



Mary Taylor, CPA
Auditor of State

ASHLAND COUNTY
TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	
Primary Government and Discretely Presented Component Unit	11
Statement of Activities	
Primary Government and Discretely Presented Component Unit	12
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	18
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities.....	20
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual General Fund	22
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual Motor Vehicle and Gasoline Tax Fund.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual Job and Family Services Fund.....	24
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual Alcohol, Drug Addiction, and Mental Health Services Fund	25

ASHLAND COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual Mental Retardation and Developmental Disabilities Fund	26
Statement of Fund Net Assets Proprietary Funds.....	27
Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds.....	28
Statement of Cash Flows Proprietary Funds.....	29
Statement of Fiduciary Assets and Liabilities Agency Funds	30
Notes to the Basic Financial Statements	31
Federal Awards Receipts and Expenditures Schedule.....	67
Notes to Federal Awards Receipts and Expenditures Schedule	69
Independent Accountants' Report on Internal Control Over Financial and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	71
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	73
Schedule of Findings.....	75
Schedule of Prior Audit Findings.....	79



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Ashland County
142 West 2nd Street
Ashland, Ohio 44805

To the County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ashland County, Ohio, (the County) as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ashland County, Ohio, as of December 31, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General; Motor Vehicle and Gasoline Tax; Job and Family Services; Alcohol, Drug Addiction, and Mental Health Services; and Mental Retardation and Developmental Disabilities funds 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 18, 2008, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

July 18, 2008

Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The discussion and analysis of Ashland County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2007. The intent of this discussion and analysis is to look at the County's financial performance as a whole.

Highlights

In total, the County's net assets increased \$719,348, or slightly over 1 percent. This insignificant change from the prior year reflects the stability that has been experienced by the County.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Ashland County's financial position.

The statement of net assets and the statement of activities provide information about the activities of the County as a whole, presenting both an aggregate and a longer-term view of the County.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the County's most significant funds individually and the County's non-major funds in a single column. The County's major funds are the General; Motor Vehicle and Gasoline Tax; Job and Family Services; Alcohol, Drug Addiction, and Mental Health Services; Mental Retardation and Developmental Disabilities; County Home; Landfill; and Recycling funds.

Reporting the County as a Whole

The statement of net assets and the statement of activities reflect how the County did financially during 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the County's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the County as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. The causes of these changes may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base and the condition of the County's capital assets. These factors must be considered when assessing the overall health of the County.

In the statement of net assets and the statement of activities, the County is divided into three distinct types of activities.

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

Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Business-Type Activities - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The county home, landfill, and recycling services are reported here.

Component Unit - The County's financial statements include financial information for D-R Services, Inc. This component unit is more fully described in Notes 1 and 20 to the basic financial statements.

Reporting the County's Most Significant Funds

Fund financial statements provide detailed information about the County's major funds, the General; Motor Vehicle and Gasoline Tax; Job and Family Services; Alcohol, Drug Addiction, and Mental Health Services; Mental Retardation and Developmental Disabilities; County Home; Landfill; and Recycling funds. While the County uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The County's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the County's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services being provided.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Proprietary Funds - The County maintains two different types of proprietary funds. Enterprise funds use the accrual basis of accounting and are used to report the same functions presented as business-type activities on the government-wide financial statements. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's other programs and activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the County's programs. These funds also use the accrual basis of accounting.

Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2007 and 2006.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<u>Assets</u>						
Current and Other Assets	\$30,217,447	\$28,297,720	\$1,118,196	\$1,200,766	\$31,335,643	\$29,498,486
Capital Assets, Net	44,337,838	44,887,618	1,182,396	1,249,358	45,520,234	46,136,976
Total Assets	74,555,285	73,185,338	2,300,592	2,450,124	76,855,877	75,635,462
<u>Liabilities</u>						
Current and Other Liabilities	9,473,742	8,589,443	140,711	95,594	9,614,453	8,685,037
Long-Term Liabilities	4,838,803	5,239,483	1,846,928	1,874,597	6,685,731	7,114,080
Total Liabilities	14,312,545	13,828,926	1,987,639	1,970,191	16,300,184	15,799,117
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	40,490,281	40,597,618	1,182,396	1,249,358	41,672,677	41,846,976
Restricted	15,478,776	13,888,368	0	0	15,478,776	13,888,368
Unrestricted (Deficit)	4,273,683	4,870,426	(869,443)	(769,425)	3,404,240	4,101,001
Total Net Assets	\$60,242,740	\$59,356,412	\$312,953	\$479,933	\$60,555,693	\$59,836,345

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

For governmental activities, current and other assets increased \$1.9 million from the prior year. This can be attributed to two primary sources. First, there was an increase of about \$850,000 in cash and cash equivalents which is simply due to the excess of revenues over expenses for the year. Because a significant portion of this increase is found in restricted funds, the increase is also reflected in the increase in restricted net assets. Second, there was an increase in the receivable for property taxes due to a .6 mill levy approved by the voters in November 2007. This increase, however, does not affect net assets as this receivable is deferred and, therefore, offset by the increase in current and other liabilities.

With the exception of the decrease in unrestricted net assets, there were no changes of significance for business-type activities. The County Home, Landfill, and Recycling program all had operating losses in 2007 with expenses exceeding revenues for all three.

Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Table 2 reflects the change in net assets for 2007 and 2006.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$4,245,362	\$4,264,020	\$1,631,030	\$1,665,702	\$5,876,392	\$5,929,722
Operating Grants, Contributions, and Interest	17,805,148	16,021,094	0	0	17,805,148	16,021,094
Capital Grants and Contributions	377,532	303,572	0	0	377,532	303,572
Total Program Revenues	<u>22,428,042</u>	<u>20,588,686</u>	<u>1,631,030</u>	<u>1,665,702</u>	<u>24,059,072</u>	<u>22,254,388</u>
General Revenues						
Property Taxes Levied for:						
General Operating	2,261,365	2,247,239	0	0	2,261,365	2,247,239
Health-Alcohol, Drug Addiction, and Mental Health Services	726,622	725,852	0	0	726,622	725,852
Health-Mental Retardation and Developmental Disabilities	3,521,478	3,519,463	0	0	3,521,478	3,519,463
Permissive Sales Taxes Levied for:						
General Operations	5,028,877	4,899,882	0	0	5,028,877	4,899,882
County Jail Operations	856,255	824,496	0	0	856,255	824,496
Debt Service	400,200	400,200	0	0	400,200	400,200
Other Local Taxes	4,372	4,445	0	0	4,372	4,445
Grants and Entitlements	2,233,746	2,164,338	0	0	2,233,746	2,164,338
Interest	1,197,751	989,323	0	0	1,197,751	989,323
Other	1,429,783	1,166,506	12,557	11,026	1,442,340	1,177,532
Total General Revenues	<u>17,660,449</u>	<u>16,941,744</u>	<u>12,557</u>	<u>11,026</u>	<u>17,673,006</u>	<u>16,952,770</u>
Total Revenues	<u>40,088,491</u>	<u>37,530,430</u>	<u>1,643,587</u>	<u>1,676,728</u>	<u>41,732,078</u>	<u>39,207,158</u>
<u>Program Expenses</u>						
General Government:						
Legislative and Executive	6,083,301	5,628,218	0	0	6,083,301	5,628,218
Judicial	1,800,374	1,566,778	0	0	1,800,374	1,566,778
Public Safety						
Sheriff	6,159,777	5,905,754	0	0	6,159,777	5,905,754
Other	247,989	316,435	0	0	247,989	316,435
Public Works	5,019,879	4,345,636	0	0	5,019,879	4,345,636
Health						
Alcohol, Drug Addiction, and Mental Health Services	4,960,362	4,327,876	0	0	4,960,362	4,327,876
Mental Retardation and Developmental Disabilities	5,647,719	5,390,478	0	0	5,647,719	5,390,478
Other	513,541	474,466	0	0	513,541	474,466

(continued)

Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Table 2
Change in Net Assets
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Human Services						
Children Services	\$1,791,136	\$1,327,512	\$0	\$0	\$1,791,136	\$1,327,512
Job and Family Services	4,030,356	3,797,635	0	0	4,030,356	3,797,635
Other	1,387,865	1,495,194	0	0	1,387,865	1,495,194
Conservation and Recreation	42,077	62,877	0	0	42,077	62,877
Intergovernmental	710,482	235,135	0	0	710,482	235,135
Internal Service Fund-External Portion	159,287	133,036	0	0	159,287	133,036
Interest and Fiscal Charges	215,946	238,162	0	0	215,946	238,162
County Home	0	0	1,183,878	1,118,920	1,183,878	1,118,920
Landfill	0	0	304,956	301,447	304,956	301,447
Recycling	0	0	753,805	713,773	753,805	713,773
Total Expenses	<u>38,770,091</u>	<u>35,245,192</u>	<u>2,242,639</u>	<u>2,134,140</u>	<u>41,012,730</u>	<u>37,379,332</u>
Increase (Decrease) in Net Assets Before Transfers	1,318,400	2,285,238	(599,052)	(457,412)	719,348	1,827,826
Transfers	<u>(432,072)</u>	<u>(425,000)</u>	<u>432,072</u>	<u>425,000</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Assets	886,328	1,860,238	(166,980)	(32,412)	719,348	1,827,826
Net Assets Beginning of Year	<u>59,356,412</u>	<u>57,496,174</u>	<u>479,933</u>	<u>512,345</u>	<u>59,836,345</u>	<u>58,008,519</u>
Net Assets End of Year	<u>\$60,242,740</u>	<u>\$59,356,412</u>	<u>\$312,953</u>	<u>\$479,933</u>	<u>\$60,555,693</u>	<u>\$59,836,345</u>

A review of the above table reveals few changes of significance from the prior year for either governmental or business-type activities. Program revenues for governmental activities represented 56 percent of total revenues for 2007, a very slight increase from 2006. The largest source of program revenues is reflected in operating grants and contributions with both the health and human services programs receiving a substantial amount of grant revenues. The public works program, primarily the Engineer, receives a substantial amount of resources from motor vehicle license fees and gas taxes. The primary sources for the County's general revenues are from property taxes and sales taxes. General revenues from all sources remained quite comparable to the prior year.

Governmental activities expenses also remained very comparable to the prior year with increases due to general increases in personnel and other operating costs. The programs having the greatest costs continue to be for legislative and executive (which are the primary general government operations); the sheriff; public works (primarily the engineer); alcohol, drug addiction, and mental health services, mental retardation and developmental disabilities (Dale Roy), and job and family services. These programs account for over 82 percent of all governmental expenses.

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

Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
General Government:				
Legislative and Executive	\$6,083,301	\$5,628,218	\$4,022,093	\$3,448,201
Judicial	1,800,374	1,566,778	977,387	591,763
Public Safety				
Sheriff	6,159,777	5,905,754	5,439,014	5,182,163
Other	247,989	316,435	139,186	104,059
Public Works	5,019,879	4,345,636	(443,525)	(464,562)
Health				
Alcohol, Drug Addiction and Mental Health Services	4,960,362	4,327,876	1,221,108	669,948
Mental Retardation and Developmental Disabilities	5,647,719	5,390,478	2,737,299	2,794,553
Other	513,541	474,466	344,397	331,925
Human Services				
Children Services	1,791,136	1,327,512	1,098,445	717,530
Job and Family Services	4,030,356	3,797,635	196,548	433,994
Other	1,387,865	1,495,194	250,022	437,648
Conservation and Recreation	42,077	62,877	42,077	62,877
Intergovernmental	710,482	235,135	83,531	108,898
Internal Service Fund-External Portion	159,287	133,036	18,521	(653)
Interest and Fiscal Charges	215,946	238,162	215,946	238,162
Total Expenses	<u>\$38,770,091</u>	<u>\$35,245,192</u>	<u>\$16,342,049</u>	<u>\$14,656,506</u>

The County's general revenues (primarily property taxes, sales taxes, and unrestricted grants and entitlements) support approximately 42 percent of the governmental programs provided by the County, the same as the prior year. A review of the above table reveals that a number of the County's programs have consistently received substantial support through program revenues. For instance, almost 34 percent of legislative and executive costs were provided for through various charges for services. The judicial program also provides for 46 percent of its costs through various fines, court costs, and grants. A considerable portion of the public works program is provided for through program revenues, primarily motor vehicle license and gas taxes. Various operating grants provided for over 75 percent of the costs for alcohol, drug addiction, and mental health services programs, almost 46 percent of the costs for mental retardation and developmental disabilities programs, and over 92 percent of the costs for job and family services activities.

Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Governmental Funds Financial Analysis

The County's major governmental funds are the General Fund and the Motor Vehicle and Gasoline Tax; Job and Family Services; Alcohol, Drug Addiction, and Mental Health Services; and Mental Retardation and Developmental and Disabilities special revenue funds. The General Fund experienced just a slight decrease in fund balance from the prior year and the Motor Vehicle and Gasoline Tax fund experienced a moderate increase, although both revenues and expenditures were similar to 2006. The fund balance in the Job and Family Services fund increased substantially due to an increase in intergovernmental revenues and expenditures staying about the same as the prior year. The Alcohol, Drug Addiction, and Mental Health Services fund had a sizable decrease in fund balance. While revenues remained the same as in 2006, expenditures increased due to higher costs for services provided. Finally, there was a 32 percent increase in fund balance in the Mental Retardation and Developmental Disabilities fund. Although both revenues and expenditures were very similar to the prior year, there was enough of an increase in intergovernmental revenues to provide for the increase in fund balance.

Business-Type Activities Financial Analysis

Again in 2007, all three of the County's enterprise funds had operating losses (for the fifth consecutive year). However, all three funds had very insignificant decreases in net assets. The County Home received a transfer from the General Fund to subsidize operations during the year.

Budgetary Highlights

The County prepares an annual budget of revenues and expenditures/expenses for all funds of the County for use by County officials and department heads and such other budgetary documents as are required by State statute, including the annual appropriations resolution which is effective the first day of January. The County's most significant budgeted fund is the General Fund. For revenues, there was a moderate increase from the original budget to the final budget as all revenue sources were increased slightly, with the estimate for interest revenues increasing the most. The change from the final budget to actual revenues was very insignificant. There was also a moderate increase from the original budget to the final budget for expenditures with increases in both the general government and public safety programs. This increase was due, in part, to the start of a remodeling project. The change from the final budget to actual expenditures was not significant.

Capital Assets and Debt Administration

Capital Assets - The County's investment in capital assets for governmental and business-type activities as of December 31, 2007, was \$40,490,281 and \$1,182,396, respectively (net of accumulated depreciation and related debt). The additions for governmental activities consisted primarily of road improvements, but also included four trucks, a backhoe, and a box truck. Additions for business-type activities consisted of a box truck. For further information regarding the County's capital assets, refer to Note 10 to the basic financial statements.

Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Debt - At December 31, 2007, the County had outstanding general obligation bonds and OPWC loans, in the amount of \$3,825,000 and \$22,557, respectively. In addition, the County's long-term obligations also include compensated absences and landfill postclosure costs. For further information regarding the County's long-term obligations, refer to Notes 17 and 18 to the basic financial statements.

Current Issues

The remodeling project of the County office building is currently nearing completion at a cost of slightly more than \$1.4 million.

The County's General Fund and Self Insurance Fund have both been experiencing some cash flow difficulties. A combination of advancing monies and slowing the bill paying process has allowed for both of these funds to avoid a negative cash basis fund balance. This situation has been developing over time and reached this point in January 2008. It has continued to fluctuate at or just above this point during the first half of 2008.

Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's financial status. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Philip Leibolt, Ashland County Auditor, 142 West Second Street, Ashland, Ohio 44805.

Ashland County
Statement of Net Assets
Primary Government and Discretely Presented Component Unit
December 31, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	D-R Services, Inc.
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$16,522,937	\$1,090,868	\$17,613,805	\$0
Cash and Cash Equivalents in Segregated Accounts	44,485	13,065	57,550	84,528
Accounts Receivable	79,287	33,786	113,073	27,997
Accrued Interest Receivable	223,679	0	223,679	0
Permissive Sales Taxes Receivable	969,850	0	969,850	0
Other Local Taxes Receivable	12,539	0	12,539	0
Due from Other Governments	4,062,046	0	4,062,046	0
Due from External Parties	60	0	60	0
Due from Primary Government	0	0	0	3,629
Internal Balances	57,871	(57,871)	0	0
Prepaid Items	70,578	117	70,695	0
Materials and Supplies Inventory	692,484	3,484	695,968	3,094
Inventory Held for Resale	0	34,747	34,747	0
Property Taxes Receivable	7,447,666	0	7,447,666	0
Notes Receivable	33,965	0	33,965	0
Nondepreciable Capital Assets	1,122,053	118,865	1,240,918	0
Depreciable Capital Assets, Net	43,215,785	1,063,531	44,279,316	73,953
 Total Assets	74,555,285	2,300,592	76,855,877	193,201
<u>Liabilities</u>				
Accrued Wages Payable	368,908	40,793	409,701	1,337
Accounts Payable	504,304	77,177	581,481	37,960
Contracts Payable	220,276	0	220,276	0
Matured Compensated Absences Payable	9,214	0	9,214	0
Due to Other Governments	643,338	22,741	666,079	0
Due to External Parties	9,707	0	9,707	0
Due to Component Unit	3,629	0	3,629	0
Deferred Revenue	7,275,324	0	7,275,324	0
Claims Payable	374,642	0	374,642	0
Accrued Interest Payable	16,278	0	16,278	0
Retainage Payable	48,122	0	48,122	0
Long-Term Liabilities:				
Due Within One Year	747,001	48,121	795,122	14,173
Due in More Than One Year	4,091,802	1,798,807	5,890,609	23,667
 Total Liabilities	14,312,545	1,987,639	16,300,184	77,137
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	40,490,281	1,182,396	41,672,677	36,113
Restricted for:				
Debt Service	710,199	0	710,199	0
Public Works	4,023,890	0	4,023,890	0
Alcohol, Drug Addiction, and Mental Health Services	1,296,396	0	1,296,396	0
Mental Retardation and Developmental Disabilities	4,267,287	0	4,267,287	0
Real Estate Assessment	856,964	0	856,964	0
Felony Delinquent Care	1,035,043	0	1,035,043	0
Other Purposes	3,288,997	0	3,288,997	0
Unrestricted (Deficit)	4,273,683	(869,443)	3,404,240	79,951
 Total Net Assets	\$60,242,740	\$312,953	\$60,555,693	\$116,064

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Activities
Primary Government and Discretely Presented Component Unit
For the Year Ended December 31, 2007

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<u>Governmental Activities</u>				
General Government				
Legislative and Executive	\$6,083,301	\$2,061,155	\$53	\$0
Judicial	1,800,374	664,647	158,340	0
Public Safety				
Sheriff	6,159,777	339,891	380,872	0
Other	247,989	2,294	106,509	0
Public Works	5,019,879	226,847	4,859,025	377,532
Health				
Alcohol, Drug Addiction, and Mental Health Services	4,960,362	0	3,739,254	0
Mental Retardation and Developmental Disabilities	5,647,719	319,935	2,590,485	0
Other	513,541	164,914	4,230	0
Human Services				
Children Services	1,791,136	0	692,691	0
Job and Family Services	4,030,356	144,393	3,689,415	0
Other	1,387,865	180,520	957,323	0
Conservation and Recreation	42,077	0	0	0
Intergovernmental	710,482	0	626,951	0
Internal Service Fund-External Portion	159,287	140,766	0	0
Interest and Fiscal Charges	215,946	0	0	0
Total Governmental Activities	<u>38,770,091</u>	<u>4,245,362</u>	<u>17,805,148</u>	<u>377,532</u>
<u>Business-Type Activities</u>				
County Home	1,183,878	641,288	0	0
Landfill	304,956	271,633	0	0
Recycling	753,805	718,109	0	0
Total Business-Type Activities	<u>2,242,639</u>	<u>1,631,030</u>	<u>0</u>	<u>0</u>
Total Primary Government	<u>\$41,012,730</u>	<u>\$5,876,392</u>	<u>\$17,805,148</u>	<u>\$377,532</u>
<u>Component Unit</u>				
D-R Services, Inc.	<u>\$252,127</u>	<u>\$200,946</u>	<u>\$0</u>	<u>\$0</u>

General Revenues
Property Taxes Levied for
General Operating
Health-Alcohol, Drug Addiction, and Mental Health Services
Health-Mental Retardation and Developmental Disabilities
Permissive Sales Taxes Levied for
General Operations
County Jail Operations
Debt Service
Other Local Taxes
Grants and Entitlements not Restricted for Specific Programs
Interest
Contributions
Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Change in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	D-R Services, Inc.
(\$4,022,093)	\$0	(\$4,022,093)	\$0
(977,387)	0	(977,387)	0
(5,439,014)	0	(5,439,014)	0
(139,186)	0	(139,186)	0
443,525	0	443,525	0
(1,221,108)	0	(1,221,108)	0
(2,737,299)	0	(2,737,299)	0
(344,397)	0	(344,397)	0
(1,098,445)	0	(1,098,445)	0
(196,548)	0	(196,548)	0
(250,022)	0	(250,022)	0
(42,077)	0	(42,077)	0
(83,531)	0	(83,531)	0
(18,521)	0	(18,521)	0
(215,946)	0	(215,946)	0
<u>(16,342,049)</u>	<u>0</u>	<u>(16,342,049)</u>	<u>0</u>
0	(542,590)	(542,590)	0
0	(33,323)	(33,323)	0
0	(35,696)	(35,696)	0
<u>0</u>	<u>(611,609)</u>	<u>(611,609)</u>	<u>0</u>
<u>(16,342,049)</u>	<u>(611,609)</u>	<u>(16,953,658)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(51,181)</u>
2,261,365	0	2,261,365	0
726,622	0	726,622	0
3,521,478	0	3,521,478	0
5,028,877	0	5,028,877	0
856,255	0	856,255	0
400,200	0	400,200	0
4,372	0	4,372	0
2,233,746	0	2,233,746	0
1,197,751	0	1,197,751	3,623
0	0	0	33,329
1,429,783	12,557	1,442,340	16,570
17,660,449	12,557	17,673,006	53,522
(432,072)	432,072	0	0
<u>17,228,377</u>	<u>444,629</u>	<u>17,673,006</u>	<u>53,522</u>
886,328	(166,980)	719,348	2,341
59,356,412	479,933	59,836,345	113,723
<u>\$60,242,740</u>	<u>\$312,953</u>	<u>\$60,555,693</u>	<u>\$116,064</u>

Ashland County
Balance Sheet
Governmental Funds
December 31, 2007

	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Alcohol, Drug Addiction, and Mental Health Services
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,561,156	\$1,514,191	\$531,723	\$1,008,165
Cash and Cash Equivalents in Segregated Accounts	44	0	0	0
Accounts Receivable	12,436	958	0	0
Accrued Interest Receivable	217,276	4,164	0	0
Permissive Sales Taxes Receivable	775,910	0	0	0
Other Local Taxes Receivable	0	12,539	0	0
Due from Other Governments	812,373	2,024,783	137,144	340,211
Due from External Parties	0	0	0	0
Interfund Receivable	61,220	113	247,551	0
Prepaid Items	69,853	0	0	102
Materials and Supplies Inventory	31,626	635,701	12,892	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	64,692	0	0	0
Property Taxes Receivable	2,490,871	0	0	750,468
Notes Receivable	0	0	0	0
Total Assets	\$8,097,457	\$4,192,449	\$929,310	\$2,098,946
<u>Liabilities</u>				
Accrued Wages Payable	\$142,541	\$49,612	\$63,020	\$6,656
Accounts Payable	80,010	35,634	88,830	22,898
Contracts Payable	53,376	0	0	0
Matured Compensated Absences Payable	0	0	0	0
Due to Other Governments	203,838	26,278	202,147	8,456
Due to External Parties	0	0	375	2,317
Due to Component Unit	0	0	0	0
Interfund Payable	0	0	321	0
Deferred Revenue	3,787,349	1,712,878	5,362	987,956
Retainage Payable	9,661	0	0	0
Total Liabilities	4,276,775	1,824,402	360,055	1,028,283
<u>Fund Balance</u>				
Reserved for Unclaimed Monies	64,692	0	0	0
Reserved for Notes Receivable	0	0	0	0
Reserved for Encumbrances	1,021,627	0	3,644	379,428
Unreserved, Reported in:				
General Fund	2,734,363	0	0	0
Special Revenue Funds	0	2,368,047	565,611	691,235
Debt Service Funds	0	0	0	0
Total Fund Balance	3,820,682	2,368,047	569,255	1,070,663
Total Liabilities and Fund Balance	\$8,097,457	\$4,192,449	\$929,310	\$2,098,946

See Accompanying Notes to the Basic Financial Statements

Mental Retardation and Developmental Disabilities	Other Governmental	Total
\$4,156,907	\$5,679,966	\$16,452,108
0	44,441	44,485
63,984	1,909	79,287
1,435	804	223,679
0	193,940	969,850
0	0	12,539
377,911	369,624	4,062,046
0	60	60
0	10,000	318,884
623	0	70,578
10,455	1,810	692,484
0	0	64,692
3,640,672	565,655	7,447,666
0	33,965	33,965
<u>\$8,251,987</u>	<u>\$6,902,174</u>	<u>\$30,472,323</u>
\$71,232	\$35,847	\$368,908
60,894	216,038	504,304
0	166,900	220,276
0	9,214	9,214
71,549	131,070	643,338
780	6,235	9,707
3,629	0	3,629
0	279,907	280,228
4,001,112	918,025	11,412,682
0	38,461	48,122
<u>4,209,196</u>	<u>1,801,697</u>	<u>13,500,408</u>
0	0	64,692
0	29,488	29,488
0	534,524	1,939,223
0	0	2,734,363
4,042,791	3,843,338	11,511,022
0	693,127	693,127
<u>4,042,791</u>	<u>5,100,477</u>	<u>16,971,915</u>
<u>\$8,251,987</u>	<u>\$6,902,174</u>	<u>\$30,472,323</u>

This Page Intentionally Left Blank

Ashland County
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 December 31, 2007

Total Governmental Fund Balances \$16,971,915

Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 44,337,838

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

Accounts Receivable	1,035	
Accrued Interest Receivable	222,042	
Permissive Sales Taxes Receivable	473,575	
Due from Other Governments	3,268,364	
Property Taxes Receivable	172,342	
		4,137,358

An internal balance is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities. 49,215

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

Accrued Interest Payable	(16,278)	
General Obligation Bonds Payable	(3,825,000)	
OPWC Loans Payable	(22,557)	
Compensated Absences Payable	(991,246)	
		(4,855,081)

An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets. (398,505)

Net Assets of Governmental Activities \$60,242,740

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Alcohol, Drug Addiction, and Mental Health Services
<u>Revenues</u>				
Property Taxes	\$2,256,052	\$0	\$0	\$726,000
Permissive Sales Taxes	5,036,366	0	0	0
Other Local Taxes	4,372	172,429	0	0
Charges for Services	1,716,482	0	0	0
Licenses and Permits	3,395	0	0	0
Fines and Forfeitures	125,573	0	0	0
Intergovernmental	2,233,060	4,327,023	3,201,578	3,745,324
Interest	1,083,687	74,904	0	0
Rent	0	0	0	0
Other	604,806	153,740	361,818	21,400
Total Revenues	13,063,793	4,728,096	3,563,396	4,492,724
<u>Expenditures</u>				
Current:				
General Government				
Legislative and Executive	5,018,994	0	0	0
Judicial	1,412,819	0	0	0
Public Safety				
Sheriff	4,533,581	0	0	0
Other	108,485	0	0	0
Public Works	110,433	4,380,684	0	0
Health				
Alcohol, Drug Addiction, and Mental Health Services	0	0	0	4,938,990
Mental Retardation and Developmental Disabilities	0	0	0	0
Other	333,632	0	0	0
Human Services				
Children Services	0	0	0	0
Job and Family Services	0	0	3,451,843	0
Other	408,955	0	0	0
Conservation and Recreation	20,000	0	0	0
Intergovernmental	99,000	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	12,045,899	4,380,684	3,451,843	4,938,990
Excess of Revenues Over (Under) Expenditures	1,017,894	347,412	111,553	(446,266)
<u>Other Financing Sources (Uses)</u>				
OPWC Loans Issued	0	22,557	0	0
Transfers In	180,304	0	156,074	0
Transfers Out	(1,567,013)	(76,540)	0	0
Total Other Financing Sources (Uses)	(1,386,709)	(53,983)	156,074	0
Changes in Fund Balances	(368,815)	293,429	267,627	(446,266)
Fund Balances Beginning of Year	4,189,497	2,074,618	301,628	1,516,929
Fund Balances End of Year	<u>\$3,820,682</u>	<u>\$2,368,047</u>	<u>\$569,255</u>	<u>\$1,070,663</u>

See Accompanying Notes to the Basic Financial Statements

Mental Retardation and Developmental Disabilities	Other Governmental	Total
\$3,518,378	\$0	\$6,500,430
0	1,258,325	6,294,691
0	0	176,801
343,525	1,354,747	3,414,754
0	182,201	185,596
0	57,666	183,239
2,521,795	3,917,317	19,946,097
18,151	31,506	1,208,248
0	141,474	141,474
149,717	197,279	1,488,760
<u>6,551,566</u>	<u>7,140,515</u>	<u>39,540,090</u>
0	946,713	5,965,707
0	322,442	1,735,261
0	1,176,716	5,710,297
0	135,905	244,390
0	255,062	4,746,179
0	0	4,938,990
5,563,579	0	5,563,579
0	168,553	502,185
0	1,791,136	1,791,136
0	474,618	3,926,461
0	992,009	1,400,964
0	0	20,000
0	611,482	710,482
0	465,000	465,000
0	217,242	217,242
<u>5,563,579</u>	<u>7,556,878</u>	<u>37,937,873</u>
<u>987,987</u>	<u>(416,363)</u>	<u>1,602,217</u>
0	0	22,557
0	1,055,407	1,391,785
0	(180,304)	(1,823,857)
<u>0</u>	<u>875,103</u>	<u>(409,515)</u>
987,987	458,740	1,192,702
<u>3,054,804</u>	<u>4,641,737</u>	<u>15,779,213</u>
<u>\$4,042,791</u>	<u>\$5,100,477</u>	<u>\$16,971,915</u>

Ashland County
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2007

Changes in Fund Balances - Total Governmental Funds \$1,192,702

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year:

Capital Outlay - Non-Depreciable Capital Assets	17,975	
Capital Outlay - Depreciable Capital Assets	1,465,104	
Capital Contributions	241,531	
Depreciation	<u>(2,183,715)</u>	(459,105)

The cost of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (90,675)

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

Property Taxes	9,035	
Permissive Sales Taxes	(9,359)	
Charges for Services	(23,590)	
Intergovernmental	119,138	
Interest	70,183	
Other	<u>697</u>	166,104

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 465,000

OPWC loan proceeds are other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net assets. (22,557)

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding obligations on the statement of net assets. 1,296

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (41,763)

(continued)

Ashland County
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2007
(continued)

The internal service fund used by management to charge the cost of insurance to individual funds is not reported on the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year. (\$306,153)

The internal service fund used by management to charge the cost of insurance to an external agency is reported on the statement of activities. The change for the external portion is reported for the year. (18,521)

Change in Net Assets of Governmental Activities \$886,328

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$2,240,017	\$2,270,017	\$2,241,347	(\$28,670)
Permissive Sales Taxes	4,900,000	5,050,000	5,051,190	1,190
Other Local Taxes	4,000	4,000	4,372	372
Charges for Services	1,659,570	1,729,570	1,712,440	(17,130)
Licenses and Permits	3,100	3,100	3,395	295
Fines and Forfeitures	105,000	115,000	125,211	10,211
Intergovernmental	2,140,620	2,325,620	2,228,377	(97,243)
Interest	625,000	1,130,000	1,055,823	(74,177)
Other	303,293	407,111	566,847	159,736
Total Revenues	11,980,600	13,034,418	12,989,002	(45,416)
<u>Expenditures</u>				
Current:				
General Government				
Legislative and Executive	5,002,644	6,402,584	6,141,350	261,234
Judicial	1,504,317	1,568,467	1,395,270	173,197
Public Safety				
Sheriff	4,541,021	4,581,359	4,500,987	80,372
Other	165,982	157,982	120,916	37,066
Public Works	220,829	220,829	156,501	64,328
Health				
Other	338,927	338,927	318,383	20,544
Human Services				
Other	437,058	437,058	398,894	38,164
Conservation and Recreation	20,000	20,000	20,000	0
Intergovernmental	99,000	99,000	99,000	0
Total Expenditures	12,329,778	13,826,206	13,151,301	674,905
Excess of Revenues Under Expenditures	(349,178)	(791,788)	(162,299)	629,489
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	41,500	41,500	52,756	11,256
Sale of Capital Assets	2,000	2,000	0	(2,000)
Advances In	0	0	3,500	3,500
Advances Out	0	(30,000)	(30,000)	0
Transfers In	180,000	180,000	180,304	304
Transfers Out	(1,490,614)	(1,874,481)	(1,567,013)	307,468
Total Other Financing Sources (Uses)	(1,267,114)	(1,680,981)	(1,360,453)	320,528
Changes in Fund Balance	(1,616,292)	(2,472,769)	(1,522,752)	950,017
Fund Balance Beginning of Year	3,760,573	3,760,573	3,760,573	0
Prior Year Encumbrances Appropriated	123,612	123,612	123,612	0
Fund Balance End of Year	\$2,267,893	\$1,411,416	\$2,361,433	\$950,017

See Accompanying Notes to the Basic Financial Statements

Ashland County,
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Motor Vehicle and Gasoline Tax Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<u>Revenues</u>				
Other Local Taxes	\$170,000	\$170,000	\$172,409	\$2,409
Intergovernmental	4,313,000	4,313,000	4,318,956	5,956
Interest	15,000	15,000	74,904	59,904
Other	25,000	25,000	153,458	128,458
Total Revenues	4,523,000	4,523,000	4,719,727	196,727
<u>Expenditures</u>				
Current:				
Public Works	4,264,264	5,737,160	4,455,398	1,281,762
Excess of Revenues Over (Under) Expenditures	258,736	(1,214,160)	264,329	1,478,489
 <u>Other Financing Sources (Uses)</u>				
OPWC Loans Issued	0	0	22,557	22,557
Transfers Out	(76,540)	(76,540)	(76,540)	0
Total Other Financing Sources (Uses)	(76,540)	(76,540)	(53,983)	22,557
Changes in Fund Balance	182,196	(1,290,700)	210,346	1,501,046
Fund Balance Beginning of Year	1,303,845	1,303,845	1,303,845	0
Fund Balance End of Year	<u>\$1,486,041</u>	<u>\$13,145</u>	<u>\$1,514,191</u>	<u>\$1,501,046</u>

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Job and Family Services Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Intergovernmental	\$3,417,750	\$3,417,750	\$3,071,175	(\$346,575)
Other	237,000	237,000	158,191	(78,809)
Total Revenues	3,654,750	3,654,750	3,229,366	(425,384)
<u>Expenditures</u>				
Current:				
Human Services				
Job and Family Services	4,559,750	4,585,250	3,224,079	1,361,171
Excess of Revenues Over (Under) Expenditures	(905,000)	(930,500)	5,287	935,787
<u>Other Financing Sources</u>				
Transfers In	905,000	905,000	156,074	(748,926)
Changes in Fund Balance	0	(25,500)	161,361	186,861
Fund Balance Beginning of Year	366,718	366,718	366,718	0
Fund Balance End of Year	<u>\$366,718</u>	<u>\$341,218</u>	<u>\$528,079</u>	<u>\$186,861</u>

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Alcohol, Drug Addiction, and Mental Health Services Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$706,261	\$706,261	\$721,310	\$15,049
Intergovernmental	3,893,121	3,893,121	3,753,183	(139,938)
Other	0	0	21,400	21,400
Total Revenues	4,599,382	4,599,382	4,495,893	(103,489)
<u>Expenditures</u>				
Current:				
Health				
Alcohol, Drug Addiction, and Mental Health Services	4,780,017	5,352,221	5,317,262	34,959
Changes in Fund Balance	(180,635)	(752,839)	(821,369)	(68,530)
Fund Balance Beginning of Year	1,408,505	1,408,505	1,408,505	0
Prior Year Encumbrances Appropriated	5,807	5,807	5,807	0
Fund Balance End of Year	<u>\$1,233,677</u>	<u>\$661,473</u>	<u>\$592,943</u>	<u>(\$68,530)</u>

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Mental Retardation and Developmental Disabilities Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$3,422,121	\$3,522,121	\$3,495,918	(\$26,203)
Charges for Services	363,000	363,000	345,189	(17,811)
Intergovernmental	1,634,879	2,439,879	2,512,900	73,021
Interest	0	0	18,151	18,151
Other	150,300	169,300	149,834	(19,466)
Total Revenues	5,570,300	6,494,300	6,521,992	27,692
<u>Expenditures</u>				
Current:				
Health				
Mental Retardation and Developmental Disabilities	5,621,054	5,691,054	5,515,269	175,785
Changes in Fund Balance	(50,754)	803,246	1,006,723	203,477
Fund Balance Beginning of Year	3,020,820	3,020,820	3,020,820	0
Fund Balance End of Year	\$2,970,066	\$3,824,066	\$4,027,543	\$203,477

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Fund Net Assets
Proprietary Funds
December 31, 2007

	Business-Type Activities			Governmental Activity	
	County Home	Landfill	Recycling	Total Enterprise	Internal Service
<u>Assets</u>					
<u>Current Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$63,060	\$167,333	\$47,087	\$277,480	\$6,137
Cash and Cash Equivalents in Segregated Accounts	0	0	13,065	13,065	0
Accounts Receivable	430	20,494	12,862	33,786	0
Prepaid Items	0	117	0	117	0
Materials and Supplies Inventory	3,484	0	0	3,484	0
Inventory Held for Resale	0	0	34,747	34,747	0
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	0	813,388	0	813,388	0
Total Current Assets	66,974	1,001,332	107,761	1,176,067	6,137
<u>Non-Current Assets</u>					
Nondepreciable Capital Assets	0	61,465	57,400	118,865	0
Depreciable Capital Assets, Net	750,891	23,225	289,415	1,063,531	0
Total Non-Current Assets	750,891	84,690	346,815	1,182,396	0
Total Assets	817,865	1,086,022	454,576	2,358,463	6,137
<u>Liabilities</u>					
<u>Current Liabilities</u>					
Accrued Wages Payable	24,117	988	15,688	40,793	0
Accounts Payable	43,000	8,937	25,240	77,177	0
Compensated Absences Payable	10,441	715	4,845	16,001	0
Due to Other Governments	14,401	1,004	7,336	22,741	0
Interfund Payable	6,910	0	1,746	8,656	30,000
Claims Payable	0	0	0	0	374,642
Postclosure Costs Payable	0	32,120	0	32,120	0
Total Current Liabilities	98,869	43,764	54,855	197,488	404,642
<u>Non-Current Liabilities</u>					
Compensated Absences Payable	12,922	1,242	9,514	23,678	0
Postclosure Costs Payable	0	1,775,129	0	1,775,129	0
Total Non-Current Liabilities	12,922	1,776,371	9,514	1,798,807	0
Total Liabilities	111,791	1,820,135	64,369	1,996,295	404,642
<u>Net Assets</u>					
Invested in Capital Assets	750,891	84,690	346,815	1,182,396	0
Unrestricted (Deficit)	(44,817)	(818,803)	43,392	(820,228)	(398,505)
Total Net Assets (Deficit)	\$706,074	(\$734,113)	\$390,207	362,168	(\$398,505)

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

(49,215)

Net Assets of Business-Type Activities

\$312,953

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2007

	Business-Type Activities			Total Enterprise	Governmental Activity
	County Home	Landfill	Recycling		Internal Service
<u>Operating Revenues</u>					
Charges for Services	\$641,288	\$271,633	\$126,800	\$1,039,721	\$2,815,323
Sale of Recyclables	0	0	591,309	591,309	0
Other	12,230	327	0	12,557	0
Total Operating Revenues	<u>653,518</u>	<u>271,960</u>	<u>718,109</u>	<u>1,643,587</u>	<u>2,815,323</u>
<u>Operating Expenses</u>					
Personal Services	784,489	61,204	329,790	1,175,483	0
Materials and Supplies	147,247	15,541	39,185	201,973	0
Contractual Services	95,570	98,795	45,442	239,807	343,969
Claims	0	0	0	0	2,841,775
Other	79,052	121,429	294,186	494,667	0
Depreciation	40,922	3,870	40,170	84,962	0
Total Operating Expenses	<u>1,147,280</u>	<u>300,839</u>	<u>748,773</u>	<u>2,196,892</u>	<u>3,185,744</u>
Operating Loss	(493,762)	(28,879)	(30,664)	(553,305)	(370,421)
Transfers In	<u>432,072</u>	<u>0</u>	<u>0</u>	<u>432,072</u>	<u>0</u>
Changes in Net Assets	(61,690)	(28,879)	(30,664)	(121,233)	(370,421)
Net Assets (Deficit) Beginning of Year	<u>767,764</u>	<u>(705,234)</u>	<u>420,871</u>		<u>(28,084)</u>
Net Assets (Deficit) End of Year	<u>\$706,074</u>	<u>(\$734,113)</u>	<u>\$390,207</u>		<u>(\$398,505)</u>

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

(45,747)

Change in Net Assets of Business-Type Activities

(\$166,980)

See Accompanying Notes to the Basic Financial Statements

Ashland County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

	Business-Type Activities			Governmental
	County Home	Landfill	Recycling	Total Enterprise Internal Service
Increase (Decrease) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$652,698	\$279,688	\$746,604	\$1,678,990
Cash Received from Transactions with Other Funds	0	0	0	2,815,323
Cash Received from Other Revenues	12,230	327	0	12,557
Cash Payments for Personal Services	(605,306)	(49,886)	(278,839)	(934,031)
Cash Payments to Suppliers	(226,764)	(143,331)	(64,218)	(434,313)
Cash Payments for Claims	0	0	0	(2,858,862)
Cash Payments for Transactions with Other Funds	(174,447)	(10,794)	(44,964)	(230,205)
Cash Payments for Other Expenses	(83,220)	(116,453)	(317,579)	(517,252)
Net Cash Provided by (Used for) Operating Activities	(424,809)	(40,449)	41,004	(424,254)
<u>Cash Flows from Noncapital Financing Activities</u>				
Advances In	0	0	0	30,000
Transfers In	432,072	0	0	432,072
Net Cash Provided by Noncapital Financing Activities	432,072	0	0	432,072
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition of Capital Assets	0	0	(18,000)	(18,000)
Net Increase (Decrease) in Cash and Cash Equivalents	7,263	(40,449)	23,004	(10,182)
Cash and Cash Equivalents Beginning of Year	55,797	1,021,170	37,148	1,114,115
Cash and Cash Equivalents End of Year	\$63,060	\$980,721	\$60,152	\$1,103,933
Reconciliation of Operating Loss to <u>Net Cash Provided by (Used for) Operating Activities</u>				
Operating Loss	(\$493,762)	(\$28,879)	(\$30,664)	(\$553,305)
Adjustments to Reconcile Operating Loss to <u>Net Cash Provided by (Used for) Operating Activities</u>				
Depreciation	40,922	3,870	40,170	84,962
Changes in Assets and Liabilities				
Decrease in Accounts Receivable	11,410	8,055	28,495	47,960
Increase in Materials and Supplies Inventory	(1,388)	0	0	(1,388)
Increase in Inventory Held for Resale	0	0	(19,534)	(19,534)
Increase in Accrued Wages Payable	6,186	180	2,762	9,128
Increase in Accounts Payable	15,478	4,880	15,321	35,679
Increase (Decrease) in Compensated Absences Payable	(1,002)	210	2,022	1,230
Increase (Decrease) in Due to Other Governments	(970)	134	1,146	310
Increase (Decrease) in Interfund Payable	(1,683)	0	1,286	(397)
Decrease in Claims Payable	0	0	0	(17,087)
Decrease in Postclosure Costs Payable	0	(28,899)	0	(28,899)
Total Adjustments	68,953	(11,570)	71,668	129,051
Net Cash Provided by (Used for) Operating Activities	(\$424,809)	(\$40,449)	\$41,004	(\$424,254)

See Accompanying to the Basic Financial Statements

Ashland County
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2007

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$2,348,964
Cash and Cash Equivalents in Segregated Accounts	488,353
Other Local Taxes Receivable	11,393
Due from Other Governments	2,385,570
Due from External Parties	9,707
Property Taxes Receivable	45,464,554
Special Assessments Receivable	<u>77,307</u>
 Total Assets	 <u><u>\$50,785,848</u></u>
 <u>Liabilities</u>	
Due to Other Governments	\$49,482,047
Due to External Parties	60
Undistributed Assets	<u>1,303,741</u>
 Total Liabilities	 <u><u>\$50,785,848</u></u>

See Accompanying Notes to the Basic Financial Statements

Note 1 - Reporting Entity

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

Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the entire County.

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

A. Primary Government

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

B. Component Units

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

Discretely Presented Component Unit

The component unit column on the financial statements identifies the financial data of the County's component unit, D-R Services, Inc. It is reported separately to emphasize that it is legally separate from the County. Information about this component unit is presented in Note 20 to the basic financial statements.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 1 - Reporting Entity (continued)

D-R Services, Inc. - D-R Services, Inc. is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. D-R Services, Inc., under a contractual agreement with the Ashland County Board of Mental Retardation and Developmental Disabilities (MRDD), provides sheltered employment for mentally retarded or handicapped adults in Ashland County. The Ashland County Board of MRDD provides D-R Services, Inc. with all expenses and personnel for the operation of D-R Services, Inc. including staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of D-R Services, Inc. Based on the significant services and resources provided by the County to D-R Services, Inc. and D-R Services, Inc.'s sole purpose of providing assistance to the retarded and handicapped adults of Ashland County, D-R Services, Inc. is presented as a component unit of Ashland County. Exclusion of D-R Services, Inc. from the County's financial statements would result in misleading financial statements for Ashland County. D-R Services, Inc. operates on a fiscal year ending December 31. D-R Services, Inc. does not issue separate financial statements.

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

Ashland County Soil and Water Conservation District
Ashland City-County Health Department
Local Emergency Planning Commission
Ashland County Family and Children First Council

The County participates in several jointly governed organizations and insurance pools, and is associated with a related organization. These organizations are presented in Notes 21, 22, and 23 to the basic financial statements. These organizations are:

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

Note 2 - Summary of Significant Accounting Policies

The financial statements of Ashland County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The County does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its business-type activities or to its enterprise funds. Following are the more significant of the County's accounting policies.

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The County's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

Fund Financial Statements

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

B. Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the County are presented in three categories: governmental, proprietary, and fiduciary.

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

General - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Motor Vehicle and Gasoline Tax - This fund accounts for monies derived from gasoline taxes and the sale of motor vehicle licenses. Expenditures are restricted by State law to county road and bridge repair/improvement programs.

Job and Family Services - This fund accounts for federal, state, and local monies used to provide general relief and to pay providers of medical assistance and social services.

Alcohol, Drug Addiction, and Mental Health Services - This fund accounts for a county-wide property tax levy and federal and state grants that are primarily used to pay the costs of contracts with local mental health agencies that provide services to the public.

Mental Retardation and Developmental Disabilities - This fund accounts for the operation of a school for the mentally retarded and developmentally disabled financed by a county-wide property tax levy and federal and state grants.

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the County's major enterprise funds:

County Home - This fund accounts for the daily operations of the County nursing home. Revenue is generated from resident fees and charges for services and is used to pay other agencies for services, to fund the daily costs of operations, and to provide services to the residents such as laundry, transportation, personal care items, and incidental medical supplies.

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

Note 2 - Summary of Significant Accounting Policies (continued)

Recycling - This fund accounts for the operations of the County recycling center.

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis. The County's internal service fund accounts for monies received for the activities of the self insurance program for employee health benefits.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The County did not have any trust funds in 2007. The County's agency funds account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within thirty-one days after year end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the year in which the sales are made. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim at December 31, 2007, but were levied to finance 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

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

Note 2 - Summary of Significant Accounting Policies (continued)

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. Budgetary information for the Commissary special revenue fund and D-R Services, Inc. is not reported because they are not included in the entity for which the “appropriated budget” is adopted. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners’ authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

F. Cash and Investments

To improve cash management, cash received by the County is pooled and invested. Individual fund integrity is maintained through County records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Cash and cash equivalents that are held separately within departments of the County are recorded as “Cash and Cash Equivalents in Segregated Accounts”.

Cash and cash equivalents of D-R Services, Inc. are held by the component unit and are recorded as “Cash and Cash Equivalents in Segregated Accounts”.

Note 2 - Summary of Significant Accounting Policies (continued)

During 2007, the County invested in nonnegotiable certificates of deposit, repurchase agreements, federal agency securities, and STAR Ohio. Investments are reported at fair value, except for nonnegotiable certificates of deposit and repurchase agreements which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007.

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 2007 was \$1,083,687, which includes \$894,639 assigned from other County funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

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

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that have a legal restriction on their use are reported as restricted. Monies required to be set aside for postclosure costs at the landfill are also reported as restricted.

J. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets used by the proprietary funds are reported in both the business-type activities column on the government-wide statement of net assets and in the respective funds.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 2 - Summary of Significant Accounting Policies (continued)

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The County maintains a capitalization threshold of fifteen thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. The County reports all infrastructure, including that acquired prior to 1980. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land Improvements	20-50 years	20 years
Buildings	40-125 years	60 years
Building Improvements	20-40 years	20 years
Roads	10-50 years	n/a
Bridges	50 years	n/a
Equipment	5-20 years	10-20 years
Vehicles	10-20 years	10 years

K. Interfund Receivables/Payables

On fund financial statements, outstanding interfund loans and unpaid amounts for internal services provided are reported as "Interfund Receivables/Payables". Interfund balances are eliminated on the statement of net assets, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as "Internal Balances".

L. Compensated Absences

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds and OPWC loans are recognized as liabilities on the governmental fund financial statements when due.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include resources restricted for various law enforcement activities and activities of the County's courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. As of December 31, 2007, there were no net assets restricted by enabling legislation.

O. Fund Balance Reserves

The County reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance reserves have been established for unclaimed monies, notes receivable, and encumbrances.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for the county home, landfill, and recycling center, as well as charges for internal service fund activities. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as nonoperating.

Note 2 - Summary of Significant Accounting Policies (continued)

Q. Capital Contributions

Capital contributions arise from outside contributions of capital assets.

R. Interfund Transactions

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

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

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

S. Estimates

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

Note 3 - Changes in Accounting Principles

For 2007, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this statement for both the Ohio Public Employees Retirement System and the State Teachers Retirement System postemployment healthcare plans, in the amount of \$93,967 and \$307, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

Note 3 - Changes in Accounting Principles (continued)

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

Note 4 - Accountability

At December 31, 2007, the Landfill enterprise fund and the Medical Insurance internal service fund had deficit net assets, in the amount of \$734,113 and \$398,505.

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

The deficit net assets in the Medical Insurance internal service fund is due to claims and administration expenses exceeding premiums being charged. Management is analyzing the situation to alleviate future deficits.

Note 5 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual for the General Fund; and the Motor Vehicle and Gasoline Tax; Job and Family Services; Alcohol, Drug Addiction, and Mental Health Services; and Mental Retardation and Developmental Disabilities special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. The County has certain activities within the General Fund that are not budgeted by the County Commissioners. However, this activity is included as part of the reporting entity when preparing financial statements that conform with GAAP.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 5 - Budgetary Basis of Accounting (continued)

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

	Changes in Fund Balance				
	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Alcohol, Drug Addiction, and Mental Health Services	Mental Retardation and Developmental Disabilities
GAAP Basis	(\$368,815)	\$293,429	\$267,627	(\$446,266)	\$987,987
Increase (Decrease) Due To					
Revenue Accruals					
Accrued 2006, Received in Cash 2007	567,199	321,310	1,379	110,582	75,776
Accrued 2007, Not Yet Received in Cash	(552,737)	(329,679)	(335,409)	(102,723)	(82,890)
Expenditure Accruals					
Accrued 2006, Paid in Cash 2007	(498,637)	(133,880)	(75,839)	(30,174)	(157,466)
Accrued 2007, Not Yet Paid in Cash	489,426	111,524	310,769	40,327	208,084
Cash Adjustments					
Unrecorded Activity 2006	130,311	0	0	22,017	106,904
Unrecorded Activity 2007	(166,977)	0	0	(26,707)	(129,364)
Prepaid Items	1,703	0	75	90	(102)
Materials and Supplies Inventory	(456)	(52,358)	(3,597)	0	(2,206)
Advances In	3,500	0	0	0	0
Advances Out	(30,000)	0	0	0	0
Excess of Revenues Under Expenditures for Nonbudgeted Activity	169	0	0	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(1,097,438)	0	(3,644)	(388,515)	0
Budget Basis	<u>(\$1,522,752)</u>	<u>\$210,346</u>	<u>\$161,361</u>	<u>(\$821,369)</u>	<u>\$1,006,723</u>

Note 6 - Deposits and Investments

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

Note 6 - Deposits and Investments (continued)

Monies held by the County, which are not considered active, are classified as inactive. Inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio Auditor of State:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange similar securities, or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
 - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed 10 percent of the value of the outstanding commercial paper of the issuing corporation, and which mature within two hundred seventy days after purchase;
 - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within one hundred eighty days after purchase;
10. Up to 15 percent of the County's average portfolio in notes issued by United States corporations or by depository institutions that are doing business under authority granted by the United States provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;

Note 6 - Deposits and Investments (continued)

11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and
12. Up to 1 percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the County Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$4,980,509 of the County's bank balance of \$9,894,523 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 6 - Deposits and Investments (continued)

Investments

As of December 31, 2007, the County had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Repurchase Agreement	\$1,220,748	1/2/08
Federal National Mortgage Association Notes	501,720	6/18/08
Federal National Mortgage Association Notes	500,780	2/12/10
Federal Home Loan Bank Notes	502,970	10/9/09
Federal Home Loan Bank Notes	503,125	10/22/09
Federal Home Loan Bank Notes	505,155	10/30/09
Federal Home Loan Bank Notes	501,875	4/23/10
Federal Home Loan Bank Notes	500,470	12/17/10
Federal Home Loan Bank Notes	506,405	3/4/11
Federal Home Loan Bank Notes	500,155	6/10/11
STAR Ohio	5,217,391	41 days
	<u>\$10,960,794</u>	

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the County. The investment policy also requires a minimum of 20 percent of the County's portfolio to mature in less than thirty days and no more than 30 percent may be invested beyond twelve months.

The securities underlying the repurchase agreement (U.S. Treasury Notes), Federal National Mortgage Association Notes, and Federal Home Loan Bank Notes carry a rating of AAA by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The County has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that repurchase agreements must be limited to investments listed in items 1 or 2 on page 44 provided that the market value of securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent, be marked to market daily, and must not exceed thirty days. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Repurchase Agreement	\$1,220,748	11.14%
Federal National Mortgage Association	1,002,500	9.15
Federal Home Loan Bank	3,520,155	32.12

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 7 - Receivables

Receivables at December 31, 2007, consisted of accounts (e.g., billings for user charged services, including unbilled charges); accrued interest; permissive sales taxes; other local taxes; intergovernmental receivables arising from grants, entitlements, and shared revenues; amounts due from external parties; interfund; property taxes; and notes. All receivables are considered fully collectible within one year, except for property taxes and notes receivable. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Notes receivable, in the amount of \$29,488, will not be received within one year.

Notes receivable represent low interest loans for development projects granted to eligible County businesses under the Federal Community Development Block Grant program. The notes have an annual interest rate of 3.5 percent and are repaid over twelve years. A summary of the changes in notes receivable during 2007 follows:

	Balance December 31, 2006	New Loans	Repayments	Balance December 31, 2007
Special Revenue Fund				
CDBG Revolving Loan	\$37,933	\$0	\$3,968	\$33,965

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Local Government	
Local Government Revenue Assistance	\$607,392
Estate Tax	10,772
Auditor of State	2,266
Public Defender Grant	4,661
Homestead and Rollback	153,052
Personal Property Phase-Out	22,193
Other	12,037
Total General Fund	812,373
Motor Vehicle and Gasoline Tax	
Gasoline Tax	1,136,317
Motor Vehicle License Fees	887,087
Other	1,379
Total Motor Vehicle and Gasoline Tax	2,024,783
Job and Family Services	
Public Assistance	130,052
Other	7,092
Total Job and Family Services	137,144

(continued)

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 7 - Receivables (continued)

	Amount
Governmental Activities (continued)	
Alcohol, Drug Addiction, and Mental Health Services	
Medicaid	\$209,446
Block Grant - Federal	58,572
State Disbursement	10,470
Youth Mentoring Initiative	4,896
Homestead and Rollback	48,291
Personal Property Phase-Out	8,536
Total Alcohol, Drug Addiction, and Mental Health Services	340,211
Mental Retardation and Developmental Disabilities	
Subsidy Program	4,152
Title V	135
Title VI-B	43,693
Preschool	14,085
Title XX	29,186
Family Resources/Respite	15,128
Homestead and Rollback	229,707
Personal Property Phase-Out	41,825
Total Mental Retardation and Developmental Disabilities	377,911
Total Major Funds	3,692,422
Nonmajor Funds	
Victims of Crime Assistance	
Victims of Crime Grant	27,759
Children Services	
Title IV-E	51,461
PSCA	13,446
Other	1,210
Ashland County Emergency Grant	
Emergency Management Assistance	43,370
FEMA Hazard Mitigation Grant	18,390
DARE	
DARE Grant	13,493
Rape Crisis Service	
Mental Health Counseling for Youth Grant	1,305
CDBG Grant	
CDBG Grant	2,600
Workforce Investment Act	
Workforce Investment Act Grant	77,996
Senior Citizens Services	
Homestead and Rollback	35,275

(continued)

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 7 - Receivables (continued)

	Amount
Governmental Activities (continued)	
Community Corrections	
Community Corrections Grant	\$83,319
Total Nonmajor Funds	369,624
Total Governmental Activities	\$4,062,046
Agency Funds	
Local Government	\$513,100
Library Local Government	969,465
Gasoline Tax	631,035
Motor Vehicle License Fees	250,894
Permissive Motor Vehicle License Tax	9,006
Homestead and Rollback	11,099
Personal Property Phase-Out	971
Total Agency Funds	\$2,385,570

Note 8 - Permissive Sales and Use Tax

The County Commissioners, by resolution, imposed a 1.25 percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. The allocation of the sales tax is 1 percent to the County's General Fund and .25 percent for the repayment of the debt and operations of the County Jail. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month.

Note 9 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax revenues received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2005, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 9 - Property Taxes (continued)

Tangible personal property tax revenues received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds.

Accrued property taxes receivable represents real property, public utility property, tangible personal property, and outstanding delinquent taxes which were measurable as of December 31, 2007, and for which there was an enforceable legal claim. In the governmental funds, the entire receivable for property taxes has been deferred since current taxes were not levied to finance 2007 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent real property taxes have been recorded as a receivable and revenue while the remainder of the receivable is deferred.

The full tax rate for all County operations for the year ended December 31, 2007, was \$8.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	
Residential	\$631,399,270
Agriculture	86,689,480
Commercial/Industrial/Mineral	126,288,790
Public Utility Property	
Real	293,530
Personal	61,198,010
Tangible Personal Property	51,063,643
Total Assessed Value	<u>\$956,932,723</u>

In November 2007, the voters approved a five-year .6 mill levy for senior citizens. Collections will begin in 2008.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 10 - Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$862,547	\$0	\$0	\$862,547
Construction in Progress	120,061	259,506	(120,061)	259,506
Total Nondepreciable Capital Assets	<u>982,608</u>	<u>259,506</u>	<u>(120,061)</u>	<u>1,122,053</u>
Depreciable Capital Assets				
Land Improvements	165,535	120,061	0	285,596
Buildings	19,936,530	0	0	19,936,530
Building Improvements	860,654	0	0	860,654
Roads	42,127,714	1,170,386	0	43,298,100
Bridges	12,737,841	76,942	(95,744)	12,719,039
Equipment	1,903,750	92,391	(72,592)	1,923,549
Vehicles	2,524,274	125,385	(55,213)	2,594,446
Total Depreciable Capital Assets	<u>80,256,298</u>	<u>1,585,165</u>	<u>(223,549)</u>	<u>81,617,914</u>
Less Accumulated Depreciation for				
Land Improvements	(9,337)	(11,100)	0	(20,437)
Buildings	(4,381,285)	(436,183)	0	(4,817,468)
Building Improvements	(618,103)	(23,475)	0	(641,578)
Roads	(21,841,434)	(1,212,657)	0	(23,054,091)
Bridges	(6,671,593)	(254,381)	51,702	(6,874,272)
Equipment	(1,365,622)	(87,735)	48,045	(1,405,312)
Vehicles	(1,463,914)	(158,184)	33,127	(1,588,971)
Total Accumulated Depreciation	<u>(36,351,288)</u>	<u>(2,183,715)</u>	<u>132,874</u>	<u>(38,402,129)</u>
Total Depreciable Capital Assets, Net	<u>43,905,010</u>	<u>(598,550)</u>	<u>(90,675)</u>	<u>43,215,785</u>
Governmental Activities Capital Assets, Net	<u>\$44,887,618</u>	<u>(\$339,044)</u>	<u>(\$210,736)</u>	<u>\$44,337,838</u>

During 2007, the County accepted contributions of nondepreciable capital assets for governmental activities with a fair value of \$241,531.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 10 - Capital Assets (continued)

	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007
Business-Type Activities				
Nondepreciable Capital Assets				
Land	\$118,865	\$0	\$0	\$118,865
Depreciable Capital Assets				
Land Improvements	49,072	0	0	49,072
Buildings	1,516,614	0	0	1,516,614
Building Improvements	267,311	0	0	267,311
Equipment	450,998	0	0	450,998
Vehicles	151,455	18,000	0	169,455
Total Depreciable Capital Assets	2,435,450	18,000	0	2,453,450
Less Accumulated Depreciation for				
Land Improvements	(37,588)	(2,454)	0	(40,042)
Buildings	(742,059)	(25,276)	0	(767,335)
Building Improvements	(122,101)	(12,054)	0	(134,155)
Equipment	(311,399)	(33,935)	0	(345,334)
Vehicles	(91,810)	(11,243)	0	(103,053)
Total Accumulated Depreciation	(1,304,957)	(84,962)	0	(1,389,919)
Total Depreciable Capital Assets, Net	1,130,493	(66,962)	0	1,063,531
Business-Type Activities Capital Assets, Net	\$1,249,358	(\$66,962)	\$0	\$1,182,396

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Government	
Legislative and Executive	\$53,171
Judicial	10,598
Public Safety	
Sheriff	320,512
Public Works	1,631,375
Health	
Alcohol, Drug Addiction, and Mental Health Services	9,063
Mental Retardation and Developmental Disabilities	90,023
Other	1,219
Human Services	
Job and Family Services	35,057
Other	10,620
Conservation and Recreation	22,077
Total Depreciation Expense - Governmental Activities	<u>\$2,183,715</u>

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 11 - Interfund Receivables/Payables

Interfund balances at December 31, 2007, consisted of the following receivables and payables:

Due to General Fund from:	
Job and Family Services	\$208
Other Governmental	22,356
County Home	6,910
Recycling	1,746
Self-Insurance	30,000
Total General Fund	<u>\$61,220</u>
Due to Motor Vehicle and Gasoline Tax Fund from:	
Job and Family Services	<u>\$113</u>
Due to Job and Family Services Fund from:	
Other Governmental	<u>\$247,551</u>
Due to Other Governmental Funds from:	
Other Governmental Funds	<u>\$10,000</u>

The balance due to the General Fund consists of loans made to provide working capital for operations or projects. All of these amounts are expected to be received within one year.

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

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

The amount due to Other Governmental Funds resulted from the time lag between dates that payments between funds are made. This amount is expected to be received within one year.

Note 12 - Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007, the County contracted with the County Risk Sharing Authority, Inc. (CORSA) for insurance coverage. The CORSA program has a \$2,500 deductible.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 12 - Risk Management (continued)

Coverage provided by CORSA is as follows:

General Liability	\$1,000,000
Excess Liability	9,000,000
Medical Professional Liability	10,000,000
Law Enforcement Professional Liability	1,000,000
Public Officials Errors and Omissions Liability	1,000,000
Automobile Liability	1,000,000
Uninsured Motorists Liability	250,000
Ohio Stop Gap (Additional Workers' Compensation Coverage)	1,000,000
Building and Contents	66,637,424
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 2006, and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials' bonds by statute.

For 2007, the County participated in the County Commissioners Association of Ohio Service Corporation, a workers' compensation group rating plan (Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

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.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 12 - Risk Management (continued)

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 \$80,000 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, 2007, was estimated by the third party administrator at \$374,642.

The changes in the claims liability for 2007 and 2006 were:

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2007	\$391,729	\$2,841,775	\$2,858,862	\$374,642
2006	354,141	2,255,681	2,218,093	391,729

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.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 13 - Significant Contractual Commitments

The County has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2007:

Vendor	Contract Amount	Amount Paid as of 12/31/07	Outstanding Balance
H.J. Schodorf and Associates	\$168,193	\$16,312	\$151,881
Imhoff Construction Services	727,139	13,638	713,501
Spring Electrical Construction	134,650	4,812	129,838
Suburban Process Piping, Inc.	93,509	27,448	66,061

Note 14 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System (OPERS)

Plan Description - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs, and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll, public safety members contributed 9.75 percent, and law enforcement members contributed 10.1 percent.

Note 14 - Defined Benefit Pension Plans (continued)

The County's contribution rate for 2007 was 13.85 percent of covered payroll, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.17 percent of covered payroll. For the period January 1 through June 30, 2007, a portion of the County's contribution equal to 5 percent of covered payroll was allocated to fund the postemployment health care plan; for the period July 1 through December 31, 2007, this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the County of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 was \$1,106,787, \$1,170,529, and \$1,173,601, respectively; 87 percent has been contributed for 2007 and 100 percent for 2006 and 2005. Contributions to the member-directed plan for 2007 were \$18,770 made by the County and \$12,875 made by the plan members.

B. State Teachers Retirement System of Ohio (STRS Ohio)

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or an allowance based on member contributions and earned interest matched by STRS Ohio funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits.

Funding Policy - For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Note 14 - Defined Benefit Pension Plans (continued)

The County's required contribution for pension obligations to the DBP for the years ended December 31, 2007, 2006, and 2005 were \$85,591, \$83,850, and \$81,547, respectively; 95 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

Note 15 - Postemployment Benefits

A. Ohio Public Employees Retirement System

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

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

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The amount of the employer contributions which was allocated to fund postemployment health care was 5 percent of covered payroll from January 1 through June 30, 2007, and 6 percent from July 1 to December 31, 2007.

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

The County's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2007, 2006, and 2005 was \$706,472, \$561,157, and \$481,380, respectively; 86 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

Note 15 - Postemployment Benefits (continued)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. State Teachers Retirement System of Ohio (STRS Ohio)

Plan Description - Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan to eligible retirees who participated in the Defined Benefit Plan or the Combined Plan and their eligible family members. Coverage includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligation to contribute are established by STRS Ohio based on authority granted by State statute.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio.

STRS Ohio issues a financial report that includes financial information for the health care plan. Interested parties can view the most recent report at www.strsoh.org or obtain a copy by calling (888) 227-7877.

Funding Policy - Under Ohio law, funding for postemployment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to postemployment health care for the years ended June 30, 2007, 2006, and 2005. The 14 percent contribution is the maximum rate allowed under Ohio law.

All benefit recipients pay a portion of the health care cost in the form of a monthly premium. The County's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2007, 2006, and 2005 were \$6,584, \$6,450 and \$6,351, respectively; 95 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

Note 16 - Other Employer Benefits

A. Compensated Absences

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. Currently, employees are not permitted to accrue or carry over, beyond an anniversary date, more than the equivalent of one year's vacation leave, except as otherwise defined in union agreements. All accumulated unused vacation time is paid upon separation from the County. Sick leave is earned at a rate of four and six-tenths hours for every eighty hours worked. Sick leave is pro-rated for those employees working less than a standard eighty hour pay period. Any County employee who has ten or more years of service is paid upon retirement for one-fourth of the value of their accumulated unused sick leave up to a maximum of thirty to sixty 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 \$80,000 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.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 17 - Long-Term Obligations

The County's long-term obligations activity for the year ended December 31, 2007, was as follows:

	Interest Rate	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
1991 Job and Family Services (Original Amount \$1,500,000)	5.0%	\$570,000	\$0	\$100,000	\$470,000	\$105,000
1994 County Garage (Original Amount \$1,100,000)	5.0	195,000	0	95,000	100,000	100,000
2001 County Jail (Original Amount \$5,100,000)	4.75	3,525,000	0	270,000	3,255,000	205,000
Total General Obligation Bonds		4,290,000	0	465,000	3,825,000	410,000
OPWC Loans	0.0	0	22,557	0	22,557	2,256
Other Long-Term Obligations						
Compensated Absences		949,483	113,620	71,857	991,246	334,745
Total Governmental Activities		<u>\$5,239,483</u>	<u>\$136,177</u>	<u>\$536,857</u>	<u>\$4,838,803</u>	<u>\$747,001</u>
<u>Business-Type Activities</u>						
Compensated Absences Payable		\$38,449	\$1,230	\$0	\$39,679	\$16,001
Closure/Postclosure Costs Payable		1,836,148	0	28,899	1,807,249	32,120
Total Business-Type Activities		<u>\$1,874,597</u>	<u>\$1,230</u>	<u>\$28,899</u>	<u>\$1,846,928</u>	<u>\$48,121</u>

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

1991 Job and Family Services Bonds - The Job and Family Services general obligation bonds include serial and term bonds. The term bonds have annual mandatory sinking fund redemption requirements and there are optional redemption provisions for the serial bonds. The term bonds mature on December 1, 2011, in the amount of \$900,000, at a redemption price equal to 100 percent of the principal plus accrued interest to the redemption date. The serial bonds maturing on or after December 1, 2003, are subject to early redemption, at the sole option of the County, either in whole or in part on any date on or after December 1, 2003, in multiples of \$5,000, at a redemption price equal to 100 percent of the principal plus accrued interest to the redemption date.

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

OPWC loans consist of money owed to the Ohio Public Works Commission for road improvements. OPWC loans will be repaid from the Motor Vehicle and Gasoline Tax special revenue fund.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 17 - Long-Term Obligations (continued)

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund; the Motor Vehicle and Gasoline Tax; Job and Family Services; Alcohol, Drug Addiction, and Mental Health Services; Mental Retardation and Developmental Disabilities; Dog and Kennel; Real Estate Assessment; Youth Services; DARE; Victims of Crime; Child Support Enforcement Agency; DRETAC; Felony Delinquent Care/Custody, and County Prosecutor Seizure special revenue funds and the County Home, Landfill, and Recycling enterprise funds.

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

	General Obligation Bonds		OPWC Loans
	Principal	Interest	Principal
2008	\$410,000	\$192,613	\$2,256
2009	330,000	170,425	4,511
2010	345,000	152,162	4,511
2011	365,000	133,075	4,511
2012	250,000	112,813	4,511
2013-2017	1,455,000	374,062	2,257
2018-2019	670,000	31,825	0
	\$3,825,000	\$1,166,975	\$22,557

The Ohio Revised Code provides that net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 1 percent of the total assessed valuation of the County. The Revised Code further provides that total voted and unvoted net debt of the County less the same exempt debt shall never exceed a sum equal to 3 percent of the first \$100,000,000 of assessed valuation, plus 1.5 percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus 2.5 percent of such valuation in excess of \$300,000,000. The effect of the debt limitations at December 31, 2007, were an overall debt margin of \$21,853,318 and a unvoted debt margin of \$8,999,327.

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

	Date of Issue	Amount of Issue	Amount Outstanding December 31, 2007
Good Shepherd Home for the Aged Project	1/21/99	\$3,960,000	\$3,365,000
Good Shepherd Home-Assisted Living Facilities	11/15/99	4,750,000	4,395,000
Bretheran Care, Inc.	1/1/05	16,160,000	15,115,000
Hospice of North Central Ohio	9/1/06	5,800,000	5,501,861
		\$30,670,000	\$28,376,861

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 17 - Long-Term Obligations (continued)

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

Note 18 - 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 \$1,807,249 reported as the landfill postclosure liability at December 31, 2007, 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, 2007 liability decreased from the prior year by \$28,899.

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 19 - Interfund Transfers

During 2007, the following transfers were made:

		Transfers Out			
		General	Motor Vehicle and Gasoline Tax	Other Governmental	Total
Governmental Activities					
	General	\$0	\$0	\$180,304	\$180,304
In	Job and Family Services	156,074	0	0	156,074
	Other Governmental	978,867	76,540	0	1,055,407
	Total Governmental Activities	<u>1,134,941</u>	<u>76,540</u>	<u>180,304</u>	<u>1,391,785</u>
Business-Type Activities					
	County Home	432,072	0	0	432,072
	Total	<u>\$1,567,013</u>	<u>\$76,540</u>	<u>\$180,304</u>	<u>\$1,823,857</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 20 - D-R Services, Inc.

A. Summary of Significant Accounting Policies

Reporting Entity

D-R Services, Inc. utilizes the governmental model for accounting and financial reporting as established by NCGA Statement 1, "Governmental Accounting and Financial Reporting Principles", as modified by subsequent NCGA and GASB pronouncements.

Basis of Presentation

D-R Services, Inc. is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net assets. D-R Services, Inc. uses the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

Materials and Supplies Inventory

Inventory is presented at cost on a first-in, first-out basis and is expensed when used. Inventory consists of expendable supplies held for consumption.

Capital Assets

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

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

B. Capital Assets

A summary of the D-R Services, Inc. capital assets at December 31, 2007, follows:

Equipment	\$279,539
Vehicles	50,348
	329,887
Less Accumulated Depreciation	(255,934)
Net Capital Assets	\$73,953

C. Loan Payable

The changes in D-R Services, Inc. loan payable during 2007 were as follows:

	Interest Rate	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
2005 Vehicle Loan	7.14%	\$18,038	\$0	\$4,457	\$13,581	\$4,788

Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 20 - D-R Services, Inc. (continued)

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

D. Capital Leases

D-R Services, Inc. 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. Principal payments in 2007 were \$9,385.

Equipment	\$37,543
Less Accumulated Depreciation	(8,044)
Carrying Value, December 31, 2007	\$29,499

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2007.

Year	Principal
2008	\$9,385
2009	9,385
2010	5,489
Total	\$24,259

Note 21 - Jointly Governed Organizations

A. Ashland County Regional Planning Commission

The County participates in the Ashland County Regional Planning Commission (the 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 2007, the County contributed \$52,873 to the Regional Planning Commission.

B. Northern Ohio Juvenile Community Corrections Facility

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

Note 21 - Jointly Governed Organizations (continued)

C. Ashland Community Improvement Corporation

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

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

D. Ashland Area Council for Economic Development

The Ashland Area Council for Economic Development (Council) is a jointly governed organization between Ashland County and the City of Ashland. The Council was organized to undertake joint programs for economic development in the Ashland County area. The Council's board consists of the President of Council from the City of Ashland, a representative appointed by City Council, a member of the Board of County Commissioners, and a representative appointed by the Board of County Commissioners. Each term is for three years. In 2007, the County contributed \$42,500 to the Council. Financial information can be obtained from the Ashland Area Council for Economic Development, 206 Claremont Avenue, Ashland, Ohio 44805.

Note 22 - Insurance Pools

A. County Risk Sharing Authority, Inc.

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

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

B. County Commissioners Association of Ohio Service Corporation

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

Note 22 - Insurance Pools (continued)

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

Note 23 - 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 2007, this allocation was \$20,000.

Note 24 - Related Party Transactions

During 2007, 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 \$14,644 for such contributions. D-R Services, Inc. recorded operating revenues and expenses at cost or fair market value, as applicable, to the extent the contribution was related to the vocational purpose of D-R Services, Inc. Additional habilitative services provided directly to D-R Services, Inc. clients by the County was \$2,286,164.

Note 25 - Contingent Liabilities

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial.

Several claims and lawsuits are pending against the County. In the opinion of the Prosecuting Attorney, any potential claims or liabilities from these lawsuits would not have a material adverse effect on the financial statements.

ASHLAND COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Receipts	Non-Cash Receipts	Federal Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
<i>Passed through the Ohio Department of Education:</i>						
Food Donation	10.550	N/A		\$4,137		\$4,137
Child Nutrition Cluster:						
School Breakfast Program	10.553	N/A	\$12,682		\$12,682	
National School Lunch Program	10.555	N/A	22,558		22,558	
Total Child Nutrition Cluster			<u>35,240</u>		<u>35,240</u>	
<i>Direct:</i>						
Watershed Rehabilitation Program	10.916	N/A	500,000		237,652	
Total U.S. Department of Agriculture			<u>535,240</u>	<u>4,137</u>	<u>272,892</u>	<u>4,137</u>
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-05-003-1	111,365		146,249	
		BF-06-003-1	91,995		48,913	
		BC-05-003-1	58,865		48,445	
		BC-05-003-2	101,795		72,283	
		BW-04-003-1	48,751		48,925	
Total U.S. Department of Housing and Urban Development/Community Development Block Grants/State's Program			<u>412,771</u>		<u>364,815</u>	
U.S. Department of Justice						
<i>Passed through the Ohio Criminal Justice Service:</i>						
Crime Victim Assistance	16.575	2007-VAGENE-306	27,340		28,220	
		2008-VAGENE-306	10,594		8,377	
		2007-SAGENE-306			3,062	
		2008-SAGENE-306	4,313			
Total U.S. Department of Justice/Crime Victim Assistance			<u>42,247</u>		<u>39,659</u>	
U.S. Department of Labor						
<i>Passed through the Ohio Department of Jobs and Family Services:</i>						
<i>Passed through WIA Area 7:</i>						
Employment Service/Wagner-Peyser Funded Activities	17.207	N/A	(1,634)		2,271	
WIA Cluster:						
WIA Adult Program	17.258	N/A	58,079		37,475	
WIA Adult Program/Administration		N/A	4,327		2,401	
Total WIA Adult Program			<u>62,406</u>		<u>39,876</u>	
WIA Youth Activities	17.259	N/A	127,453		139,241	
WIA Dislocated Workers	17.260	N/A	231,235		277,602	
WIA Dislocated Workers/Administration		N/A	17,228		17,784	
Total WIA Dislocated Workers			<u>248,463</u>		<u>295,386</u>	
Total WIA Cluster			<u>438,322</u>		<u>474,503</u>	
Total U.S. Department of Labor			<u>436,688</u>		<u>476,774</u>	
U.S. Department of Transportation						
<i>Passed through the Ohio Department of Transportation:</i>						
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	N/A	5,025		5,177	
U.S. Department of Education						
<i>Passed through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education_Grants to States	84.027	N/A	39,819		41,351	
Special Education_Preschool Grants	84.173	N/A	13,479		19,884	
Total Special Education Cluster			<u>53,298</u>		<u>61,235</u>	
State Grants for Innovative Programs	84.298	N/A	139		115	
Total U.S. Department of Education			<u>53,437</u>		<u>61,350</u>	

ASHLAND COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Receipts	Non-Cash Receipts	Federal Expenditures	Non-Cash Expenditures
<u>U.S. Department of Health and Human Services</u>						
<i>Passed through the Ohio Department of Mental Health:</i>						
Social Services Block Grant	93.667	N/A	35,008		42,496	
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Social Services Block Grant	93.667	N/A	28,316		28,316	
Total Social Services Block Grant			63,324		70,812	
Medical Assistance Program	93.778					
TCM		N/A	76,652		76,652	
Waiver		N/A	417,846		417,846	
			494,498		494,498	
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>						
Medical Assistance Program	93.778	N/A	76,575		81,608	
<i>Passed through the Ohio Department of Mental Health:</i>						
Medical Assistance Program	93.778	N/A	1,155,571		1,172,493	
Total Medical Assistance Program			1,726,644		1,748,599	
Block Grants for Community Mental Health Services	93.958	N/A	35,870		35,870	
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>						
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	190,248		189,968	
Total U.S. Department of Health and Human Services			2,016,086		2,045,249	
<u>U.S. Department of Homeland Security</u>						
<i>Passed through the Ohio Department of Homeland Security:</i>						
Hazard Mitigation Grant	97.039	FEMA-DR-1484-OH	4,911		6,000	
Homeland Security Grant Program	97.073/97.067	2005-GE-T4-0025			22,399	
Total U.S. Department of Homeland Security			4,911		28,399	
Total			\$3,506,405	\$4,137	\$3,294,315	\$4,137

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

ASHLAND COUNTY

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE FISCAL YEAR ENDED DECEMBER 31, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the County's federal award programs. The Schedule has been prepared on the cash basis of accounting, except receipts and expenditures of assistance passed through the Ohio Department of Jobs and Family Services Workforce Investment Act are presented on an accrual basis.

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 - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

Program regulations do not require the County to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

NOTE E - 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 and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County. The initial loan of this money is recorded as a disbursement 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 disbursements on the Schedule.

These loans are collateralized by the assets of the businesses or a lien on the mortgage of the homes. At December 31, 2007, the gross amount of loans outstanding under this program was \$141,998. Delinquent amounts due are \$20,860.

NOTE F - MATCHING REQUIREMENTS

Certain Federal programs require 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.

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Ashland County
142 West 2nd Street
Ashland, Ohio 44805

To the County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ashland County, Ohio, (the County) as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting: 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the County's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated July 18, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated July 18, 2008.

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

We intend this report solely for the information and use of management, the Board of County Commissioners, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 18, 2008



Mary Taylor, CPA

Auditor of State

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

Ashland County
142 West 2nd Street
Ashland, Ohio 44805

To the County Commissioners:

Compliance

We have audited the compliance of Ashland County, Ohio, (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

As described in finding 2007-004 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding cash management applying to its Watershed Rehabilitation Program. Compliance with this requirement is necessary, in our opinion, for the County to comply with the requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County, complied in all material respects, with the requirements referred to above applying to each of its major federal programs for the year ended December 31, 2007.

In a separate letter to the County's management dated July 18, 2008, we reported a matter related to federal noncompliance not requiring inclusion in this report.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that the County's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2007-003 and 2007-004 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. Of the significant deficiencies above, we consider finding 2007-004 to be a material weakness.

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

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



Mary Taylor, CPA
Auditor of State

July 18, 2008

ASHLAND COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2007

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified on Watershed Rehabilitation Program; Unqualified on Medical Assistance Program.
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Watershed Rehabilitation Program CFDA # 10.916 Medical Assistance Program CFDA # 93.778
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2007-001

Noncompliance Citation

Finding for Recovery

Ohio Rev. Code Section 9.44(C) provides that an employee who has retired in accordance with the provisions of any retirement plan offered by the state and who is employed by the state or any political subdivision of the state on or after June 24, 1987, shall not have his prior service with the state or any political subdivision of the state counted for the purpose of computing vacation leave. **See also 1994 Op. Att’y Gen. No. 94-009.**

Our testing of the vacation leave accrual and usage for Julia A. Jones, Director of Public Health Preparedness for the Ashland City/County Health District revealed Ms. Jones retired from the Health District and the Ohio Public Employees Retirement System (OPERS), effective December 31, 2001. She was rehired by the Health District on March 12, 2002; however, she continued to earn vacation leave based on her prior service credit.

The Ashland City/County Health District Personnel Policy Manual does not address the crediting of prior service for retired employees who are rehired by the District. Furthermore, when Ms. Jones was rehired, there was no resolution indicating that she should be credited with her previous service credit. As such, since Ms. Jones had previously retired under OPERS, her vacation accrual rate should have reverted back to that of a new employee when she was rehired by the Health District. Based on the Ashland City/County Health District Personnel Policy Manual Section 5.02(C)(2)(f), a new hire employee earns vacation leave at a rate of .0386 per hour worked. Instead, Ms. Jones continued to accrue vacation leave based upon her total years of service including the time prior to her retirement. Accordingly, based on her vacation leave usage, which exceeded the amount she should have earned, Ms. Jones should have had a vacation balance of zero when her employment with the County ended on January 2, 2007; however, she was paid for 183.4 hours of vacation leave. Based upon her rate of pay, the 183.4 hours resulted in extra compensation of \$3,668 to which she was not entitled.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against Julia A. Jones, in the amount of \$3,668 and in favor of Ashland County’s Health District Fund. Julia Jones is primarily liable for the amount she received in overpayment.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. Village of Linndale v. Masten (1985), 18 Ohio St. 3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

FINDING NUMBER 2007-001 (Continued)

Therefore, because the Health District Administrator approved, and County Auditor signed, the improper payment, the following are jointly and severally liable for \$3,668: Al Sanders, Health District Administrator, Philip Leibolt, County Auditor, and American Casualty Company of Reading, Pennsylvania, the County Auditor's bonding company, in favor of Ashland County's Health District Fund.

Al Sanders and Philip Leibolt will only be liable to the extent payment is not received from Julia Jones.

Officials' Response: With regard to the Finding for Recovery against Julia Jones, Al Sanders and Phillip Leibolt for vacation paid upon retirement to Julia Jones, management would like the Auditors to consider the responses of the Ashland County Prosecutor and the Ohio Attorney General which refer to the prior year's finding against Julia Jones and Al Sanders for vacation paid to Julia Jones while an employee. Upon review, the Ashland County Prosecutor determined Ms. Jones was entitled to the compensation and the Ohio Attorney General agreed. The amount paid at retirement was based upon the same policy as the amounts paid while working and the County's management believes the Finding for Recovery is not valid.

AOS Conclusion: The Auditors have considered the responses of the Ashland County Prosecutor and the Ohio Attorney General which refer to the prior year's finding. However, based upon the current law, the Auditor's Office believes there is a legal basis for issuing a Finding for Recovery for the year ending December 31, 2007.

FINDING NUMBER 2007-002

Significant Deficiency

Review of Monthly Summaries from Healthcare Billing Services

The MRDD Board contracts with Healthcare Billing Services (HBS), a third party administrator, to submit Medicaid reimbursements to the State. However, there is no evidence of a reconciliation of the monthly billing and unit summaries provided by HBS with the MRDD's Habilitative Service reports.

Without reviewing the monthly billing and unit summaries provided by HBS, the MRDD has no evidence the information being submitted for Medicaid reimbursement and compiled in the HBS monthly summaries is complete and accurate. Additionally, the MRDD does not maintain copies of the monthly Medicaid reports detailing the services being reimbursed.

Management should reconcile the monthly billing and unit summaries provided by HBS to MRDD's Habilitative Service reports to ensure completeness and accuracy of the monthly summaries. In addition, the Medicaid reports detailing the services being reimbursed should be maintained according to the County's record retention schedule.

Officials' Response: The Ashland County Board of MR/DD acknowledges there is no formal audit system between our board and the contracted billing company we have for our Medicaid billing. We will be working with the State Auditors' Office to adopt a system to meet these requirements.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2007-003
CFDA Title and Number	93.778 – Medical Assistance Program
Federal Award Number / Year	2007
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Mental Retardation and Developmental Disabilities

Refer to finding # 2007-002 in Section 2 above.

Finding Number	2007-004
CFDA Title and Number	10.916 – Watershed Rehabilitation Program
Federal Award Number / Year	2007
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Direct Grant

Questioned Cost/Material Weakness

7 CFR 3016.21(i) indicates grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency. The grantee or subgrantee may keep interest amounts up to \$100 per year for administrative expenses.

The County received advance funding for a federal grant from the United States Department of Agriculture for a Watershed Rehabilitation project. The grant funds were included in the County’s pool of invested funds, but were not credited with the interest earned on those fund balances. This resulted in an imputed interest amount of \$15,858 credited to the General Fund rather than the Log Jam Project Fund where the Watershed Rehabilitation Program grant funds were receipted. As a result, this amount is questioned.

The County should contact the U.S. Department of Agriculture and remit the imputed interest earned on the Watershed Rehabilitation Program funds. In addition, the County should allocate interest earned on federal grant monies to the fund accounting for the grant activity and should remit the interest to the granting agency quarterly or as otherwise required by the granting agency.

Officials’ Response: The Board has transferred interest amounting to \$15,858 from the General Fund to the Log Jam Project Fund. Any current interest earned will also be deposited into the Log Jam Project Fund. We are awaiting a response from the Department of Agriculture regarding the return of funds.

ASHLAND COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Finding for Recovery – Carle K. Anderson	Yes	Finding no longer valid. Finding repaid in full.
2006-002	Finding for Recovery – Julia A. Jones	Yes	Finding has been resolved by the Attorney General.



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 30, 2008**