



**Auditor of State
Betty Montgomery**

ASHLAND COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the County Commissioners:

We have audited the accompanying general purpose financial statements of Ashland County, Ohio, (the County) as of and for the year ended December 31, 2002, 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, 2002, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2003, 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 Schedule of Receipts and Expenditures of Federal Awards is presented for 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. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

July 11, 2003

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Ashland County, Ohio
 Combined Balance Sheet
 All Fund Types, Account Groups,
 and Discretely Presented Component Unit
 December 31, 2002

	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	\$4,374,182	\$6,872,474	\$909,893	\$326,440
Cash and Cash Equivalents in Segregated Accounts	4,460	37,437	0	0
Receivables:				
Property Taxes	1,874,411	2,684,641	0	0
Permissive Sales Taxes	1,044,087	160,031	100,050	0
Other Local Taxes	0	0	0	0
Special Assessments	0	0	0	0
Accounts (net, where applicable of allowance for uncollectibles)	8,975	16,127	0	0
Interfund	770	0	0	0
Accrued Interest	81,018	3,225	0	0
Notes	0	35,433	0	0
Due from Other Funds	19,539	63,305	11,789	0
Due from Other Governments	925,587	2,423,756	0	0
Materials and Supplies Inventory	30,348	966,747	0	0
Inventory Held for Resale	0	0	0	0
Prepaid Items	66,403	1,218	0	0
Fixed Assets, (net, where applicable of accumulated depreciation)	0	0	0	0
<u>Other Debits</u>				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	0	0	0	0
Amount to be Provided from General Governmental Resources	0	0	0	0
Total Assets and Other Debits	<u>\$8,429,780</u>	<u>\$13,264,394</u>	<u>\$1,021,732</u>	<u>\$326,440</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
\$1,658,584	\$632,361	\$2,450,370	\$0	\$0	\$17,224,304	\$0	\$17,224,304
6,469	0	203,934	0	0	252,300	12,442	264,742
0	0	37,153,879	0	0	41,712,931	0	41,712,931
0	0	0	0	0	1,304,168	0	1,304,168
0	0	10,849	0	0	10,849	0	10,849
0	0	240,690	0	0	240,690	0	240,690
43,009	0	6,807,216	0	0	6,875,327	20,800	6,896,127
0	0	0	0	0	770	0	770
0	0	0	0	0	84,243	0	84,243
0	0	0	0	0	35,433	0	35,433
0	1,197	17,798	0	0	113,628	0	113,628
11,221	0	2,403,851	0	0	5,764,415	0	5,764,415
8,692	0	0	0	0	1,005,787	4,669	1,010,456
0	0	0	0	0	0	0	0
109	0	0	0	0	67,730	0	67,730
1,345,050	0	0	28,926,070	0	30,271,120	77,834	30,348,954
0	0	0	0	955,032	955,032	0	955,032
0	0	0	0	6,678,258	6,678,258	0	6,678,258
<u>\$3,073,134</u>	<u>\$633,558</u>	<u>\$49,288,587</u>	<u>\$28,926,070</u>	<u>\$7,633,290</u>	<u>\$112,596,985</u>	<u>\$115,745</u>	<u>\$112,712,730</u>

(continued)

Ashland County, Ohio
 Combined Balance Sheet
 All Fund Types, Account Groups,
 and Discretely Presented Component Unit
 December 31, 2002
 (continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity, and Other Credits</u>				
<u>Liabilities</u>				
Accounts Payable	\$117,571	\$343,180	\$0	\$4,621
Accrued Wages Payable	55,406	105,514	0	0
Compensated Absences Payable	23,397	11,308	0	0
Retainage Payable	0	43,844	0	0
Interfund Payable	0	770	0	0
Due to Other Funds	730	42,027	0	0
Due to Other Governments	52,409	155,581	0	0
Deferred Revenue	3,384,945	4,590,126	66,700	0
Undistributed Assets	0	0	0	0
Claims Payable	0	0	0	0
Notes Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Closure/Post Closure Liability	0	0	0	0
Total Liabilities	3,634,458	5,292,350	66,700	4,621
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings	0	0	0	0
Contributed Capital	0	0	0	0
Fund Balance:				
Reserved for Notes Receivable	0	35,433	0	0
Reserved for Unclaimed Monies	34,700	0	0	0
Reserved for Encumbrances	290,590	302,111	0	69,858
Unreserved	4,470,032	7,634,500	955,032	251,961
Total Fund Equity and Other Credits	4,795,322	7,972,044	955,032	321,819
Total Liabilities, Fund Equity, and Other Credits	\$8,429,780	\$13,264,394	\$1,021,732	\$326,440

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
\$63,195	\$0	\$0	\$0	\$0	\$528,567	\$6,988	\$535,555
24,404	0	0	0	0	185,324	0	185,324
26,798	0	0	0	867,214	928,717	0	928,717
0	0	0	0	0	43,844	0	43,844
0	0	0	0	0	770	0	770
2,667	0	68,204	0	0	113,628	0	113,628
30,860	0	40,497,897	0	340,873	41,077,620	2,852	41,080,472
0	0	0	0	0	8,041,771	0	8,041,771
0	0	8,722,486	0	0	8,722,486	0	8,722,486
0	417,836	0	0	0	417,836	0	417,836
0	0	0	0	0	0	5,665	5,665
0	0	0	0	6,365,000	6,365,000	0	6,365,000
5,367	0	0	0	60,203	65,570	0	65,570
1,924,290	0	0	0	0	1,924,290	0	1,924,290
<u>2,077,581</u>	<u>417,836</u>	<u>49,288,587</u>	<u>0</u>	<u>7,633,290</u>	<u>68,415,423</u>	<u>15,505</u>	<u>68,430,928</u>
0	0	0	28,926,070	0	28,926,070	0	28,926,070
33,489	215,722	0	0	0	249,211	100,240	349,451
962,064	0	0	0	0	962,064	0	962,064
0	0	0	0	0	35,433	0	35,433
0	0	0	0	0	34,700	0	34,700
0	0	0	0	0	662,559	0	662,559
0	0	0	0	0	13,311,525	0	13,311,525
<u>995,553</u>	<u>215,722</u>	<u>0</u>	<u>28,926,070</u>	<u>0</u>	<u>44,181,562</u>	<u>100,240</u>	<u>44,281,802</u>
<u>\$3,073,134</u>	<u>\$633,558</u>	<u>\$49,288,587</u>	<u>\$28,926,070</u>	<u>\$7,633,290</u>	<u>\$112,596,985</u>	<u>\$115,745</u>	<u>\$112,712,730</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, 2002

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service		
<u>Revenues</u>					
Property Taxes	\$1,889,315	\$2,599,634	\$0	\$0	\$4,488,949
Permissive Sales Taxes	4,173,915	451,255	589,747	0	5,214,917
Other Local Taxes	3,970	161,997	0	0	165,967
Charges for Services	1,660,159	5,369,232	0	0	7,029,391
Licenses and Permits	4,317	143,049	0	0	147,366
Fines and Forfeitures	118,011	69,655	0	0	187,666
Intergovernmental	2,010,589	12,509,186	876	0	14,520,651
Interest	611,577	58,645	37,560	0	707,782
Rent	0	0	141,474	0	141,474
Other	379,285	717,232	0	0	1,096,517
Total Revenues	10,851,138	22,079,885	769,657	0	33,700,680
<u>Expenditures</u>					
Current:					
General Government:					
Legislative and Executive	4,143,084	414,703	0	0	4,557,787
Judicial	1,357,188	4,616,922	0	0	5,974,110
Public Safety	4,057,997	843,752	0	0	4,901,749
Public Works	111,990	2,884,423	0	0	2,996,413
Health	79,895	7,881,879	0	0	7,961,774
Human Services	294,787	5,154,583	0	0	5,449,370
Conservation and Recreation	25,000	0	0	0	25,000
Other	234,148	0	0	0	234,148
Capital Outlay	0	0	0	247,278	247,278
Intergovernmental	345,625	195,647	0	0	541,272
Debt Service:					
Principal Retirement	10,673	8,525	978,000	0	997,198
Interest and Fiscal Charges	1,558	2,051	360,284	29,406	393,299
Total Expenditures	10,661,945	22,002,485	1,338,284	276,684	34,279,398
Excess of Revenues Over (Under) Expenditures	189,193	77,400	(568,627)	(276,684)	(578,718)
<u>Other Financing Sources (Uses)</u>					
Inception of Capital Lease	25,647	12,920	0	0	38,567
Sale of Fixed Assets	6,224	2,760	0	0	8,984
Operating Transfers - In	468,995	804,613	1,306,084	0	2,579,692
Operating Transfers - Out	(1,043,536)	(359,832)	(19,127)	(1,502,197)	(2,924,692)
Total Other Financing Sources (Uses)	(542,670)	460,461	1,286,957	(1,502,197)	(297,449)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(353,477)	537,861	718,330	(1,778,881)	(876,167)
Fund Balances at Beginning Year	5,148,799	7,434,183	236,702	2,100,700	14,920,384
Fund Balances at End of Year	\$4,795,322	\$7,972,044	\$955,032	\$321,819	\$14,044,217

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, 2002

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>						
Property Taxes	\$1,888,459	\$1,889,315	\$856	\$2,588,718	\$2,599,634	\$10,916
Permissive Sales Taxes	4,215,000	4,223,290	8,290	425,000	453,531	28,531
Other Local Taxes	3,000	3,970	970	160,000	160,000	0
Charges for Services	1,647,911	1,694,917	47,006	5,288,100	5,311,445	23,345
Licenses and Permits	4,000	4,317	317	135,135	142,863	7,728
Fines and Forfeitures	119,500	125,529	6,029	78,084	71,428	(6,656)
Intergovernmental	1,807,009	1,891,352	84,343	13,551,624	12,365,594	(1,186,030)
Interest	560,393	597,164	36,771	99,606	56,179	(43,427)
Rent	0	0	0	0	0	0
Other	307,121	296,730	(10,391)	934,249	719,416	(214,833)
Total Revenues	10,552,393	10,726,584	174,191	23,260,516	21,880,090	(1,380,426)
<u>Expenditures</u>						
Current:						
General Government:						
Legislative and Executive	4,812,709	4,224,709	588,000	438,253	494,862	(56,609)
Judicial	1,418,605	1,335,619	82,986	4,653,623	4,513,257	140,366
Public Safety	4,168,468	4,041,868	126,600	967,510	831,255	136,255
Public Works	120,289	111,239	9,050	4,161,985	3,493,395	668,590
Health	90,219	79,912	10,307	9,074,503	8,035,039	1,039,464
Human Services	389,425	299,732	89,693	6,358,281	5,279,252	1,079,029
Conservation and Recreation	25,000	25,000	0	0	0	0
Other	466,137	453,779	12,358	0	0	0
Capital Outlay	500,000	0	500,000	0	0	0
Intergovernmental	348,213	345,625	2,588	159,016	91,339	67,677
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	12,339,065	10,917,483	1,421,582	25,813,171	22,738,399	3,074,772
Excess of Revenues Under Expenditures	(1,786,672)	(190,899)	1,595,773	(2,552,655)	(858,309)	1,694,346
<u>Other Financing Sources (Uses)</u>						
Other Financing Sources	38,000	65,011	27,011	0	0	0
Sale of Fixed Assets	2,000	6,224	4,224	0	2,760	2,760
Advances - In	16,100	19,898	3,798	17,103	17,068	(35)
Advances - Out	(17,068)	(17,068)	0	(19,898)	(19,898)	0
Operating Transfers - In	500,000	468,995	(31,005)	1,083,401	804,613	(278,788)
Operating Transfers - Out	(1,045,252)	(1,043,536)	1,716	(765,584)	(359,832)	405,752
Total Other Financing Sources (Uses)	(506,220)	(500,476)	5,744	315,022	444,711	129,689
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,292,892)	(691,375)	1,601,517	(2,237,633)	(413,598)	1,824,035
Fund Balances at Beginning of Year	4,401,045	4,401,045	0	6,885,661	6,885,661	0
Prior Year Encumbrances Appropriated	301,658	301,658	0	12,999	12,999	0
Fund Balances at End of Year	\$2,409,811	\$4,011,328	\$1,601,517	\$4,661,027	\$6,485,062	\$1,824,035

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	\$4,477,177	\$4,488,949	\$11,772
600,000	600,000	0	0	0	0	5,240,000	5,276,821	36,821
0	0	0	0	0	0	163,000	163,970	970
0	0	0	0	0	0	6,936,011	7,006,362	70,351
0	0	0	0	0	0	139,135	147,180	8,045
0	0	0	0	0	0	197,584	196,957	(627)
0	876	876	0	0	0	15,358,633	14,257,822	(1,100,811)
48,000	44,009	(3,991)	0	0	0	707,999	697,352	(10,647)
153,400	153,264	(136)	0	0	0	153,400	153,264	(136)
0	0	0	22,980	0	(22,980)	1,264,350	1,016,146	(248,204)
801,400	798,149	(3,251)	22,980	0	(22,980)	34,637,289	33,404,823	(1,232,466)
0	0	0	0	0	0	5,250,962	4,719,571	531,391
0	0	0	0	0	0	6,072,228	5,848,876	223,352
0	0	0	0	0	0	5,135,978	4,873,123	262,855
0	0	0	0	0	0	4,282,274	3,604,634	677,640
0	0	0	0	0	0	9,164,722	8,114,951	1,049,771
0	0	0	0	0	0	6,747,706	5,578,984	1,168,722
0	0	0	0	0	0	25,000	25,000	0
0	0	0	0	0	0	466,137	453,779	12,358
0	0	0	599,230	321,991	277,239	1,099,230	321,991	777,239
0	0	0	0	0	0	507,229	436,964	70,265
2,978,000	2,978,000	0	0	0	0	2,978,000	2,978,000	0
427,285	427,098	187	0	0	0	427,285	427,098	187
3,405,285	3,405,098	187	599,230	321,991	277,239	42,156,751	37,382,971	4,773,780
(2,603,885)	(2,606,949)	(3,064)	(576,250)	(321,991)	254,259	(7,519,462)	(3,978,148)	3,541,314
0	0	0	0	0	0	38,000	65,011	27,011
0	0	0	0	0	0	2,000	8,984	6,984
0	0	0	0	0	0	33,203	36,966	3,763
0	0	0	0	0	0	(36,966)	(36,966)	0
3,373,011	3,372,898	(113)	0	0	0	4,956,412	4,646,506	(309,906)
(19,127)	(19,127)	0	(3,569,011)	(3,569,011)	0	(5,398,974)	(4,991,506)	407,468
3,353,884	3,353,771	(113)	(3,569,011)	(3,569,011)	0	(406,325)	(271,005)	135,320
749,999	746,822	(3,177)	(4,145,261)	(3,891,002)	254,259	(7,925,787)	(4,249,153)	3,676,634
161,807	161,807	0	3,572,884	3,572,884	0	15,021,397	15,021,397	0
0	0	0	572,377	572,377	0	887,034	887,034	0
\$911,806	\$908,629	(\$3,177)	\$0	\$254,259	\$254,259	\$7,982,644	\$11,659,278	\$3,676,634

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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, 2002

	Proprietary Fund Types		Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only)
	Enterprise	Internal Service	Primary Government		Reporting Entity
<u>Operating Revenues</u>					
Charges for Services	\$1,069,261	\$2,786,480	\$3,855,741	\$303,820	\$4,159,561
Contributions	0	0	0	52,268	52,268
Sale of Recyclables	203,694	0	203,694	0	203,694
Other Operating Revenues	3,162	0	3,162	2,144	5,306
Total Operating Revenues	1,276,117	2,786,480	4,062,597	358,232	4,420,829
<u>Operating Expenses</u>					
Personal Services	1,089,513	0	1,089,513	190,190	1,279,703
Contractual Services	545,262	354,790	900,052	78,920	978,972
Materials and Supplies	184,236	0	184,236	62,378	246,614
Purchase of Recyclables	1,212	0	1,212	0	1,212
Claims	0	2,163,120	2,163,120	0	2,163,120
Depreciation	128,363	0	128,363	17,156	145,519
Other Operating Expenses	162,803	0	162,803	26,443	189,246
Total Operating Expenses	2,111,389	2,517,910	4,629,299	375,087	5,004,386
Operating Income (Loss)	(835,272)	268,570	(566,702)	(16,855)	(583,557)
<u>Non-Operating Revenues (Expenses)</u>					
Interest Revenue	0	0	0	590	590
Interest Expense	(244)	0	(244)	0	(244)
Gain on Disposal of Fixed Assets	0	0	0	500	500
Loss on Disposal of Fixed Assets	(4,787)	0	(4,787)	0	(4,787)
Grants	58,500	0	58,500	0	58,500
Total Non-Operating Revenues (Expenses)	53,469	0	53,469	1,090	54,559
Income (Loss) Before Operating Transfers	(781,803)	268,570	(513,233)	(15,765)	(528,998)
Operating Transfers - In	407,629	0	407,629	0	407,629
Operating Transfers - Out	(62,629)	0	(62,629)	0	(62,629)
Net Income (Loss)	(436,803)	268,570	(168,233)	(15,765)	(183,998)
Retained Earnings (Deficit) at Beginning of Year	470,292	(52,848)	417,444	116,005	533,449
Retained Earnings at End of Year	33,489	215,722	249,211	100,240	349,451
Contributed Capital at Beginning and End of Year	962,064	0	962,064	0	962,064
Total Fund Equity at End of Year	\$995,553	\$215,722	\$1,211,275	\$100,240	\$1,311,515

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, 2002

	Enterprise Funds		Variance Favorable (Unfavorable)
	Budget	Actual	
<u>Revenues</u>			
Charges for Services	\$1,079,619	\$1,061,797	(\$17,822)
Sale of Recyclables	157,000	198,995	41,995
Grants	58,600	55,511	(3,089)
Other Revenues	2,565	3,162	597
Total Revenues	1,297,784	1,319,465	21,681
<u>Expenses</u>			
Personal Services	1,107,673	1,089,908	17,765
Contractual Services	1,650,095	304,530	1,345,565
Materials and Supplies	254,477	228,780	25,697
Claims	0	0	0
Capital Outlay	14,835	14,835	0
Other Expenses	200,861	162,368	38,493
Total Expenses	3,227,941	1,800,421	1,427,520
Excess of Revenues Over (Under) Expenses	(1,930,157)	(480,956)	1,449,201
Operating Transfers - In	475,130	407,629	(67,501)
Operating Transfers - Out	(62,629)	(62,629)	0
Excess of Revenues Over (Under) Expenses and Operating Transfers	(1,517,656)	(135,956)	1,381,700
Fund Balances at Beginning of Year	1,791,971	1,791,971	0
Fund Balances at End of Year	<u>\$274,315</u>	<u>\$1,656,015</u>	<u>\$1,381,700</u>

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)
\$2,700,000	\$2,785,283	\$85,283	\$3,779,619	\$3,847,080	\$67,461
0	0	0	157,000	198,995	41,995
0	0	0	58,600	55,511	(3,089)
0	0	0	2,565	3,162	597
<u>2,700,000</u>	<u>2,785,283</u>	<u>85,283</u>	<u>3,997,784</u>	<u>4,104,748</u>	<u>106,964</u>
0	0	0	1,107,673	1,089,908	17,765
355,000	354,790	210	2,005,095	659,320	1,345,775
0	0	0	254,477	228,780	25,697
2,250,000	2,157,321	92,679	2,250,000	2,157,321	92,679
0	0	0	14,835	14,835	0
0	0	0	200,861	162,368	38,493
<u>2,605,000</u>	<u>2,512,111</u>	<u>92,889</u>	<u>5,832,941</u>	<u>4,312,532</u>	<u>1,520,409</u>
95,000	273,172	178,172	(1,835,157)	(207,784)	1,627,373
0	0	0	475,130	407,629	(67,501)
0	0	0	(62,629)	(62,629)	0
95,000	273,172	178,172	(1,422,656)	137,216	1,559,872
<u>359,189</u>	<u>359,189</u>	<u>0</u>	<u>2,151,160</u>	<u>2,151,160</u>	<u>0</u>
<u>\$454,189</u>	<u>\$632,361</u>	<u>\$178,172</u>	<u>\$728,504</u>	<u>\$2,288,376</u>	<u>\$1,559,872</u>

Ashland County, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 and Discretely Presented Component Unit
 For the Year Ended December 31, 2002

	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	\$1,260,792	\$0	\$1,260,792	\$302,877	\$1,563,669
Cash Received from Quasi-External Operating Transactions with Other Funds	0	2,785,283	2,785,283	0	2,785,283
Cash Paid for Personal Services	(844,139)	0	(844,139)	(137,922)	(982,061)
Cash Paid to Suppliers	(495,252)	(354,790)	(850,042)	(159,569)	(1,009,611)
Cash Paid for Claims	0	(2,157,321)	(2,157,321)	0	(2,157,321)
Cash Paid for Quasi-External Operating Transactions with Other Funds	(245,769)	0	(245,769)	0	(245,769)
Cash Received from Other Revenues	3,162	0	3,162	2,385	5,547
Cash Paid for Other Expenses	(159,799)	0	(159,799)	0	(159,799)
Net Cash Provided by (Used for) Operating Activities	(481,005)	273,172	(207,833)	7,771	(200,062)
<u>Cash Flows from Noncapital Financing Activities</u>					
Grants	55,511	0	55,511	0	55,511
Operating Transfers - In	407,629	0	407,629	0	407,629
Operating Transfers - Out	(62,629)	0	(62,629)	0	(62,629)
Net Cash Provided by Noncapital Financing Activities	400,511	0	400,511	0	400,511
<u>Cash Flows from Capital and Related Financing Activities</u>					
Acquisition of Fixed Assets	(48,393)	0	(48,393)	(21,141)	(69,534)
Disposal of Fixed Assets	0	0	0	500	500
Principal Paid on Notes	0	0	0	(4,191)	(4,191)
Principal Paid on Lease	(1,211)	0	(1,211)	0	(1,211)
Interest Paid on Lease	(244)	0	(244)	0	(244)
Net Cash Used for Capital and Related Financing Activities	(49,848)	0	(49,848)	(24,832)	(74,680)
<u>Cash Flows from Investing Activities</u>					
Interest	0	0	0	590	590
Net Increase (Decrease) in Cash and Cash Equivalents	(130,342)	273,172	142,830	(16,471)	126,359
Cash and Cash Equivalents at Beginning of Year	1,795,395	359,189	2,154,584	28,913	2,183,497
Cash and Cash Equivalents at End of Year	\$1,665,053	\$632,361	\$2,297,414	\$12,442	\$2,309,856

(continued)

Ashland County, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 and Discretely Presented Component Unit
 For the Year Ended December 31, 2002
 (continued)

	Proprietary Fund Types		Totals (Memorandum Only) Primary Government	Component Unit	Totals (Memorandum Only) Reporting Entity
	Enterprise	Internal Service			
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>					
Operating Income (Loss)	(\$835,272)	\$268,570	(\$566,702)	(\$16,855)	(\$583,557)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>					
Depreciation	128,363	0	128,363	17,156	145,519
Changes in Assets and Liabilities:					
Increase in Accounts Receivable	(12,163)	0	(12,163)	(702)	(12,865)
Increase in Due from Other Funds	0	(1,197)	(1,197)	0	(1,197)
(Increase) Decrease in Materials and Supplies Inventory	(6,219)	0	(6,219)	308	(5,911)
Decrease in Inventory Held for Resale	12,949	0	12,949	0	12,949
Increase in Prepaid Items	(109)	0	(109)	0	(109)
Increase in Accounts Payable	20,347	0	20,347	6,988	27,335
Increase in Accrued Wages Payable	2,858	0	2,858	0	2,858
Decrease in Compensated Absences Payable	(1,004)	0	(1,004)	0	(1,004)
Decrease in Due to Other Funds	(8,604)	0	(8,604)	0	(8,604)
Increase (Decrease) in Due to Other Governments	(8,969)	0	(8,969)	876	(8,093)
Increase in Claims Payable	0	5,799	5,799	0	5,799
Increase in Closure/Post Closure Liability	226,818	0	226,818	0	226,818
Total Adjustments	354,267	4,602	358,869	24,626	383,495
Net Cash Provided by (Used for) Operating Activities	<u>(\$481,005)</u>	<u>\$273,172</u>	<u>(\$207,833)</u>	<u>\$7,771</u>	<u>(\$200,062)</u>

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, 2002

NOTE 1 - REPORTING ENTITY

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

Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures 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, 2002

NOTE 1 - REPORTING ENTITY (continued)

D-R Services, Inc. D-R Services, Inc. (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 22, 23, and 24 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. (CORSA)
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, 2002

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, 2002

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 and D-R Services, Inc. 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, 2002

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 year in which the sales are made. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred revenues 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, 2002, but which were levied to finance 2003 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, 2002

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 Amended Official Certificate of Estimated Resources in effect at the time final appropriations were passed by the County Commissioners.

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, 2002

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 legal level of control.

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, is pooled and invested. Individual fund integrity is maintained through County records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Cash and cash equivalents that are held separately within departments of the County are recorded on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts".

Cash and cash equivalents of D-R Services, Inc. are held by the component unit and are recorded 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, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During 2002, 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, 2002.

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 2002 was \$611,577, which includes \$463,639 assigned from other County funds. D-R Services, Inc. received its own interest, in the amount of \$590.

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

F. Prepaid Items:

Payments made to vendors for services that will benefit periods beyond December 31, 2002, 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, 2002

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 2002, 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, 2002

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 resources from other funds, other governments, and private sources provided to the enterprise funds prior to 2001 that is not subject to repayment. These assets are recorded at their fair market value on the date donated.

Capital contributions received from other governments and private sources subsequent to 2000 are recorded as revenues and retained earnings. Capital contributions from other funds continue to be reported as contributed capital.

Ashland County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

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, 2002

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability:

At December 31, 2002, the following funds had deficit fund balances/retained earnings:

Fund	Deficit
Special Revenue Fund	
COPS	\$909
Enterprise Fund	
Landfill	232,996
Recycling	29,725

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 Landfill enterprise fund was due to operating expenses exceeding operating revenues in 2002. The fund has had positive retained earnings in prior years. The deficit in the Recycling enterprise fund was due to accumulated operating losses from prior years. The County reduced the deficit from the prior year by approximately 50 percent.

B. Compliance:

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.

NOTE 4 - 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).

Ashland County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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. Under Ohio law, debt transactions may be recorded in a debt service fund (budget basis) as opposed to allocating the payments to the fund in which the proceeds were recorded (GAAP basis).
6. 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 Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$353,477)	\$537,861	\$718,330	(\$1,778,881)
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued 2001, Received in Cash 2002	480,067	621,353	67,182	0
Accrued 2002, Not Yet Received in Cash	(567,403)	(760,959)	(45,139)	0
Expenditure Accruals:				
Accrued 2001, Paid in Cash 2002	(226,983)	(731,501)	0	(45,231)
Accrued 2002, Not Yet Paid in Cash	248,244	665,970	0	5,291
Cash Adjustments:				
Unrecorded Activity 2001	96,880	60,699	7,713	0
Unrecorded Activity 2002	(69,087)	(78,827)	(1,264)	0
Materials and Supplies Inventory	3,211	(522,513)	0	0
Prepaid Items	(8,063)	5,074	0	0
Notes Receivable				
Payments	0	3,790	0	0
Defaults	0	104,241	0	0
Notes Payable				
Principal	0	0	(2,000,000)	0
Interest	0	0	(66,814)	66,814

(continued)

Ashland County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

	General	Special Revenue	Debt Service	Capital Projects
Reallocation of Debt Activity	\$0	\$0	\$2,066,814	(\$2,066,814)
Advances - In	19,898	17,068	0	0
Advances - Out	(17,068)	(19,898)	0	0
Excess of Revenues Over Expenditures for Nonbudgeted Activity	(3,827)	(7,371)	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(293,767)	(308,585)	0	(72,181)
Budget Basis	(\$691,375)	(\$413,598)	\$746,822	(\$3,891,002)

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

	Enterprise	Internal Service
GAAP Basis	(\$436,803)	\$268,570
<u>Increase (Decrease) Due To:</u>		
Revenue Accruals:		
Accrued 2001, Received in Cash 2002	39,078	0
Accrued 2002, Not Yet Received in Cash	(54,230)	(1,197)
Expense Accruals:		
Accrued 2001, Paid in Cash 2002	(143,296)	(412,037)
Accrued 2002, Not Yet Paid in Cash	374,742	417,836
Materials and Supplies Inventory	(6,219)	0
Inventory Held for Resale	12,949	0
Prepaid Items	(109)	0
Acquisition of Fixed Assets	(48,393)	0
Depreciation Expense	128,363	0
Loss on Disposal of Fixed Assets	4,787	0
Lease Principal Retirement	(1,211)	0
Excess of Revenues Over Expenses for Nonbudgeted Activity	(3,045)	0
Encumbrances Outstanding at Year End (Budget Basis)	(2,569)	0
Budget Basis	(\$135,956)	\$273,172

Ashland County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 5 - 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 Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange 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.

Ashland County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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 \$202,409 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".

At year end, the carrying amount of the County's deposits was \$5,006,944 and the bank balance was \$5,672,151. Of the bank balance, \$818,022 was covered by federal depository insurance and \$4,854,129 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	\$974,537	\$974,537	\$974,580
Federal Home Loan Bank Notes	1,000,535	1,000,535	1,000,535
Federal Home Loan Bank Bonds	2,521,800	2,521,800	2,521,800
Federal Farm Credit Bonds	500,750	500,750	500,750
Federal National Mortgage Association Bonds	1,006,950	1,006,950	1,006,950
	<u>\$6,004,572</u>	6,004,572	6,004,615
STAR Ohio		6,262,679	6,262,679
		<u>\$12,267,251</u>	<u>\$12,267,294</u>

Ashland County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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	\$17,476,604	\$0
Cash on Hand	(202,409)	0
Investments:		
Repurchase Agreements	(974,537)	974,537
Federal Home Loan Bank Notes	(1,000,535)	1,000,535
Federal Home Loan Bank Bonds	(2,521,800)	2,521,800
Federal Farm Credit Bonds	(500,750)	500,750
Federal National Mortgage Association Bonds	(1,006,950)	1,006,950
STAR Ohio	(6,262,679)	6,262,679
GASB Statement No. 3	\$5,006,944	\$12,267,251

B. Component Unit:

At year end, the carrying amount of D-R Services, Inc.'s deposits was \$12,442 and the bank balance was \$20,165. 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 6 - 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 2002 represent the collection of 2001 taxes. Real property taxes were levied in 2002 after October 1, 2002, on the assessed values as of January 1, 2002, the lien date. These taxes will be collected in and are intended to finance 2003 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 2002. 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.

Ashland County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 6 - PROPERTY TAXES (continued)

Public utility real and tangible personal property taxes were levied in 2002 after October 1, 2002, on the assessed values as of December 31, 2001, the lien date. These taxes will be collected in and are intended to finance 2003 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 2002 (other than public utility property) represent the collection of 2002 taxes. Tangible personal property taxes received in 2002 were levied after October 1, 2001, on the true value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value for equipment and 24 percent for inventory. 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, 2002, 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 2002 operations.

The full tax rate for all County operations the year ended December 31, 2002, was \$7.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2002 property tax receipts were based are as follows:

Real Property	
Residential	\$461,079,530
Agricultural	76,870,720
Commercial/Industrial/Mineral	86,089,680
Public Utility Property	
Real	336,340
Personal	59,821,990
Tangible Personal Property	105,024,414
Total Assessed Value	<u>\$789,222,674</u>

Ashland County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 7 - 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 repayment of the County Jail debt. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies, to the State Auditor, the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2002, consisted of taxes; special assessments; accounts (e.g., billings for user charged services); interfund; accrued interest; notes; services charged to other funds; and amounts due from other governments 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	\$10,532,189
Less Allowance for	
Uncollectible Accounts	(3,724,973)
Net Accounts Receivable	\$6,807,216

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

	Amount
General Fund	
Homestead and Rollback	\$116,539
Local Government	630,379
Public Defender Grant	14,359
Law Library	20,461
Federal Prisoner Housing	135,682
Estate Tax	1,269
Other	6,898
Total General Fund	925,587
	(continued)

Ashland County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 8 - RECEIVABLES (continued)

	Amount
Special Revenue Funds	
MVGT	
Gasoline Tax	\$691,844
Motor Vehicle License Tax	853,799
Job and Family Services	
ODHS Public Assistance	68,795
ADAMHS	
Homestead and Rollback	38,849
A/D Federal Subsidy	58,984
A/D State Subsidy	3,500
Medicaid	92,890
MRDD	
Homestead and Rollback	90,822
Unit Funding	63,800
Medicaid	89,770
POS	15,898
Title VI	535
Title VI-B	32,214
Program Subsidy	2,627
State of Ohio	100,591
Preschool Disabilities	11,193
Title XX	9,489
CSEA - Common Pleas	
CSEA	228
DARE	
DARE Grant	8,129
Victims of Crime	
Victims of Crime Grant	27,377
Children Services	
Title IV-E	14,423
PCSA	80,764
Child Support Enforcement Agency	
ODHS CSEA	8,308
	(continued)

Ashland County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 8 - RECEIVABLES (continued)

	Amount
Special Revenue Funds (continued)	
Clerk of Courts	
Fees	\$1,546
Community Corrections	
Community Corrections Grant	57,381
Total Special Revenue Funds	2,423,756
Enterprise Funds	
Recycling	
Recycling Grant	11,221
Agency Funds	
Homestead and Rollback	4,317
Library Local Government	1,001,139
Local Government	540,605
Local Government Revenue Assistance	125,811
Gasoline Tax	375,447
Motor Vehicle License Tax	213,444
Permissive Motor Vehicle License Tax	143,088
Total Agency Funds	2,403,851
Total All Funds	\$5,764,415

NOTE 9 - NOTES RECEIVABLE

A summary of the changes in notes receivable during 2002 follows:

	Balance 12/31/01	New Loans	Repayments	Default Loans	Balance 12/31/02
Special Revenue Fund					
CDBG Revolving Loan 5-7.25%	\$143,464	\$0	\$3,790	\$104,241	\$35,433

Notes receivable are reduced each year by the amount of loans which have been determined to be uncollectible. Notes receivable on the combined balance sheet are presented net of amounts written off.

Ashland County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 10 - FIXED ASSETS

A summary of the enterprise funds' and D-R Services, Inc.'s fixed assets at December 31, 2002, 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	10,766	153,049	493,356	657,171	217,990
Vehicles	45,292	43,842	135,249	224,383	49,807
	<u>152,592</u>	<u>1,684,844</u>	<u>1,040,141</u>	<u>2,877,577</u>	<u>267,797</u>
Less Accumulated Depreciation	(66,932)	(1,075,331)	(390,264)	(1,532,527)	(189,963)
Net Fixed Assets	<u>\$85,660</u>	<u>\$609,513</u>	<u>\$649,877</u>	<u>\$1,345,050</u>	<u>\$77,834</u>

A summary of the changes in general fixed assets during 2002 follows:

	<u>Balance 12/31/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/02</u>
Land	\$1,037,199	\$0	\$4,770	\$1,032,429
Land Improvements	50,670	0	0	50,670
Buildings	19,709,811	0	1,526	19,708,285
Building Improvements	1,497,496	0	0	1,497,496
Equipment	4,204,517	274,386	74,522	4,404,381
Vehicles	2,191,311	150,843	109,345	2,232,809
Total	<u>\$28,691,004</u>	<u>\$425,229</u>	<u>\$190,163</u>	<u>\$28,926,070</u>

Ashland County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 11 - INTERFUND ASSETS AND LIABILITIES

Interfund balances at December 31, 2002, consisted of the following individual fund receivables and payables:

Fund Type/Fund	Receivable		Payable	
	Interfund	Due from	Interfund	Due to
General Fund	\$770	\$19,539	\$0	\$730
Special Revenue Funds				
MVGT	0	63,247	0	0
Job and Family Services	0	0	0	28,436
Prosecutor Mandatory Drug	0	58	0	0
COPS	0	0	770	0
Jail Operations	0	0	0	13,591
Total Special Revenue Funds	0	63,305	770	42,027
Debt Service Fund				
Bond Retirement	0	11,789	0	0
Enterprise Funds				
County Home	0	0	0	2,386
Recycling	0	0	0	281
Total Enterprise Funds	0	0	0	2,667
Internal Service Fund				
Medical Insurance	0	1,197	0	0
Agency Funds				
Health	0	0	0	850
Regional Planning	0	0	0	71
Law Library	0	0	0	43
Family/Child	0	15,060	0	1,197
Undivided Tax	0	0	0	63,247
Sheriff	0	2,738	0	0
County Court	0	0	0	2,796
Total Agency Funds	0	17,798	0	68,204
Total All Funds	\$770	\$113,628	\$770	\$113,628

Ashland County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 12 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2002, 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
Medical Professional Liability	10,000,000
Law Enforcement Professional Liability	10,000,000
Public Officials Errors and Omissions Liability	10,000,000
Automobile Liability	10,000,000
Excess Liability	9,000,000
Uninsured Motorists Liability	250,000
Ohio Stop Gap (Additional Workers' Compensation Coverage)	1,000,000
Building and Contents	55,486,821
Other Property Insurance:	
Automobile Physical Damage	Actual Cash Value
Flood and Earthquake	100,000,000
Comprehensive Boiler and Machinery	100,000,000
Crime Insurance:	
Faithful Performance	1,000,000
Money and Securities	1,000,000
Depositor's Forgery	1,000,000
Money Order and Counterfeit Paper	1,000,000

With the exceptions of medical coverage, dental coverage for MRDD employees, and workers' compensation, all insurance is held with CORSA. There has been no significant reduction in insurance coverage from 2001, 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, 2002

NOTE 12 - RISK MANAGEMENT (continued)

For 2002, the County participated in the County Commissioners Association of Ohio Service Corporation, a worker's compensation group rating plan (Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

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

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

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

All funds of the County, except the Board of Mental Retardation and Developmental Disabilities (MRDD), participate in the program and make payments to the Medical Insurance fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at December 31, 2002, are estimated by the third party administrator at \$417,836. The changes in the claims liability for 2002 and 2001 were:

Year	Beginning Balance	Current-Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2002	\$412,037	\$2,163,120	\$2,157,321	\$417,836
2001	341,293	2,430,984	2,360,240	412,037

Ashland County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 12 - RISK MANAGEMENT (continued)

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System:

All County employees, other than teachers, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple employer defined benefit pension plan administered by the Ohio Public Employees Retirement Board. OPERS 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. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

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; 8.55 percent was the portion used to fund pension obligations for 2002. 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. The employer contribution for all law enforcement employees is 16.7 percent; 11.7 percent was the portion used to fund pension obligations. The contribution rates are determined actuarially. The County's contributions to OPERS for the years ended December 31, 2002, 2001, and 2000, were \$1,015,107, \$1,038,336, and \$686,705, respectively; 77 percent has been contributed for 2002 and 100 percent has been contributed for 2001 and 2000. The unpaid contribution for 2002 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 2002. 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, 2002, 2001, and 2000, were \$56,925, \$56,325, and \$35,981, respectively; 96 percent has been contributed for 2002 and 100 percent has been contributed for 2001 and 2000. The unpaid contribution for 2002 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, 2002

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System:

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. 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 OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate for 2002 was 13.55 percent of covered payroll for employees not engaged in law enforcement; 5 percent was the portion used to fund health care. The employer contribution rate for law enforcement employees for 2002 was 16.7 percent; 5 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 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually, and an additional increase in total payroll of .5 percent to 6.3 percent based on additional pay increases. Health care premiums were assumed to increase 4 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, 2002, the total number of benefit recipients eligible for OPEB through the OPERS was 402,041. As of December 31, 2002, the actuarial value of net assets available for future OPEB payments was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively. The County's actual contributions for 2002 which were used to fund OPEB were \$576,924.

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 \$26,964 for 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund at June 30, 2002, was \$3,011 million. For the year ended June 30, 2002, net health care costs paid by STRS were \$438,196,000 and there were 105,000 eligible benefit recipients.

Ashland County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 15 - OTHER EMPLOYER BENEFITS

A. Compensated Absences:

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

B. Employee Health Insurance:

Ashland County provides employee medical benefits to most employees through a self insured program. The County pays the full cost of premiums for employees under the program. Coverage is provided up to a maximum 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 16 - SHORT-TERM OBLIGATIONS

The changes in the County's short-term obligations during 2002 were as follows:

	<u>Interest Rate</u>	<u>Balance 12/31/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/02</u>
Capital Projects Fund					
County Jail					
2001 Series A	3.35%	\$2,000,000	\$0	\$2,000,000	\$0

According to Ohio law, notes can be issued in anticipation of bonds 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
For the Year Ended December 31, 2002

NOTE 17 - LONG-TERM OBLIGATIONS

The changes in the County's long-term obligations during 2002 were as follows:

	Balance 12/31/01	Additions	Reductions	Balance 12/31/02
<u>General Long-Term Obligations</u>				
<u>General Obligation Bonds</u>				
1991 Human Services - 5.00%	\$970,000	\$0	\$70,000	\$900,000
1994 County Garage - 5.00%	600,000	0	75,000	525,000
2001 County Jail - 4.75%	5,773,000	0	833,000	4,940,000
Total General Obligation Bonds	7,343,000	0	978,000	6,365,000
<u>Other Long-Term Obligations</u>				
Compensated Absences Payable	870,193	0	2,979	867,214
Due to Other Governments	527,247	340,873	527,247	340,873
Capital Leases Payable	44,064	38,567	22,428	60,203
Total Other Long-Term Obligations	1,441,504	379,440	552,654	1,268,290
Total General Long-Term Obligations	8,784,504	379,440	1,530,654	7,633,290
<u>Enterprise Fund Obligations</u>				
Compensated Absences Payable	27,802	0	1,004	26,798
Capital Leases Payable	6,578	0	1,211	5,367
Closure/Post Closure Liability	1,697,472	226,818	0	1,924,290
Total Enterprise Fund Obligations	1,731,852	226,818	2,215	1,956,455
Total Long-Term Obligations	\$10,516,356	\$606,258	\$1,532,869	\$9,589,745

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, 2002

NOTE 17 - 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, 2001, are subject to early redemption, at the sole option of the County, either in whole or in part on any date on or after December 1, 2001, in multiples of \$5,000, at the following redemption prices plus accrued interest:

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

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

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

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, 2002, the County's overall debt margin was \$17,760,599 with an unvoted debt margin of \$7,422,259.

Ashland County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 17 - 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
2003	\$310,000	\$323,200	\$633,200
2004	330,000	307,012	637,012
2005	350,000	289,578	639,578
2006	375,000	270,997	645,997
2007	390,000	250,913	640,913
2008-2012	1,700,000	947,525	2,647,525
2013-2017	1,455,000	560,500	2,015,500
2018-2021	1,455,000	176,700	1,631,700
Total	<u>\$6,365,000</u>	<u>\$3,126,425</u>	<u>\$9,491,425</u>

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

	Amount of Issue	Amount Outstanding at 12/31/02
Landver Properties, LTD.	\$2,270,000	\$545,000
Good Shephard Home for the Aged Project	3,960,000	3,730,000
Good Shephard Home-Assisted Living Facilities	4,750,000	4,705,000
Bretheran Care, Inc.	14,685,000	14,385,000
Bretheran Care, Inc. - Brookwood Place	2,825,000	2,650,000

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
For the Year Ended December 31, 2002

NOTE 18 - 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 "General Government - Legislative and Executive", "General Government - Judicial", "Health" 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 \$95,248 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 2002 were \$19,198 in the governmental funds and \$1,211 in the county home enterprise fund. During 2002, a capital lease was terminated which resulted in a reduction in the capital lease liability of \$3,230.

	Enterprise
Property under Capital Lease	\$6,873
Less Accumulated Depreciation	(1,719)
Balance December 31, 2002	\$5,154

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, 2002.

Year	GLTOAG	Enterprise
2003	\$23,713	\$1,455
2004	21,049	1,456
2005	17,747	1,455
2006	3,943	1,456
2007	280	0
Total	66,732	5,822
Less Amount Representing Interest	(6,529)	(455)
Present Value of Minimum Lease Payments	\$60,203	\$5,367

Ashland County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 19 - 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 \$1,924,290 reported as landfill postclosure liability at December 31, 2002, 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, 2002, liability increased from the prior year by \$226,818.

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

NOTE 20 - 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 combined 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	\$8,700
Amount Received for Distribution	0
Amount Distributed to Entitled Recipients	0
Balance at End of Year	<u>\$8,700</u>

Ashland County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 21 - 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, 2002, was as follows:

	Landfill	County Home	Recycling	Total
Operating Revenues	\$247,021	\$790,148	\$238,948	\$1,276,117
Depreciation	5,836	58,316	64,211	128,363
Operating Loss	334,180	294,687	206,405	835,272
Grants	2,000	0	56,500	58,500
Operating Transfers - In	0	240,000	167,629	407,629
Operating Transfers - Out	62,629	0	0	62,629
Net Income (Loss)	(394,974)	(54,931)	13,102	(436,803)
Fixed Asset Additions	0	460	47,933	48,393
Fixed Asset Reductions	550	0	15,406	15,956
Net Working Capital	1,607,056	(35,265)	32,053	1,603,844
Long-Term Obligations				
Compensated Absences Payable	1,422	16,678	6,845	24,945
Capital Leases Payable	0	4,106	0	4,106
Closure/Post Closure Liability	1,924,290	0	0	1,924,290
Total Assets	1,733,380	633,771	705,983	3,073,134
Total Equity (Deficit)	(232,996)	553,464	675,085	995,553
Encumbrances Outstanding at Year End (Budget Basis)	0	0	2,569	2,569

NOTE 22 - JOINTLY GOVERNED ORGANIZATIONS

A. Ashland County Regional Planning Commission:

The County participates in the Ashland County Regional Planning Commission, which is a statutorily created political subdivision of the State. The Commission is jointly governed among Ashland County, the City of Ashland, eight villages, and thirteen townships within the County. Each member's control over the operation of the Commission is limited to its representation on the Board of Trustees. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. In 2002, the County contributed \$55,638 to the Regional Planning Commission.

Ashland County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 22 - JOINTLY GOVERNED ORGANIZATIONS (continued)

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 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.

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 23 - INSURANCE POOLS

A. County Risk Sharing Authority, Inc.:

The County Risk Sharing Authority, Inc. (CORSA), is a jointly governed organization among fifty-three 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.

Ashland County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 23 - INSURANCE POOLS (continued)

B. County Commissioners Association of Ohio Service Corporation:

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

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participants. The group executive committee consists of nine members. Two members are the president and treasurer of CCAOSC; the remaining seven members are representatives of the participants. These seven members are elected for the ensuing year by the participants at a meeting held in December of each year. No participant can have more than one member on the group executive committee in any year, and each elected member shall be a county commissioner.

NOTE 24 - RELATED ORGANIZATION

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

Although the County has no obligation to provide financial resources to the airport, the County Commissioners have in prior years allocated certain funds to the Airport Authority. In 2002, this allocation was \$25,000.

NOTE 25 - RELATED PARTY TRANSACTIONS

During 2002, 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 \$52,268 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 Center clients by the County was \$2,288,171.

Ashland County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 26 - 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.

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ASHLAND COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2002

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Health and Human Services						
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>						
Block Grants for Community Mental Health Services	93.958	FY02	\$22,858	\$0	\$22,858	\$0
		FY03	18,357		18,357	
			41,215	0	41,215	0
<i>Passed through the Ohio Department of Mental Health:</i>						
Block Grants for Community Mental Health Services	93.958	FY02	22,381		22,381	
		FY03	5,596		5,596	
			27,977	0	27,977	0
Total Block Grants for Community Mental Health Services			69,192	0	69,192	0
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>						
Block Grants for Prevention and Treatment of Substance Abuse	93.959	FY02	108,814		108,814	
		FY03	36,439		36,439	
			145,253	0	145,253	0
<i>Passed through the Ohio Department of Mental Health:</i>						
Social Services Block Grant	93.667	FY02	28,005		28,005	
		FY03	9,203		9,203	
			37,208	0	37,208	0
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Social Services Block Grant	93.667	FY02	19,548		19,548	
		FY03	19,371		19,371	
			38,919	0	38,919	0
Total Social Services Block Grant			76,127	0	76,127	0
Medical Assistance Program	93.778	FY02	193,307		193,307	
		FY03	202,025		202,025	
			395,332	0	395,332	0
<i>Passed through the Ohio Department of Mental Health:</i>						
Medical Assistance Program	93.778	FY02	303,863		368,518	
		FY03	447,891		388,698	
			751,754	0	757,216	0
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>						
Medical Assistance Program	93.778	FY02	25,277		28,669	
		FY03	29,481		31,928	
			54,758	0	60,597	0
Total Medical Assistance Program			1,201,844	0	1,213,145	0
Total U.S. Department of Health and Human Services			1,492,416	0	1,503,717	0
U.S. Department of Housing and Urban Development						
<i>Passed through the Ohio Department of Development:</i>						
Community Development Block Grants/ State's Program	14.228	BF-00-003-1	24,000		24,016	
		BF-01-003-1	67,500		67,324	
		BC-01-003-1	152,669		147,173	
		BC-01-003-2	167,415		106,284	
Total U.S. Department of Housing and Urban Development			411,584	0	344,797	0
U.S. Department of Labor						
<i>Passed through the Ohio Department of Jobs and Family Services:</i>						
WIA Cluster:						
Workforce Investment Act - Youth Activities	17.258		61,685		81,367	
Workforce Investment Act - Youth Activities Administration			8,334		11,410	
			70,019	0	92,777	0
Workforce Investment Act - Adult Activities	17.259		74,883		118,330	
Workforce Investment Act - Adult Activities Administration			8,333		11,409	
			83,216	0	129,739	0
Workforce Investment Act - Dislocated Worker Activities	17.260		102,726		203,831	
Workforce Investment Act - Dislocated Worker Administration			8,333		11,409	
			111,059	0	215,240	0
Total U.S. Department of Labor and WIA Cluster			264,294	0	437,756	0

(Continued)

ASHLAND COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Education						
<i>Passed through the Ohio Department of Education:</i>						
<i>Special Education Cluster:</i>						
Special Education Preschool Grants	84.173	069225-PG-S1-02P PCR - 3382	2,457		8,026	
			<u>2,457</u>	<u>0</u>	<u>8,026</u>	<u>0</u>
Special Education Grants to States	84.027	069625-6B-SF-01P 069625-6B-SF-02 PCR - 3381	25,426		24	
			6,965		28,934	
			<u>32,391</u>	<u>0</u>	<u>28,958</u>	<u>0</u>
Total Special Education Cluster			34,848	0	36,984	0
Innovative Education Program Strategies	84.298	069625-C2-SI-02 PCR - 3380	597		960	
			118		0	
			<u>715</u>	<u>0</u>	<u>960</u>	<u>0</u>
Total U.S. Department of Education			35,563	0	37,944	0
U.S. Department of Agriculture						
<i>Passed through the Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
National School Lunch Program	10.555	N/A	41,010		41,010	
Food Distribution	10.550	N/A		3,433		3,290
Total U.S. Department of Agriculture - Child Nutrition Cluster			41,010	3,433	41,010	3,290
Federal Emergency Management Agency						
<i>Passed through the State Emergency Management Agency</i>						
Terrorism Consequence Management Preparedness Assistance Grant	83.552	N/A	2,120		940	
U.S. Department of Justice						
<i>Direct Program:</i>						
Public Safety Partnership and Community Policing Grants	16.710	95 CFWX 0739	19,426		19,426	
<i>Passed through the State Emergency Management Agency</i>						
State Domestic Preparedness Equipment Support Program	16.007	02 -TECX - 0049	3,550		3,550	
<i>Passed through the Ohio Criminal Justice Services</i>						
Victims of Crime Assistance	16.575	02-VAGENE-306 03-VAGENE-306	30,800		30,483	
			13,688		10,436	
Total Victims of Crime Assistance			<u>44,488</u>	<u>0</u>	<u>40,919</u>	<u>0</u>
Total U.S. Department of Justice			67,464	0	63,895	0
Total			<u>\$2,314,451</u>	<u>\$3,433</u>	<u>\$2,430,059</u>	<u>\$3,290</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, 2002

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, 2002, 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, 2002, the gross amount of loans outstanding was \$139,674 in Community Development Block Grant Loans. However, it was determined that the total amount was delinquent. \$35,433 was received in January 2003 and the remaining \$104,241 was written off. The \$35,433 is the amount that is reflected as a note receivable on the financial statements of the County.

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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**Auditor of State
Betty Montgomery**

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

County Commissioners
Ashland County
142 West 2nd 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, 2002, and have issued our report thereon dated July 11, 2003. 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 2002-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated July 11, 2003.

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 11, 2003.

This report is intended for the information and use of the Audit Committee, management, the Board of 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 11, 2003



Auditor of State Betty Montgomery

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

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

To the County Commissioners:

Compliance

We have audited the compliance of Ashland County, Ohio, (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. 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 each of 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 each of its major federal programs for the year ended December 31, 2002. However, we noted certain instances of noncompliance that do not require inclusion in this report, that we have reported to the management of the County in a separate letter dated July 11, 2003.

Internal Control Over Compliance

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

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

This report is intended for the information and use of the Audit Committee, management, the Board of 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 11, 2003

ASHLAND COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant - CFDA #14.228 Workforce Investment Act Cluster – CFDA #17.258, 17.259, 17.260 Medical Assistance Program – CFDA # 93.778 Block Grants for Prevention and Treatment of Substance Abuse – CFDA #93.959
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number 2002-001

Noncompliance Citation

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

This section also provides for two exceptions to the above requirements:

Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Commissioners may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

If the amount involved is less than \$100, the County Auditor may authorize payment through a Then and Now Certificate without affirmation of the Board of Commissioners, if such expenditure is otherwise valid.

We noted that 20% of expenditures tested during the audit period were not certified by the County Auditor prior to the purchase commitment being made. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance. The County should certify the availability of funds prior to incurring the expenditure obligation. In addition, as a further means to certify the availability of funds, the County should implement the use of Then and Now Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

3. FINDINGS FOR FEDERAL AWARDS

None

ASHLAND COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-60503-001	Ohio Rev. Code Section 5705.41(D) - Certification of funds.	No	Not Corrected. See Finding Number 2002-001.
2001-60503-002	Medicaid Contract B. Section C1 - The Ashland County Mental Heath Board was not always paying providers within 30 days of issuance of the Electronic Remittance Advice by the ODADAS or the ODMH	No	Partially Corrected. This matter is reported in the management letter.



**Auditor of State
Betty Montgomery**

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FINANCIAL CONDITION

ASHLAND COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 19, 2003**