



**FINANCIAL CONDITION  
ASHLAND COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**ASHLAND COUNTY**  
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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the County Commissioners:

We have audited the accompanying general purpose financial statements of Ashland County, Ohio, (the County) as of and for the year ended December 31, 2001, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types and discretely presented component unit for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We performed our audit to form an opinion on the general purpose financial statements of the County, taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2002, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types (the Statement) replaces the Statement in Ashland County's fiscal year ended December 31, 2001 report package. This Statement was revised to correct an error between the Debt Service and Capital Projects Fund Types.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

**Jim Petro**  
Auditor of State

July 19, 2002, except for the last paragraph, which is dated September 25, 2002.

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Ashland County, Ohio  
 Combined Balance Sheet  
 All Fund Types, Account Groups,  
 and Discretely Presented Component Unit  
 December 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$4,799,583	\$6,959,359	\$161,807	\$4,152,974
Cash and Cash Equivalents in Segregated Accounts	633	30,066	0	0
Receivables:				
Property Taxes	1,923,602	2,578,195	0	0
Permissive Sales Taxes	1,094,228	150,000	123,543	0
Other Local Taxes	0	0	0	0
Special Assessments	0	0	0	0
Accounts (net, where applicable of allowance for uncollectibles)	10,500	7,685	0	0
Interfund	3,600	0	0	0
Accrued Interest	175,032	4,535	0	0
Notes	0	143,464	0	0
Due from Other Funds	18,845	63,383	23,579	0
Due from Other Governments	799,240	2,775,686	0	0
Materials and Supplies Inventory	33,559	444,234	0	0
Inventory Held for Resale	0	0	0	0
Prepaid Items	58,340	6,292	0	0
Restricted Assets:				
Cash and Cash Equivalents with Escrow Agents	0	0	0	380,567
Fixed Assets, (net, where applicable of accumulated depreciation)	0	0	0	0
<u>Other Debits</u>				
Amount to be Provided from General Governmental Resources	0	0	0	0
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Total Assets and Other Debits	<u>\$8,917,162</u>	<u>\$13,162,899</u>	<u>\$308,929</u>	<u>\$4,533,541</u>



Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	Primary Government		Reporting Entity
\$1,791,971	\$359,189	\$2,282,628	\$0	\$0	\$20,507,511	\$0	\$20,507,511
3,424	0	255,653	0	0	289,776	28,913	318,689
0	0	35,081,073	0	0	39,582,870	0	39,582,870
0	0	0	0	0	1,367,771	0	1,367,771
0	0	9,762	0	0	9,762	0	9,762
0	0	272,601	0	0	272,601	0	272,601
30,846	0	5,358,053	0	0	5,407,084	20,098	5,427,182
0	0	0	0	0	3,600	0	3,600
4,748	0	0	0	0	184,315	0	184,315
0	0	0	0	0	143,464	0	143,464
0	0	48,343	0	0	154,150	0	154,150
8,232	0	2,632,558	0	0	6,215,716	0	6,215,716
2,473	0	0	0	0	480,266	4,977	485,243
12,949	0	0	0	0	12,949	0	12,949
0	0	0	0	0	64,632	0	64,632
0	0	0	0	0	380,567	0	380,567
1,429,807	0	0	28,691,004	0	30,120,811	73,849	30,194,660
0	0	0	0	8,555,515	8,555,515	0	8,555,515
0	0	0	0	228,989	228,989	0	228,989
<u>\$3,284,450</u>	<u>\$359,189</u>	<u>\$45,940,671</u>	<u>\$28,691,004</u>	<u>\$8,784,504</u>	<u>\$113,982,349</u>	<u>\$127,837</u>	<u>\$114,110,186</u>

(continued)

Ashland County, Ohio  
 Combined Balance Sheet  
 All Fund Types, Account Groups,  
 and Discretely Presented Component Unit  
 December 31, 2001  
 (continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity, and Other Credits</u>				
<u>Liabilities</u>				
Accounts Payable	\$149,467	\$503,334	\$0	\$6,775
Contracts Payable	0	7,568	0	738
Accrued Wages Payable	20,893	71,061	0	0
Compensated Absences Payable	14,740	18,363	0	0
Retainage Payable	0	35,484	0	310
Interfund Payable	0	3,600	0	0
Due to Other Funds	0	80,096	0	0
Due to Other Governments	61,076	51,079	0	0
Deferred Revenue	3,522,187	4,958,131	79,940	0
Undistributed Assets	0	0	0	0
Claims Payable	0	0	0	0
Accrued Interest Payable	0	0	0	37,408
Notes Payable	0	0	0	2,000,000
Payable from Restricted Assets:				
Retainage Payable	0	0	0	379,897
General Obligation Bonds Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Closure/Post Closure Liability	0	0	0	0
<b>Total Liabilities</b>	<b>3,768,363</b>	<b>5,728,716</b>	<b>79,940</b>	<b>2,425,128</b>
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings (Deficit)	0	0	0	0
Contributed Capital	0	0	0	0
Fund Balance:				
Reserved for Notes Receivable	0	143,464	0	0
Reserved for Unclaimed Monies	31,955	0	0	0
Reserved for Encumbrances	279,651	152,668	0	565,602
Unreserved (Deficit)	4,837,193	7,138,051	228,989	1,542,811
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b>5,148,799</b>	<b>7,434,183</b>	<b>228,989</b>	<b>2,108,413</b>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$8,917,162</b>	<b>\$13,162,899</b>	<b>\$308,929</b>	<b>\$4,533,541</b>

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	Primary Government		Reporting Entity
\$42,848	\$0	\$0	\$0	\$0	\$702,424	\$0	\$702,424
0	0	0	0	0	8,306	0	8,306
21,546	0	0	0	0	113,500	0	113,500
27,802	0	0	0	870,193	931,098	0	931,098
0	0	0	0	0	35,794	0	35,794
0	0	0	0	0	3,600	0	3,600
11,271	0	62,783	0	0	154,150	0	154,150
39,829	0	38,535,084	0	527,247	39,214,315	1,976	39,216,291
0	0	0	0	0	8,560,258	0	8,560,258
0	0	7,342,804	0	0	7,342,804	0	7,342,804
0	412,037	0	0	0	412,037	0	412,037
0	0	0	0	0	37,408	0	37,408
0	0	0	0	0	2,000,000	9,856	2,009,856
0	0	0	0	0	379,897	0	379,897
0	0	0	0	7,343,000	7,343,000	0	7,343,000
6,578	0	0	0	44,064	50,642	0	50,642
1,697,472	0	0	0	0	1,697,472	0	1,697,472
<u>1,847,346</u>	<u>412,037</u>	<u>45,940,671</u>	<u>0</u>	<u>8,784,504</u>	<u>68,986,705</u>	<u>11,832</u>	<u>68,998,537</u>
0	0	0	28,691,004	0	28,691,004	0	28,691,004
475,040	(52,848)	0	0	0	422,192	116,005	538,197
962,064	0	0	0	0	962,064	0	962,064
0	0	0	0	0	143,464	0	143,464
0	0	0	0	0	31,955	0	31,955
0	0	0	0	0	997,921	0	997,921
0	0	0	0	0	13,747,044	0	13,747,044
<u>1,437,104</u>	<u>(52,848)</u>	<u>0</u>	<u>28,691,004</u>	<u>0</u>	<u>44,995,644</u>	<u>116,005</u>	<u>45,111,649</u>
<u>\$3,284,450</u>	<u>\$359,189</u>	<u>\$45,940,671</u>	<u>\$28,691,004</u>	<u>\$8,784,504</u>	<u>\$113,982,349</u>	<u>\$127,837</u>	<u>\$114,110,186</u>

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Ashland County, Ohio  
 Combined Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 All Governmental Fund Types  
 For the Year Ended December 31, 2001

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Revenues</u>					
Property Taxes	\$1,828,501	\$1,830,636	\$0	\$0	\$3,659,137
Permissive Sales Taxes	4,171,238	50,000	43,603	942,112	5,206,953
Other Local Taxes	3,755	160,840	0	0	164,595
Charges for Services	1,559,940	6,769,238	0	0	8,329,178
Licenses and Permits	4,667	137,116	0	0	141,783
Fines and Forfeitures	126,463	62,425	0	0	188,888
Intergovernmental	1,787,920	11,771,998	0	220,567	13,780,485
Interest	626,715	88,621	0	242,015	957,351
Other	258,277	520,969	141,474	0	920,720
<b>Total Revenues</b>	<b>10,367,476</b>	<b>21,391,843</b>	<b>185,077</b>	<b>1,404,694</b>	<b>33,349,090</b>
<u>Expenditures</u>					
Current:					
General Government:					
Legislative and Executive	4,071,272	567,494	0	0	4,638,766
Judicial	1,171,358	6,007,272	0	0	7,178,630
Public Safety	3,801,970	497,277	0	0	4,299,247
Public Works	101,013	3,217,107	0	0	3,318,120
Health	41,446	6,897,404	0	0	6,938,850
Human Services	273,047	4,972,119	0	0	5,245,166
Conservation and Recreation	25,000	0	0	0	25,000
Other	251,280	0	0	0	251,280
Capital Outlay	0	0	0	283,445	283,445
Intergovernmental	350,367	103,070	0	0	453,437
Debt Service:					
Principal Retirement	12,346	5,629	135,000	12,200,000	12,352,975
Interest and Fiscal Charges	1,705	777	103,541	337,103	443,126
<b>Total Expenditures</b>	<b>10,100,804</b>	<b>22,268,149</b>	<b>238,541</b>	<b>12,820,548</b>	<b>45,428,042</b>
Excess of Revenues Over (Under) Expenditures	266,672	(876,306)	(53,464)	(11,415,854)	(12,078,952)
<u>Other Financing Sources (Uses)</u>					
Inception of Capital Lease	0	19,136	0	0	19,136
Sale of Fixed Assets	3,112	6,039	0	0	9,151
Proceeds of Bonds	0	0	5,773,000	0	5,773,000
Operating Transfers - In	167,214	697,065	101,898	5,773,000	6,739,177
Operating Transfers - Out	(1,187,029)	(241,599)	(5,773,000)	0	(7,201,628)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,016,703)</b>	<b>480,641</b>	<b>101,898</b>	<b>5,773,000</b>	<b>5,338,836</b>
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(750,031)	(395,665)	48,434	(5,642,854)	(6,740,116)
Fund Balances at Beginning Year	5,898,830	7,829,848	180,555	7,751,267	21,660,500
Fund Balances (Deficit) at End of Year	<u>\$5,148,799</u>	<u>\$7,434,183</u>	<u>\$228,989</u>	<u>\$2,108,413</u>	<u>\$14,920,384</u>

See Accompanying Notes to the General Purpose Financial Statements

Ashland County, Ohio  
 Combined Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Budget (Non-GAAP Budgetary Basis) and Actual  
 All Governmental Fund Types  
 For the Year Ended December 31, 2001

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>						
Property Taxes	\$1,821,033	\$1,828,501	\$7,468	\$1,834,166	\$1,830,636	(\$3,530)
Permissive Sales Taxes	4,100,000	4,091,693	(8,307)	0	0	0
Other Local Taxes	3,000	3,755	755	175,543	174,599	(944)
Charges for Services	1,398,641	1,514,841	116,200	7,354,269	6,725,925	(628,344)
Licenses and Permits	5,800	4,667	(1,133)	130,905	139,302	8,397
Fines and Forfeitures	113,220	118,619	5,399	61,400	61,342	(58)
Intergovernmental	1,882,362	1,838,006	(44,356)	12,158,777	12,094,276	(64,501)
Interest	851,406	847,275	(4,131)	96,987	95,183	(1,804)
Other	269,149	193,840	(75,309)	1,521,846	591,627	(930,219)
<b>Total Revenues</b>	<b>10,444,611</b>	<b>10,441,197</b>	<b>(3,414)</b>	<b>23,333,893</b>	<b>21,712,890</b>	<b>(1,621,003)</b>
<u>Expenditures</u>						
Current:						
General Government:						
Legislative and Executive	4,585,607	4,338,779	246,828	831,089	555,635	275,454
Judicial	1,399,291	1,259,514	139,777	6,804,631	6,012,732	791,899
Public Safety	4,338,727	3,881,869	456,858	938,830	536,300	402,530
Public Works	135,478	115,777	19,701	4,073,460	3,219,947	853,513
Health	82,518	74,856	7,662	8,160,246	6,780,325	1,379,921
Human Services	369,544	298,004	71,540	6,374,290	5,103,355	1,270,935
Conservation and Recreation	25,000	25,000	0	0	0	0
Other	267,742	245,216	22,526	0	0	0
Capital Outlay	500,000	0	500,000	0	0	0
Intergovernmental	352,204	350,363	1,841	122,318	120,686	1,632
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>12,056,111</b>	<b>10,589,378</b>	<b>1,466,733</b>	<b>27,304,864</b>	<b>22,328,980</b>	<b>4,975,884</b>
Excess of Revenues Under Expenditures	(1,611,500)	(148,181)	1,463,319	(3,970,971)	(616,090)	3,354,881
<u>Other Financing Sources (Uses)</u>						
Other Financing Sources	67,600	69,693	2,093	0	0	0
Sale of Fixed Assets	2,000	3,112	1,112	7,000	6,039	(961)
Proceeds of Notes	0	0	0	0	0	0
Proceeds of Bonds	0	0	0	0	0	0
Advances - In	1,600	1,600	0	1,600	5,200	3,600
Advances - Out	(5,200)	(5,200)	0	(1,600)	(1,600)	0
Operating Transfers - In	214	167,214	167,000	1,209,266	680,478	(528,788)
Operating Transfers - Out	(1,117,154)	(1,116,450)	704	(629,236)	(241,599)	387,637
<b>Total Other Financing Sources (Uses)</b>	<b>(1,050,940)</b>	<b>(880,031)</b>	<b>170,909</b>	<b>587,030</b>	<b>448,518</b>	<b>(138,512)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,662,440)	(1,028,212)	1,634,228	(3,383,941)	(167,572)	3,216,369
Fund Balances at Beginning of Year	5,342,488	5,342,488	0	6,318,545	6,318,545	0
Prior Year Encumbrances Appropriated	86,769	86,769	0	734,688	734,688	0
<b>Fund Balances at End of Year</b>	<b>\$2,766,817</b>	<b>\$4,401,045</b>	<b>\$1,634,228</b>	<b>\$3,669,292</b>	<b>\$6,885,661</b>	<b>\$3,216,369</b>

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Funds			Capital Projects Fund			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0	\$3,655,199	\$3,659,137	\$3,938
0	0	0	992,390	1,015,809	23,419	5,092,390	5,107,502	15,112
0	0	0	0	0	0	178,543	178,354	(189)
0	0	0	0	0	0	8,752,910	8,240,766	(512,144)
0	0	0	0	0	0	136,705	143,969	7,264
0	0	0	0	0	0	174,620	179,961	5,341
0	0	0	251,000	220,567	(30,433)	14,292,139	14,152,849	(139,290)
0	0	0	256,610	276,787	20,177	1,205,003	1,219,245	14,242
140,000	129,684	(10,316)	0	0	0	1,930,995	915,151	(1,015,844)
140,000	129,684	(10,316)	1,500,000	1,513,163	13,163	35,418,504	33,796,934	(1,621,570)
0	0	0	0	0	0	5,416,696	4,894,414	522,282
0	0	0	0	0	0	8,203,922	7,272,246	931,676
0	0	0	0	0	0	5,277,557	4,418,169	859,388
0	0	0	0	0	0	4,208,938	3,335,724	873,214
0	0	0	0	0	0	8,242,764	6,855,181	1,387,583
0	0	0	0	0	0	6,743,834	5,401,359	1,342,475
0	0	0	0	0	0	25,000	25,000	0
0	0	0	0	0	0	267,742	245,216	22,526
0	0	0	2,907,064	982,497	1,924,567	3,407,064	982,497	2,424,567
0	0	0	0	0	0	474,522	471,049	3,473
135,000	135,000	0	12,200,000	12,200,000	0	12,335,000	12,335,000	0
103,543	103,541	2	299,695	299,695	0	403,238	403,236	2
238,543	238,541	2	15,406,759	13,482,192	1,924,567	55,006,277	46,639,091	8,367,186
(98,543)	(108,857)	(10,314)	(13,906,759)	(11,969,029)	1,937,730	(19,587,773)	(12,842,157)	6,745,616
0	0	0	0	0	0	67,600	69,693	2,093
0	0	0	0	0	0	9,000	9,151	151
5,773,000	5,773,000	0	0	0	0	5,773,000	5,773,000	0
0	0	0	2,000,000	2,000,000	0	2,000,000	2,000,000	0
0	0	0	0	0	0	3,200	6,800	3,600
0	0	0	0	0	0	(6,800)	(6,800)	0
101,898	101,898	0	5,773,000	5,773,000	0	7,084,378	6,722,590	(361,788)
(5,773,000)	(5,773,000)	0	0	0	0	(7,519,390)	(7,131,049)	388,341
101,898	101,898	0	7,773,000	7,773,000	0	7,410,988	7,443,385	32,397
3,355	(6,959)	(10,314)	(6,133,759)	(4,196,029)	1,937,730	(12,176,785)	(5,398,772)	6,778,013
168,766	168,766	0	7,699,849	7,699,849	0	19,529,648	19,529,648	0
0	0	0	69,064	69,064	0	890,521	890,521	0
\$172,121	\$161,807	(\$10,314)	\$1,635,154	\$3,572,884	\$1,937,730	\$8,243,384	\$15,021,397	\$6,778,013

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Ashland County, Ohio  
 Combined Statement of Revenues, Expenses,  
 and Changes in Fund Equity  
 All Proprietary Fund Types  
 and Discretely Presented Component Unit  
 For the Year Ended December 31, 2001

	Proprietary Fund Types		Totals	Component Unit	Totals
	Enterprise	Internal Service	(Memorandum Only) Primary Government		(Memorandum Only) Reporting Entity
<u>Operating Revenues</u>					
Charges for Services	\$997,914	\$2,019,393	\$3,017,307	\$423,757	\$3,441,064
Sale of Recyclables	197,081	0	197,081	0	197,081
Other Operating Revenues	5,709	0	5,709	590	6,299
<b>Total Operating Revenues</b>	<b>1,200,704</b>	<b>2,019,393</b>	<b>3,220,097</b>	<b>424,347</b>	<b>3,644,444</b>
<u>Operating Expenses</u>					
Personal Services	1,076,429	0	1,076,429	267,077	1,343,506
Contractual Services	281,972	328,776	610,748	47,011	657,759
Materials and Supplies	169,715	0	169,715	66,637	236,352
Purchase of Recyclables	6,141	0	6,141	0	6,141
Claims	0	2,430,579	2,430,579	0	2,430,579
Depreciation	129,105	0	129,105	16,142	145,247
Other Operating Expenses	218,382	0	218,382	20,366	238,748
<b>Total Operating Expenses</b>	<b>1,881,744</b>	<b>2,759,355</b>	<b>4,641,099</b>	<b>417,233</b>	<b>5,058,332</b>
<b>Operating Income (Loss)</b>	<b>(681,040)</b>	<b>(739,962)</b>	<b>(1,421,002)</b>	<b>7,114</b>	<b>(1,413,888)</b>
<u>Non-Operating Revenues (Expenses)</u>					
Interest Revenue	79,698	0	79,698	1,420	81,118
Interest Expense	(69)	0	(69)	0	(69)
Gain on Disposal of Fixed Assets	0	0	0	5,459	5,459
Loss on Disposal of Fixed Assets	(1,862)	0	(1,862)	0	(1,862)
Capital Contributions	4,350	0	4,350	0	4,350
Grants	139,831	0	139,831	0	139,831
<b>Total Non-Operating Revenues (Expenses)</b>	<b>221,948</b>	<b>0</b>	<b>221,948</b>	<b>6,879</b>	<b>228,827</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>(459,092)</b>	<b>(739,962)</b>	<b>(1,199,054)</b>	<b>13,993</b>	<b>(1,185,061)</b>
Operating Transfers - In	512,451	0	512,451	0	512,451
Operating Transfers - Out	(50,000)	0	(50,000)	0	(50,000)
<b>Net Income (Loss)</b>	<b>3,359</b>	<b>(739,962)</b>	<b>(736,603)</b>	<b>13,993</b>	<b>(722,610)</b>
Retained Earnings at Beginning of Year	471,681	687,114	1,158,795	102,012	1,260,807
Retained Earnings (Deficit) at End of Year	475,040	(52,848)	422,192	116,005	538,197
Contributed Capital at Beginning and End of Year	962,064	0	962,064	0	962,064
<b>Total Fund Equity (Deficit) at End of Year</b>	<b>\$1,437,104</b>	<b>(\$52,848)</b>	<b>\$1,384,256</b>	<b>\$116,005</b>	<b>\$1,500,261</b>

See Accompanying Notes to the General Purpose Financial Statements

Ashland County, Ohio  
 Combined Statement of Revenues, Expenses,  
 and Changes in Fund Balances  
 Budget (Non-GAAP Budgetary Basis) and Actual  
 All Proprietary Fund Types  
 For the Year Ended December 31, 2001

	Enterprise Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Charges for Services	\$979,400	\$989,314	\$9,914
Sale of Recyclables	222,800	199,702	(23,098)
Interest Revenue	85,000	84,176	(824)
Grants	144,000	142,350	(1,650)
Other Revenues	15,800	5,709	(10,091)
<b>Total Revenues</b>	<b>1,447,000</b>	<b>1,421,251</b>	<b>(25,749)</b>
<u>Expenses</u>			
Personal Services	1,098,030	1,071,362	26,668
Contractual Services	1,774,508	421,283	1,353,225
Materials and Supplies	206,698	198,955	7,743
Purchase of Recyclables	1,228	1,228	0
Claims	0	0	0
Capital Outlay	32,911	32,911	0
Other Expenses	228,063	215,006	13,057
<b>Total Expenses</b>	<b>3,341,438</b>	<b>1,940,745</b>	<b>1,400,693</b>
Excess of Revenues Under Expenses	(1,894,438)	(519,494)	1,374,944
Operating Transfers - In	449,512	458,459	8,947
Operating Transfers - Out	(50,000)	(50,000)	0
Excess of Revenues Under Expenses and Operating Transfers	(1,494,926)	(111,035)	1,383,891
Fund Balances at Beginning of Year	1,901,881	1,901,881	0
Prior Year Encumbrances Appropriated	1,125	1,125	0
<b>Fund Balances at End of Year</b>	<b>\$408,080</b>	<b>\$1,791,971</b>	<b>\$1,383,891</b>

See Accompanying Notes to the General Purpose Financial Statements

Internal Service Fund			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$2,050,000	\$2,019,393	(\$30,607)	\$3,029,400	\$3,008,707	(\$20,693)
0	0	0	222,800	199,702	(23,098)
0	0	0	85,000	84,176	(824)
0	0	0	144,000	142,350	(1,650)
0	0	0	15,800	5,709	(10,091)
<u>2,050,000</u>	<u>2,019,393</u>	<u>(30,607)</u>	<u>3,497,000</u>	<u>3,440,644</u>	<u>(56,356)</u>
0	0	0	1,098,030	1,071,362	26,668
328,776	328,776	0	2,103,284	750,059	1,353,225
0	0	0	206,698	198,955	7,743
0	0	0	1,228	1,228	0
2,411,224	2,360,240	50,984	2,411,224	2,360,240	50,984
0	0	0	32,911	32,911	0
0	0	0	228,063	215,006	13,057
<u>2,740,000</u>	<u>2,689,016</u>	<u>50,984</u>	<u>6,081,438</u>	<u>4,629,761</u>	<u>1,451,677</u>
(690,000)	(669,623)	20,377	(2,584,438)	(1,189,117)	1,395,321
0	0	0	449,512	458,459	8,947
0	0	0	(50,000)	(50,000)	0
(690,000)	(669,623)	20,377	(2,184,926)	(780,658)	1,404,268
1,028,812	1,028,812	0	2,930,693	2,930,693	0
0	0	0	1,125	1,125	0
<u>\$338,812</u>	<u>\$359,189</u>	<u>\$20,377</u>	<u>\$746,892</u>	<u>\$2,151,160</u>	<u>\$1,404,268</u>

Ashland County, Ohio  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types  
 and Discretely Presented Component Unit  
 For the Year Ended December 31, 2001

	Proprietary Fund Types		Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only)
	Enterprise	Internal Service	Primary Government		Reporting Entity
<u>Increase (Decrease) in Cash and Cash Equivalents</u>					
<u>Cash Flows from Operating Activities</u>					
Cash Received from Customers	\$1,189,016	\$0	\$1,189,016	\$281,524	\$1,470,540
Cash Received from Quasi-External Operating Transactions with Other Funds	0	2,019,393	2,019,393	0	2,019,393
Cash Paid for Personal Services	(852,279)	0	(852,279)	(135,921)	(988,200)
Cash Paid to Suppliers	(600,298)	(328,776)	(929,074)	(188,790)	(1,117,864)
Cash Paid for Claims	0	(2,360,240)	(2,360,240)	0	(2,360,240)
Cash Paid for Quasi-External Operating Transactions with Other Funds	(219,083)	0	(219,083)	0	(219,083)
Cash Received from Other Revenues	5,709	0	5,709	930	6,639
Cash Paid for Other Expenses	(215,006)	0	(215,006)	0	(215,006)
Net Cash Used for Operating Activities	(691,941)	(669,623)	(1,361,564)	(42,257)	(1,403,821)
<u>Cash Flows from Noncapital Financing Activities</u>					
Grants	142,350	0	142,350	0	142,350
Operating Transfers - In	458,459	0	458,459	0	458,459
Operating Transfers - Out	(50,000)	0	(50,000)	0	(50,000)
Net Cash Provided by Noncapital Financing Activities	550,809	0	550,809	0	550,809
<u>Cash Flows from Capital and Related Financing Activities</u>					
Acquisition of Fixed Assets	(56,656)	0	(56,656)	(4,488)	(61,144)
Disposal of Fixed Assets	0	0	0	7,083	7,083
Principal Paid on Notes	0	0	0	(4,778)	(4,778)
Principal Paid on Lease	(295)	0	(295)	0	(295)
Interest Paid on Lease	(69)	0	(69)	0	(69)
Net Cash Used for Capital and Related Financing Activities	(57,020)	0	(57,020)	(2,183)	(59,203)
<u>Cash Flows from Investing Activities</u>					
Interest	84,176	0	84,176	1,420	85,596
Net Decrease in Cash and Cash Equivalents	(113,976)	(669,623)	(783,599)	(43,020)	(826,619)
Cash and Cash Equivalents at Beginning of Year	1,909,371	1,028,812	2,938,183	71,933	3,010,116
Cash and Cash Equivalents at End of Year	\$1,795,395	\$359,189	\$2,154,584	\$28,913	\$2,183,497

(continued)

Ashland County, Ohio  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types  
 and Discretely Presented Component Unit  
 For the Year Ended December 31, 2001  
 (continued)

	Proprietary Fund Types		Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only)
	Enterprise	Internal Service	Primary Government		Reporting Entity
<u>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities</u>					
Operating Income (Loss)	(\$681,040)	(\$739,962)	(\$1,421,002)	\$7,114	(\$1,413,888)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities</u>					
Depreciation	129,105	0	129,105	16,142	145,247
Changes in Assets and Liabilities:					
Increase in Accounts Receivable	(5,979)	0	(5,979)	(10,737)	(16,716)
Decrease in Materials and Supplies Inventory	1,664	0	1,664	740	2,404
Decrease in Inventory Held for Resale	1,972	0	1,972	0	1,972
Decrease in Accounts Payable	(27,569)	0	(27,569)	(55,000)	(82,569)
Increase in Accrued Wages Payable	3,299	0	3,299	0	3,299
Increase in Compensated Absences Payable	3,321	0	3,321	0	3,321
Increase (Decrease) in Due to Other Funds	11,271	(405)	10,866	0	10,866
Decrease in Due to Other Governments	(103,292)	0	(103,292)	(516)	(103,808)
Increase in Claims Payable	0	70,744	70,744	0	70,744
Decrease in Closure/Post Closure Liability	(24,693)	0	(24,693)	0	(24,693)
Total Adjustments	(10,901)	70,339	59,438	(49,371)	10,067
Net Cash Used for Operating Activities	<u>(\$691,941)</u>	<u>(\$669,623)</u>	<u>(\$1,361,564)</u>	<u>(\$42,257)</u>	<u>(\$1,403,821)</u>

Non-Cash Capital Transactions

During 2001, the County Home and Recycling enterprise funds received fixed assets that were donated, in the amount of \$800 and \$3,550, respectively.

See Accompanying Notes to the General Purpose Financial Statements

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Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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**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 and serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the entire County.

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

**A. Primary Government:**

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

**B. Component Units:**

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

**Discretely Presented Component Unit**

The component unit column on the combined 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.

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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**NOTE 1 - REPORTING ENTITY** (continued)

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

As custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate agencies listed below, the County serves as the fiscal agent, but the organizations are not considered part of Ashland County. Accordingly, the activity of the following organizations is presented as agency funds within the combined 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 24, 25, and 26 to the combined financial statements. These organizations are:

Ashland County Regional Planning Commission  
Morrow-Ashland-Richland-Crawford Consortium (MARC)  
Northern Ohio Juvenile Community Corrections Facility  
Ashland Community Improvement Corporation (CIC)  
County Risk Sharing Authority, Inc. (CORSAs)  
County Commissioners Association of Ohio Service Corporation (CCAOSC)  
Ashland County Airport Authority

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.



Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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

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

**A. Fund Accounting:**

The County and D-R Services, Inc. use funds and account groups to report on their financial position and the results of their operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

**Governmental Fund Types**

Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use, and balances of the County's expendable financial resources and the related current liabilities (except those accounted for in proprietary fund types) are accounted for through governmental funds. The following are the County's governmental fund types:

**General Fund.** This fund is used to account for all financial resources of the County, 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.

**Special Revenue Funds.** These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Funds.** These funds are used to account for the accumulation of financial resources for, and the payment of, general long-term obligation principal, interest, and related costs.

**Capital Projects Fund.** This fund is used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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

Proprietary Fund Types

Proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. The following are the County's proprietary fund types:

Enterprise Funds. These funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund. This fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The County's fiduciary funds are agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group. This account group is used to account for all fixed assets of the County, except those accounted for in the proprietary funds.

General Long-Term Obligations Account Group. This account group is used to account for all long-term obligations of the County, except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types 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. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed for the proprietary fund types and D-R Services, Inc..

Revenue 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 of year end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, permissive 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 permissive sales taxes is recognized in the period 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: permissive sales taxes, charges for services, fines and forfeitures, state levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, and interest.

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there was an enforceable legal claim as of December 31, 2001, but which were levied to finance 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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.

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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

C. Budgetary Process:

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriations Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, legally are required to be budgeted and appropriated.

Budgetary information for the Commissary special revenue fund and D-R Services, Inc. are not reported because they are not included in the entity for which the “appropriated budget” is adopted.

Tax Budget

A budget of estimated revenues and expenditures is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The budget includes proposed expenditures and the means of financing for all funds. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

Estimated Resources

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the Official Certificate of Estimated Resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the Certificate of Estimated Resources is amended to include the actual unencumbered fund balances from the preceding year. The Certificate of Estimated Resources may be further amended during the year if the County Auditor determines, and the County Budget Commission agrees, that an estimate needs to be increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final Amended Official Certificate of Estimated Resources issued during 2001.

Appropriations

A temporary Appropriations Resolution to control expenditures may be passed on or about January 1 of each year, for the period January 1 to March 31. An annual Appropriations Resolution must be passed by April 1 of each year, for the period January 1 to December 31. The Appropriations Resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the County Commissioners. Several supplemental Appropriations Resolutions were legally enacted by the County Commissioners during the year. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the year.

Budgeted Level of Expenditures

Administrative control is maintained through the establishment of detailed line-item budgets. The legal level of budgetary control is at the object level within each department (i.e., General Fund - Commissioners - salaries, supplies, equipment, contract repairs, travel expenses, maintenance, and other expenses). Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental fund types and reported in the notes to the financial statements for proprietary fund types.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding year and are not reappropriated.

D. Cash and Investments:

To improve cash management, cash received by the County, except cash in segregated accounts or with escrow agents, is pooled and invested. Individual fund integrity is maintained through County records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Cash and cash equivalents that are held separately within departments of the County or with escrow agents, and not held with the County Treasurer, are recorded on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts" and "Cash and Cash Equivalents with Escrow Agents", respectively.

Cash and cash equivalents of D-R Services, Inc. are held by the component unit and are recorded on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts".

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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

During 2001, the County invested in non-negotiable certificates of deposit, repurchase agreements, federal agency securities, and STAR Ohio. Investments are reported at fair value, except for non-negotiable certificates of deposit and repurchase agreements which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2001.

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 2001 was \$626,715, which includes \$419,562 assigned from other County funds. D-R Services, Inc. received its own interest, in the amount of \$1,420.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the County are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

E. Materials and Supplies Inventory:

With the exception of the Motor Vehicle and Gasoline Tax special revenue fund, all inventory of the County, as well as D-R Services, Inc., is presented at the lower of cost or market on a first-in, first-out basis and is 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.

F. Prepaid Items:

Payments made to vendors for services that will benefit periods beyond December 31, 2001, 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.

G. Fixed Assets:

The fixed asset values were initially determined at December 31, 1991, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were used. Donated fixed assets are capitalized at fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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

General Fixed Assets

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in the governmental funds, and the related assets are reported in the general fixed assets account group at historical cost or estimated historical cost. Assets in the general fixed assets account group are not depreciated.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported as these assets are immovable and of value only to the County.

Enterprise Fund Fixed Assets

Fixed assets reflected in the enterprise funds are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and reductions during the year. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Asset Category	Estimated Lives
Land Improvements	20 years
Buildings	40 years
Building Improvements	20 years
Equipment (other than data processing)	10 years
Data Processing Equipment	5 years
Vehicles	5 years

Capitalization of Interest. Interest is capitalized on enterprise fund assets acquired with tax-exempt debt. The County's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from the temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2001, there were no capitalized interest costs incurred on enterprise fund construction projects.

D-R Services, Inc. Fixed Assets

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

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

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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

**H. Interfund Assets and Liabilities:**

Short-term interfund loans are classified as “Interfund Receivables/Payables”. Transactions between individual funds for goods provided or services rendered are classified as “Due from/to Other Funds”.

**I. Compensated Absences:**

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. 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 that the County will compensate the employees for the benefits through paid time off or some other means. All accumulated unused vacation time is paid upon separation if the employee has at least one year of service.

Sick leave benefits, for all County departments, 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.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account “Compensated Absences Payable” in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**J. Accrued Liabilities and Long-Term Obligations:**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments made more than thirty-one days after year end are generally considered not to have been paid with current available expendable resources. Bonds and capital leases are reported as liabilities in the general long-term obligations account group until due. Long-term debt and other obligations financed by the proprietary funds are reported as liabilities in the appropriate proprietary fund.

**K. Contributed Capital:**

Contributed capital represents contributions made prior to 2001 by the County, other governments, and private sources. These assets are recorded at their fair market value on the date contributed and are not subject to repayment. Depreciation on assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Capital contributions received in 2001 have been recorded as revenues and reported as increases in retained earnings based on guidelines established in GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions”.



Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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

**L. Reserves of Fund Equity:**

The County records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for notes receivable, unclaimed monies, and encumbrances.

**M. Interfund Transactions:**

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**N. Estimates:**

The preparation of 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.

**O. Total Columns on General Purpose Financial Statements:**

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. When the title of a statement indicates that a component unit is included, two total columns are presented. The first is captioned "Primary Government" to indicate that only those activities that comprise the County's legal entity have been included. The second is captioned "Reporting Entity" and includes the activity and operations of the County's legally separate discretely presented component unit ( Note 1). Total columns on statements which do not include a component unit have no additional caption.

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE**

For 2001, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. The provisions of GASB Statement No. 33 also require that capital contributions to proprietary funds be recognized as revenues beginning in 2001. For the County, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the year ended December 31, 2000.

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

At December 31, 2001, the following funds had deficit fund balances/retained earnings:

Fund	Deficit
Special Revenue Fund	
COPS	\$3,354
Enterprise Fund	
Recycling	42,827
Internal Service Fund	
Medical Insurance	52,848

The General fund will provide a transfer to the special revenue fund to cover the deficit balance; however, this is done when cash is needed rather than when accruals occur. The deficit in the enterprise fund is due to prior year operating losses. The Recycling enterprise fund raised its rates in January 2001. The deficit in the internal service fund is due to claims expenses exceeding charges for services. The Medical Insurance internal service fund raised premiums in January, July, and October 2001.

The COPS special revenue fund had appropriations in excess of estimated resources plus available balances for the year ended December 31, 2001, in the amount of \$3,559.

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

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses 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/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis). Material encumbrances are disclosed in the notes for proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Although not part of the appropriated budget, the Commissary special revenue fund and D-R Services, Inc. are included as part of the reporting entity when preparing financial statements that conform with GAAP.

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

Excess of Revenues and Other Financing Sources  
Under Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$750,031)	(\$395,665)	\$48,434	(\$5,642,854)
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued 2000, Received in Cash 2001	661,051	945,656	11,789	73,697
Accrued 2001, Not Yet Received in Cash	(480,067)	(621,353)	(67,182)	0
Expenditure Accruals:				
Accrued 2000, Paid in Cash 2001	(405,344)	(984,890)	0	(133,518)
Accrued 2001, Not Yet Paid in Cash	226,983	756,013	0	44,251
				(continued)

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING** (continued)

Excess of Revenues and Other Financing Sources  
Under Expenditures and Other Financing Uses  
All Governmental Fund Types  
(continued)

	General	Special Revenue	Debt Service	Capital Projects
Cash Adjustments:				
Unrecorded Activity 2000	\$59,310	\$90,093	\$0	\$42,485
Unrecorded Activity 2001	(96,880)	(60,699)	0	(7,713)
Materials and Supplies Inventory	(4,453)	111,046	0	0
Prepaid Items	(5,604)	12,022	0	0
Proceeds of Notes	0	0	0	2,000,000
Advances - In	1,600	5,200	0	0
Advances - Out	(5,200)	(1,600)	0	0
Transfers - In	70,579	0	0	0
Transfers - Out	0	(16,587)	0	0
Excess of Revenues Under Expenditures for Nonbudgeted Funds	1,502	6,191	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(301,658)	(12,999)	0	(572,377)
Budget Basis	(\$1,028,212)	(\$167,572)	(\$6,959)	(\$4,196,029)

Net Income (Loss)/Excess of Revenues Under  
Expenses and Operating Transfers  
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	\$3,359	(\$739,962)
<u>Increase (Decrease) Due To:</u>		
Revenue Accruals:		
Accrued 2000, Received in Cash 2001	44,844	0
Accrued 2001, Not Yet Received in Cash	(43,826)	0
Expense Accruals:		
Accrued 2000, Paid in Cash 2001	(232,147)	(405)
Accrued 2001, Not Yet Paid in Cash	94,484	70,744
Materials and Supplies Inventory	1,664	0
Inventory Held for Resale	1,972	0

(continued)

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING** (continued)

Net Income (Loss)/Excess of Revenues Under  
Expenses and Operating Transfers  
All Proprietary Fund Types  
(continued)

	Enterprise	Internal Service
Acquisition of Fixed Assets	(\$56,656)	\$0
Depreciation Expense	129,105	0
Loss on Disposal of Fixed Assets	1,862	0
Capital Contribution	(4,350)	0
Transfers - Out	(53,992)	0
Lease Principal Retirement	(295)	0
Excess of Revenues Under Expenses for Nonbudgeted Activity	2,941	0
Budget Basis	(\$111,035)	(\$669,623)

**NOTE 6 - DEPOSITS AND INVESTMENTS**

A. Primary Government:

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

Monies held by the County which are not considered active are classified as inactive. Inactive monies can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Association, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

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

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the County had \$156,716 in cash on hand which is included on the combined balance sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents".

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

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

At year end, the carrying amount of the County's deposits was \$5,646,090 and the bank balance was \$6,608,912. Of the bank balance, \$991,063 was covered by federal depository insurance and \$5,617,849 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$1,307,499	\$1,307,499	\$1,307,591
Federal Home Loan Bank Notes	1,254,725	1,254,725	1,254,725
Federal Home Loan Bank Bonds	2,996,595	2,996,595	2,996,595
Federal National Mortgage Association Bonds	1,512,750	1,512,750	1,512,750
	<u>\$7,071,569</u>	<u>7,071,569</u>	<u>7,071,661</u>
STAR Ohio		8,303,479	8,303,479
		<u>\$15,375,048</u>	<u>\$15,375,140</u>

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$21,177,854	\$0
Cash on Hand	(156,716)	0
Investments:		
Repurchase Agreements	(1,307,499)	1,307,499
Federal Home Loan Bank Notes	(1,254,725)	1,254,725
Federal Home Loan Bank Bonds	(2,996,595)	2,996,595
Federal National Mortgage Association Bonds	(1,512,750)	1,512,750
STAR Ohio	(8,303,479)	8,303,479
GASB Statement No. 3	<u>\$5,646,090</u>	<u>\$15,375,048</u>

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

**B. Component Unit:**

At year end, D-R Services, Inc. had \$145 in cash on hand which is included on the balance sheet of the County as part of "Cash and Cash Equivalents in Segregated Accounts". The carrying amount of D-R Services, Inc.'s deposits at year end was \$28,768 and the bank balance was \$35,097. The entire bank balance was covered by federal depository insurance. D-R Services, Inc. did not have any investments at year end. There are no significant statutory restrictions regarding the deposit and investment of funds by the not-for-profit corporation.

**NOTE 7 - PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax revenues received in 2001 represent the collection of 2000 taxes. Real property taxes for 2001 were levied after October 1, 2001, on the assessed values as of January 1, 2001, the lien date. These taxes will be collected in and are intended to finance 2002 operations. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1996. Real property taxes are payable annually or 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 real and tangible personal property taxes for 2001 were levied after October 1, 2001, on the assessed values as of December 31, 2000, the lien date. These taxes will be collected in and are intended to finance 2002 operations. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2001 (other than public utility property) represent the collection of 2001 taxes. Tangible personal property taxes received in 2001 were levied after October 1, 2000, on the true value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. The first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for the County and for all subdivisions within the County is accounted for through agency funds. The amount of the County's tax collections which will flow through an agency fund is reported as "Property Taxes Receivable" on the combined balance sheet in both the agency fund and the governmental fund which will receive the tax distribution.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2001, and for which there was an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2001 operations.



Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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**NOTE 7 - PROPERTY TAXES** (continued)

The full tax rate for all County operations the year ended December 31, 2001, was \$7.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2001 property tax receipts were based are as follows:

Real Property	
Residential	\$449,190,820
Agricultural	75,984,150
Commercial/Industrial/Mineral	83,230,650
Public Utility Property	
Real	328,610
Personal	64,064,520
Tangible Personal Property	109,680,834
Total Assessed Value	\$782,479,584

In November 2001, the voters approved a one mil five year levy for the Mental Health and Recovery Board.

**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 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, to the State Auditor, the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2001, consisted of taxes; special assessments; accounts (e.g., billings for user charged services); interfund; interest; notes; services charged to other funds; and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered fully collectible, except for the receivables related to child support as reflected in the Alimony and Child Support agency fund. These receivables are presented net of an allowance for uncollectible accounts.

	Agency
Gross Accounts Receivable	\$10,871,835
Less Allowance for	
Uncollectible Accounts	(5,513,782)
Net Accounts Receivable	\$5,358,053

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

**NOTE 9 - RECEIVABLES** (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	
Local Government	\$692,581
Homestead and Rollback	97,754
Public Defender Grant	4,939
Estate Tax	1,138
Other	2,828
Total General Fund	799,240
Special Revenue Funds	
MVGT	
Gasoline Tax	555,502
Motor Vehicle License Tax	1,160,457
Job and Family Services	
ODHS Public Assistance	146,477
ADAMHS	
A/D Federal Sub Pay	38,994
A/D State Sub Pay	5,596
Homestead and Rollback	37,460
Medicaid	74,428
Other	1,329
MRDD	
Unit Funding	30,641
Homestead and Rollback	89,431
Medicaid	81,017
POS	15,817
Title VI	1,233
Title VI-B	25,273
Program Subsidy	5,629
Bus Purchase Reimbursement	55,000
Victims of Crime	
Victims of Crime Grant	30,801

(continued)

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

**NOTE 9 - RECEIVABLES**

	Amount
Special Revenue Funds (continued)	
Children Services	
Title IV-E	\$31,550
PCSA	57,844
CDBG	
CDBG	202
CHIP	
Chip Grant	95,955
Child Support Enforcement Agency	
ODHS CSEA	12,964
Felony Delinquent Care/Custody	
RECLAIM	164,705
Community Corrections	
Community Corrections Grant	57,381
Total Special Revenue Funds	2,775,686
Enterprise Funds	
Recycling	
Recycling Grant	8,232
Agency Funds	
Library Local Government	1,137,095
Local Government	583,274
Local Government Revenue Assistance	137,097
Gasoline Tax	362,849
Motor Vehicle License Tax	260,549
Permissive Motor Vehicle License Tax	148,194
Homestead and Rollback	3,500
Total Agency Funds	2,632,558
Total All Funds	\$6,215,716

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

**NOTE 10 - NOTES RECEIVABLE**

A summary of the changes in notes receivable during 2001 follows:

		<u>Balance 12/31/00</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/01</u>
Special Revenue Fund					
CDBG Revolving Loan	5-7.25%	<u>\$0</u>	<u>\$145,541</u>	<u>\$2,077</u>	<u>\$143,464</u>

**NOTE 11 - FIXED ASSETS**

A summary of the enterprise funds' and D-R Services, Inc.'s fixed assets at December 31, 2001, follows:

	<u>Landfill</u>	<u>County Home</u>	<u>Recycling</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Land	\$75,025	\$0	\$75,600	\$150,625	\$0
Land Improvements	1,543	7,000	67,135	75,678	0
Buildings	8,606	1,266,104	256,000	1,530,710	0
Building Improvements	11,360	214,849	12,801	239,010	0
Equipment	11,316	152,589	493,079	656,984	209,545
Vehicles	45,292	43,842	102,999	192,133	59,875
	<u>153,142</u>	<u>1,684,384</u>	<u>1,007,614</u>	<u>2,845,140</u>	<u>269,420</u>
Less Accumulated					
Depreciation	<u>(61,481)</u>	<u>(1,017,015)</u>	<u>(336,837)</u>	<u>(1,415,333)</u>	<u>(195,571)</u>
Net Fixed Assets	<u>\$91,661</u>	<u>\$667,369</u>	<u>\$670,777</u>	<u>\$1,429,807</u>	<u>\$73,849</u>

A summary of the changes in general fixed assets during 2001 follows:

	<u>Balance 12/31/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/01</u>
Land	\$828,599	\$208,600	\$0	\$1,037,199
Land Improvements	50,670	0	0	50,670
Buildings	7,880,696	11,879,115	50,000	19,709,811
Building Improvements	1,497,496	0	0	1,497,496
Equipment	3,643,678	647,689	86,850	4,204,517
Vehicles	1,936,022	386,945	131,656	2,191,311
Construction in Progress	11,916,771	0	11,916,771	0
Total	<u>\$27,753,932</u>	<u>\$13,122,349</u>	<u>\$12,185,277</u>	<u>\$28,691,004</u>

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

**NOTE 12 - INTERFUND ASSETS AND LIABILITIES**

Interfund balances at December 31, 2001, consisted of the following individual fund receivables and payables:

Fund Type/Fund	Receivable		Payable	
	Interfund	Due from	Interfund	Due to
General Fund	\$3,600	\$18,845	\$0	\$0
Special Revenue Funds				
MVGT	0	61,250	0	0
Job and Family Services	0	2,000	0	71,727
MRDD	0	0	0	2,000
Prosecutor Mandatory Drug	0	133	0	0
CSEA	0	0	0	1,190
COPS	0	0	3,600	0
Jail Operations	0	0	0	5,179
Total Special Revenue Funds	0	63,383	3,600	80,096
Debt Service Fund				
Bond Retirement	0	23,579	0	0
Enterprise Funds				
County Home	0	0	0	6,423
Recycling	0	0	0	4,848
Total Enterprise Funds	0	0	0	11,271
Agency Funds				
Health	0	0	0	818
Regional Planning	0	0	0	65
Law Library	0	0	0	170
Family/Child	0	47,996	0	0
Undivided Tax	0	0	0	61,250
Sheriff	0	347	0	0
County Court	0	0	0	480
Total Agency Funds	0	48,343	0	62,783
Total All Funds	3,600	154,150	3,600	154,150

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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**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 2001, 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	\$10,000,000
Employee Benefit Liability	10,000,000
Law Enforcement Professional Liability	10,000,000
Public Officials Errors and Omissions Liability	10,000,000
Automobile Liability	10,000,000
Uninsured Motorists Liability	250,000
Medical Professional Liability	10,000,000
Ohio Stop Gap (Additional Workers' Compensation Coverage)	1,000,000
Building and Contents	49,607,126
Other Property Insurance:	
Extra Expense	1,000,000
Voting Machines	90,000
Contractors Equipment	652,423
Valuable Papers and Records	1,000,000
Automobile Physical Damage	Actual Cash Value
Flood and Earthquake	100,000,000
Comprehensive Boiler and Machinery	100,000,000
Crime Insurance:	
Faithful Performance	1,000,000
Money and Securities	1,000,000
Depositor's Forgery	1,000,000
Money Order and Counterfeit Paper	1,000,000

With the exceptions of medical coverage, dental coverage for MRDD employees, and workers' compensation, all insurance is held with CORSA. There has been no significant reduction in insurance coverage from 2000, and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials' bonds by statute.

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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**NOTE 13 - RISK MANAGEMENT** (continued)

For 2001, the County participated in the County Commissioners Association of Ohio Service Corporation, a worker's compensation group rating plan (the Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

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

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

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

All funds of the County, except the Board of Mental Retardation and Developmental Disabilities (MRDD), participate in the program and make payments to the Medical Insurance fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at December 31, 2001, are estimated by the third party administrator at \$412,037. The changes in the claims liability for 2001 and 2000 were:

Year	Beginning Balance	Current-Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2001	\$341,293	\$2,430,984	\$2,360,240	\$412,037
2000	118,308	1,683,861	1,460,876	341,293

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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**NOTE 13 - RISK MANAGEMENT** (continued)

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

**NOTE 14 - SIGNIFICANT CONTRACTUAL COMMITMENTS**

The County has several outstanding contracts for services. The following amounts remain on these contracts as of December 31, 2001:

Vendor	Contract Amount	Amount Paid as of 12/31/01	Outstanding Balance
Universal Refrigeration	\$100,000	\$0	\$100,000
Stanley Miller Construction	50,000	0	50,000
Poggemeyer Design	200,000	1,955	198,045
Innovative Controls, Inc.	30,000	0	30,000
Brickler & Eckler	100,000	3,260	96,740
James P. Finnegan Construction	59,400	0	59,400
Mowry Construction	24,940	10,560	14,380

**NOTE 15 - DEFINED BENEFIT PENSION PLANS**

**A. Public Employees Retirement System:**

All County employees, other than teachers, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.



Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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**NOTE 15 - DEFINED BENEFIT PENSION PLANS** (continued)

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the County is required to contribute 13.55 percent; 9.25 percent was the portion used to fund pension obligations for 2001, an increase from 6.54 percent in 2000. For law enforcement employees, the employee contribution is 10.1 percent of their annual covered salary for sheriffs and deputy sheriffs and 9 percent for all other members of the law enforcement program. (In January 2001, HB416 split the law enforcement program into two divisions; (1) sheriffs, deputy sheriffs, and township police and (2) the public safety division made up of all other members of the law enforcement program.) The employer contribution for all law enforcement employees is 16.7 percent; 12.4 percent was the portion used to fund pension obligations, an increase from 11.4 percent for 2000. For 2000, PERS instituted a temporary employer rate rollback. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's contributions to PERS for the years ended December 31, 2001, 2000, and 1999, were \$1,038,336, \$686,705, and \$880,781, respectively; 74 percent has been contributed for 2001 and 100 percent has been contributed for 2000 and 1999. The unpaid contribution for 2001 is recorded as a liability in the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System:**

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary to fund pension obligations and the County is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for 2001. For 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's contributions to STRS for the years ended December 31, 2001, 2000, and 1999, were \$56,325, \$35,981, and \$39,114, respectively; 96 percent has been contributed for 2001 and 100 percent has been contributed for 2000 and 1999. The unpaid contribution for 2001 is recorded as a liability in the respective fund.

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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**NOTE 16 - POSTEMPLOYMENT BENEFITS**

**A. Public Employees Retirement System:**

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate for 2001 was 13.55 percent of covered payroll for employees not engaged in law enforcement; 4.3 percent was the portion used to fund health care. The employer contribution rate for law enforcement employees for 2001 was 16.7 percent; 4.3 percent was used to fund health care.

Benefits are advance funded using the entry age normal cost method. Significant actuarial assumptions include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually, and an additional increase in total payroll of .54 percent to 5.1 percent based on additional pay increases. Health care premiums were assumed to increase 4.75 percent annually.

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

At December 31, 2001, the total number of benefit recipients eligible for OPEB through the PERS was 411,076. As of December 31, 2001, the actuarial value of net assets available for future OPEB payments was \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial liability were \$14,364.6 million and \$2,628.7 million, respectively. The County's actual contributions for 2001 which were used to fund OPEB were \$470,616.

**B. State Teachers Retirement System:**

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS.

Benefits are funded on a pay-as-you-go basis. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. Under Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount was \$26,680 for 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund at June 30, 2000, the latest available information, was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and there were 99,011 eligible benefit recipients.

Ashland County, Ohio  
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For the Year Ended December 31, 2001

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**NOTE 17 - OTHER EMPLOYER BENEFITS**

**A. Compensated Absences:**

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

**B. Employee Health Insurance:**

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

**NOTE 18 - SHORT-TERM OBLIGATIONS**

The changes in the County's short-term obligations during 2001 were as follows:

	<u>Interest Rate</u>	<u>Balance 12/31/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/01</u>
Capital Projects Fund					
County Jail					
2001 Series A	3.35%	\$0	\$2,000,000	\$0	\$2,000,000

According to Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. The liability is presented in the fund receiving the proceeds. The County's bond anticipation notes are supported by the full faith and credit of Ashland County and have a maturity of one year.

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
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**NOTE 19 - LONG-TERM OBLIGATIONS**

The changes in the County's long-term obligations during 2001 were as follows:

	Balance 12/31/00	Additions	Reductions	Balance 12/31/01
<u>General Long-Term Obligations</u>				
<u>General Obligation Bond</u>				
<u>Anticipation Notes</u>				
County Jail				
2000 Series A - 5.00%	\$2,200,000	\$0	\$2,200,000	\$0
2000 Series B - 4.90%	10,000,000	0	10,000,000	0
Total General Obligation Bond Anticipation Notes	12,200,000	0	12,200,000	0
<u>General Obligation Bonds</u>				
1991 Human Services - 5.00%	1,035,000	0	65,000	970,000
1994 County Garage - 5.00%	670,000	0	70,000	600,000
2001 County Jail - 4.75%	0	5,773,000	0	5,773,000
Total General Obligation Bonds	1,705,000	5,773,000	135,000	7,343,000
<u>Other Long-Term Obligations</u>				
Compensated Absences Payable	733,083	137,110	0	870,193
Due to Other Governments	181,490	527,247	181,490	527,247
Capital Leases Payable	42,903	19,136	17,975	44,064
Total Other Long-Term Obligations	957,476	683,493	199,465	1,441,504
Total General Long-Term Obligations	14,862,476	6,456,493	12,534,465	8,784,504
<u>Enterprise Fund Obligations</u>				
Compensated Absences Payable	24,481	3,321	0	27,802
Capital Leases Payable	0	6,873	295	6,578
Closure/Post Closure Liability	1,722,165	0	24,693	1,697,472
Total Enterprise Fund Obligations	1,746,646	10,194	24,988	1,731,852
Total Long-Term Obligations	\$16,609,122	\$6,466,687	\$12,559,453	\$10,516,356

The County's long-term bond anticipation notes were fully retired in 2001.

All general obligation bonds are supported by the full faith and credit of Ashland County. The general obligation bonds are presented as a liability in the general long-term obligations account group and are payable from unvoted property tax revenues to the extent that other resources are not available to meet annual principal and interest payments.

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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**NOTE 19 - LONG-TERM OBLIGATIONS** (continued)

1991 Human Services Bonds. The Human Services general obligation bonds include serial and term bonds. The term bonds have annual mandatory sinking fund redemption requirements and there are optional redemption provisions for the serial bonds. The term bonds mature on December 1, 2011, in the amount of \$900,000, at a redemption price equal to 100 percent of the principal plus accrued interest to the redemption date. The serial bonds maturing on or after December 1, 2002, are subject to early redemption, at the sole option of the County, either in whole or in part on any date on or after December 1, 2001, in multiples of \$5,000, at the following redemption prices plus accrued interest:

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

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

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

Compensated absences and due to other governments, representing the County's contractually required pension contribution, will be paid from the fund from which the employees' salaries are paid. Capital lease obligations will be paid from the fund that maintains custody of the related asset.

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 should not exceed 1 percent of the total assessed valuation of the County. The Revised Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not 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.

At December 31, 2001, the County's overall debt margin was \$10,718,990 with an unvoted debt margin of \$481,796.

Ashland County, Ohio  
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For the Year Ended December 31, 2001

**NOTE 19 - LONG-TERM OBLIGATIONS** (continued)

The following is a summary of the County's future annual principal and interest requirements for outstanding general obligation bonds:

Year	Principal	Interest	Total
2002	\$324,000	\$370,621	\$694,621
2003	333,000	354,265	687,265
2004	357,000	336,985	693,985
2005	376,000	318,268	694,268
2006	401,000	298,452	699,452
2007-2011	2,008,000	1,164,190	3,172,190
2012-2016	1,568,000	699,626	2,267,626
2017-2021	1,976,000	290,321	2,266,321
Total	<u>\$7,343,000</u>	<u>\$3,832,728</u>	<u>\$11,175,728</u>

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

	Amount of Issue	Amount Outstanding at 12/31/01
Landver Properties, LTD.	\$2,270,000	\$775,000
Good Shephard Home for the Aged Project	3,960,000	3,795,000
Good Shephard Home-Assisted Living Facilities	4,750,000	4,750,000
Bretheran Care, Inc.	14,685,000	14,685,000
Bretheran Care, Inc. - Brookwood Place	2,825,000	2,690,000

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

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
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**NOTE 20 - CAPITAL LEASES - LESSEE DISCLOSURE**

The County has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Capital Outlay" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the combined financial statements for the governmental funds and as a reduction of the liability in the enterprise funds. Equipment acquired by lease has been capitalized in the general fixed assets account group and the county home enterprise fund, in the amount of \$88,275 and \$6,873, respectively. These amounts represent the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group and the county home enterprise fund. Principal payments in 2001 were \$17,975 in the governmental funds and \$295 in the county home enterprise fund.

	Enterprise
Property under Capital Lease	\$6,873
Less Accumulated Depreciation	(344)
Balance December 31, 2001	\$6,529

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2001.

Year	GLTOAG	Enterprise
2002	\$17,423	\$1,455
2003	12,038	1,455
2004	10,417	1,455
2005	7,429	1,456
2006	0	1,456
Total	47,307	7,277
Less Amount Representing Interest	(3,243)	(699)
Present Value of Minimum Lease Payments	\$44,064	\$6,578

**NOTE 21 - LANDFILL CLOSURE AND 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 \$1,697,472 reported as landfill postclosure liability at December 31, 2001, 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, 2001, liability decreased from the prior year by \$24,693.

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

**NOTE 21 - LANDFILL CLOSURE AND POSTCLOSURE COSTS** (continued)

The County is required by state and federal laws and regulations to provide assurances that financial resources will be available to provide for postclosure care and remediation or containment of environmental hazards at the landfill. The County has passed the financial accountability test in which the County has proven to be able to self-fund these future costs.

**NOTE 22 - FEDERAL FOOD STAMP PROGRAM**

The County's Department of Job and Family Services distributes federal food stamps to entitled recipients within Ashland County. The receipt and issuance of these stamps have the characteristics of federal "grants"; however, the Department of Job and Family Services merely acts in an intermediary capacity.

The inventory value of these stamps is not reflected in the accompanying general purpose financial statements as the only economic interest related to these stamps rests with the ultimate recipient. Federal food stamp activity for the year was as follows:

Balance at Beginning of Year	\$32,000
Amount Received for Distribution	0
Amount Destroyed by Department of Job and Family Services	(23,300)
Balance at End of Year	\$8,700

**NOTE 23 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The County maintains three enterprise funds which are intended to be self-supporting through user fees charged for services provided to consumers for refuse disposal, care of the elderly, and recycling services. Financial segment information for the year ended December 31, 2001, was as follows:

	Landfill	County Home	Recycling	Total
Operating Revenues	\$242,847	\$725,214	\$232,643	\$1,200,704
Depreciation	10,833	59,224	59,048	129,105
Operating Loss	72,501	371,113	237,426	681,040
Current Capital Contributions	0	800	3,550	4,350
Grants	0	0	139,831	139,831
Operating Transfers - In	0	380,451	132,000	512,451
Operating Transfers - Out	50,000	0	0	50,000
Net Income (Loss)	(42,803)	9,535	36,627	3,359
Fixed Asset Additions	0	7,673	60,206	67,879
Fixed Asset Reductions	0	2,235	7,033	9,268
Net Working Capital	1,773,686	(42,452)	4,460	1,735,694

(continued)



Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

**NOTE 23 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS** (continued)

	<u>Landfill</u>	<u>County Home</u>	<u>Recycling</u>	<u>Total</u>
Long-Term Obligations				
Compensated Absences Payable	\$1,149	\$11,155	\$13,254	\$25,558
Capital Leases Payable	0	5,367	0	5,367
Closure/Post Closure Liability	1,697,472	0	0	1,697,472
Total Assets	1,890,803	691,170	702,477	3,284,450
Total Equity	166,726	608,395	661,983	1,437,104

**NOTE 24 - JOINTLY GOVERNED ORGANIZATIONS**

A. Ashland County Regional Planning Commission:

The County participates in the Ashland County Regional Planning Commission, which is a statutorily created political subdivision of the State. The Commission is jointly governed among Ashland County, the City of Ashland, eight villages, and thirteen townships within the County. Each member's control over the operation of the Commission is limited to its representation on the Board of Trustees. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. In 2001, the County contributed \$51,289 to the Regional Planning Commission, which represents 57.34 percent of its total contributions.

B. Morrow-Ashland-Richland-Crawford Consortium:

Ashland County is a participant in the Morrow-Ashland-Richland-Crawford Consortium (MARC), a regional council of governments established to conduct an employment and training administration program under the provisions of the Job Training Reform Amendment of 1992. The Consortium Board of MARC consists of the three county commissioners from each of the four participating counties. The Consortium Board is responsible for the administration, operation, and success of the job training program. Financial information can be obtained from MARC Job Training Office, 75 South Cherry Street, Mt. Gilead, Ohio, 43338.

C. Northern Ohio Juvenile Community Corrections Facility:

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

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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**NOTE 24 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

**D. Ashland Community Improvement Corporation (CIC)**

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

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

**NOTE 25 - INSURANCE POOLS**

**A. County Risk Sharing Authority, Inc.:**

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

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

**B. County Commissioners Association of Ohio Service Corporation:**

The County participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as an insurance purchasing pool.

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.

Ashland County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2001

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**NOTE 26 - 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 2001, this allocation was \$25,000.

**NOTE 27 - RELATED PARTY TRANSACTIONS**

During 2001, 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 \$131,156 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 the Center. Additional habilitative services provided directly to D-R Services, Inc. clients by the County was \$2,128,693.

**NOTE 28 - 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 other claims and lawsuits are pending against the County. In the opinion of the County Prosecuting Attorney, any potential liability would not have a material adverse effect on the financial statements.

**NOTE 29 - SUBSEQUENT EVENT NOTE**

On February 5, 2002, the County made an early payment on the USDA jail debt in the amount of \$673,000. This will save approximately \$362,000 in interest charges over 19 years.

On June 10, 2002, the County retired bond anticipation notes, in the amount of \$2,000,000.

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ASHLAND COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2001

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. Department of Health and Human Services</b>						
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>						
Block Grants for Prevention and Treatment of Substance Abuse	93.959	FY01	\$135,123	\$0	\$135,123	\$0
		FY02	33,280		33,280	
			<u>168,403</u>	<u>0</u>	<u>168,403</u>	<u>0</u>
Block Grants for Community Mental Health Services	93.958	FY01	23,955		23,955	
		FY02	11,192		11,192	
			<u>35,147</u>	<u>0</u>	<u>35,147</u>	<u>0</u>
Social Services Block Grant	93.667	FY01	25,199		25,199	
		FY02	13,553		13,553	
			<u>38,752</u>	<u>0</u>	<u>38,752</u>	<u>0</u>
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	93.778	FY01	166,876		166,876	
		FY02	151,563		151,563	
			<u>318,439</u>	<u>0</u>	<u>318,439</u>	<u>0</u>
<i>Passed through the Ohio Department of Mental Health</i>						
Medical Assistance Program	93.778	FY01	296,032		278,501	
		FY02	306,912		327,143	
			<u>602,944</u>	<u>0</u>	<u>605,644</u>	<u>0</u>
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>						
Medical Assistance Program	93.778	FY01	18,701		19,464	
		FY02	16,348		17,079	
			<u>35,049</u>	<u>0</u>	<u>36,543</u>	<u>0</u>
Total Medical Assistance Program			<u>956,432</u>	<u>0</u>	<u>960,626</u>	<u>0</u>
Total U.S. Department of Health and Human Services			1,198,734	0	1,202,928	0
<b>U.S. Department of Housing and Urban Development</b>						
<i>Passed through the Ohio Department of Development:</i>						
Community Development Block Grants/ State's Program	14.228	BF-99-003-1	17,500		17,702	
		BF-00-003-1	103,000		103,000	
		BC-99-003-1	61,665		74,167	
		BC-99-003-2	95,446		125,953	
		C-99-003-1			19,945	
Total U.S. Department of Housing and Urban Development			277,611	0	340,767	0

(Continued)

ASHLAND COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2001

(Continued)

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. Department of Education</b>						
<i>Passed through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Pre-School Grants	84.173	069225-PG-SC-01P 069225-PG-S1-02P	13,463		8,154 5,437	
			<u>13,463</u>	<u>0</u>	<u>13,591</u>	<u>0</u>
Special Education Grants to States	84.027	069625-6B-SF-99P 069625-6B-SE-01P 069625-6B-SE-02P	27,391 11,104		221 30,406 7,596	
			<u>38,495</u>	<u>0</u>	<u>38,223</u>	<u>0</u>
Total Special Education Cluster			51,958	0	51,814	0
Innovative Education Program Strategies	84.298	069625-C2-SI-01 069625-C2-SI-02	1,805 1,596		2,199 636	
			<u>3,401</u>	<u>0</u>	<u>2,835</u>	<u>0</u>
Total U.S. Department of Education			55,359	0	54,649	0
<b>U.S. Department of Agriculture</b>						
<i>Passed through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
National School Lunch Program	10.555	N/A	35,721		35,721	
Food Distribution	10.550	N/A		3,177		3,005
Total U.S. Department of Agriculture - Child Nutrition Cluster			35,721	3,177	35,721	3,005
<b>U.S. Department of Justice</b>						
Direct Program:						
Public Safety Partnership and Community Policing Grants	16.710	95 CFWX 0789	59,528		59,528	
<i>Passed through the State Office of Criminal Justice Services</i>						
Victims of Crime Assistance	16.575	01-VAGENE-306 02-VAGENE-306	31,519 10,266		31,789 10,526	
			<u>41,785</u>	<u>0</u>	<u>42,315</u>	<u>0</u>
Total U.S. Department of Justice			101,313	0	101,843	0
Total			<u>\$1,668,738</u>	<u>\$3,177</u>	<u>\$1,735,908</u>	<u>\$3,005</u>

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

## ASHLAND COUNTY

### NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2001

#### **NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

#### **NOTE B - TITLE XIX MEDICAL ASSISTANCE GRANT**

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

#### **NOTE C - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At December 31, 2001, the County had no significant food commodities in inventory.

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

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

These loans are collateralized by the assets of the businesses. At December 31, 2001, the gross amount of loans outstanding was \$143,464.

#### **NOTE E - MATCHING REQUIREMENTS**

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

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**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW  
Fourth Floor  
Canton, Ohio 44702  
Telephone 330-438-0617  
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the County Commissioners:

We have audited the general purpose financial statements of Ashland County, Ohio, (the County) as of and for the year ended December 31, 2001, and have issued our report thereon dated July 19, 2002, wherein we noted that we have reissued the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2001-60503-001.

**Internal Control Over Financial Reporting**

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated July 19, 2002.

Ashland County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

**Jim Petro**  
Auditor of State

July 19, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the County Commissioners:

**Compliance**

We have audited the compliance of Ashland County, Ohio, (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2001. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 which is described in the accompanying Schedule of Findings as item 2001-60503-002.

**Internal Control Over Compliance**

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

Ashland County  
Report of Independent Accountants on Compliance with Requirements  
Applicable to Each Major Federal Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133  
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

July 19, 2002

**ASHLAND COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 §.505**  
**DECEMBER 31, 2001**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Community Development Block Grant CFDA #14.228  Medical Assistance Program CFDA #93.778
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**Noncompliance**

<b>Finding Number</b>	2001-60503-001
-----------------------	----------------

**Ohio Rev. Code Section 5705.41(D)** states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and other orders for expenditure lacking prior certification should be null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides two “exceptions” to the above requirements:

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

During our testing, 36% of the expenditures, contracts, and/or open purchase commitments were not properly certified by the Auditor. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance. In addition, we noted that the County Auditor did not sign the certification statement on 28% of the purchase orders tested in order to make the certification valid.

The County Auditor should certify the availability of funds and also implement the use of so called Then and Now Certificates and Blanket Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41.

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2001-60503-002
<b>CFDA Title and Number</b>	93.778 – Medical Assistance Program
<b>Federal Award Number / Year</b>	2001 and 2002 Fiscal Years
<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Pass-Through Agency</b>	Ohio Department of Mental Health and Ohio Department of Alcohol and Drug Addiction Services

### Noncompliance

**Medicaid Contract B, Section C1** states the applicable compliance requirements for cash management procedures related to the Medical Assistance Program. The Medical Assistance Program is funded on a reimbursement basis. When entities are funded on a reimbursement basis, program costs must be paid for with nonfederal funds before reimbursement is requested from the Federal Government. Since July 1, 1999, local-level boards have been required to pay providers immediately upon receipt of provider invoices, for the total amount of the invoices. Effective January 1, 2000, the directors of the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) and the Ohio Department of Mental Health (ODMH) have interpreted this as within 30 days. The local-level board then submits the invoices to the state agency for reimbursement.

The Ashland County Mental Health Board was not always paying providers within 30 days of issuance of the Electronic Remittance Advice by the ODADAS or the ODMH. Specifically, we noted 47 out of 230 instances in which the County paid the provider beyond the 30 day requirement period.

To ensure compliance with cash management procedures, we recommend that the Ashland County Mental Health Board develop procedures for approving and paying provider bills within 30 days of issuance of the Electronic Remittance Advice by ODADAS or ODMH.

**ASHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-60503-001	Overcompensation of vacation leave	No	Partially Corrected. One individual repaid the net amount of the finding on March 30, 2001. Another individual has not repaid the finding as of July 19, 2002.
2000-60503-002	Certification of funds	No	Not Corrected. See Finding Number 2001-60503-001.



**ASHLAND COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 §.315 (c)  
DECEMBER 31, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-60503-002	To ensure compliance with cash management procedures, the Ashland County Mental Health Board will develop procedures for approving and paying provider bills within 30 days of issuance of the Electronic Remittance Advice by ODADAS or ODMH.	December 31, 2002	Jody McCluggage





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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## 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 8, 2002