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; Developmental Disabilities; Dog and Kennel; Real Estate Assessment; Child Support Enforcement Agency Grant, Sheriff/Child Support Enforcement Agency Grant, Law Library; County Sheriff; Victims of Crime; CDBG, Child Support Enforcement Agency; DRETAC; Felony Delinquent Care/Custody, and Jail Operating special revenue funds and the Landfill and Recycling enterprise funds.

Ashland County  
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For the Year Ended December 31, 2012

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**Note 17 - Long-Term Obligations** (continued)

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

	General Obligation Bonds	
	Principal	Interest
2013	\$335,000	\$40,673
2014	340,000	35,520
2015	345,000	28,750
2016	355,000	20,517
2017	360,000	11,040
2018	200,000	3,000
	\$1,935,000	\$139,500

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, 2012, was an overall debt margin of \$23,061,217 and a unvoted debt margin of \$10,104,005.

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

	Date of Issue	Amount of Issue	Amount Outstanding December 31, 2012
Good Shepherd Home for the Aged Project	1/21/99	\$3,960,000	\$2,890,000
Good Shepherd Home-Assisted Living Facilities	11/15/99	4,750,000	3,915,000
Bretheran Care, Inc.	1/1/05	16,160,000	12,300,000
Hospice of North Central Ohio	9/1/06	5,800,000	3,979,015
		\$30,670,000	\$23,084,015

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

Ashland County  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

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**Note 18 - Capital Leases - Lessee Disclosure**

The County has entered into a capitalized lease for equipment. Principal payments in 2012 were \$39,453 for the governmental funds.

	Governmental Activities
Equipment	\$253,521
Less Accumulated Depreciation	(63,380)
Carrying Value, December 31, 2012	\$190,141

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2012.

Year	Governmental Activities	
	Principal	Interest
2013	\$40,991	\$1,598

**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 \$1,548,185 reported as the landfill postclosure liability at December 31, 2012, 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, 2012, liability decreased from the prior year by \$52,398.

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 demonstrates its ability to self-fund these future costs.

**Note 20 - Interfund Transfers**

During 2012, the General Fund made transfers to the Job and Family Services special revenue fund, in the amount of \$92,984, and to other governmental funds, in the amount of \$1,092,000, to subsidize operations in those funds. The Medical Insurance internal service fund made transfers to the General Fund, in the amount of \$3,914, to close out the fund.

Ashland County  
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For the Year Ended December 31, 2012

**Note 21 - Fund Balance**

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

Fund Balance	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Alcohol, Drug Addiction, and Mental Health Services
Nonspendable for:				
Prepaid Items	\$72,326	\$0	\$0	\$0
Materials and Supplies Inventory	37,330	471,110	7,548	0
Unclaimed Monies	111,657	0	0	0
<b>Total Nonspendable</b>	<b>221,313</b>	<b>471,110</b>	<b>7,548</b>	<b>0</b>
Restricted for:				
Alcohol, Drug Addiction, and Mental Health Services Operations	0	0	0	2,035,754
Job and Family Services Operations	0	0	524,812	0
Road and Bridge Repair/ Improvement	0	1,276,023	0	0
Sheriff Operations	9,153	0	0	0
<b>Total Restricted</b>	<b>9,153</b>	<b>1,276,023</b>	<b>524,812</b>	<b>2,034,754</b>
Committed to:				
Bi/Tri Centennial	2,107	0	0	0
Assigned for:				
Document Recording	12,622	0	0	0
Sheriff Operations	6,032	0	0	0
Vehicle Titling	12,806	0	0	0
Projected Budget Deficit Allocation	771,188	0	0	0
Unpaid Obligations	223,574	0	0	0
<b>Total Assigned</b>	<b>1,026,222</b>	<b>0</b>	<b>0</b>	<b>0</b>
Unassigned	495,373	0	0	0
<b>Total Fund Balance</b>	<b>\$1,754,168</b>	<b>\$1,747,133</b>	<b>\$532,360</b>	<b>\$2,034,754</b>

Ashland County  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

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**Note 21 - Fund Balance** (continued)

Fund Balance	Developmental Disabilities	Other Governmental Funds
Nonspendable for:		
Materials and Supplies Inventory	\$9,471	\$1,313
Restricted for:		
Board of Elections	0	393
Child Support Enforcement	0	298,888
Court Operations	0	665,122
Crime Victims Assistance	0	12,308
Debt Retirement	0	465,863
Delinquent Tax Collections	0	170,298
Developmental Disabilities Operations	6,517,275	
Dog and Kennel Operations	0	19,896
Economic Development	0	173,975
Emergency Management Agency	0	168,296
Job and Family Services Operations	0	216,046
Real Estate Assessments	0	1,071,918
Senior Citizens	0	18,232
Sheriff Operations	0	760,386
<b>Total Restricted</b>	<b>6,517,275</b>	<b>4,041,621</b>
Committed to:		
Road and Bridge Repair/ Improvement	0	4,781
Student Scholarships	0	12,276
<b>Total Committed</b>	<b>0</b>	<b>17,057</b>
<b>Total Fund Balance</b>	<b>\$6,526,746</b>	<b>\$4,059,991</b>

**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.

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

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 position. D-R Services, Inc. uses the 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

B. Capital Assets

A summary of capital assets at December 31, 2012, follows:

Equipment	\$300,299
Vehicles	26,787
	327,086
Less Accumulated Depreciation	(298,992)
Net Capital Assets	\$28,094

**Note 23 - Jointly Governed Organizations**

A. Northern Ohio Juvenile Community Corrections Facility

The Northern Ohio Juvenile Community Corrections Facility is a jointly governed organization between Ashland, Erie, Huron, 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)

**B. 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.

**C. 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 in the Ashland County area. The Council's board consists of the 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. In 2012, the County contributed \$61,306 to the Council. 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 sixty-one 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.

**C. County Employee Benefits Consortium of Ohio, Inc.**

The County participates with the County Employee Benefits Consortium of Ohio, Inc. (CEBCO), an Ohio not-for-profit corporation with membership open to Ohio political subdivisions to collectively pool resources to purchase employee benefits. The County pays, on a monthly basis, the annual actuarially determined funding rate. Components of the funding rate include the claims fund contribution, incurred but not reported claims, a claims contingency reserve fund, as well as the fixed costs of the consortium.

The business and affairs of the consortium are managed by a board of not less than nine or more than fifteen directors that exercise all powers of the consortium. Two-thirds of the directors are county commissioners of the member counties and one-third are employees of the member counties. Each member of the consortium is entitled to one vote. At all times, one director is required to be a member of the board of directors of the County Commissioners' Association of Ohio and another is required to be a board member of the County Risk Sharing Authority, Inc.

**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 2012, this allocation was \$15,000.

**Note 26 - Related Party Transactions**

During 2012, 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 \$6,019 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 \$2,459,011.

**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.

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## **SUPPLEMENTARY DATA**

ASHLAND COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A),(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
<b>Child Nutrition Cluster:</b>			
(C)(D)(J) School Breakfast Program	10.553	2012	\$ 14,570
(C)(D)(J) National School Lunch Program	10.555	2012	24,684
<b>Total Child Nutrition Cluster</b>			<b>39,254</b>
<b>PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES</b>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1213-11-0006	224,460
<b>Total U.S. Department of Agriculture</b>			<b>263,714</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENT OFFICE OF HOUSING AND COMMUNITY PARTNERSHIP</b>			
Community Development Block Grants/State's Program	14.228	B-F-10-1AC-1	86,573
(L)(M) Community Development Block Grants/State's Program	14.228	B-C-11-1AC-1	369,506
(L) Community Development Block Grants/State's Program	14.228	B-F-11-1AC-1	106,175
<b>Total Community Development Block Grants/State's Programs</b>			<b>562,254</b>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>562,254</b>
<b>U.S. DEPARTMENT OF JUSTICE PASSED THROUGH THE N/A</b>			
Bulletproof Vest Partnership Program	16.607	N/A	1,979

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ASHLAND COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A),(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF JUSTICE PASSED THROUGH THE OHIO ATTORNEY GENERAL'S OFFICE:</b>			
Crime Victim Assistance	16.575	2012VAGENE306	\$ 18,982
Crime Victim Assistance	16.575	2013VAGENE306	7,020
<b>Total Crime Victim Assistance</b>			<u>26,002</u>
<b>Total U.S. Department of Justice</b>			<u>27,981</u>
<b>U.S. DEPARTMENT OF LABOR PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES AND AREA 7 WORKFORCE INVESTMENT BOARD</b>			
<b>Workforce Investment Act (WIA) Cluster:</b>			
(E) (J) Workforce Investment Act - Adult Program	17.258	N/A	<u>68,024</u>
(E) (J) Workforce Investment Act - Youth Activities	17.259	N/A	<u>165,982</u>
(E) (J) Workforce Investment Act - Dislocated Workers Formula Grants	17.278	N/A	104,005
(E) (J) Workforce Investment Act - Dislocated Workers Formula Grants Administration	17.278	N/A	7,611
<b>Total Workforce Investment Act - Dislocated Workers</b>			<u>111,616</u>
<b>Total U.S. Department of Labor and Workforce Investment Act (WIA) Cluster</b>			<u>345,622</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION</b>			
Highway Planning and Construction	20.205	87901	5,176
Highway Planning and Construction	20.205	90887	275,339
<b>Total Highway Planning and Construction</b>			<u>280,515</u>
<b>Total U.S. Department of Transportation</b>			<u>280,515</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
<b>Special Education Cluster:</b>			
(F) Special Education_Grants to States	84.027	2012	<u>49,194</u>
(F) Special Education_Preschool Grants	84.173	2012	<u>13,000</u>
<b>Total Special Education Cluster</b>			<u>62,194</u>
<b>PASSED THROUGH THE OHIO DEPARTMENT OF REHABILITATION SERVICES COMMISSION</b>			
(J) Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	N/A	<u>12,261</u>
<b>Total U.S. Department of Education</b>			<u>74,455</u>

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ASHLAND COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A),(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. ELECTION ASSISTANCE COMMISSION PASSED THROUGH THE OHIO SECRETARY OF STATE</b>			
(J) Help America Vote Act Requirements Payments	90.401	N/A	<u>3,283</u>
<b>Total U.S. Election Assistance Commission</b>			<u>3,283</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES</b>			
Promoting Safe and Stable Families	93.556	G-1213-11-0006	<u>34,653</u>
Temporary Assistance for Needy Families	93.558	G-1213-11-0006	<u>840,167</u>
Child Support Enforcement	93.563	G-1213-11-0006	<u>315,972</u>
<b>Child Care and Development Cluster:</b>			
(I) Child Care and Development Block Grant	93.575	G-1213-11-0006	<u>1,206</u>
(I) Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-1213-11-0006	<u>4,520</u>
<b>Total Child Care and Development Cluster:</b>			<u>5,726</u>
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1213-11-0006	<u>96,882</u>
Foster Care_Title IV-E	93.658	G-1213-11-0006	<u>467,044</u>
Adoption Assistance	93.659	G-1213-11-0006	<u>88,286</u>
Social Services Block Grant	93.667	G-1213-11-0006	346,987
(G) (J) Social Services Block Grant	93.667	N/A	20,829
(H) (J) Social Services Block Grant	93.667	N/A	<u>38,792</u>
<b>Total Social Services Block Grant</b>			<u>406,608</u>
Medical Assistance Program	93.778	G-1213-11-0006	252,830
(G) (J) Medical Assistance Program	93.778	N/A	2,269
(H) (J) (K) Medical Assistance Program	93.778	N/A	<u>62,648</u>
<b>Total Medical Assistance Program</b>			<u>317,747</u>

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ASHLAND COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A),(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>PASSED THROUGH THE</b>			
<b>OHIO DEPARTMENT OF HEALTH</b>			
Public Health Emergency Preparedness	93.069	310012PH0413	\$ 73,215
Public Health Emergency Preparedness	93.069	310012PH0312	20,854
<b>Total Public Health Emergency Preparedness</b>			<u>94,069</u>
<b>PASSED THROUGH THE</b>			
<b>OHIO SECRETARY OF STATE</b>			
(J) Voting Access for Individuals with Disabilities_Grants to States	93.617	N/A	<u>3,909</u>
<b>PASSED THROUGH THE</b>			
<b>OHIO DEPARTMENT OF MENTAL HEALTH</b>			
(J) Block Grants for Community Mental Health Services	93.958	N/A	<u>23,100</u>
<b>PASSED THROUGH THE</b>			
<b>OHIO DEPARTMENT OF ALCOHOL AND DRUG ADDICTION SERVICES</b>			
(J) Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	<u>157,066</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>2,851,229</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<b>PASSED THROUGH THE</b>			
<b>OHIO EMERGENCY MANAGEMENT AGENCY</b>			
Emergency Management Performance Grants	97.042	EMW-2012-EP-00004-S01	<u>40,024</u>
<b>Total U.S. Department of Homeland Security</b>			<u>40,024</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 4,449,077</u>

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**ASHLAND COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Notes to the Schedule of Expenditures of Federal Awards:**

(A) This schedule was prepared on the cash basis of accounting.

(B) 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 are not included on the schedule.

(C) Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

(D) Included as part of the "Child Nutrition Cluster" in determining major programs.

(E) Included as part of the "Workforce Investment Act (WIA) Cluster" in determining major programs.

(F) Included as part of the "Special Education Cluster" in determining major programs.

(G) This portion of the program was passed through the Ohio Department of Mental Health.

(H) This portion of the program was passed through the Ohio Department of Developmental Disabilities.

(I) Included as part of the "Child Care and Development Cluster" in determining major programs.

(J) Pass-through number was unable to be obtained for the grant.

(K) During the calendar year, the County Board of Developmental Disabilities received a refund for eFMAP (ARRA) funds for the Medicaid Program (CFDA #93.778) in the amount of \$907 from the Ohio Department of Developmental Disabilities. This refund was a correction to the eFMAP percentage for four billing cycles during July and August 2009. These receipts are not listed on the County's Schedule of Expenditures for Federal Awards since the underlying expenses occurred in prior reporting periods.

During the calendar year, the County Board of Developmental Disabilities received a settlement for the 2007 Cost Report from the Ohio Department of Disabilities for the Medicaid Program (CFDA #93.778) in the amount of \$589. The Cost Report settlement was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This revenue is not listed on the County's Schedule of Expenditures of Federal Award since the underlying expenses occurred in prior reporting periods.

(L) The County has established a revolving loan program to provide low-interest loans to businesses that are creating jobs and meet the other program requirements. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Expenditures of Federal Awards (the 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 disbursements on the Schedule. At December 31, 2012, the County had \$0 in loans outstanding under this program. The County wrote off the previous outstanding loans and did not issue any new loans during the year ended December 31, 2012. Shortly after year-end, the County decided to discontinue this revolving loan program.

Cash balance on hand as of 12/31/12: \$33,863  
Delinquent amounts due as of 12/31/12: \$0

(M) The County has established a revolving loan program to provide low-interest loans to County citizens for housing activities that meet program requirements. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Expenditures of Federal Awards (the 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 disbursements on the Schedule. At December 31, 2012, the County had no loans outstanding under this program. The County did not issue any loans during the year ended December 31, 2012. However, they did receive payment from a loanee whose home was foreclosed on during 2012.

Cash balance on hand as of 12/31/12: \$53,760  
Delinquent amounts due as of 12/31/12: \$0



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Required by *Government Auditing Standards***

Ashland County  
142 West 2<sup>nd</sup> Street  
Ashland, Ohio 44805

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component unit and remaining fund information of Ashland County, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Ashland County's basic financial statements and have issued our report thereon dated August 28, 2013.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered Ashland County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of Ashland County's internal control. Accordingly, we have not opined on it.

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

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

Board of County Commissioners  
Ashland County

***Compliance and Other Matters***

As part of reasonably assuring whether Ashland 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, opining 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 two instances of noncompliance or other matters we must report under Government Auditing Standards, which are described in the accompanying schedule of findings and responses as items 2012-AC-001 and 2012-AC-002.

We also noted a certain matter not requiring inclusion in this report that we reported to Ashland County's management in a separate letter dated August 28, 2013.

***Entity's Response to Findings***

Ashland County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Ashland County's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of Ashland County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering Ashland County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
August 28, 2013



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance With Requirements Applicable  
to Each Major Federal Program and on Internal Control Over  
Compliance Required by OMB Circular A-133**

Ashland County  
142 West 2<sup>nd</sup> Street  
Ashland, Ohio 44805

To the Board of Commissioners:

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

We have audited Ashland County's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Ashland County's major federal programs for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings and responses identifies Ashland County's major federal programs.

***Management's Responsibility***

Ashland County's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to opine on Ashland County's compliance for each of Ashland County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about Ashland County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on Ashland County's major programs. However, our audit does not provide a legal determination of Ashland County's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Ashland County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2012.

Board of County Commissioners  
Ashland County

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings and responses as item 2012-AC-003. This finding did not require us to modify our compliance opinion on the major federal program.

Ashland County's response to our noncompliance finding is described in the accompanying schedule of findings and responses. We did not audit Ashland County's response and, accordingly, we express no opinion on it.

***Report on Internal Control Over Compliance***

Ashland County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered Ashland County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of Ashland County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and responses as item 2012-AC-003 to be a material weakness.

Ashland County's response to our internal control over compliance finding is described in the accompanying schedule of findings and responses. We did not audit Ashland County's response and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
August 28, 2013

**ASHLAND COUNTY**

**SCHEDULE OF FINDINGS & RESPONSES**

*OMB CIRCULAR A-133 § .505*

**DECEMBER 31, 2012**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	Yes
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Community Development Block Grants/State's Program, CFDA #14.228; Temporary Assistance for Needy Families, CFDA #93.558
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**ASHLAND COUNTY**

**SCHEDULE OF FINDINGS & RESPONSES  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012**

<b>1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2012-AC-001

Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

The County had expenditures in excess of appropriations within the following fund and line item at December 31, 2012:

<u>Fund/Line Item</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Motor Vehicle and Gasoline Tax Fund:			
Road and Bridge	\$ 446,181	\$ 98,000	\$ 348,181

The County is expending monies that have not been appropriated. This could result in unnecessary purchases or fund deficits.

We recommend the County comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring its budgetary process on a regular basis and approving amendments as necessary.

*Client Response:* The County will attempt to approve and modify appropriations in a timely manner in accordance with the Ohio Revised Code.

Finding Number	2012-AC-002
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure comply with the same provisions of the law as used in making the original appropriations.

Expenditures exceeded appropriations at year end in the Motor Vehicle and Gas Tax Fund - Road and Bridge line item. Thus, the County did not timely or properly modify its appropriations.

By not timely and properly modifying appropriations, the County is not adequately monitoring its appropriations. This results in appropriating monies in excess of estimated resources, having expenditures exceed appropriations, and possibly, fund deficits.

We recommend the County comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring its budgetary process on a regular basis and approving amendments as necessary.

*Client Response:* The County will continue to monitor its appropriations versus expenditures on a regular basis.



ASHLAND COUNTY

**SCHEDULE OF FINDINGS & RESPONSES**  
*OMB CIRCULAR A-133 § .505*  
**DECEMBER 31, 2012**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>	
<b>Finding Number</b>	2012-AC-003
<b>CFDA Title and Number</b>	Community Development Block Grant/State's program, CFDA #14.228
<b>Federal Award Number/Year</b>	2011
<b>Federal Agency</b>	Department of Housing and Urban Development
<b>Pass-Through Agency</b>	Ohio Department of Development

**Noncompliance and Material Weakness**

**24 C.F. R. Section 85.21(c)** states grantees and sub-grantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

**Office of Housing and Community Partnership (OHCP) Management Rules and Regulations Handbook, Section (A)(3)(f)**, states that grantees must develop a cash management system to ensure compliance with the fifteen day rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. Lump sum draw-downs are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the fifteen day rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days. Escrow accounts were not established and the County did not timely disburse funds drawn down to a balance of less than \$5,000 in the following instances:

<u>Grant</u>	<u>Draw Down Amount</u>	<u>Number of Days Till Disbursed</u>
B-C-11-1AC-1	\$ 48,528	49
B-C-11-1AC-1	94,034	52
B-F-11-1AC-1	9,675	Not Disbursed **

\*\*This draw down request is for the general administration of the grant. The County established a fund to separately account for CDBG general administration activities. However, the County utilizes this fund for each applicable CDBG grant and commingles each grant period together within the same fund without using any method to separately track each grant period's administrative activity. The County has accumulated a fund balance of \$31,322 within this fund. The County's fund balance for this fund was in excess of \$5,000 for the entire year.

Failure to timely disburse the draw-downs upon receipt indicates a lack of monitoring by grant managers.

The County should implement additional procedures to develop a cash management system to ensure compliance with the fifteen day rule, ensuring that funds drawn down are limited to amounts that will be disbursed to a balance of less than \$5,000 within fifteen days of receipt of any funds. The County should also develop a method to separately track each grant period's administrative funds to ensure proper and timely disbursement.

**ASHLAND COUNTY**  
**SCHEDULE OF FINDINGS & RESPONSES**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2012**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - (Continued)**

*Client Response:* The Auditor's Office has set new guidelines to track when revenue is received, so it can be expended within the Federal time limit. The Auditor's Office will also closely monitor the activity within the CDBG general administrative fund to ensure the funds are timely spent on allowable activities.



# Dave Yost • Auditor of State

## ASHLAND COUNTY 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 1, 2013