FINANCIAL CONDITION
FULTON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2001

FULTON COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Fulton County
152 South Fulton Street, Suite 270
Wauseon, Ohio 43567-3309

To the Board of Commissioners:

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

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

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

As described in Note 3 to the accompanying general-purpose financial statements during the year ended June 30, 2001, the County adopted Governmental Accounting Statements No. 33 and 36 and changed its policy regarding fixed asset capitalization.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2002 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

August 1, 2002

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FULTON COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and investments	$2,850,749	$7,789,407	$377,691	$1,390,248
Cash with fiscal and escrow agents	44,385	274,204		
Receivables (net of allowances of uncollectibles):				
Sales taxes	594,357			
Real and other taxes	1,388,093	2,634,844		
Accounts	43,639	46,160		
Special assessments			175,724	343,333
Accrued interest	717,155			
Interfund loan receivable	6,002			
Advances to other funds	794,902			
Due from other funds	20,811			
Due from other governments	665,690	2,322,545		3,238
Prepayments	45,664	31,554		
Materials and supplies inventory	33,906	163,222		
Loans receivable		195,840		
Property, plant and equipment (net of accumulated depreciation where applicable)				
Other Debits:				
Amount available in debt service funds				
Amount to be provided from general government resources				
Amount to be provided from component unit resources				
Total assets and other debits	**$7,205,353**	**$13,457,776**	**$553,415**	**$1,736,819**

Proprietary Fund Types		Fiduciary Fund Types	Account Groups				
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)
$1,260,551	$79,036	$4,040,683			$17,788,365	$244,857	$18,033,222
129		196,732			515,450	397	515,847
					594,357		594,357
					4,022,937	2,232,516	6,255,453
96,415					186,214	11,087	197,301
855,772					1,374,829		1,374,829
					717,155		717,155
					6,002		6,002
					794,902		794,902
21,268					42,079		42,079
5,185					2,996,658	125,150	3,121,808
					77,218	1,819	79,037
					197,128	2,311	199,439
					195,840		195,840
18,633,784			$24,494,664		43,128,448	710,927	43,839,375
				$345,253	345,253		345,253
				2,897,236	2,897,236		2,897,236
						64,330	64,330
$20,873,104	**$79,036**	**$4,237,415**	**$24,494,664**	**$3,242,489**	**$75,880,071**	**$3,393,394**	**$79,273,465**

(Continued)

FULTON COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 2001
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	$39,144	$207,218		$9,365
Accrued wages and benefits	119,389	125,226		
Compensated absences payable	20,928	29,235		
Retainage payable				
Interfund loan payable		5,190		812
Advances from other funds			$6,454	660,341
Due to other funds		20,811		
Due to other governments	156,206	678,305		
Deposits held and due to others				
Deferred revenue	2,324,792	4,309,351	175,093	340,779
Amount to be paid to claimants				
Accrued interest payable			26,615	63,267
Capital lease obligation payable				
Special assessment bonds payable				
OWDA loans payable				
General obligation notes payable				
Estimated accrued liability for landfill closure and post-closure costs				
Total liabilities	2,660,459	5,375,336	208,162	1,074,564
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets				
Contributed capital				
Retained earnings:				
Unreserved				
Fund balances:				
Reserved for encumbrances	123,654	1,027,250		323,465
Reserved for materials and supplies inventory	33,906	163,222		
Reserved for prepayments	45,664	31,554		
Reserved for debt service			345,253	
Reserved for loans		195,840		
Reserved for advances	794,902			
Unreserved:				
Designated for budget stabilization	542,122			
Undesignated	3,004,646	6,664,574		338,790
Total equity and other credits	4,544,894	8,082,440	345,253	662,255
Total liabilities, equity and other credits	**$7,205,353**	**$13,457,776**	**$553,415**	**$1,736,819**

The notes to the general-purpose financial statements are an integral of this statement.

Proprietary Fund Types: Enterprise	Proprietary Fund Types: Internal Service	Fiduciary Fund Types: Trust and Agency	Account Groups: General Fixed Assets	Account Groups: General Long-Term Obligations	Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)
$17,748					$273,475	$59,057	$332,532
6,549					251,164	60,412	311,576
8,277				$478,752	537,192	65,547	602,739
					6,002		6,002
128,107					794,902		794,902
21,268					42,079		42,079
90,381		$1,030,624			1,955,516	59,883	2,015,399
		3,131,672			3,131,672		3,131,672
					7,150,015	2,333,971	9,483,986
		27,652			27,652		27,652
5,929					95,811		95,811
				4,984	4,984	8,709	13,693
720,000				185,000	905,000		905,000
10,979,129				1,271,998	12,251,127		12,251,127
				1,250,000	1,250,000		1,250,000
				51,755	51,755		51,755
11,977,388		4,189,948		3,242,489	28,728,346	2,587,579	31,315,925
			$24,494,664		24,494,664	710,927	25,205,591
6,490,531					6,490,531		6,490,531
2,405,185	$79,036				2,484,221		2,484,221
		77			1,474,446	56,746	1,531,192
					197,128	2,311	199,439
					77,218	1,819	79,037
					345,253		345,253
					195,840		195,840
					794,902		794,902
					542,122		542,122
		47,390			10,055,400	34,012	10,089,412
8,895,716	79,036	47,467	24,494,664		47,151,725	805,815	47,957,540
$20,873,104	**$79,036**	**$4,237,415**	**$24,494,664**	**$3,242,489**	**$75,880,071**	**$3,393,394**	**$79,273,465**

FULTON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Property taxes	$1,386,566	$1,257,455
Sales taxes	3,713,216	493,347
Charges for services	1,457,275	1,059,043
Licenses and permits	3,996	11,385
Fines and forfeitures	374,495	95,152
Intergovernmental	1,387,476	7,419,697
Special assessments		7,200
Investment income	1,026,619	76,982
Rental income		
Other	529,053	1,629,488
Total revenues	9,878,696	12,049,749
Expenditures:		
Current:		
General government:		
Legislative and executive	2,840,441	657,054
Judicial	1,191,908	86,905
Public safety	2,490,150	1,321,329
Public works	128,252	4,120,566
Health	56,893	954,013
Human services	452,491	4,710,038
Economic development and assistance		801,753
Other	1,007,636	48,414
Capital outlay		5,945
Intergovernmental pass-through	623,457	
Debt service:		
Principal retirement	1,200	961
Interest and fiscal charges		340
Total expenditures	8,792,428	12,707,318
Excess of revenues over (under) expenditures	1,086,268	(657,569)
Other financing sources (uses):		
Proceeds of notes		
Proceeds from capital lease		5,945
Operating transfers in	283,564	415,349
Operating transfers out	(1,591,816)	(164,215)
Total other financing sources (uses)	(1,308,252)	257,079
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(221,984)	(400,490)
Fund balances, January 1 (restated)	4,783,636	8,496,588
Decrease in reserve for inventory	(16,758)	(13,658)
Fund balances, December 31	**$4,544,894**	**$8,082,440**

The notes to the general-purpose financial statements are an integral part of this statement.

	Governmental Fund Types: Debt Service	Governmental Fund Types: Capital Projects	Fiduciary Fund Type: Expendable Trust	Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)
				$2,644,021	$2,187,353	$4,831,374
				4,206,563		4,206,563
				2,516,318	325,167	2,841,485
				15,381		15,381
				469,647		469,647
		$107,933		8,915,106	689,164	9,604,270
	$59,605	821,447		888,252		888,252
				1,103,601		1,103,601
		19,113		19,113		19,113
	147,802	62,160	$170	2,368,673	119,086	2,487,759
	207,407	1,010,653	170	23,146,675	3,320,770	26,467,445
				3,497,495		3,497,495
				1,278,813		1,278,813
				3,811,479		3,811,479
				4,248,818		4,248,818
				1,010,906	3,593,780	4,604,686
				5,162,529		5,162,529
				801,753		801,753
		7,714	446	1,064,210		1,064,210
		2,474,088		2,480,033		2,480,033
				623,457		623,457
	2,135,340			2,137,501	2,549	2,140,050
	196,767			197,107	809	197,916
	2,332,107	2,481,802	446	26,314,101	3,597,138	29,911,239
	(2,124,700)	(1,471,149)	(276)	(3,167,426)	(276,368)	(3,443,794)
	1,250,000			1,250,000		1,250,000
				5,945		5,945
	1,203,715	809,000	2,000	2,713,628	237,675	2,951,303
		(1,025,891)		(2,781,922)	(237,675)	(3,019,597)
	2,453,715	(216,891)	2,000	(62,349)		(62,349)
	329,015	(1,688,040)	1,724	(3,229,775)	(276,368)	(3,506,143)
	16,238	2,350,295	45,743	15,692,500	371,250	16,063,750
				(30,416)	6	(30,410)
	$345,253	**$662,255**	**$47,467**	**$12,432,309**	**$94,888**	**$12,527,197**

FULTON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	General		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Property taxes	$1,385,199	$1,385,409	$210
Sales taxes	3,678,852	3,678,852	
Charges for services	1,225,317	1,447,136	221,819
Licenses and permits	3,371	3,996	625
Fines and forfeitures	329,959	368,550	38,591
Intergovernmental	1,391,159	1,391,316	157
Special assessments			
Investment income	875,004	899,456	24,452
Rental income			
Other	452,890	534,094	81,204
Total revenues	9,341,751	9,708,809	367,058
Expenditures:			
Current:			
General government:			
Legislative and executive	3,349,394	2,980,469	368,925
Judicial	1,337,537	1,191,906	145,631
Public safety	2,773,635	2,506,889	266,746
Public works	122,401	122,363	38
Health	96,900	56,893	40,007
Human services	754,542	456,742	297,800
Economic development and assistance			
Other	1,276,105	1,019,650	256,455
Capital outlay			
Intergovernmental pass-through	627,965	623,457	4,508
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	10,338,479	8,958,369	1,380,110
Excess of revenues over (under) expenditures	(996,728)	750,440	1,747,168
Other financing sources (uses):			
Proceeds of notes			
Advances in and not repaid	850,260	850,260	
Advances out and not repaid	(221,262)	(221,262)	
Operating transfers in	373,300	723,300	350,000
Operating transfers out	(2,031,552)	(2,031,552)	
Total other financing sources (uses)	(1,029,254)	(679,254)	350,000
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(2,025,982)	71,186	2,097,168
Fund balances, January 1	2,377,719	2,377,719	
Prior year encumbrances appropriated	185,023	185,023	
Fund balances, December 31	**$536,760**	**$2,633,928**	**$2,097,168**

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
$1,238,434	$1,251,759	$13,325			
418,628	493,347	74,719			
933,243	1,051,314	118,071			
10,264	12,037	1,773			
79,276	94,849	15,573			
7,037,587	7,799,045	761,458			
4,000	7,200	3,200	$61,493	$61,493	
	66,442	66,442			
1,298,872	1,643,064	344,192			
11,020,304	12,419,057	1,398,753	61,493	61,493	
1,064,295	816,421	247,874			
589,311	96,160	493,151			
2,120,593	1,344,234	776,359			
6,237,357	4,517,715	1,719,642			
1,060,256	976,424	83,832			
5,963,308	5,312,929	650,379			
815,858	742,806	73,052			
88,682	49,214	39,468	400		$400
			790,000	2,040,000	(1,250,000)
			117,690	117,690	
17,939,660	13,855,903	4,083,757	908,090	2,157,690	(1,249,600)
(6,919,356)	(1,436,846)	5,482,510	(846,597)	(2,096,197)	(1,249,600)
				1,250,000	1,250,000
220,450	220,450				
(265,260)	(265,260)				
415,349	415,349		853,715	1,203,715	350,000
(166,215)	(164,215)	2,000			
204,324	206,324	2,000	853,715	2,453,715	1,600,000
(6,715,032)	(1,230,522)	5,484,510	7,118	357,518	350,400
7,141,457	7,141,457		20,173	20,173	
627,843	627,843				
$1,054,268	**$6,538,778**	**$5,484,510**	**$27,291**	**$377,691**	**$350,400**

(Continued)

FULTON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

	Capital Projects		
	Revised Budget	**Actual**	**Variance: Favorable (Unfavorable)**
Revenues:			
Property taxes			
Sales taxes			
Charges for services			
Licenses and permits			
Fines and forfeitures			
Intergovernmental	$89,886	$107,863	$17,977
Special assessments	829,302	829,536	234
Investment income			
Rental income	14,256	19,113	4,857
Other	61,860	62,160	300
Total revenues	995,304	1,018,672	23,368
Expenditures:			
Current:			
General government:			
Legislative and executive			
Judicial			
Public safety			
Public works			
Health			
Human services			
Economic development and assistance			
Other	22,272	7,714	14,558
Capital outlay	3,884,513	3,117,103	767,410
Intergovernmental pass-through			
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	3,906,785	3,124,817	781,968
Excess of revenues over (under) expenditures	(2,911,481)	(2,106,145)	805,336
Other financing sources (uses):			
Proceeds of notes			
Advances in and not repaid	812	812	
Advances out and not repaid	(50,000)	(50,000)	
Operating transfers in	790,942	809,000	18,058
Operating transfers out	(1,025,891)	(1,025,891)	
Total other financing sources (uses)	(284,137)	(266,079)	18,058
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(3,195,618)	(2,372,224)	823,394
Fund balances, January 1	1,843,666	1,843,666	
Prior year encumbrances appropriated	1,594,843	1,594,843	
Fund balances, December 31	**$242,891**	**$1,066,285**	**$823,394**

The notes to the general-purpose financial statements are an integral part of this statement.

Total (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)
$2,623,633	$2,637,168	$13,535
4,097,480	4,172,199	74,719
2,158,560	2,498,450	339,890
13,635	16,033	2,398
409,235	463,399	54,164
8,518,632	9,298,224	779,592
894,795	898,229	3,434
875,004	965,898	90,894
14,256	19,113	4,857
1,813,622	2,239,318	425,696
21,418,852	23,208,031	1,789,179
4,413,689	3,796,890	616,799
1,926,848	1,288,066	638,782
4,894,228	3,851,123	1,043,105
6,359,758	4,640,078	1,719,680
1,157,156	1,033,317	123,839
6,717,850	5,769,671	948,179
815,858	742,806	73,052
1,387,459	1,076,578	310,881
3,884,513	3,117,103	767,410
627,965	623,457	4,508
790,000	2,040,000	(1,250,000)
117,690	117,690	
33,093,014	28,096,779	4,996,235
(11,674,162)	(4,888,748)	6,785,414
	1,250,000	1,250,000
1,071,522	1,071,522	
(536,522)	(536,522)	
2,433,306	3,151,364	718,058
(3,223,658)	(3,221,658)	2,000
(255,352)	1,714,706	1,970,058
(11,929,514)	(3,174,042)	8,755,472
11,383,015	11,383,015	
2,407,709	2,407,709	
$1,861,210	**$10,616,682**	**$8,755,472**

FULTON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS/FUND EQUITY ALL PROPRIETARY FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2001

	Proprietary Fund Types		
	Enterprise	Internal Service	Total (Memorandum Only)
Operating revenues:			
Charges for services	$1,395,208		$1,395,208
Tap-in fees	42,790		42,790
Other operating revenue	326,155	$16,142	342,297
Total operating revenues	1,764,153	16,142	1,780,295
Operating expenses:			
Personal services	193,165		193,165
Contractual services	1,186,622		1,186,622
Materials and supplies	16,322		16,322
Claims expense		29,928	29,928
Administrative costs	3,421		3,421
Depreciation	420,460		420,460
Other	264,829		264,829
Total operating expenses	2,084,819	29,928	2,114,747
Operating loss	(320,666)	(13,786)	(334,452)
Nonoperating revenue (expense):			
Interest and fiscal charges	(543,225)		(543,225)
Interest income	5,798		5,798
Intergovernmental	2,319		2,319
Total nonoperating revenue (expense)	(535,108)		(535,108)
Net loss before capital contributions and operating transfers	(855,774)	(13,786)	(869,560)
Capital contributions	1,672,852		1,672,852
Operating transfers in	68,294		68,294
Net income (loss)	885,372	(13,786)	871,586
Retained earnings, January 1	1,519,813	92,822	1,612,635
Retained earnings, December 31	2,405,185	79,036	2,484,221
Contributed capital, December 31	6,490,531		6,490,531
Total fund equity, December 31	**$8,895,716**	**$79,036**	**$8,974,752**

The notes to the general-purpose financial statements are an integral part of this statement.

FULTON COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	Proprietary Fund Types		
	Enterprise	Internal Service	Total (Memorandum Only)
Cash flows from operating activities:			
Cash received from sales/service charges	$1,417,841		$1,417,841
Cash received from tap-in fees	42,790		42,790
Cash received from other operations	305,147	$16,142	321,289
Cash payments for personal services	(188,435)		(188,435)
Cash payments for contract services	(1,163,577)		(1,163,577)
Cash payments for claims		(30,797)	(30,797)
Cash payments for materials and supplies	(16,322)		(16,322)
Cash payments for administrative costs	(3,421)		(3,421)
Cash payments for other expenses	(243,116)		(243,116)
Net cash provided by (used in) operating activities	150,907	(14,655)	136,252
Cash flows from noncapital financing activities:			
Transfers in from other funds	68,294		68,294
Net cash provided by noncapital financing activities	68,294		68,294
Cash flows from investing activities:			
Interest received	5,798		5,798
Net cash provided by investing activities	5,798		5,798
Cash flows from capital and related financing activities:			
Principal retirement	(816,651)		(816,651)
Interest and fiscal charges	(540,321)		(540,321)
Cash payment for interfund loans	(535,000)		(535,000)
Capital contributions	1,672,852		1,672,852
Net cash used in capital and related financing activities	(219,120)		(219,120)
Net increase (decrease) in cash and cash equivalents	5,879	(14,655)	(8,776)
Cash and cash equivalents at beginning of year	1,254,801	93,691	1,348,492
Cash and cash equivalents at end of year	**$1,260,680**	**$79,036**	**$1,339,716**

(Continued)

FULTON COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

	Proprietary Fund Types		
	Enterprise	Internal Service	Total (Memorandum Only)
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	($320,666)	($13,786)	($334,452)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	420,460		420,460
Changes in assets and liabilities:			
Decrease in accounts receivable	20,589		20,589
Decrease in prepayments	488		488
Decrease in special assessments receivable	3,024		3,024
Increase in due from other governments	(720)		(720)
Increase in due from other funds	(21,268)		(21,268)
Decrease in accounts payable	(58,899)	(869)	(59,768)
Increase in accrued wages and benefits	961		961
Increase in compensated absences payable	3,846		3,846
Increase in due to other funds	21,268		21,268
Increase in due to other governments	81,824		81,824
Net cash provided by (used in) operating activities	**$150,907**	**($14,655)**	**$136,252**

The notes to the general-purpose financial statements are an integral part of this statement.

1. DESCRIPTION OF THE COUNTY

Fulton County (the County) was created in 1850. The County is governed by a Board of three commissioners elected by the voters of the County. The County Commissioners serve as the taxing authority, the contracting body, and the chief administrators of public services for the County. Other officials elected by the voters of the County that manage various segments of the County's operations are: the county auditor, county treasurer, recorder, clerk of courts, coroner, engineer, prosecuting attorney, sheriff, common pleas court judge, a probate court judge, and two county municipal court judges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the county's accounting policies are described below.

A. Reporting Entity

The County's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The GPFS include all funds, account groups, agencies, boards, commissions, and component units for which Fulton County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's general purpose financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County. Based on the foregoing criteria, the financial activities of the following PCUs have been reflected in the accompanying GPFS as follows:

DISCRETELY PRESENTED COMPONENT UNIT

Fulton County Board of Mental Retardation and Developmental Disabilities (MRDD) - The County Commissioners appoint a majority of the board members. The Commissioners also levy taxes and serve as the appropriating authority for MRDD. The operations of MRDD have been discretely reported in the GPFS in the Component Unit Column.

EXCLUDED POTENTIAL COMPONENT UNITS

As counties are structured in Ohio, the County Auditor and County Treasurer, respectively, serve as fiscal officer and custodian of funds for various agencies, boards, and commissions. As fiscal officer, the Auditor certifies the availability of cash and appropriations prior to the processing of payments and purchases. As the custodian of all public funds, the Treasurer invests public monies held on deposit in the County Treasury.

In the case of the separate agencies, boards, and commissions listed below the County serves as fiscal agent and custodian, but is not accountable; therefore the operations of the following PCUs have been excluded from the County's GPFS, but the funds held on behalf of these PCUs in the County Treasury are included in the agency funds.

Fulton County Board of Health - The Five member Board of Health is appointed by the District Advisory Council which is comprised of Township Trustee Chairmen and Clerks and Mayors of participating municipalities. The Board adopts its own budget and operates autonomously from the County.

Soil and Water Conservation District - The five members of the District are independently elected officials. They adopt their own budget and operate autonomously from the County.

JOINTLY GOVERNED ORGANIZATIONS

Maumee Valley Planning Organization - The County is a member of the Maumee Valley Planning Organization (MVPO) which is a jointly governed organization between Defiance, Fulton, Henry, Paulding, and Williams Counties and the respective townships and municipalities in each of those counties. The purpose of MVPO is to act as a joint regional planning commission to write and administer CDBG grants and help with housing rehabilitation in the area.

MVPO is governed by a Board consisting of fifteen members. The Board is made up of one County Commissioner from each Member County as well as one township representative and one municipal representative for each of the five member counties. The main sources of revenue are fees charged by MVPO to administer CDBG grants and a per capita amount from each county. In 2001, the County paid per capita charges of $2,695 to MVPO.

Defiance-Fulton-Henry Counties Council - The County is a member of the Defiance-Fulton-Henry Counties Council (Council) which is a jointly governed organization between Defiance, Fulton, and Henry Counties. The Council was formed under Ohio Revised Code Section 167.04 as a regional council of governments. The purpose of the Council is to foster cooperation among the three member counties in all areas of service.

The Council is governed by a Board consisting of one representative from each member county's Board of Commissioners. The Council establishes cooperative programs which benefit member entities. Fulton County obtains employees health, dental and vision coverage through a program established by the Council.

JOINT VENTURES WITHOUT EQUITY INTEREST

Corrections Center of Northwest Ohio - The County is a member of Northwest Ohio's Multicounty - Municipal Correctional Center (CCNO), which is a joint venture between Defiance, Fulton, Henry, Lucas and Williams counties and the City of Toledo. The purpose of the CCNO is to provide additional jail space for convicted criminals in the five counties and City of Toledo and to provide a correctional center for the inmates. The CCNO joint venture was created in 1986, construction was finished and occupancy was taken December 31, 1996.

The CCNO is governed by a Commission Team made up of 18 members. These members consist of one judge, one chief law enforcement officer, and one county commissioner or administrative official from each entity. Sources of revenue include operating costs and capital costs contributed by Members and rental revenue. The County does not have explicit, measurable right to the net resources of the CCNO. Total expenditures made by the County to the CCNO in 2001 were $656,975. Complete financial statements for the CCNO can be obtained from the CCNO's administrative office on County Road 24 in Stryker, Ohio.

Regional Planning Commission - The County, along with the townships, villages and cities within Fulton County, is a participant in the joint venture to operate the Fulton County Regional Planning Commission. The Commission's duties are to make studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, services, and other aspects of the County.

The entities within the Commission pay an annual assessment to the Commission based on census figures. The County's assessments are a match to the total assessment on the members. The financial statements of the Commission can be reviewed at the Fulton County Courthouse, Wauseon.

Quadco Rehabilitation Center - The County is a participant with Henry, Defiance, and Williams Counties in a joint venture to operate Quadco Rehabilitation Center, Administrative Board (Quadco). Quadco, a nonprofit corporation, provides services and facilities for training physically and mentally disabled persons. Quadco is responsible for contracting with various agencies to obtain funding to operate the organization.

Quadco is governed by an eight member board composed of two appointees made by each of the four County Boards of Mental Retardation and Developmental Disabilities (County Boards of MR/DD). This board in conjunction with the County Boards of MR/DD assesses the need of the adult mentally retarded and developmentally disabled residents in each County and set priorities based on available funds. The County provides subsidies to the Board based on units of service provided to it. For the year ended December 31, 2001 the County remitted $238,239 to Quadco to supplement its operations.

The Board operates autonomously from the County and the County has no financial responsibility for the operations of the Board. On dissolution of Quadco, the property and equipment of the corporation would revert back to the four counties. This access to the net resources of the Board has not been explicitly defined, nor is it currently measurable. Complete financial statements for Quadco can be obtained from Quadco's administrative office at 427 N. Fulton Street, Stryker, Ohio.

Four County Solid Waste District - The County is a member of the Four County Solid Waste District (District), which is a joint venture between Fulton, Defiance, Paulding, and Williams counties. The purpose of the District is to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and land filling. The District was created in 1989.

The Four County Solid Waste District is governed and operated through a twelve member board of directors, comprised of three commissioners from each county. Financial records are maintained by the Williams County Auditor in Bryan, Ohio. The District's sole revenue source is derived from a waste disposal fee for in-district and out-of-district waste.

The County has an ongoing financial interest in the District. The County Commissioners are able to influence the Board of Director's to use the District's surplus resources to undertake special projects of interest of the County's citizens. In the event that a county withdraws from the District, this access to the net resources has not been explicitly defined, nor is it currently measurable. The County has no ongoing financial responsibility for the District. No contributions were made by the County to the District in 2001. Grant monies received by the County from the District are reported as a special revenue fund.

Community Improvement Corporation of Fulton County - The County, along with the townships, villages and cities within Fulton County, is a participant in the joint venture to operate the Community Improvement Corporation (CIC) of Fulton County. The corporation's duties are to advance, encourage and promote the industrial, economic, commercial and civic development of the County of Fulton and the territory surrounding.

The CIC is governed by a Board of twenty-three Trustees. Four of these trustees are elected and appointed officials of Fulton County, with the remaining trustees consisting of officials from the various municipalities, townships and villages represented, as well as four at-large members from local businesses which have an interest in economic development. The County's degree of control over the Board is limited to its representation on the Board.

Northwest Ohio Juvenile Detention, Training, and Rehabilitation District - The County is a participant with Defiance, Henry, and Williams Counties in a joint venture to operate the Northwest Juvenile Detention, Training, and Rehabilitation District (NWOJDD), established to operate both detention and training and rehabilitation facilities for juveniles.

NWOJDD is governed and operated by a thirteen member board of trustees consisting of three trustees from each county and one at large member. Revenue sources are from member counties and rental revenue. The County has no ongoing financial responsibility for NWOJDD. The County remitted $208,969 to NWOJDD in 2001.

Four County Board of Alcohol, Drug Addiction and Mental Health Services - The Four County Board of Alcohol, Drug Addiction and Mental Health Services (ADAMHS Board) is a joint venture between Fulton, Defiance, Henry, and Williams Counties. The purpose of this board is to provide alcohol, drug addiction, and mental health services to individuals in the four counties.

The Four County ADAMHS Board is governed by a Board consisting of eighteen members. The breakdown is as follows: four members are appointed by the Ohio Director of Alcohol and Drug Addiction Services and by the Ohio Department of Mental Health, three each are appointed by the Defiance and Fulton County Commissioners, and two each are appointed by the Henry and Williams County Commissioners.

The main sources of revenue of the Board are state and federal grants, and a property tax levy covering the entire four county area. Outside agencies are contracted by the Board to provide services for the Board. The Board operates autonomously from the County and the County has no financial responsibility for the operations of the Board. The County does have indirect access to the net resources of the Board. In the event the County withdrew from the Board it would be entitled to a share of the state and federal grants that is currently being received by the Board. This access to net resources of the Board has not been explicitly defined, nor is it currently measurable. Complete financial statements for the Board can be obtained from the Board at its offices located at State Route 66 at State Route 34, Archbold, Ohio.

B. Basis of Presentation - Fund Accounting

The accounts of the County are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, as appropriate; and revenues, and expenditures or expenses, as appropriate. The following fund types and account groups are used by the County:

1. Governmental Funds

General Fund - The general fund is used to account for all activities of the County not required to be included in another fund.

Special Revenue Funds - The special revenue funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

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

Capital Projects Funds - The capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary funds).

2. Proprietary Funds

Enterprise Funds - The enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the County is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds - The internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis.

3. Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust funds and agency funds. The expendable trust funds are accounted for in essentially the same manner as governmental funds. The agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve the measurement of results of operations.

4. Account Groups

General Fixed Assets Account Group - The general fixed assets account group is used to account for all general fixed assets of the County, other than those fixed assets accounted for in the proprietary funds.

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

5. *Component Units*

Component Units - Component units are either legally separate organizations for which the elected officials of the County are not financially accountable, or legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would not cause the County's financial statement to be misleading or incomplete.

C. Basis of Accounting and Measurement Focus

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

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

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental and expendable trust funds use the modified accrual basis of accounting. The component unit is also accounted for on the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting. The agency funds are presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual (See Note 3.F). Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the reporting of expenses and expenditures.

Revenues - Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal 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 a 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 to be both measurable and available at year-end: sales tax (see Note 7), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fines and forfeitures, licensed permits, and fees for services.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance year 2002 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, 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. On the modified accrual basis of accounting, 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.

D. Budgetary Data

Outlined below are the procedures followed by the County to establish the expenditures budget data reported in the combined financial statements:

1. Following submission of requests by various offices and departments, the Board of County Commissioners holds budget hearings during the fall with respective officeholders and department heads.

2. Shortly after the beginning of the fiscal year, the County Commissioners pass an Appropriation Resolution which legally authorizes the expenditure of funds for respective officeholders and department heads.

3. The County is accorded discretion in its method of appropriating federal funds. Appropriations are provided in the amounts of approved grants by the Board of County Commissioners.

4. The Revised budget figures reflected in the combined financial statements include the prior year appropriations carried over for liquidations against prior year encumbrances, and any amendments to the original Appropriation Resolution.

5. The Commissioners appropriate at the major account level within a division and fund. The appropriation level accounts for the County include personal services, materials and supplies, contractual services and interfund transfers. For funds which are directly appropriated by the Commissioners, transfers of appropriations at the major account level or between appropriation levels require a resolution signed by at least two Commissioners.

6. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 2001.

7. Unencumbered appropriations lapse at year-end. Contracts and purchase type encumbrances outstanding at year-end carry their appropriations with them into the next year. Contract and purchase type encumbrances outstanding at year-end are recorded as expenditures on the budget basis of accounting.

8. The budgetary procedures described herein apply to all funds except the agency funds and the OWDA debt service fund for which budgetary information is not presented. The unbudgeted activity for the OWDA debt service fund included $147,802 in revenue and $147,802 in expenditures.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the appropriated governmental and proprietary funds. Encumbrances outstanding at year-end, not recognized as accounts payable, are reported as reservations of fund balance for subsequent year expenditures on the modified accrual basis of accounting. Encumbrances outstanding at year-end are reported as expenditures on the budget basis of accounting.

F. Cash and Investments

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "Equity with in Pooled Cash and Investments" on the combined balance sheet.

During fiscal year 2001, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), nonnegotiable certificates of deposit, and federal agency securities.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The County has invested funds in STAR Ohio during fiscal year 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2001.

Following Ohio statutes, the Commissioners have, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal 2001 amounted to $1,026,619 which includes $868,931 assigned from other County funds.

The County has segregated bank accounts for monies held separate from the County's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "Cash with Fiscal and Escrow Agents" since they are not required to be deposited into the County treasury.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

G. Health Care

The Comprehensive Omnibus Budget Reconciliation Act (COBRA) of 1986 required the County to offer and provide terminated or retired employees continued participation in the County's employee health care benefits program, provided that the employees pay the rate established by the plan administrator. In 2001, the County incurred no expenditures or revenues associated with providing these benefits. The participating former employees make premium payments directly to the County's insurance provider and the provider is responsible for all claims made.

H. Inventories of Materials and Supplies

Inventories are valued at cost using the first in, first out method. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used. The total of inventories at year-end is reported as a reservation of fund balance in the governmental funds because it does not represent available, spendable resources.

I. Property, Plant, Equipment and Depreciation

General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and disposals during the year in the general fixed assets account group. Contributed fixed assets are recorded at their fair market values as of the date donated. The County follows a policy of not capitalizing infrastructure, which is defined as assets that are immovable and of value only to the County, (i.e., roads, bridges, etc.), ornamental artifacts, or any asset with a cost of less than $2,500. No depreciation is recognized for assets in the account group. Interest on debt issued to construct general fixed assets is not capitalized in the account group.

Enterprise Funds

Property, plant, and equipment reflected in the enterprise funds are stated at cost (or estimated historical) and updated for the cost of additions and disposals during the year. Contributed fixed assets are recorded at their fair market value as of the date donated. Depreciation and amortization have been provided on a straight-line basis over the following estimated useful lives:

Description	Estimated Life
Machinery	10
Building	40
Sewerlines and waterlines	50
Vehicles	5

The County also capitalizes the cost of major renovations which extend the useful life of an asset or which enable it to perform new or more valuable services. Interest on tax exempt debt issued to construct enterprise fund fixed assets is capitalized, net of interest earned on the proceeds of such debt.

J. Compensated Absences

Compensated absences of the County consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the County and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the “Vesting” method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

County employees earn vacation at varying rates ranging from two to five weeks per year. Sick leave is accumulated at the rate of 4.6 hours per 80 hours worked. Vacation and sick leave is accumulated on an hours worked basis. Vacation pay is vested after one year and sick pay upon eligibility for retirement. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee.

Vacation and sick leave accumulated by governmental fund type employees has been recorded in the general long-term obligations account group because it will not be liquidated with expendable, available resources. General long-term obligations are not limited to liabilities arising from debt issuances, but may also include non-current liabilities and other commitments that are not current liabilities properly recorded in governmental funds. Vacation and sick leave for governmental fund type employees is recognized as an expenditure when used. Vacation and sick leave in the proprietary fund types is recorded as an expense when earned, and the liability for unused amounts is shown as a fund liability.

K. Long-term Obligations

Long-term obligations for special assessment bonds, Ohio Water Development Authority (OWDA) loans, landfill closure/postclosure costs, vested sick and vacation leave, capital lease obligations, and any claims or judgments that are expected to be paid from the governmental funds are shown in the general long-term obligations account group, while those expected to be paid from proprietary funds are shown as a liability of those funds.

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal and interest. GAAP requires the allocation of the debt liability among the capital projects and enterprise funds, and the general long-term obligations account group, with principal and interest payments on matured general obligation long-term debt being reported in the debt service fund. To comply with GAAP reporting requirements, the County's debt retirement fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

L. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.

3. Short-term interfund balances, related to changes for good and services rendered, are reflected as "due to/from other funds".

4. Short-term interfund loans, accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable/payable."

5. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

See Note 5 for an analysis of the County's interfund transactions.

M. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The County reports amounts representing material and supply inventories, prepayments, encumbrances outstanding, debt service, advances receivable, and loans receivable as reservations of fund balance in the governmental funds.

The County reports amounts set aside by the County Commissioners for budget stabilization as a designation of fund balance in the governmental funds. Current state legislation provides that the amount reserved for budget stabilization may not exceed 5% of the general fund's revenue for the preceding fiscal year and that the reserve balance is not be considered part of the unencumbered balance when certifying available balances at year-end. The reserve for budget stabilization may be reduced or eliminated at any time.

N. Prepayments

Prepayments for governmental funds represent cash disbursements that are not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

O. Contributed Capital

Contributed capital represents donations from private enterprises to aid in the construction of waterlines and sewerlines constructed to support their operations. These assets are recorded at their fair market value on the date contributed and are not subject to repayment. Depreciation on those proprietary fund type assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. In accordance with GASB Statement No. 33, capital contributions received in 2001 are recorded as revenue and a component of retained earnings at year-end. A total of $1,672,852 in capital contributions was received by the enterprise funds in 2001. Contributed capital in the enterprise funds at December 31, 2001 is $6,490,531.

P. Estimates

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the GPFS and accompanying notes. Actual results may differ from those estimates.

Q. Total Columns on General Purpose Financial Statements

Total columns on the GPFS are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

3. ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", and GASB Statement No. 36 "Recipient Reporting for Certain Shared Nonexchange Revenues, an amendment of GASB Statement No. 33", were implemented during fiscal 2001. These statements pertain to the financial reporting of certain types of revenue received by the County for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions and voluntary nonexchange transactions. The adoption of these statements had the following effect on fund balances as previously reported by the County at December 31, 2000:

	General	Special Revenue
Fund balances as previously reported	$4,520,694	$8,306,793
GASB No.33 and No. 36 Implementation	262,942	189,795
Restated fund balance as of January 1, 2001	$4,783,636	$8,496,588

B. Prior Period Adjustment

Due to errors and omissions in the amounts previously reported at December 31, 2000, as fixed assets and due to a change in the County's capitalization threshold from $500 to $2,500, the beginning balance of general fixed assets account group and the component units fixed assets are restated as follows:

	General Fixed Assets Account Group	Component Units
Investment in general fixed assets as previously reported	$23,271,678	$610,180
Adjustment for errors and omissions	(1,118,800)	163,635
Adjustment for change in capitalization threshold	(999,112)	(101,453)
Restated investment in general fixed assets at January 1, 2001	$21,153,766	$672,362

C. Accounting Error

Due to errors and omissions in the amounts previously reported at December 31, 2000 as contributed capital, the beginning retained earnings of the enterprise fund type has been restated as follows:

	Enterprise Funds
Retained earnings as previously reported	$1,624,813
Adjustment for errors and omissions	(105,000)
Restated retained earnings at January 1, 2001	$1,519,813

D. Deficit Fund Balances

The following funds had a deficit fund balance as of December 31, 2001:

Special Revenue Fund:	
Recycle Ohio	$4,873
Capital Improvements Funds:	
Ditch Improvements	440,642
Courthouse Security	40,734
Administrative Building Permanent Improvement	63,267

These funds complied with Ohio State law which does not allow for a cash basis deficit at year-end.

The deficit fund balance in the Ditch Improvements, Courthouse Security and Administrative Building Permanent Improvement capital projects funds are the result of recording liabilities for long-term advances made to these funds in the current and prior years. These "advances in" from other funds are reported as a liability rather than as "other financing sources". These deficit fund balances will be eliminated as resources become available to repay the long-term advances.

The deficit fund balance in the Recycle Ohio special revenue fund is due to the reporting of an "advance in" from another fund as a payable rather than as an "other financing source". This deficit fund balance will be eliminated as resources become available to repay the interfund loan.

E. Expenditures Exceeding Appropriations

The County did not properly budget for repayment of a general obligation note in 2001 resulting in expenditures exceeding appropriations by $1,250,000 in the Fulton County Administration Building Note fund.

F. Agency Funds

The following are accruals for agency fund types, which, in other fund types, would be recognized in the combined balance sheet:

ASSETS	
Real and Other Taxes	$24,069,730
Due From Other Governments	17,770,017
Special Assessments Receivable	6,127,361
Prepayments	3,332
Total Assets	$47,970,440

LIABILITIES

Deferred Loans Payable to Ohio Water and Sewer Rotary Commission	$1,291,274
Accounts Payable	3,920
Due to Other Governments	30,785
Deposits Held and Due to Others	46,644,461
Total Liabilities	$47,970,440

4. EQUITY IN POOLED CASH AND INVESTMENTS

A. Primary Government

Moneys held by the County are classified by State Statute into two categories. Active moneys are public moneys determined to be necessary to meet current demand upon the County treasury. Active moneys 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.

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

Moneys held by the County which are not considered active are classified as inactive. Inactive moneys may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;

5. Time certificates of deposit of savings of deposit accounts, including, but not limited to, accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that

investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio);

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;

9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio;

10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

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. Historically, the County has not purchased these types of investments or issued these types of notes. 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 the transfer from the custodian.

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

Deposits: At December 31, 2001, the carrying amount of the County's demand deposits, including non-negotiable certificates of deposit and cash with fiscal and escrow agents, was $14,094,796. The bank balance at that date, including non-negotiable certificates of deposit and cash with fiscal and escrow agents, was $14,977,004. Of the bank balance:

1. $1,123,612 was covered by the federal depository insurance; and

2. $13,853,392 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.18, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

Investments: The County's investments are required to be categorized to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the County's name. STAR

Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 2	Fair Value
Federal Agency Securities	$3,030,582	$3,030,582
Investment in STAR Ohio		1,178,437
Total Investments		$4,209,019

The federal agency securities have maturities ranging from January 2002 to June 2002.

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No.9	$18,303,815	
Investments of the Cash:		
Management Pool:		
State Treasurer's Investment Pool	(1,178,437)	1,178,437
Federal Agency Securities	(3,030,582)	3,030,582
GASB Statement No. 3	$14,094,796	$4,209,019

B. Component Unit

At December 31, 2001, the carrying amount of the component unit's demand deposits was $245,179. The bank balance at that date was $298,244. Of the bank balance, $322 was insured by FDIC and thus would belong in risk category (1). The remaining balance of $297,922 was uninsured and uncollateralized and thus would belong in risk category (3). In addition, at year-end, the component unit had $75 in undeposited cash on hand which is included as part of "Cash with Fiscal and Escrow Agents". The component unit had no investments at December 31, 2001.

5. INTERFUND TRANSACTIONS

A. Long-term Advances

The County had the following long-term advances outstanding at December 31, 2001:

	Advances to Other Funds	Advances from Other Funds
General Fund	$794,902	
Debt Service Fund		
E. B. Assumption W. L. Bond		$6,454
Capital Projects Funds:		
Ditch Improvements		545,341
Court House Security		105,000
Construction County Road 22		10,000
Enterprise Funds		
Water District		50,543
Sewer District		77,564
Total	$794,902	$794,902

B. Interfund Balances

Interfund balances, related to items other than charges for goods and services rendered, at December 31, 2001, consist of the following individual fund receivable and payables:

	Interfund Loans Receivable	Interfund Loans Payable
General Fund	$6,002	
Special Revenue Fund		
Recycle Ohio		$5,190
Capital Projects Fund		
Ditch Improvements		812
Total	$6,002	$6,002

C. Interfund Balances

Interfund balances, related to charges for goods and services rendered, at December 31, 2001, consist of the following amounts due to and due from other funds:

	Due from Other Funds	Due to Other Funds
General Fund	$20,811	
Special Revenue Funds		
Public Assistance		$11,190
Child Support Enforcement Agency		9,621
Enterprise Funds		
Water District	10,634	16,360
Sewer District	10,634	4,908
Total	$42,079	$42,079

D. Interfund Transfers

The following is a summarized breakdown of the County's operating transfers for 2001:

	Transfers In	Transfers Out
General Fund	$283,564	$1,591,816
Special Revenue Funds		
Dog and Kennel	28,842	
Fulton County Economic Development	169,000	
Workforce Enforcement Act	32	
Recycle Ohio	20,478	
Community Corrections	795	2,566
Public Assistance		2,032
Computerization		62,064
Probate Court Indigent Guardianship		500
Certificate of Title Administration		97,053
FEMA Tornado Sirens	196,202	
Debt Service Fund		
Fulton County Administrative Building Note	1,203,715	
Capital Projects Funds		
Administration Building	400,000	172,176
Construction - Co. Rd. 22	105,000	
Capital Improvement	254,000	853,715
Eastern District Permanent Improvement	50,000	

	Transfers In	Transfers Out
Enterprise Funds		
Water District	34,147	
Sewer District	34,147	
Expendable Trust Fund		
Public Assistance Trust	2,000	
Component Units		
Board of MRDD		237,675
Residential Services	237,675	
Total	$3,019,597	$3,019,597

6. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2001 taxes were collected was $773,711,660. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2001, was $10.65 per $1,000 of assessed valuation.

The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

Real Property	
Agricultural/Residential	$482,827,490
Commercial/Industrial	98,344,400
Tangible Personal Property	132,481,660
Public Utility	
Real	423,020
Personal	61,175,740
Total Assessed Value	$775,252,310

Real property taxes for tax year 2001 are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is due December 31 and the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

Tangible personal property taxes for unincorporated and single county businesses are due semi-annually, with the first payment due April 30 and the remainder payable by September 20. Due dates are normally extended an additional 30 days. The due date for the entire tax for inter-county businesses is September 20 or the extended date. The first $10,000 of taxable value is exempt from taxation for each business by state law. The lien date is either December 31 or the end of their fiscal year (for incorporated businesses in operation more than one year). Since each business must file a return to the County Auditor, the tangible personal taxes are not known until all the returns are received.

"Real and Other Taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of the last settlement (net of allowances for estimated uncollectibles) and real and public utility taxes which were measurable as of the year-end.

Since the current levy is not intended to finance 2001 operations, the receivable is offset by a credit to "Deferred Revenue". The delinquent real, public utility and tangible personal property taxes that will become available to the County within the first 60 days of 2002 are shown as 2001 revenue; the remainder is shown as "Deferred Revenue".

The eventual collection of significantly all real and public utility property taxes (both current and delinquent) is reasonably assured due to the County's ability to force foreclosure of the properties on which the taxes are levied.

7. PERMISSIVE SALES AND USE TAX

In 1983, the County Commissioners by resolution imposed a 0.5% percent tax on all retail sales made in the County, including sales of motor vehicles, and on storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. In 1987, the County Commissioners by resolution increased this tax by 0.5% to provide a total tax of 1.0%. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of the month of collection. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the sales tax are credited to the general fund and the Motor Vehicle and Gas Tax special revenue fund and amounts that have been collected by the State and are to be received within the available period are accrued as revenue to the extent they are intended to finance the fiscal 2001 operations. Sales tax revenue for 2001 amounted to $4,206,563.

8. RECEIVABLES

Receivables at December 31, 2001, consisted of taxes, accrued interest, accounts (billings for user charged services), special assessments, short-term interfund loans, long-term interfund advances, interfund transactions related to charges for goods and services rendered and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as “Due From Other Governments” on the combined balance sheet and all interfund transactions related to charges for goods and services rendered have been classified as

"Due From Other Funds" on the combined balance sheet. Receivables have been recorded to the extent eligibility requirements have been met by year-end and the amounts are measurable. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

A summary of the principal items of receivables follows:

Fund/Description	Amount
General Fund	
Sales Taxes	$594,357
Real and other taxes	1,388,093
Accounts	43,639
Accrued interest	717,155
Interfund loans	6,002
Long-term advances	794,902
Due from other funds	20,811
Due from other governments	665,690
Special Revenue Funds	
Real and other taxes	2,634,844
Accounts	46,160
Due from other governments	2,322,545
Debt Service Funds	
Special Assessments	175,274
Capital Projects Funds	
Special Assessments	343,333
Due from other governments	3,238
Enterprise Funds	
Accounts	96,415
Special Assessments	170,772
Due from other funds	21,268
Due from other governments	5,185
Component Units	
Real and other taxes	2,232,516
Accounts	11,087
Due from other governments	125,150

9. LOANS RECEIVABLE

Loans receivable represents low interest loans made by the County for development projects and small businesses under the Federal Community Development Block Grant (CDBG) program. The loans bear interest at annual rates ranging between 3 and 5 percent. The loans are to be repaid over periods ranging from 5 to 10 years. A summary of the CDBG loan activity for 2001 is as follows:

	Balance 12/31/00	Loans Issued	Principal Received	Balance 12/31/01
CDBG Loans	$242,948		$47,108	$195,840

10. FIXED ASSETS

A. Proprietary Fund Fixed Assets

A summary of the proprietary fund fixed assets at December 31, 2001 is as follows:

Buildings	$29,604
Machinery	34,506
Waterlines/sewerlines	20,741,579
Vehicles	20,989
Total gross assets	20,826,678
Less: accumulated depreciation	(2,192,894)
Total net assets	$18,633,784

B. General Fixed Assets

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	Restated Balance 12/31/2000	Increase	Decrease	Balance 12/31/2001
Land/improvements	$1,301,468	$183,315		$1,484,783
Building/improvements	12,566,703	4,661,082	($58,149)	17,169,636
Computer equipment	251,814	10,240		262,054
Equipment	1,791,703	165,079	(11,945)	1,944,837
Furniture/fixtures	175,177	88,532		263,709
Vehicles	2,998,752	489,441	(139,325)	3,348,868
Construction in progress	2,068,149	19,005	(2,066,927)	20,227
Total	$21,153,766	$5,616,694	($2,276,346)	$24,494,114

See Note 3.B. for detail on the restatement to the beginning balance of the general fixed assets account group.

The construction in progress at December 31, 2000 consisted primarily of costs incurred for the construction of a new County administration building. The building was completed in 2001 and added to building/improvements.

The County has a 10 year lease agreement with Clinton Township for the Senior Citizen's Building. The County leases the building at $1.00 per year. The County is obligated under certain lease agreements to account for these leases as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreement are not reflected in the County's account groups.

The Fulton County Health Center has a 50 year lease agreement with Fulton County for the hospital building. The Health Center leases the building for $1.00 per year. This lease is considered a direct financing lease and substantially all of the risks and benefits of ownership transfer from the lesser to the lessee. As a result, the lease agreement is reflected in the Fulton County Health Center's financial statements.

C. Component Unit Fixed Assets

A summary of the changes in the component unit fixed assets during the fiscal year follows:

	Restated Balance 12/31/2000	Increase	Decrease	Balance 12/31/2001
Land/improvements	$41,595			$41,595
Building/improvements	295,937	$38,717		334,654
Equipment	67,447			67,447
Vehicles	252,236	14,995		267,231
Construction in progress	15,147		($15,147)	
Total	$672,362	$53,712	($15,147)	$710,927

See Note 3.B. for detail on the restatement to the beginning balance of the component unit fixed assets.

11. COMPENSATED ABSENCES LIABILITY

Vacation and sick leave accumulated by governmental fund type employees has been recorded in the general long-term obligations account group. Vacation and sick leave earned by proprietary funds type employees is expensed when earned.

Upon termination of County service, a fully vested employee is entitled to a percentage of their accumulated sick leave based on their years of service not to exceed 25 percent of 120 days (or 30 days) and all accumulated vacation. At December 31, 2001 vested benefits for vacation leave for governmental fund type employees totaled $319,830 and vested benefits for sick leave totaled $34,157. These amounts represent the non-current portion of the vested benefits and are reported in the general long-term obligations account group. For proprietary fund types, vested benefits for vacation leave totaled $5,410 and vested benefits for sick leave totaled $2,867. For component units, vested benefits for vacation leave totaled $52,536 and vested benefits for sick leave totaled $4,946. Additionally, $9,926 was paid using current available resources of the component unit. In accordance with GASB Statement No. 16, an additional liability of $124,765 and $8,065 was accrued to record termination (severance) payments expected to become eligible to retire in the future for the governmental fund type and component unit employees, respectively.

12. CAPITAL LEASES - LESSEE DISCLOSURE

In a prior year, the County entered into a capital lease agreement for the acquisition of computer equipment. In addition, during 2001, the County entered into a lease agreement for the acquisition of a copier for the Western District Courts. The leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. At inception, capital lease transactions are accounted for as a capital outlay expenditure and other financing source in the appropriate fund.

For the County, (primary government), a corresponding liability was recorded in the general long-term obligations account group. Principal payments in 2001 totaled $1,200 in the general fund and $961 in the special revenue funds. Capital lease payments in governmental funds have been reclassified on the financial statements to reflect debt principal and interest payments. These payments are reported as program expenditures on the budgetary statement.

For MRDD (component unit), a corresponding liability was recorded in the fund. Principal and interest payments in 2001 totaled $2,549 and $809, respectively. Capital lease payments for the component unit have been reclassified on the financial statements to reflect debt principal and interest payments.

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, 2001.

Year Ending	GLTOAG	Component Unit
2002	$1,420	$3,358
2203	1,420	3,358
2004	1,420	3,078
2005	1,420	
2006	119	
Total minimum lease payable	5,799	9,794
Less: amount representing interest	(815)	(1,085)
Present value of minimum lease payments	$4,984	$8,709

13. LONG-TERM OBLIGATIONS

A. General Long-Term Obligations

Issue	Issue Date	Maturity Date	Balance Outstanding 12/31/00	Additions	Reductions	Balance Outstanding 12/31/01
Ohio Water Development Authority Loans						
Delta/Worthington Steel:						
Water lines	06/18/05	07/04/05	$726,024		($44,780)	$681,244
Sewer lines	06/18/05	07/04/05	641,314		(50,560)	$590,754
Total OWDA Loans			1,367,338		(95,340)	1,271,998

(Continued)

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

Issue	Issue Date	Maturity Date	Balance Outstanding 12/31/00	Additions	Reductions	Balance Outstanding 12/31/01
Special Assessment Bonds						
Elmira & Assumption Waterlines	12/31/92	12/01/11	165,000		(10,000)	$155,000
Tiffin River Improvements	09/01/97	12/01/92	60,000		(30,000)	$30,000
Total Special Assessment Bonds			225,000		(40,000)	185,000
General Obligation Notes						
Fulton Co Admin. Building - 5.2%	05/25/00	05/24/01	2,000,000		(2,000,000)	
Fulton Co Admin. Building - 3.65%	05/24/01	05/23/02		1,250,000		1,250,000
Total General Obligation Notes			2,000,000	1,250,000	(2,000,000)	1,250,000
Total Financial Obligation Debt			$3,592,338	$1,250,000	($2,135,340)	$2,706,998
Other Long-Term Obligations						
Landfill Closure/Postclosure Costs			$47,000	$4,755		$51,755
Capital Lease Obligations			1,200	5,945	($2,161)	4,984
Compensated Absences			419,562	59,190		478,752
Total Other Long-Term Obligations			467,762	69,890	(2,161)	535,491
Total General Long-Term Obligations			$4,060,100	$1,319,890	($2,137,501)	$3,242,489

Compensated Absences

Compensated absences represent amounts for which the County could potentially be liable on eligible employees. Compensated absences are presented net of actual increases and decreases because of the practicality of determining these values. The benefits will be paid from the fund from which the person is paid. Compensated absences are further described in Note 11.

Capital Lease Obligation

The County has entered into capital lease obligations for the purchase of computer equipment and a copier. Principal payments on this obligation are reported in the general fund and special revenue funds. The capital lease obligation at year-end is further described in Note 12.

Landfill Closure/Postclosure Costs

The County has recognized a liability for estimated closure and postclosure costs on the landfill. The liability for landfill closure and postclosure costs is further described in Note 20.

Ohio Water Development Authority (OWDA) Loans

Note 13.B. provides detail on the OWDA loans outstanding at December 31, 2001.

Special Assessment Bonds

The special assessment bonds are supported by the full faith and credit of the County. Special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners.

General Obligation Note

On May 25, 2001, the County reissued a general obligation note for the purpose of constructing a new County administration building in the amount of $1,250,000. This note bears an annual interest rate of 3.65% and matures on May 24, 2002. In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected To Be Refinanced", the general obligation note is considered a long term obligation since, prior to the financial statements being issued; the County has entered into a financing agreement that insured that the note will be refinanced on a long-term basis.

The following is a summary of the County's future annual debt service principal and interest requirements for the general obligation special assessment bonds and OWDA loans:

Year Ending	Principal on Bonds	Interest on Bonds	Totals	Principal on Loans	Interest on Loans	Totals
2002	$40,000	$11,870	$51,870	$98,695	$47,107	$145,802
2003	10,000	9,746	19,746	102,236	45,567	147,803
2004	15,000	9,104	24,104	105,975	41,827	147,802
2005	15,000	8,130	23,130	109,923	37,879	147,802
2006	15,000	7,140	22,140	114,095	33,706	147,801
2007 - 2011	90,000	19,476	109,476	640,779	104,450	745,229
2012				100,295	3,584	103,879
Totals	$185,000	$65,466	$250,466	$1,271,998	$314,120	$1,586,118

B. Enterprise Obligations

Issue	Issue Date	Maturity Date	Balance Outstanding 12/31/00	Additions	Reductions	Balance Outstanding 12/31/01
Ohio Water Development Authority Loans						
Waterline - Lucas County/North Star Steel	1996	2012	$10,369,407		($683,785)	$9,685,622
Waterline - Teleflex Extension	2000	2009	185,440		(18,254)	167,186
Sewerline - Worthington Steel/North Star Steel	1996	2012	1,210,933		(84,612)	1,126,321
Total OWDA Loans			11,765,780		(786,651)	10,979,129
Special Assessment Bonds						
Pettisville Waterline	09/01/97	12/01/14	270,000		(15,000)	255,000
Exit 3 Sewer Improvement	01/13/89	12/01/18	480,000		(15,000)	465,000
Total Special Asssessment Bonds			750,000		(30,000)	720,000
Total Enterprise Funds			$12,515,780		($816,651)	$11,699,129

Ohio Water Development Authority Loans - 1996 Issues

During 1996, Fulton County entered into various loan agreements with the Ohio Water Development Authority (OWDA) as incentives for the location of two steel mills. The loan agreements were for the construction of water and sewer lines. Repayments of these loans are funded through tax increment financing (TIF) payments made by the two steel mills. Semi-annually the TIF payments are made to the County and subsequently remitted to the OWDA. The loans are amortized over a period of fifteen years.

Ohio Water Development Authority Loan - 2000 Issue

During 2000, the County entered into a loan agreement with the OWDA for an extension to the Teleflex Waterline. Repayment of this loan is funded through TIF payments made by Teleflex. Semi-annually the TIF payments are made to the County and subsequently remitted to the OWDA. This loan is amortized over ten years.

Special Assessment Bonds

The special assessment bonds are supported by the full faith and credit of the County. Special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners.

The following is a summary of the County's future annual debt service principal and interest requirements for the enterprise special assessment bonds and OWDA loans:

Year Ending	Principal on Bonds	Interest on Bonds	Totals	Principal on Loans	Interest on Loans	Totals
2002	$35,000	$37,680	$72,680	$817,499	$470,352	$1,287,851
2003	40,000	36,010	76,010	850,048	437,803	1,287,851
2004	40,000	34,080	74,080	884,398	403,455	1,287,853
2005	40,000	32,130	72,130	920,657	367,196	1,287,853
2006	40,000	30,110	70,110	958,939	328,913	1,287,852
2007 - 2011	225,000	117,163	342,163	5,393,685	1,036,159	6,429,844
2012 - 2016	225,000	54,599	279,599	1,153,903	53,344	1,207,247
2017 - 2018	75,000	6,267	81,267			
Totals	$720,000	$348,039	$1,068,039	$10,979,129	$3,097,222	$14,076,351

C. Component Unit Obligations

	Balance Outstanding at 12/31/00	Additions	Reductions	Balance Outstanding at 12/31/01
Compensated Absences	$46,334	$9,287		$55,621
Capital Lease Obligations	11,258		$2,549	8,709
Total Component Unit	$57,592	$9,287	$2,549	$64,330

D. Deferred Loan Payable to the Ohio Sewer and Water Rotary Commission

The County has received an advance to meet the portion of the cost of extension of waterlines to be financed by assessments which collections are deferred or exempt pursuant to division (B) of Section 6103.052 of the Ohio Revised Code. The Board of County Commissioners is responsible for collecting the assessments upon expiration of the maximum time for which the deferments were made or when the property no longer meets the exemption criteria. This money must be remitted to the Ohio Sewer and Water Rotary Commission within one year. If the money is not collected and remitted to the Commission within one year, the County is responsible for paying interest from the general fund of the County.

E. Legal Debt Margin

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County.

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to three percent of the first $100,000,000, of the assessed valuation, plus one and one-half percent of such valuation in excess of $100,000,000 and not in excess of $300,000,000, plus two and one-half percent of such valuation in excess of $300,000,000. Based on this evaluation, the County's legal debt margin was $17,468,045 as of December 31, 2001, which includes $345,253 available in debt service funds.

14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains three enterprise funds to account for the operations of a sewer district, a water district and a solid waste incinerator. Financial information for the year ended December 31, 2001, is as follows:

Description	Solid Waste Incinerator	Sewer District	Water District	Total
Operating revenue	$124,328	$321,166	$1,318,659	$1,764,153
Operating expenses before depreciation	143,779	152,100	1,368,480	1,664,359
Depreciation expense		79,336	341,124	420,460
Operating income/(loss)	(19,451)	89,730	(390,945)	(320,666)
Net income/(loss) before capital contributions and operating transfers	(19,451)	35,993	(452,316)	(435,774)
Capital contributions		132,688	1,155,164	1,287,852
Operating transfers in		34,147	34,147	68,294
Net income (loss)	(19,451)	182,828	721,995	885,372
Property, plant and equipment (net of accumulated depreciation)		3,465,174	15,168,610	18,633,784
Net working capital	38,640	815,850	1,114,848	1,969,338
Total assets	49,657	4,381,407	16,202,040	20,633,104
Special assessment bonds payable		465,000	255,000	720,000
OWDA loan payable		1,126,321	9,852,808	10,979,129
Total liabilities	16,924	1,692,889	10,267,575	11,977,388
Contributed capital		2,295,292	4,195,239	6,490,531
Total equity	32,733	2,688,518	6,174,465	8,895,716

15. RISK MANAGEMENT

A. County Risk Sharing Authority, Inc.

The County is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters.

The County is a member of CORSA which is a shared risk pool of forty-one counties in Ohio. CORSA was formed as an Ohio nonprofit 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. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the 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. No county may have more than one representative on the board at any one 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.

The County continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. The County obtains employee health, dental and vision coverage through a program sponsored by the Defiance-Fulton-Henry Counties Council (the Council). See Note 2.A. for further detail on the Council. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Defiance-Fulton-Henry Counties Employee Insurance Benefits Program

The County participates in the Defiance-Fulton-Henry Counties Employee Insurance Benefits Program (the "Program"), a public entity shared risk pool consisting of Defiance, Fulton, and Henry Counties. The purpose of the plan is for its members to pool funds or resources to purchase health and dental insurance products and enhance the wellness opportunities for employees.

Each member pays a monthly premium amount, which is established annually by the Board, to Reliance Financial Services ("Reliance"). Reliance is the fiscal agent for the Council and has a trust agreement with the Council to account for all Council finances and assets. The Program is governed by a Board consisting of one representative from each member county's Board of Commissioners. The degree of control exercised by any participating member is limited to its representation on the Board. Upon withdrawal from the Program, a program agreement shall govern the disposition of any contributions by the withdrawing member to each program of the Council in excess of that member's share of the costs of that program. In fiscal year 2001, the County contributed a total of $1,847,868 for this plan.

16. DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

All County full-time employees, other than teachers, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2001 was 8.5% for employees other than law enforcement. In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the PERS law enforcement program were placed in a newly named public safety division and continued to contribute at 9%. The employer contribution rate for employees other than law enforcement was 13.55% of covered payroll; 9.25% was the portion used to fund pension obligations for 2001. The employer contribution rate for law enforcement employees was 16.70% of covered payroll; 11.40% was the portion used to fund pension obligations for 2001. The County's contributions for pension obligations to the PERS for the years ended December 31, 2001, 2000, and 1999 were $710,594, $470,333, and $694,654, respectively; 63% has been contributed for 2001 and 100% for 2000 and 1999. $258,412, representing the unpaid contribution for 2001, is recorded as a liability within the respective funds.

B. State Teachers Retirement System

Certified teachers employed by the school for the Mental Retarded/Developmentally Disabled 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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information for STRS Ohio. That report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the County is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's contributions for pension obligations to STRS Ohio for the years ended December 31, 2001, 2000, and 1999 were $18,594, $11,371, and $9,819, respectively; 100% been contributed for 2001, 2000 and 1999.

17. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

PERS provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, “Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers”. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The PERS law enforcement program was separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2001 employer contribution rate for local government employers was 13.55% of covered payroll; 4.30% was the portion that was used to fund health care. The law enforcement employer rate for 2001 was 16.70% of covered payroll; 4.30% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The County’s contribution actually made to fund post employment benefits was $321,420.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

As of December 31, 1999 (the latest information available), the unaudited estimated net assets available for future OPEB payments were $10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $12,473.6 million and $1,668.1 million, respectively, at December 31, 1999 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 1999 (the latest information available) was 401,339.

In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the PERS law enforcement program were placed in a newly named public safety division and continue to contribute at 9.0%. The employer contribution rate for both the law enforcement and public safety divisions is 16.70%.

Law enforcement officer benefits permit age and service retirement at an earlier age with a different formula than that for PERS members not covered under this division.

Additional information on the PERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the PERS December 31, 2001, Comprehensive Annual Financial Report.

B. State Teachers Retirement System

Comprehensive health care benefits are provided to retired teachers and their dependents through the STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS Ohio based on authority granted by State statute.

All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to the Health Care Reserve Fund equal to 4.5% of covered payroll for the fiscal year ended June 30, 2001. For the County, this amount equaled $8,997 during calendar year 2001. As of June 30, 2001, the balance in the Health Care Reserve Fund was $3.256 billion and eligible benefit recipients totaled 102,132 for STRS Ohio as a whole. For the fiscal year ended June 30, 2001, net health care costs paid by STRS Ohio were $300,772,000.

18. BUDGETARY BASIS OF ACCOUNTING

The County's budgetary process is based upon accounting for transactions on the cash basis. The differences between the cash basis (budget basis) and the modified accrual basis (GAAP basis) are that revenues are recorded when actually received (budget) as opposed to when susceptible to accrual (GAAP) and the expenditures are recorded when paid (budget) as opposed to when incurred (GAAP). Additionally, the County reflects outstanding encumbrances as expenditures on the budgetary basis of accounting. Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

EXCESS OF REVENUES AND OTHER FINANCING
SOURCES OVER/(UNDER) EXPENDITURES
AND OTHER FINANCING USES

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Budget basis	$71,186	($1,230,522)	$357,518	($2,372,224)
Net adjustment for revenues accruals	169,887	(369,308)	145,914	(8,019)
Net adjustments for expenditures accruals	17,782	(102,044)	(174,417)	319,052
Net adjustment for other financing sources (uses) accruals	(628,998)	50,755		49,188
Encumbrances (budget basis)	148,159	1,250,629		323,963
GAAP basis	($221,984)	($400,490)	$329,015	($1,688,040)

19. CONTINGENCIES

A. Grants

The County receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2001.

B. Litigation

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecutor, no material liability is anticipated. Any ultimate judgments against the County would be covered by the County's liability insurance.

20. LANDFILL POSTCLOSURE COSTS

State laws and regulations require that the County perform certain maintenance and monitoring functions at the closed landfill site for thirty years after closure. The landfill was closed in 1983. The estimated liability for landfill postclosure care has a balance of $51,755 as of December 31, 2001. The estimated cost of landfill postclosure care expenses is based on the amount that would be paid if all materials and services required to monitor and maintain the closed landfill were acquired as of December 31, 2001. However, the actual cost of postclosure care may be higher due to inflation, changed in technology, or changes in landfill laws and regulations. The costs will be paid from current County revenues.

21. CONDUIT DEBT OBLIGATIONS

To provide for the financing of certain expenditures at the Fulton County Health Center, the Health Center has issued special facility revenue bonds. These consist of $5,200,000 in 1995 and $7,000,000 in 1999, Fulton County, Ohio, Tax-Exempt Variable Rate Demand Bonds, with final maturity in 2021. Also, in 1999 the County issued $4,450,000 in industrial revenue bonds for the acquisition, construction and equipping of industrial and commercial facilities deemed to be in the public interest. These bonds do not constitute a debt or pledge of the faith and credit of the County and have not been reported in the accompanying financial statements. As of December 31, 2001, $15,794,000 was still outstanding.

22. FEDERAL TRANSACTIONS

The Fulton County Department of Human Services (Welfare Department) distributes federal food stamps to entitled recipients within Fulton County. The receipt and issuance of these stamps have the characteristics of federal grants. However, the Department of Human Services merely acts in an intermediary capacity. Therefore, the inventory value of the stamps is not reflected in the accompanying financial statements as the only economic interest related to the stamps rest with the ultimate recipient.

23. SIGNIFICANT SUBSEQUENT EVENTS

On May 25, 2002, the County reissued $950,000 in general obligation notes. These notes bear an interest rate of 3.12% and mature on May 24, 2003. These proceeds were used to retire previously issued general obligation notes (see Note 13.A).

FULTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JANUARY 1, 2001 THROUGH DECEMBER 31, 2001

FEDERAL GRANTOR *Pass-through Grantor* Program Files	Federal CFDA Number	Project Number	Award Amount	Disburse-ments
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
EDI - Special Grant	14.246	B-01-SP-OH-0497	$149,670	$149,670
Passed through the Ohio Department of Development:				
Community Development Block Grants				
Formula Grants-99	14.228	B-F-99-024-01	179,000	80,668
Formula Grants-00	14.228	B-F-00-024-01	168,000	42,339
Community Housing Improvement Program (CHIP)	14.228	B-C-00-024-01	235,700	62,310
ED (Teleflex) - 99	14.228	B-E-99-024-01	385,000	385,000
Total Community Development Block Grants				570,317
Home Improvement programs	14.239	B-C-00-024-02	314,300	222,634
Total U.S. Department of Housing and Urban Development				**942,621**
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Ohio Department of Job and Family Services:				
Special Programs for the Aging - Title III -B	93.044		23,714	22,742
Passed through Ohio Department of Mental Retardation and Developmental Disabilities:				
CAFS/TCM Received by County	93.778			209,975
CAFS Received by Quadco	93.778			9,188
Waiver Administration	93.778			9,130
RFW Non Waiver	93.778			
Medicaid Assistance Programs	93.778			228,293
Social Services Block Grant (Title XX)	93.667			31,817
Total Department of Health and Human Services				**282,852**
UNITED STATES DEPARTMENT OF LABOR				
Passed through Ohio Department of Job and Family Services				
Employment and Training Administration - Workface Investment Act	17.255			124,417
UNITED STATES OF FEDERAL EMERGENCY MANAGEMENT DISASTER ASSISTANCE				
Passed through Ohio Department of Emergency Management Disaster Assistance				
Emergency Management Performance Grant	83.552		22,847	22,847
Terrorism Consequence Management Preparedness Assistance Grant	83.552		2,000	2,000
Total Federal Emergency Management Disaster Assistance				**24,847**
UNITED STATES DEPARTMENT OF JUSTICE				
Pass-through the Ohio Office of Criminal Justice Services:				
Bulletproof Vest Partnership Program	16.607		580	580
UNITED STATES DEPARTMENT OF TRANSPORTATION, FEDERAL AVIATION ADMINISTRATION				
Fulton County Airport Project	20.106	3-39-0087-0101	58,200	6,950
TOTAL FEDERAL AWARDS EXPENDITURES				**$1,382,267**

The accompanying notes are a integral part of this schedule.

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2001

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

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 passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages, personal guarantees, promissory notes, and/or security agreements. At December 31, 2001, the gross amounts of loans outstanding under this program were $195,840.

NOTE C - MATCHING REQUIREMENTS

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

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

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

Fulton County
152 South Fulton Street, Suite 270
Wauseon, Ohio 43567-3309

To the Board of Commissioners:

We have audited the financial statements of Fulton County as of and for the year ended December 31, 2001, and have issued our report thereon dated August 1, 2002, which report noted the County adopted Governmental Accounting Statements No. 33 and 36 and changed its policy regarding fixed asset capitalization. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-60126-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated August 1, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-60126-002 and 2001-60126-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving internal control over financial reporting that do not require inclusion in this report, that we reported to management of the County in a separate letter dated August 1, 2002.

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

Jim Petro
Auditor of State

August 1, 2002

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

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

Fulton County
152 South Fulton Street, Suite 270
Wauseon, Ohio 43567-3309

To the Board of Commissioners:

Compliance

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

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 which is described in the accompanying schedule of findings as item 2001-60126-004. We also noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of the County in a separate letter dated August 1, 2002.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report that we have reported to management of the County in a separate letter dated August 1, 2002.

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

Jim Petro
Auditor of State

August 1, 2002

FULTON COUNTY

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Employment and Training Administration CFDA #17.255 Medicaid Assistance Programs CFDA #93.778
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

FINDING NUMBER 2001-60126-001

Noncompliance Finding

Ohio Revised Code § 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations in the following fund:

FINDING NUMBER 2001-60126-001
(Continued)

Fund Name	Appropriations	Expenditures	Variance
Fulton County Administration Building Note	$853,715	$2,103,715	($1,250,000)

The County did not properly budget for repayment of a general obligation note in 2001. Failure to properly budget for this activity resulted in expenditures being made that have not been appropriated. We recommend the County properly budget for repayment of notes.

FINDING NUMBER 2001-60126-002

Reportable Condition - Special Assessment Receivable

Some capital improvements or services provided by local government are intended primarily to benefit a particular property owner or group of property owners rather than the general citizenry. Special assessments are levied to recoup the costs related to such improvements or services. Governmental Accounting Standards Board Statement (GASBS) 6 paragraph 15 states that at the time of the levy, special assessment receivable should be recognized. Further paragraph 23 of GASBS 6 states the provisions of paragraph 15 should be followed even when the capital improvements financed by special assessments provide capital assets to a government's enterprise fund, except that the cost of the improvement should be capitalized on the enterprise fund's balance sheet and should be offset by contributed capital.

The County is only accruing special assessments levied in 2001 to be collected in 2002 for the enterprise and agency funds and not the entire amount remaining to be collected on the original levy. Also there is no evidence the County reflected the portion of the Exit 3 Sewer Improvement and Pettisville Waterline Project to be funded by special assessments as contributed capital.

This underestimated special assessment receivables and contributed capital and required audit adjustments to the following funds:

	Sewer Fund	Water Fund
Special Assessment Receivable		
Audited Amount	$539,419	$255,447
Recorded Amount	131,262	39,510
Difference	$408,157	$215,937
Contributed Capital		
Audited Amount	$2,295,292	$4,195,239
Recorded Amount	1,785,292	3,880,239
Difference	$510,000	$315,000

We recommend the County accrue the remaining special assessments to be collected as a receivable in the related funds. Also when a capital improvement affecting the enterprise fund is to be funded by special assessments the County should increase contributed capital by the original levy amount.

FINDING NUMBER 2001-60126-003

Reportable Condition - Proprietary Fixed Assets

The County does not maintain and could not provide fixed asset records detailing the make up of water and sewer lines in the proprietary funds. Ohio Administrative Code § 117-2-02 (D) (4) (c) states that all local public offices should maintain fixed asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Also during testing we noted that proprietary assets (water tower, buildings, and equipment) recognized at $1,588,460 were incorrectly included in the general fixed asset account group.

Failure to properly maintain fixed asset records as described in Ohio Administrative Code § 117-2-02 (D) (4) (c) could hinder accurate reporting of future additions, deletions, replacements and depreciation of water and lines. Inaccurately recording proprietary fixed assets (water tower, buildings, and equipment) in the general fixed account group required audit adjustments.

Therefore we recommend the County determine the details of the value of water and sewer lines recorded as fixed assets in the enterprise fund. The County may want to consider maintaining the value of such lines by project or area served. Also the County should carefully review assets to ensure they are recorded in the proper fund and account group.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2001-60126-004
CFDA Title and Number	Employment and Training Administration - CFDA #17.255
Federal Award Number / Year	January 1 to December 31, 2001
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Job and Family Services

Noncompliance Finding

Workforce Investment Act of 1998 Section 185 (e) requires that each local board in the State shall submit quarterly financial reports to the Governor with respect to programs and activities carried out under this title. Such reports shall include information identifying all program and activity costs by cost category in accordance with generally accepted accounting principles and by year of the appropriation involved

Further, Federal Register Section 667.300 (C)(3) states reported expenditures and program income earned, must be on the accrual basis of accounting and cumulative by fiscal year of appropriation. If the recipient's accounting records are not normally kept on the accrual basis of accounting, the recipient must develop accrual information through an analysis of the documentation on hand. Federal Register Section 667.300 (d) states financial reports are due no later than 45 days after the end of each quarter unless otherwise specified in reporting instructions.

There is no evidence that a quarterly report prepared in accordance with generally accepted accounting principles has been filed. In 2001 a system was not in place to capture accruals. In 2002 the State Department of Jobs and Family Services is to provide software to the county to enable this financial activity reporting.

Failure to comply with reporting requirement could jeopardize additional funding. Therefore we recommend management review this requirement, establish controls and implement procedures to ensure that reports are prepared in accordance with generally accepted accounting principles and filed by the required dates.

STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

FINANCIAL CONDITION

FULTON 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 3, 2002