



**Auditor of State  
Betty Montgomery**



**FINANCIAL CONDITION  
FULTON COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANT'S REPORT**

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

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fulton County, (the County, as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fulton County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General, Motor Vehicle and Gas Tax, County Board of Developmental Disabilities (DD), Public Assistance, and EMS Advanced and Basic Life Services funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Financial Condition  
Fulton County  
Independent Accountants' Report on Compliance and on Internal  
Control Required by *Government Auditing Standards*  
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As described in Note 3, during the year ended December 31, 2003, the County implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. In addition the County reclassified its presentation of the County Board of Development Disabilities fund (DD) as described in Note 3.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2004, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the County's basic financial statements. The federal awards expenditures schedule is presented for additional analysis and is not a required part of the basic financial statements. We subjected the federal awards expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

October 14, 2004

**FINANCIAL CONDITION  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

The discussion and analysis of Fulton County's (the County) financial performance provides an overall review of the County's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the County's financial performance.

**Financial Highlights**

Key financial highlights for 2003 are as follows:

- The total net assets of the County increased \$6,246,423. Net assets of governmental activities increased \$4,678,369, which represents a 13.55 percent increase over fiscal year 2002. Net assets of business-type activities increased \$1,568,054 or 14.02 percent from fiscal year 2002.
- General revenues accounted for \$16,024,056 or 49.60 percent of total governmental activities revenue. Program specific revenues accounted for \$16,285,272 or 50.40 percent of total governmental activities revenue.
- The County had \$27,521,682 in expenses related to governmental activities; \$16,285,272 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes) of \$16,024,056 were adequate to provide for these programs.
- The general fund, the County's largest major fund, had revenues of \$10,176,161 in 2003, a decrease of \$123,075 or 1.19 percent from 2002 revenues. The expenditures of the general fund, which totaled \$9,758,913 in 2003, increased \$423,308 or 4.53 percent from 2002. The increase in expenditures and decrease in revenues contributed to the general fund balance decrease of \$90,695 from 2002 to 2003.
- The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,104,563 in 2003. The motor vehicle and gas tax fund had expenditures of \$3,676,747 in 2003. The motor vehicle and gas tax fund balance increased \$760,992 from 2002 to 2003.
- The County Board of DD, a County major fund, had revenues of \$3,651,720 in 2003. The County Board of DD had expenditures of \$3,341,238 in 2003. The County Board of DD fund balance increased \$405,110 from 2002 to 2003.

## **FINANCIAL CONDITION FULTON COUNTY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2003**

(Continued)

- The public assistance fund, a County major fund, had revenues of \$3,796,061 in 2003. The public assistance fund, had expenditures of \$3,377,210 in 2003. The public assistance fund balance increased \$418,851 from 2002 to 2003.
- The EMS advanced and basic life services fund, a County major fund, had revenues of \$2,315,575 in 2003. The EMS advanced and basic life services fund had expenditures of \$1,736,200 in 2003. The EMS advanced and basic life services fund balance increased \$579,375 from 2002 to 2003.
- The County had two major enterprise funds. Net assets for the Sewer enterprise fund decreased in 2003 by \$16,271 or 0.38 percent. The net assets for the Water enterprise fund increased in 2003 by \$1,560,719 or 22.67 percent.
- In the general fund, the actual revenues came in \$1,075,461 higher than they were originally budgeted and actual expenditures were \$138,796 less than the amount in the original budget. These positive variances are a result of the County's conservative budgeting process.

#### **Using this Basic Financial Statements (BFS)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the County as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds with all other nonmajor funds presented in total in one column. In the case of the County, there are five major governmental funds. The general fund is the largest major fund.

#### **Reporting the County as a Whole**

##### ***Statement of Net Assets and the Statement of Activities***

The Statement of Net Assets and the Statement of Activities answer the question, "How did we do financially during 2003?" These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of



**FINANCIAL CONDITION  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Continued)

accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the County's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the County as a whole, the financial position of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the County is divided into two distinct kinds of activities:

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

**Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided.

**Reporting the County's Most Significant Funds**

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General Fund, Motor Vehicle and Gas Tax, Board of Developmental Disabilities (DD), Public Assistance and EMS Advanced and Basic Life Services. The analysis of the County's major governmental and proprietary funds begins on page 22.

**FINANCIAL CONDITION  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Continued)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental financial statements can be found on pages 22-33 of this report.

Proprietary Funds

The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its water, sewer, and sanitary sewer incinerator operations. The internal service fund is used to accumulate and allocate costs intentionally for mapping services provided to other departments. The basic proprietary fund financial statements can be found on pages 34-41 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 42 of this report.

**FINANCIAL CONDITION  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Continued)

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 43-91 of this report.

**Government-Wide Financial Analysis**

Recall that the Statement of Net Assets provides the perspective of the County as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the County's net assets for 2003.

	2003	
	Governmental Activities	Business-Type Activities
<b>Assets</b>		
Current and other assets	\$ 30,759,757	\$ 2,387,146
Capital assets	21,055,764	21,225,346
<i>Total assets</i>	51,815,521	23,612,492
<b>Liabilities</b>		
Long-term liabilities outstanding	3,358,453	10,579,520
Other liabilities	9,255,519	278,510
Total liabilities	12,613,972	10,858,030
<b>Net Assets</b>		
Invested in capital assets, net of deb	20,416,601	11,711,166
Restricted	16,532,833	-
Unrestricted	2,252,115	1,043,296
<i>Total net assets</i>	\$ 39,201,549	\$ 12,754,462

**FINANCIAL CONDITION  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Continued)

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2003, the County's assets exceeded liabilities by \$51,956,011. This amounts to \$39,201,549 in governmental activities and \$12,754,462 in business-type activities. The County's finances remained strong during 2003, despite the decline in the economy.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At year-end, capital assets represented 56.05 percent of total governmental and business-type assets. Capital assets include land, construction-in-progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2003, were \$32,127,767. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2003, the County is able to report positive balances in all three categories of net assets for the governmental activities and business-type activities.

A portion of the County's net assets, \$16,532,833 or 31.82 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net assets of \$3,295,411 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal year 2003. Since this is the first year the County has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

	2003	
	Governmental Activities	Business-Type Activities
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 5,048,263	\$ 1,661,387
Operating grants and contributions	11,237,009	-
Capital grants and contributions	-	870,784

(Continued)

**FINANCIAL CONDITION  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Continued)

	2003	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
General revenues:		
Property taxes	6,736,763	-
Sales tax	4,470,035	-
Unrestricted grants	2,690,435	-
Investment earnings	359,203	-
Gains on sale of capital assets	87,303	-
Other	1,680,317	-
<i>Total revenues</i>	<u>32,309,328</u>	<u>2,532,171</u>
<b>Expenses</b>		
Program expenses:		
General government	5,557,988	-
Public safety	5,666,565	-
Public works	2,933,349	-
Health	4,494,179	-
Human services	5,827,847	-
Economic development	1,106,758	-
Other	999,816	-
Intergovernmental	844,037	-
Interest and fiscal charges	91,143	-
Water	-	1,819,052
Sewer	-	400,836
Solid waste incinerator	-	144,951
<i>Total expenses</i>	<u>27,521,682</u>	<u>2,364,839</u>
<i>Transfers</i>	(109,277)	109,277
<i>Capital contributions</i>	-	1,291,445
Change in net assets	4,678,369	1,568,054
<i>Net assets at beginning of year (restated)</i>	<u>34,523,180</u>	<u>11,186,408</u>
<i>Net assets at end of year</i>	<u>\$ 39,201,549</u>	<u>\$ 12,754,462</u>

**FINANCIAL CONDITION  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Continued)

**Governmental Activities**

Governmental net assets increased by \$4,678,369 in 2003 from 2002.

General government represents activities related to the governing body as well as activities that directly support County programs. In 2003, general government expenses totaled \$5,557,988, or 20.19 percent of total governmental expenses. General government programs were supported by \$2,853,886 in direct charges to users and operating grants and contributions.

The County's largest program, human services, accounted for \$5,827,847 or 21.18 percent of total governmental expenses.

Human services programs include the operations of the Public Assistance, Public Assistance Trust, Child Support Enforcement Agency, and the Children Services Board. Human services programs are primarily supported by revenues from charges to users of services and operating grants and contributions.

The next largest program is public safety, which primarily supports the operations of the E-911, Emergency Medical Services, and the EMS Advanced & Basic Life Services. The program accounted for \$5,666,565 of expenses, or 20.59 percent of total governmental expenses of the County during 2003. These expenses were funded by \$921,507 in charges to users of services and \$416,198 in operating grants and contributions in 2003.

Operating grants and contributions were the largest type of program revenue. The state and federal government contributed revenues of \$11,237,009 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$5,460,674, or 48.60 percent, subsidized human services programs and \$416,198, or 3.70 percent, subsidized public safety programs. Another type of program revenue, direct charges to users of governmental activities, made up \$5,048,263 or 15.62 percent of total governmental revenues. These charges for services and sales include fees for charges for services, licenses and permits, and fines and forfeitures related to judicial activities, and rental income.

General revenues totaled \$16,024,056, and amounted to 49.60 percent of total revenues. These revenues primarily consist of property and sales tax revenue of \$11,206,798, or 34.69 percent of total general revenues in 2003. Property taxes increased by 9.90 percent during 2003, primarily due to increased collections of \$258,942 in the DD fund. Sales tax increased only 1.40 percent in 2003. The other primary source of general revenues is grants and entitlements not restricted to specific programs which include local government revenue. In August 2002, the state placed a freeze on local government and local government revenue assistance to be distributed to local governments in

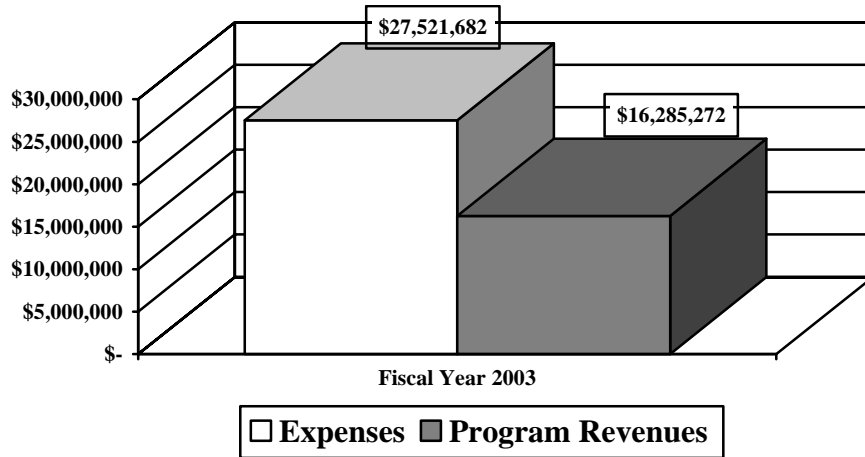
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

2003. Interest earnings, which were \$359,203, decreased significantly by \$1,198,024 or 70.02 percent due to the economy.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2003. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements. Comparisons to 2002 have not been presented since they are not available.

**Governmental Activities – Program Revenues vs. Total Expenses**



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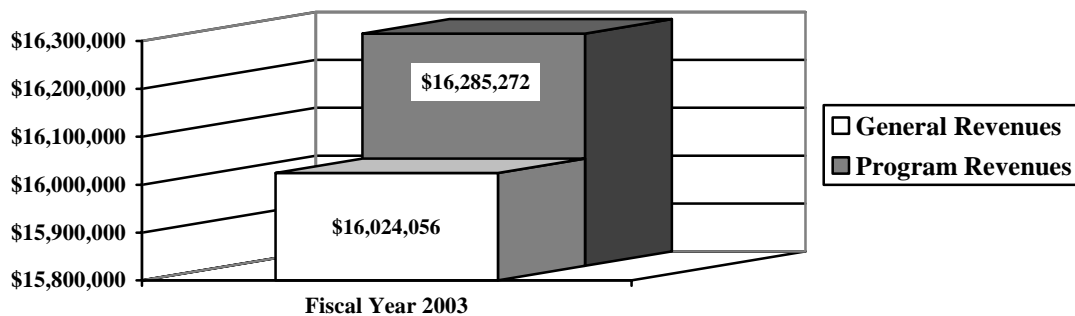
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Continued)

Governmental Activities		
	Total Cost of Services 2003	Net Cost of Services 2003
<b>Expenses:</b>		
General government	\$ 5,557,988	\$ 2,704,102
Public safety	5,666,565	4,328,860
Public works	2,933,349	(827,165)
Health	4,494,179	3,991,750
Human services	5,827,847	(124,370)
Economic development and assistance	1,106,758	(693,886)
Other	999,816	921,939
Intergovernmental	844,037	844,037
Interest and fiscal charges	91,143	91,143
<i>Total expenses</i>	<u>\$ 27,521,682</u>	<u>\$ 11,236,410</u>

The dependence upon general revenues for governmental activities is apparent; with 40.83 percent expenses supported through taxes and other general revenues during 2003.

**Governmental Activities - General and Program Revenues**



**Business-Type Activities**

The Water and Sewer funds are the County's two major enterprise funds. These programs had revenues of \$1,554,599 and expenses of \$2,219,888 for fiscal year 2003. The net assets of the



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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Continued)

programs increased by \$1,568,054 or 14.02 percent from 2002. During 2003, these funds received \$2,162,229 in capital contributions and \$109,277 in transfers.

**Financial Analysis of the Government's Funds**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental Funds***

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at year-end.

The County's governmental funds (as presented on the balance sheet on pages 22-23) reported a combined fund balance of \$16,751,113, which is \$1,569,218 above last year's total of \$15,181,895 (as restated, see Note 3.A. to the financial statements for detail). The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2003 and December 31, 2002, for all major and nonmajor governmental funds.

	Fund Balance 12/31/03	Fund Balance 12/31/02	Increase (Decrease)
<b>Major Funds:</b>			
General	\$ 4,525,777	\$ 4,616,472	\$ (90,695)
Motor Vehicle and Gas Tax	3,373,948	2,612,956	760,992
County Board of MRDD	979,158	574,048	405,110
Public Assistance	1,033,254	614,403	418,851
EMS A & B Life Services	869,182	289,807	579,375
Other Nonmajor Governmental Funds	5,969,794	6,474,209	(504,415)
<i>Total</i>	\$ 16,751,113	\$ 15,181,895	\$ 1,569,218

***General Fund***

The general fund is the operating fund of the County. At the end of the fiscal year, the fund balance of the general fund was \$4,525,777, a 1.96 percent decrease from 2002. The decrease of the general

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(Continued)**

fund balance in 2003 was primarily due to the increase of overall expenditures offset by flat revenues.

***Motor Vehicle and Gas Tax Fund***

The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,104,563 in 2003. The motor vehicle and gas tax fund had expenditures of \$3,676,747 in 2003. The motor vehicle and gas tax fund balance increased \$760,992 from 2002 to 2003. The increase is primarily due to the new gas tax collection.

***County Board of Developmental Disabilities (DD)***

The County board of DD, a County major fund, had revenues of \$3,651,720 in 2003. The County Board of DD had expenditures of \$3,341,238 in 2003. The County Board of DD fund balance increased \$405,110 from 2002 to 2003. The increase is primarily due to the 2 mill levy replacement.

***Public Assistance Fund***

The public assistance fund, a County major fund, had revenues of \$3,796,061 in 2003. The public assistance fund, had expenditures of \$3,377,210 in 2003. The public assistance fund balance increased \$418,851 from 2002 to 2003. The increase is primarily due to an increase in grant revenues.

***EMS Advanced and Basic Life Services Fund***

The EMS advanced and basic life services fund, a County major fund, had revenues of \$2,315,575 in 2003. The EMS advanced and basic life services fund had expenditures of \$1,736,200 in 2003. The EMS advanced and basic life services fund balance increased \$579,375 from 2002 to 2003. This increase is primarily due to the first full year of implementing ambulance run fees.

***Budgeting Highlights***

The County's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the County's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

**FINANCIAL CONDITION  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Continued)

Budgetary information is presented for the general fund, County Board of DD, motor vehicle and gas tax, public assistance and EMS advanced and basic life services. In the general fund, there were no significant changes between the original and final budget. Actual revenues and other financing sources of \$10,809,858 exceeded final budgeted revenues and other financing sources by \$1,055,505 or 10.82 percent. This increase is due to the County's conservative approach to budgeting. Another difference between the final budgeted appropriations and actual expenditures and other financing uses was a \$921,677 or 7.68 percent decrease in expenditures.

Actual revenues for the motor vehicle and gas tax were more than final budgeted revenues by \$446,720 while actual expenditures were \$713,190 lower than final budgeted expenditures. Actual revenues for the County Board of DD were more than final budgeted revenues by \$19,150 while actual expenditures were \$397,736 lower than final budgeted expenditures. Actual revenues for public assistance were more than final budgeted revenues by \$77,047 while actual expenditures were \$258,039 lower than final budgeted expenditures. Actual revenues for EMS advanced and basic life services were more than final budgeted revenues by \$567,645 while actual expenditures were \$5,145 lower than final budgeted expenditures.

***Proprietary Funds***

The County's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2003, the County had \$42,281,110 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction-in-progress, and infrastructure. Of this total, \$21,055,764 was reported in governmental activities and \$21,225,346 was reported in business-type activities, see Note 10 to the basic financial statements for detail. The following table shows fiscal 2003 balances compared to 2002:

**FINANCIAL CONDITION  
FULTON COUNTY**

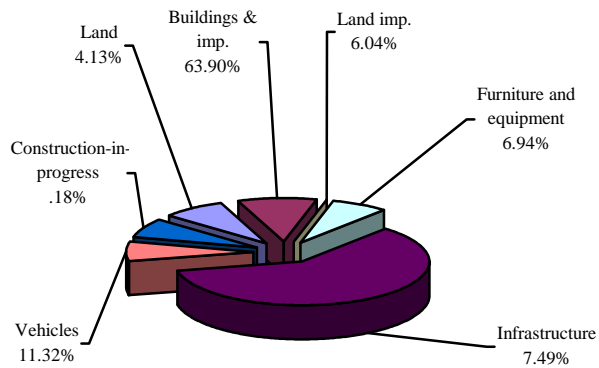
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

**Capital Assets at December 31  
(Net of Depreciation)**

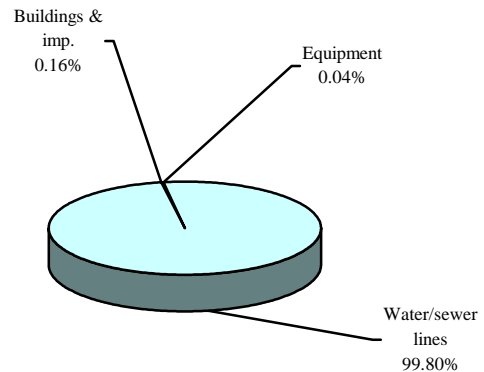
	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 869,312	\$ 810,707	\$ -	\$ -	\$ 869,312	\$ 810,707
Construction-in-progress	37,698	12,871	-	477,273	37,698	490,144
Land improvements	1,270,913	1,314,242	-	-	1,270,913	1,314,242
Building and improvements	13,455,762	13,606,850	34,708	36,443	13,490,470	13,643,293
Furniture and equipment	1,460,842	1,306,362	7,689	8,651	1,468,531	1,315,013
Vehicles	2,383,239	2,502,106	-	-	2,383,239	2,502,106
Infrastructure	1,577,998	-	-	-	1,577,998	-
Water/sewer lines	-	-	21,182,949	20,143,622	21,182,949	20,143,622
<i>Total</i>	<u>\$ 21,055,764</u>	<u>\$ 19,553,138</u>	<u>\$ 21,225,346</u>	<u>\$ 20,665,989</u>	<u>\$ 42,281,110</u>	<u>\$ 40,219,127</u>

The following graphs show the breakdown of governmental and business-type activities capital assets by category for 2003.

**Capital Assets - Governmental Activities 2003**



**Capital Assets - Business-Type Activities 2003**



***Debt Administration***

The County had the following long-term obligations outstanding at December 31, 2003 and 2002:

**FINANCIAL CONDITION  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

(Continued)

	Governmental Activities 2003	Governmental Activities 2002
	<u>2003</u>	<u>2002</u>
OWDA loans	\$ 1,071,067	\$ 1,173,303
Special assessment bonds	135,000	145,000
General obligation notes	633,473	950,000
Landfill closure/postclosure	782,774	472,489
Capital lease obligations	<u>5,690</u>	<u>9,848</u>
Total long-term obligations	<u>\$ 2,628,004</u>	<u>\$ 2,750,640</u>
	Business-Type Activities 2003	Business-Type Activities 2002
	<u>2003</u>	<u>2002</u>
OWDA loans	\$ 9,609,513	\$ 10,440,485
Special assessment bonds	645,000	685,000
Loan payable	<u>311,989</u>	<u>190,780</u>
<i>Total long-term obligations</i>	<u>\$ 10,566,502</u>	<u>\$ 11,316,265</u>

See Note 14 to the basic financial statements for additional disclosures and detail regarding the County's debt activity.

**Economic Factors and Next Year's General Fund Budget Outlook**

The County's Administration considered the impact of various economic factors when establishing the fiscal year 2004 budget. Despite the uncertainty surrounding the economy, the County continues to carefully monitor its primary sources of revenue real estate taxes, local sales taxes, local government funds, and interest income. In order to stabilize the impact of the fluctuations in these revenue sources, the County continues to pursue economic development and job creation; and adoption of a budget designed to promote long-term fiscal stability. In order to meet the objectives of the 2004 budget, the County emphasized various efforts to continue to contain costs while pursuing new sources of revenue.

**FINANCIAL CONDITION  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

Budgeted revenues and other financing sources in the general fund for fiscal year 2004 are \$9,229,465, a decrease of \$513,727 or 5.3 percent from final 2003 budgeted revenues and other financing sources of \$9,743,192. The 2004 general fund budget is \$11,534,197 as compared with the 2003 general fund budget of \$11,811,938. Downward pressures on 2004 estimated revenues primarily in local government funds and continued declines in interest rates have forced reductions in the anticipated revenues of the County. The County has engaged in comprehensive efforts to likewise reduce costs.

Year end carryover for 2004 is budgeted to be \$1,192,460, while projections for year end 2005 are showing a deficit of \$(398,962). In order to offset this anticipated deficit, the county is reviewing its options and planning to make cuts in the second half budget for 2004 and further cuts in the 2005 budget.

The average unemployment rate for Fulton County in 2003 was 6.6 percent and is a part of a three year increase in unemployment. Fulton County ranks slightly higher than the state average of 6.1 percent. Efforts in the area of economic development are predicted to have positive results in 2004 with the addition of jobs in Fulton County. Also, various corporations in Fulton County are experiencing growth in the area of equipment and inventory increases. The overall economy of the County is anticipated to show slow, but steady increases over the next year.

**Contacting the County's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Honorable Nancy Yackee, Fulton County Auditor, Courthouse, 152 S. Fulton Street, Suite 165, Wauseon, Ohio 43567.

**FINANCIAL CONDITION  
FULTON COUNTY**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2003**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 14,825,382	\$ 1,375,905	\$ 16,201,287
Cash with fiscal and escrow agents	385,320	22,296	407,616
Receivables :			
Sales taxes	643,822	-	643,822
Real estate and other taxes	7,504,472	-	7,504,472
Accounts	317,280	108,225	425,505
Due from other governments	5,617,191	7,582	5,624,773
Special assessments	560,237	919,349	1,479,586
Accrued interest	126,885	-	126,885
Internal balances	48,086	(48,086)	-
Prepayments	78,401	1,875	80,276
Materials and supplies inventory	227,430	-	227,430
Loans receivable	425,251	-	425,251
Capital assets:			
Land and construction-in-progress	907,010	-	907,010
Depreciable capital assets, net	20,148,754	21,225,346	41,374,100
<i>Total capital assets</i>	<u>21,055,764</u>	<u>21,225,346</u>	<u>42,281,110</u>
<i>Total assets</i>	<u>51,815,521</u>	<u>23,612,492</u>	<u>75,428,013</u>
<b>Liabilities:</b>			
Accounts payable	434,720	9,636	444,356
Accrued wages and benefits	435,336	8,722	444,058
Due to other governments	462,367	108,863	571,230
Deferred revenue	7,474,089	-	7,474,089
Accrued interest payable	7,711	11,289	19,000
Amount to be repaid to claimants	41,296	-	41,296
Bond anticipation notes payable	400,000	140,000	540,000
Long-term liabilities:			
Due within one year	1,180,065	943,161	2,123,226
Due in more than one year	<u>2,178,388</u>	<u>9,636,359</u>	<u>11,814,747</u>
<i>Total liabilities</i>	<u>12,613,972</u>	<u>10,858,030</u>	<u>23,472,002</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	20,416,601	11,711,166	32,127,767
Restricted for:			
Capital projects	1,370,300	-	1,370,300
Debt service	445,469	-	445,469
Public safety	2,151,267	-	2,151,267
Public works projects	4,669,877	-	4,669,877
Human services programs	2,969,857	-	2,969,857
Health programs	1,376,969	-	1,376,969
Other purposes	3,549,094	-	3,549,094
Unrestricted	<u>2,252,115</u>	<u>1,043,296</u>	<u>3,295,411</u>
<i>Total net assets</i>	<u>\$ 39,201,549</u>	<u>\$ 12,754,462</u>	<u>\$ 51,956,011</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
FULTON COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General government:				
Legislative and executive	\$ 4,116,193	\$ 2,095,303	\$ 53,050	\$ -
Judicial	1,441,795	705,533	-	-
Public safety	5,666,565	921,507	416,198	-
Public works	2,933,349	281,419	3,479,095	-
Health	4,494,179	345,417	157,012	-
Human services	5,827,847	491,543	5,460,674	-
Economic development and assistance	1,106,758	129,664	1,670,980	-
Other	999,816	77,877	-	-
Intergovernmental	844,037	-	-	-
Interest and fiscal charges	91,143	-	-	-
<i>Total governmental activities</i>	<u>27,521,682</u>	<u>5,048,263</u>	<u>11,237,009</u>	<u>-</u>
<b>Business-Type Activities:</b>				
Water	1,819,052	1,330,070	-	870,784
Sewer	400,836	224,529	-	-
Solid waste incinerator	144,951	106,788	-	-
<i>Total business-type activities</i>	<u>2,364,839</u>	<u>1,661,387</u>	<u>-</u>	<u>870,784</u>
<i>Total primary government</i>	<u>\$ 29,886,521</u>	<u>\$ 6,709,650</u>	<u>\$ 11,237,009</u>	<u>\$ 870,784</u>

**General Revenues:**

Property taxes levied for:

General fund

Health - County Board of DD

Health - Senior Center

Public safety - EMS Advanced and Basic Life Services

Public safety - EMS

Public safety - 911

Sales taxes

Grants and entitlements not restricted to specific programs

Investment earnings

Gain on sale of capital assets

Miscellaneous

*Total general revenues*

*Transfers*

*Capital contributions*

Change in net assets

*Net assets at beginning of year (restated)*

*Net assets at end of year*

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



Net (Expense) Revenue and Changes in Net Assets

Primary Government		
Governmental Activities	Business-Type Activity	Total
\$ (1,967,840)	\$ -	\$ (1,967,840)
(736,262)	-	(736,262)
(4,328,860)	-	(4,328,860)
827,165	-	827,165
(3,991,750)	-	(3,991,750)
124,370	-	124,370
693,886	-	693,886
(921,939)	-	(921,939)
(844,037)	-	(844,037)
(91,143)	-	(91,143)
(11,236,410)	-	(11,236,410)
-	381,802	381,802
-	(176,307)	(176,307)
-	(38,163)	(38,163)
-	167,332	167,332
(11,236,410)	167,332	(11,069,078)
1,583,409	-	1,583,409
2,414,898	-	2,414,898
648,275	-	648,275
1,443,647	-	1,443,647
338,916	-	338,916
307,618	-	307,618
4,470,035	-	4,470,035
2,690,435	-	2,690,435
359,203	-	359,203
87,303	-	87,303
1,680,317	-	1,680,317
16,024,056	-	16,024,056
(109,277)	109,277	-
-	1,291,445	1,291,445
4,678,369	1,568,054	6,246,423
34,523,180	11,186,408	45,709,588
\$ 39,201,549	\$ 12,754,462	\$ 51,956,011

**FINANCIAL CONDITION  
FULTON COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2003**

	General	Motor Vehicle and Gas Tax	County Board of DD
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 3,011,690	\$ 2,877,226	\$ 1,069,475
Cash with fiscal and escrow agents	106,821	-	-
Receivables :			
Sales taxes	643,822	-	-
Real estate and other taxes	1,758,181	-	2,670,460
Accounts	91,333	5,999	7,764
Special assessments	-	-	-
Due from other funds	10,843	-	-
Due from other governments	718,576	1,880,856	242,316
Accrued interest	126,885	-	-
Interfund loan receivable	211,179	-	-
Advances to other funds	373,665	-	-
Prepayments	31,413	15,645	3,658
Materials and supplies inventory	69,939	126,247	2,890
Loans receivable	-	-	-
<i>Total assets</i>	\$ 7,154,347	\$ 4,905,973	\$ 3,996,563
<b>Liabilities:</b>			
Accounts payable	\$ 60,185	\$ 70,701	\$ 43,981
Accrued wages and benefits	176,175	49,526	79,517
Due to other funds	-	-	2,357
Due to other governments	98,733	26,194	37,609
Interfund loan payable	-	-	-
Advances from other funds	-	-	-
Deferred revenue	2,252,181	1,385,604	2,853,941
Amount to be repaid to claimants	41,296	-	-
Bond anticipation notes payable	-	-	-
<i>Total liabilities</i>	2,628,570	1,532,025	3,017,405
<b>Fund Balances:</b>			
Reserved for encumbrances	175,608	681,899	56,191
Reserved for prepayments	31,413	15,645	3,658
Reserved for materials and supplies inventory	69,939	126,247	2,890
Reserved for advances	373,665	-	-
Reserved for loans	-	-	-
Reserved for unclaimed monies	64,297	-	-
Designated for budget stabilization	505,260	-	-
Unreserved, undesignated, reported in:			
General fund	3,305,595	-	-
Special revenue funds	-	2,550,157	916,419
Debt service fund	-	-	-
Capital projects funds	-	-	-
<i>Total fund balances</i>	4,525,777	3,373,948	979,158
<i>Total liabilities and fund balances</i>	\$ 7,154,347	\$ 4,905,973	\$ 3,996,563

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Public Assistance	EMS A & B Life Services	Other Governmental Funds	Total Governmental Funds
\$ 596,393	\$ 920,715	\$ 6,345,748	\$ 14,821,247
-	-	278,499	385,320
-	-	-	643,822
-	1,597,069	1,478,762	7,504,472
75	158,438	53,671	317,280
-	-	560,237	560,237
124,130	-	5,704	140,677
1,039,998	74,881	1,660,564	5,617,191
-	-	-	126,885
-	-	-	211,179
-	-	-	373,665
5,927	-	21,370	78,013
10,373	-	17,981	227,430
-	-	425,251	425,251
<u>\$ 1,776,896</u>	<u>\$ 2,751,103</u>	<u>\$ 10,847,787</u>	<u>\$ 31,432,669</u>
\$ 103,266	\$ 5,021	\$ 151,566	\$ 434,720
46,941	-	80,903	433,062
13,392	-	124,928	140,677
44,094	204,950	49,642	461,222
-	-	211,179	211,179
-	-	325,579	325,579
535,949	1,671,950	3,534,196	12,233,821
-	-	-	41,296
-	-	400,000	400,000
<u>743,642</u>	<u>1,881,921</u>	<u>4,877,993</u>	<u>14,681,556</u>
170,115	91,265	1,019,401	2,194,479
5,927	-	21,370	78,013
10,373	-	17,981	227,430
-	-	-	373,665
-	-	425,251	425,251
-	-	-	64,297
-	-	-	505,260
-	-	-	3,305,595
846,839	777,917	4,028,021	9,119,353
-	-	331,022	331,022
-	-	126,748	126,748
<u>1,033,254</u>	<u>869,182</u>	<u>5,969,794</u>	<u>16,751,113</u>
<u>\$ 1,776,896</u>	<u>\$ 2,751,103</u>	<u>\$ 10,847,787</u>	<u>\$ 31,432,669</u>

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**FINANCIAL CONDITION  
FULTON COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2003**

<b>Total governmental fund balances</b>		<b>\$ 16,751,113</b>
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		21,044,054
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 30,383	
Special assessments	557,901	
Interest revenue	118,552	
Intergovernmental revenues	4,052,896	
Total	4,759,732	4,759,732
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		
Bond issuance costs reported as an expenditure in the funds are allocated as an expense over the life of the debt on a full accrual basis.		
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
OWDA loans	(1,071,067)	
Special assessment bonds	(135,000)	
General obligation notes	(633,473)	
Compensated absences	(720,620)	
Capital leases payable	(5,690)	
Landfill closure/postclosure	(782,774)	
Accrued interest payable	(7,711)	
Total	(3,356,335)	(3,356,335)
The internal service funds is used by management to charge the costs of the geographic information systems services to individual funds. The assets and liabilities of the internal service funds is included in governmental activities in the statement of net assets.		
		2,985
<i>Net assets of governmental activities</i>		<b>\$ 39,201,549</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
FULTON COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	General	Motor Vehicle and Gas Tax	County Board of DD
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues:</b>			
Property taxes	\$ 1,580,813	\$ -	\$ 2,410,979
Sales taxes	3,959,264	510,771	-
Charges for services	1,629,058	138,339	150,507
Licenses and permits	4,394	-	-
Fines and forfeitures	404,859	79,606	-
Intergovernmental	1,403,437	3,345,957	1,012,754
Special assessments	-	-	-
Investment income	523,617	29,587	-
Rental income	20,103	-	-
Other	650,616	303	77,480
<i>Total revenues</i>	<u>10,176,161</u>	<u>4,104,563</u>	<u>3,651,720</u>
<b>Expenditures:</b>			
Current:			
General government:			
Legislative and executive	3,130,225	-	-
Judicial	1,275,055	-	-
Public safety	2,832,653	-	-
Public works	118,952	3,676,747	-
Health	64,860	-	3,337,880
Human services	499,973	-	-
Economic development and assistance	-	-	-
Other	1,007,259	-	-
Capital outlay	-	-	-
Intergovernmental	829,936	-	-
Debt service:			
Principal retirement	-	-	2,990
Interest and fiscal charges	-	-	368
<i>Total expenditures</i>	<u>9,758,913</u>	<u>3,676,747</u>	<u>3,341,238</u>
<i>Excess of revenues over (under) expenditures</i>	<u>417,248</u>	<u>427,816</u>	<u>310,482</u>
<b>Other financing sources (uses):</b>			
Proceeds from sale of capital assets	-	-	94,628
Proceeds from notes	-	-	-
Transfers in	236,808	333,176	-
Transfers out	(744,751)	-	-
<i>Total other financing sources (uses)</i>	<u>(507,943)</u>	<u>333,176</u>	<u>94,628</u>
Net change in fund balances	(90,695)	760,992	405,110
<i>Fund balances at beginning of year (restated)</i>	<u>4,616,472</u>	<u>2,612,956</u>	<u>574,048</u>
<i>Fund balances at end of year</i>	<u>\$ 4,525,777</u>	<u>\$ 3,373,948</u>	<u>\$ 979,158</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Public Assistance	EMS A & B Life Services	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,441,301	\$ 1,292,500	\$ 6,725,593
-	-	-	4,470,035
-	687,198	1,736,921	4,342,023
-	-	12,057	16,451
-	-	20,689	505,154
3,607,194	144,208	2,899,821	12,413,371
-	-	435,850	435,850
-	-	14,476	567,680
-	-	21,282	41,385
188,867	42,868	244,813	1,204,947
<u>3,796,061</u>	<u>2,315,575</u>	<u>6,678,409</u>	<u>30,722,489</u>
-	-	621,148	3,751,373
-	-	98,268	1,373,323
-	1,736,200	1,084,199	5,653,052
-	-	214,058	4,009,757
-	-	999,676	4,402,416
3,377,210	-	1,766,070	5,643,253
-	-	1,106,346	1,106,346
-	-	24,697	1,031,956
-	-	820,857	820,857
-	-	-	829,936
-	-	1,080,071	1,083,061
-	-	83,064	83,432
<u>3,377,210</u>	<u>1,736,200</u>	<u>7,898,454</u>	<u>29,788,762</u>
<u>418,851</u>	<u>579,375</u>	<u>(1,220,045)</u>	<u>933,727</u>
-	-	-	94,628
-	-	650,140	650,140
-	-	687,133	1,257,117
-	-	(621,643)	(1,366,394)
-	-	715,630	635,491
418,851	579,375	(504,415)	1,569,218
614,403	289,807	6,474,209	15,181,895
<u>\$ 1,033,254</u>	<u>\$ 869,182</u>	<u>\$ 5,969,794</u>	<u>\$ 16,751,113</u>

**FINANCIAL CONDITION  
FULTON COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 1,569,218</b>
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$2,598,402) exceeded depreciation expense (\$1,076,601) in the current period.	1,521,801
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(21,892)
Proceeds of notes are other financing sources in the governmental funds, but increase liabilities in governmental activities.	(650,140)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,499,536
Repayment of bond, loan, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,083,061
Governmental funds report revenue for grants and capital outlay expense for improvements related to the landfill. However, on the statement of net assets these revenues increase and the capital outlays decrease the long-term liability for the closure and postclosure cost.	(310,285)
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.	(7,711)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(4,690)
The internal service fund used by management to charge the costs of geographic information systems services to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	(529)
<i>Change in net assets of governmental activities</i>	<u><u>\$ 4,678,369</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**FINANCIAL CONDITION  
FULTON COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL COMPARISON  
(NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property taxes	\$ 1,385,409	\$ 1,506,468	\$ 1,508,326	\$ 1,858
Sales taxes	3,200,000	3,486,324	3,918,595	432,271
Charges for services	1,364,405	1,493,027	1,625,362	132,335
Licenses and permits	4,171	4,171	4,394	223
Fines and forfeitures	447,424	447,424	409,713	(37,711)
Intergovernmental	2,239,901	1,377,057	1,371,361	(5,696)
Investment income	600,000	956,320	806,176	(150,144)
Rental income	20,000	20,000	20,103	103
Other	364,937	366,597	641,039	274,442
<i>Total revenues</i>	<u>9,626,247</u>	<u>9,657,388</u>	<u>10,305,069</u>	<u>647,681</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive	3,652,018	3,721,310	3,272,770	448,540
Judicial	1,770,857	1,791,254	1,677,593	113,661
Public safety	2,614,647	2,592,958	2,531,456	61,502
Public works	125,357	125,357	125,355	2
Health	97,422	97,422	68,092	29,330
Human services	723,442	673,167	505,034	168,133
Other	1,398,400	1,136,421	1,018,826	117,595
Intergovernmental pass through	835,146	812,850	829,936	(17,086)
<i>Total expenditures</i>	<u>11,217,289</u>	<u>10,950,739</u>	<u>10,029,062</u>	<u>921,677</u>
<i>Excess of revenues over/(under) expenditures</i>	<u>(1,591,042)</u>	<u>(1,293,351)</u>	<u>276,007</u>	<u>1,569,358</u>
<b>Other financing sources (uses):</b>				
Transfers in	108,150	96,965	330,308	233,343
Transfers out	-	(838,252)	(838,252)	-
Advances in	-	-	174,481	174,481
Advances out	-	(211,179)	(211,179)	-
<i>Total other financing sources (uses)</i>	<u>108,150</u>	<u>(952,466)</u>	<u>(544,642)</u>	<u>407,824</u>
<i>Net change in fund balance</i>	<u>(1,482,892)</u>	<u>(2,245,817)</u>	<u>(268,635)</u>	<u>1,977,182</u>
<i>Fund balance at beginning of year (restated)</i>	2,720,741	2,720,741	2,720,741	-
Prior year encumbrances appropriated	162,133	162,133	162,133	-
<i>Fund balance at end of year</i>	<u>\$ 1,399,982</u>	<u>\$ 637,057</u>	<u>\$ 2,614,239</u>	<u>\$ 1,977,182</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
FULTON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL COMPARISON  
(NON-GAAP BUDGETARY BASIS)  
MOTOR VEHICLE AND GAS TAX  
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Sales taxes	\$ 480,306	\$ 480,306	\$ 510,771	\$ 30,465
Charges for services	135,540	135,540	153,915	18,375
Fines and forfeitures	78,282	78,283	80,750	2,467
Intergovernmental	2,859,474	2,852,379	3,221,877	369,498
Investment income	-	-	29,587	29,587
Other	92,759	3,975	303	(3,672)
<i>Total revenues</i>	<u>3,646,361</u>	<u>3,550,483</u>	<u>3,997,203</u>	<u>446,720</u>
<b>Expenditures:</b>				
Current:				
Public works	5,193,234	5,193,234	4,480,044	713,190
<i>Total expenditures</i>	<u>5,193,234</u>	<u>5,193,234</u>	<u>4,480,044</u>	<u>713,190</u>
<i>Excess of revenues over (under) expenditures</i>	<u>(1,546,873)</u>	<u>(1,642,751)</u>	<u>(482,841)</u>	<u>1,159,910</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	333,176	333,176
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>333,176</u>	<u>333,176</u>
<i>Net change in fund balance</i>	(1,546,873)	(1,642,751)	(149,665)	1,493,086
<i>Fund balance at beginning of year</i>	2,134,470	2,134,470	2,134,470	-
<i>Prior year encumbrances appropriated</i>	156,105	156,105	156,105	-
<i>Fund balance at end of year</i>	<u>\$ 743,702</u>	<u>\$ 647,824</u>	<u>\$ 2,140,910</u>	<u>\$ 1,493,086</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
FULTON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL COMPARISON  
(NON-GAAP BUDGETARY BASIS)  
COUNTY BOARD OF DEVELOPMENTAL DISABILITIES (DD)  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 2,273,826	\$ 2,331,636	\$ 2,300,880	\$ (30,756)
Charges for services	212,000	330,673	185,003	(145,670)
Intergovernmental	585,000	803,550	976,980	173,430
Other	51,000	55,334	77,480	22,146
<i>Total revenues</i>	3,121,826	3,521,193	3,540,343	19,150
 <b>Expenditures:</b>				
Current:				
Human services	3,737,616	3,824,027	3,426,291	397,736
<i>Total expenditures</i>	3,737,616	3,824,027	3,426,291	397,736
<i>Excess of revenues over (under) expenditures</i>	(615,790)	(302,834)	114,052	416,886
 <b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	-	-	94,628	94,628
Transfers in	-	-	6,590	6,590
Transfers out	-	(6,590)	(6,590)	-
<i>Total other financing sources (uses)</i>	-	(6,590)	94,628	101,218
<i>Net change in fund balance</i>	(615,790)	(309,424)	208,680	518,104
<i>Fund balance at beginning of year</i>	426,114	426,114	426,114	-
<i>Prior year encumbrances appropriated</i>	78,138	78,138	78,138	-
<i>Fund balance at end of year</i>	\$ (111,538)	\$ 194,828	\$ 712,932	\$ 518,104

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
FULTON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL COMPARISON  
(NON-GAAP BUDGETARY BASIS)  
PUBLIC ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Intergovernmental	\$ 1,932,984	\$ 2,868,729	\$ 2,992,896	\$ 124,167
Other	235,912	235,912	188,792	(47,120)
<i>Total revenues</i>	2,168,896	3,104,641	3,181,688	77,047
<b>Expenditures:</b>				
Current:				
Human services	4,083,446	3,901,639	3,643,600	258,039
<i>Total expenditures</i>	4,083,446	3,901,639	3,643,600	258,039
<i>Excess of revenues over (under) expenditures</i>	(1,914,550)	(796,998)	(461,912)	335,086
<b>Other financing sources (uses):</b>				
Transfers in	32,647	32,647	-	(32,647)
Transfers out	(2,000)	-	-	-
<i>Total other financing sources (uses)</i>	30,647	32,647	-	(32,647)
<i>Net change in fund balance</i>	(1,883,903)	(764,351)	(461,912)	302,439
<i>Fund balance at beginning of year</i>	338,299	338,299	338,299	-
<i>Prior year encumbrances appropriated</i>	429,909	429,909	429,909	-
<i>Fund balance at end of year</i>	\$ (1,115,695)	\$ 3,857	\$ 306,296	\$ 302,439

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
FULTON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL COMPARISON  
(NON-GAAP BUDGETARY BASIS)  
EMS ADVANCED AND BASIC LIFE SERVICES  
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property and other taxes	\$ -	\$ 1,417,387	\$ 1,375,457	\$ (41,930)
Charges for services	-	-	569,717	569,717
Intergovernmental	-	147,469	144,459	(3,010)
Other	-	-	42,868	42,868
<i>Total revenues</i>	<u>-</u>	<u>1,564,856</u>	<u>2,132,501</u>	<u>567,645</u>
<b>Expenditures:</b>				
Current:				
Public safety	<u>1,625,929</u>	<u>1,800,234</u>	<u>1,795,089</u>	<u>5,145</u>
<i>Total expenditures</i>	<u>1,625,929</u>	<u>1,800,234</u>	<u>1,795,089</u>	<u>5,145</u>
<i>Net change in fund balance</i>	(1,625,929)	(235,378)	337,412	572,790
<i>Fund balance at beginning of year</i>	174,731	174,731	174,731	-
<i>Prior year encumbrances appropriated</i>	<u>86,651</u>	<u>86,651</u>	<u>86,651</u>	<u>-</u>
<i>Fund balance at end of year</i>	<u>\$ (1,364,547)</u>	<u>\$ 26,004</u>	<u>\$ 598,794</u>	<u>\$ 572,790</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
FULTON COUNTY**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2003**

	Business-type Activities Enterprise Funds	
	Water	Sewer
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 918,920	\$ 414,115
Cash with fiscal and escrow agents	11,148	11,148
Receivables (net of allowance for uncollectibles):		
Accounts	107,540	159
Special assessments	293,470	625,879
Due from other funds		
Due from other governments	6,538	1,044
Prepayments	-	-
<i>Total current assets</i>	1,337,616	1,052,345
Noncurrent assets:		
Capital assets:		
Depreciable capital assets, net	16,144,754	5,038,195
<i>Total assets</i>	17,482,370	6,090,540
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	617	2,424
Accrued wages and benefits	3,171	3,171
Compensated absences	1,732	1,732
Advances from other funds	24,043	24,043
Due to other governments	105,844	2,046
Accrued interest payable	4,105	7,184
Current portion of loan payable	11,125	-
Current portion of special assessment bonds payable	20,000	20,000
Current portion of OWDA loans payable	788,998	95,400
Bond anticipation notes	-	140,000
<i>Total current liabilities</i>	959,635	296,000
Long-term liabilities:		
Compensated absences	1,166	1,166
Loan payable	300,864	-
Special assessment bonds payable	200,000	405,000
OWDA loans payable	7,575,986	1,149,129
<i>Total long-term liabilities</i>	8,078,016	1,555,295
<i>Total liabilities</i>	9,037,651	1,851,295
<b>Net assets:</b>		
Invested in capital assets	8,300,103	3,368,666
Unrestricted	144,616	870,579
<i>Total net assets</i>	\$ 8,444,719	\$ 4,239,245

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Business-type Activities Enterprise Funds		Governmental Activities - Internal Service Fund
Nonmajor Fund	Total	
\$ 42,870	\$ 1,375,905	\$ 4,135
-	22,296	-
526	108,225	-
-	919,349	-
-	-	-
-	7,582	-
1,875	1,875	388
<u>45,271</u>	<u>2,435,232</u>	<u>4,523</u>
42,397	21,225,346	11,710
<u>87,668</u>	<u>23,660,578</u>	<u>16,233</u>
6,595	9,636	-
2,380	8,722	2,274
4,174	7,638	-
-	48,086	-
973	108,863	1,145
-	11,289	-
-	11,125	-
-	40,000	-
-	884,398	-
-	140,000	-
<u>14,122</u>	<u>1,269,757</u>	<u>3,419</u>
3,048	5,380	9,829
-	300,864	-
-	605,000	-
-	8,725,115	-
<u>3,048</u>	<u>9,636,359</u>	<u>9,829</u>
<u>17,170</u>	<u>10,906,116</u>	<u>13,248</u>
42,397	11,711,166	-
28,101	1,043,296	2,985
<u>\$ 70,498</u>	<u>\$ 12,754,462</u>	<u>\$ 2,985</u>

**FINANCIAL CONDITION  
FULTON COUNTY**

STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Business-type Activities Enterprise Funds	
	Water	Sewer
<b>Operating revenues:</b>		
Charges for services	\$ 1,324,425	\$ 218,884
Tap-in fees	5,638	5,638
Other	<u>7</u>	<u>7</u>
<i>Total operating revenues</i>	<u>1,330,070</u>	<u>224,529</u>
<b>Operating expenses:</b>		
Personal services	88,017	88,015
Contract services	942,007	100,716
Materials and supplies	1,733	2,566
Depreciation	372,191	128,282
Administrative costs	1,701	1,288
Other	<u>3,382</u>	<u>10,734</u>
<i>Total operating expenses</i>	<u>1,409,031</u>	<u>331,601</u>
<i>Operating loss</i>	<u>(78,961)</u>	<u>(107,072)</u>
<b>Nonoperating revenues (expenses):</b>		
Interest expense and fiscal charges	<u>(410,021)</u>	<u>(69,235)</u>
<i>Total nonoperating revenues (expenses)</i>	<u>(410,021)</u>	<u>(69,235)</u>
<i>Loss before capital contributions and transfers</i>	(488,982)	(176,307)
Capital contributions	2,025,947	136,282
Transfers in	<u>23,754</u>	<u>23,754</u>
<i>Change in net assets</i>	1,560,719	(16,271)
<i>Net assets at beginning of year (restated)</i>	<u>6,884,000</u>	<u>4,255,516</u>
<i>Net assets at end of year</i>	<u>\$ 8,444,719</u>	<u>\$ 4,239,245</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



Business-type Activities Enterprise Funds		Governmental Activities -
Nonmajor Fund	Total	Internal Service Fund
\$ 106,788	\$ 1,650,097	\$ 684
-	11,276	-
-	14	72,500
<u>106,788</u>	<u>1,661,387</u>	<u>73,184</u>
54,230	230,262	65,683
87,549	1,130,272	-
231	4,530	3,566
2,697	503,170	4,299
-	2,989	160
244	14,360	5
<u>144,951</u>	<u>1,885,583</u>	<u>73,713</u>
<u>(38,163)</u>	<u>(224,196)</u>	<u>(529)</u>
-	(479,256)	-
-	(479,256)	-
(38,163)	(703,452)	(529)
-	2,162,229	-
<u>61,769</u>	<u>109,277</u>	-
23,606	1,568,054	(529)
<u>46,892</u>	<u>11,186,408</u>	<u>3,514</u>
<u>\$ 70,498</u>	<u>\$ 12,754,462</u>	<u>\$ 2,985</u>

**FINANCIAL CONDITION  
FULTON COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Business-type Activities Enterprise Funds	
	Water	Sewer
<b>Cash flows from operating activities:</b>		
Cash received from sales/service charges	\$ 1,352,069	\$ 268,057
Cash received from tap-in fees	5,638	5,638
Cash received from other operating revenue	831	831
Cash payments for personal services	(87,320)	(87,320)
Cash payments for contract services	(938,577)	(107,363)
Cash payments for materials and supplies	(1,733)	(2,566)
Cash payments for administrative costs	(1,701)	(1,288)
Cash payments for other expenses	(9,825)	(9,111)
<i>Net cash provided by (used in) operating activities</i>	319,382	66,878
<b>Cash flows from noncapital financing activities:</b>		
Repayments of interfund loans	(29,035)	(69,350)
Transfers in	23,754	23,754
<i>Net cash provided by (used in) noncapital financing activities</i>	(5,281)	(45,596)
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	(1,062,527)	-
Capital contributions	2,025,947	136,282
Principal retirement on bonds	(758,389)	(20,000)
Principal retirement on loans	(20,000)	(91,659)
Proceeds of loans	121,209	19,076
Proceeds of notes	-	140,000
Interest and fiscal charges	(409,104)	(67,553)
<i>Net cash provided by (used in) capital and related financing activities</i>	(102,864)	116,146
<i>Net increase in cash and cash equivalents</i>	211,237	137,428
<i>Cash and cash equivalents at beginning of year</i>	718,831	287,835
<i>Cash and cash equivalents at end of year</i>	\$ 930,068	\$ 425,263

Business-type Activities Enterprise Funds		Governmental Activities - Internal Service
Nonmajor Fund	Total	
\$ 107,126	\$ 1,727,252	\$ 684
-	11,276	-
-	1,662	72,500
(53,892)	(228,532)	(61,404)
(84,902)	(1,130,842)	-
(231)	(4,530)	(3,954)
-	(2,989)	(160)
(2,119)	(21,055)	(5)
<u>(34,018)</u>	<u>352,242</u>	<u>7,661</u>
-	(98,385)	-
61,769	109,277	-
<u>61,769</u>	<u>10,892</u>	<u>-</u>
-	(1,062,527)	(7,016)
-	2,162,229	-
-	(778,389)	-
-	(111,659)	-
-	140,285	-
-	140,000	-
-	(476,657)	-
-	13,282	(7,016)
27,751	376,416	645
15,119	1,021,785	3,490
<u>\$ 42,870</u>	<u>\$ 1,398,201</u>	<u>\$ 4,135</u>

(Continued)

**FINANCIAL CONDITION  
FULTON COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

	Business-type Activities Enterprise Funds	
	Water	Sewer
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities:</b>		
Operating loss	\$ (78,961)	\$ (107,072)
Adjustments:		
Depreciation	372,191	128,282
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,648)	8,111
Increase in due from other governments	(2,964)	(1,044)
Decrease in special assessments receivable	33,080	42,930
(Increase) decrease in prepayments	703	-
Increase (decrease) in accounts payable	(9,038)	(5,209)
Increase in accrued wages and benefits	742	742
Increase (decrease) in due to other governments	4,380	(759)
Increase in compensated absences payable	897	897
<i>Net cash provided by (used in) operating activities</i>	\$ 319,382	\$ 66,878

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Business-type Activities Enterprise Funds		Governmental Activities - Internal Service
Nonmajor Fund	Total	
\$ (38,163)	\$ (224,196)	\$ (529)
2,697	503,170	4,299
338	6,801	-
-	(4,008)	-
-	76,010	-
(1,875)	(1,172)	(388)
2,647	(11,600)	-
219	1,703	2,274
(704)	2,917	1,145
823	2,617	860
<u>\$ (34,018)</u>	<u>\$ 352,242</u>	<u>\$ 7,661</u>

**FINANCIAL CONDITION  
FULTON COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
DECEMBER 31, 2003

	Agency
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 4,539,113
Cash with fiscal and escrow agents	481,031
Receivables:	
Real estate and other taxes	35,956,059
Accounts	12,128
Due from other governments	2,792,152
Special assessments	5,220,688
Deferred assessments receivable	1,287,664
<i>Total assets</i>	\$ 50,288,835
 <b>Liabilities:</b>	
Accounts payable	\$ 1,582
Deposits held and due to others	47,037,714
Due to other governments	1,961,875
Deferred loan payments	1,287,664
Total liabilities	\$ 50,288,835

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**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 basic financial statements (BFS) 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 governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The County has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The County has elected not to apply these FASB Statements and Interpretations.

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 basic financial statements include all funds, agencies, boards, commissions, and component units for which the 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 basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of the 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.

## **FINANCIAL CONDITION FULTON COUNTY**

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003 (Continued)

Based on the foregoing criteria, the financial activities of the following PCUs have been reflected in the accompanying basic financial statements as:

#### 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 BFS, 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 Conversation 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 Community Development Block 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



**FINANCIAL CONDITION  
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)

and a per capita amount from each county. In 2003, the County paid per capita charges of \$68,733 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 2003 were \$991,171. 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"). 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.

**FINANCIAL CONDITION  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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 Developmental Disabilities (County Boards of DD). This board in conjunction with the County Boards of DD assesses the need of the adult 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, 2003 the County remitted \$247,205 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 landfilling. 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.

**FINANCIAL CONDITION  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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 2003. 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 CIC's duties are to advance, encourage, and promote the industrial, economic, commercial, and civic development of the County of Fulton and the surrounding territory.

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 \$221,616 to NWOJDD in 2003.

Four County Board of Alcohol, Drug Addiction, and Mental Health Services - The Four County Board of Alcohol, Drug Addiction, and Mental Health Services (the 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.

## FINANCIAL CONDITION FULTON COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003 (Continued)

The Four County 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 areas. 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**

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County’s governmental activities and for the single business-type activity of the County. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The policy of the County is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment

**FINANCIAL CONDITION  
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)

or governmental function is self-financing or draws from the general revenues of the County.

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

**C. Fund Accounting**

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

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

General Fund - The general fund is used to account for all activities of the County not required to be included in another fund. The general fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Motor Vehicle and Gas Tax - This fund accounts for revenues derived from motor vehicle licenses, and gasoline taxes. Expenditures are restricted by State law to County road and bridge repair and maintenance programs.

County Board of Developmental Disabilities (DD) - This fund accounts for the operation of a school and the costs of administering a workshop for the mentally retarded and developmentally disabled. Revenue sources include a countywide property tax levy and federal and state grants.

**FINANCIAL CONDITION  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

Public Assistance - This fund accounts for various federal and state grants, as well as transfer from the general fund used to provide public assistance to general relief recipients, pay their providers for medical assistance, and for certain public social services.

EMS Advanced and Basic Life Services - This fund accounts for a tax levy, charges for services and cost of services related to the emergency medical services provided by the County.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

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

Sewer - This fund accounts for sanitary sewer services provided to individual and commercial users in the majority of the unincorporated areas of the County. The costs of providing these services are financed primarily through user charges.

Water - This fund accounts for revenues and expenses associated with water services provided from the County to individual and commercial users.

Internal Service Fund - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund accounts for geographic information systems services provided to various departments of the County.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's only fiduciary funds are agency funds.

**FINANCIAL CONDITION  
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)

**D. Measurement Focus**

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the County are included on the statement of net assets.

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

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

Agency funds do not report a measurement focus as they do not report operations.

**E. Basis of Accounting**

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

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the full accrual basis when the exchange takes place. On a modified

**FINANCIAL CONDITION  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

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.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements, and donations. On a full accrual basis, revenue from sales taxes is recognized in the period in which the income is earned. 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 all other non-exchange 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), fees, and rentals.

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, 2003, but which were levied to finance 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met also are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expense/Expenditures - On the full accrual basis of accounting, expenses are recognized at the time they are incurred.



**FINANCIAL CONDITION  
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)

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

**F. Budgetary Data**

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

All funds, other than agency funds and the OWDA debt service fund, are required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the County Commissioners.

Tax Budget - A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted. The expressed purpose of the Tax Budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official Certificate of Estimated Resources, which states the projected revenue of each fund.

On or about January 1, the Certificate of Estimated Resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the final amended certificate issued during 2003.

**FINANCIAL CONDITION  
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)

Appropriations - A temporary appropriation resolution to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual Appropriation Resolution must be passed by April 1 of each year for the period January 1 to December 31. The Appropriation Resolution may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The County legally adopted several supplemental appropriations during the year. The original budget and all budgetary amendments and supplemental appropriations necessary during 2003 are included in the final budget amounts in the budget-to-actual comparisons.

Lapsing of Appropriations - At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not reappropriated.

**G. 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 in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2003, investments were limited to federal agency securities, nonnegotiable certificates of deposit, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

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 2003. 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 Securities Exchange Commission (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, 2003.

**FINANCIAL CONDITION  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$523,617 which includes \$443,846 assigned from other County funds.

The County has segregated bank accounts for monies held separately from the County's central bank account. These interest-bearing depository accounts are presented on the basic financial statements as "Cash in Segregated Accounts" since they are not required to be deposited into the County treasury.

For presentation on the basic financial statements, 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.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

**H. Inventories of Materials and Supplies**

On the government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

**I. Capital Assets**

Governmental capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their

**FINANCIAL CONDITION  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

fair market values as of the date received. The County maintains a capitalization threshold of \$2,500. The County's infrastructure consists of roads, bridges, culverts, and sanitary sewers. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated except for land and construction in process. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacements. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	10 - 20 years	-
Buildings and improvements	20 - 40 years	20 - 40 years
Machinery and equipment	5 - 20 years	5 - 20 years
Vehicles	8 - 20 years	5 years
Sewer lines/Water lines	-	50 years
Infrastructure	20 - 50 years	20 - 50 years

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The County's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period.

Capitalized interest is amortized on the straight-line method over the estimated useful life of the asset. For 2003, the net interest expense incurred on proprietary fund construction projects was not material.

**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

**FINANCIAL CONDITION  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

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 December 31, 2003, 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 December 31, 2003, 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 are 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.

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the accounts "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**K. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**FINANCIAL CONDITION  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**L. Accrued Liabilities and Long-term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability in the fund financial statements when due.

**M. Interfund Transactions**

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

During the normal course of operations, the County has numerous transactions between funds. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended and are recorded as other financing sources (uses) in governmental funds and as transfers in proprietary funds. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the County are treated similarly when involving other funds of the County.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable/interfund payable" for the current portion of interfund loans or advances to/from other funds for the non-current portion of interfund loans. All other outstanding balances outstanding between funds are reported as "due to/from other funds." These amounts are eliminated in the Statement of Net Assets, except for any residual balances outstanding between the governmental activities and business-type activities, which are reported in the government-wide financial statements as "internal balances".

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Advances between funds, as reported in the governmental fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

**N. Fund Balance Reserves and Designations**

Reserved or designated fund balances indicate that a portion of fund equity is not available for current appropriation or use. The unreserved or undesignated 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 encumbrances outstanding, prepayments, materials and supplies inventories, advances, loans receivable and unclaimed monies 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.

**O. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary funds. For the County, these revenues are charges for services for the water, sewer, sanitary sewer incinerator, and geographic information systems programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

**P. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

**Q. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**R. Estimates**

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

**3. ACCOUNTABILITY AND CHANGE IN ACCOUNTING PRINCIPLES**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2003, the County has implemented GASB Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*", GASB Statement No. 37, "*Basic Financial Statements for State and Local Governments: Omnibus*", GASB Statement No. 38, "*Certain Financial Statement Note Disclosures*", and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*". At January 1, 2003, there was no effect on fund balance as a result of implementing GASB Statement Nos. 37 and 38.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes, and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 34 creates new basic financial statements for reporting on the County's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.



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The government-wide financial statements split the County's programs between business-type and governmental activities. Except for the fund reclassifications and restatement of fund balance explained in this note, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 2002, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain governmental funds have been reclassified to properly reflect their intended purpose in accordance with the standards of GASB Statement No. 34. Certain funds previously reported as internal service funds, expendable trust funds and agency funds are now reported in the general fund, special revenue funds and capital projects funds. It was also determined that GASB Interpretation No. 6 and GASB Statements No. 33 and No. 36 had an effect on fund balance as previously reported at December 31, 2002. A prior period adjustment has also been presented for delinquent tax revenue previously included in revenue.

In 2003, the County determined that the County Board of Developmental Disabilities fund should be reported as a special revenue fund of the County rather than a discretely presented component unit at December 31, 2002.

The fund reclassifications and the implementation of GASB Interpretation No. 6 and GASB Statements No. 33 and No. 36 had the following effect on the County's governmental fund balances as previously reported follows:

	General	Motor Vehicle and Gas Tax	Public Assistance	DD	EMS A & BLS	Nonmajor	Total
Fund balance							
December 31, 2002	\$ 4,393,151	\$ 2,607,178	\$ 603,965	\$ -	\$ 202,836	\$ 6,343,117	\$ 14,150,247
Fund reclassifications	88,571	-	-	428,628	-	40,962	558,161
GASB interpretation							
No. 6 adjustments	38,992	5,778	10,438	-	-	9,465	64,673
Delinquent tax adjustment	(4,522)	-	-	(6,893)	(4,120)	(3,678)	(19,213)
GASB Statements No. 33 and No. 36 adjustments	100,280	-	-	152,313	91,091	84,343	428,027
Adjusted fund balance, December 31, 2002	<u>\$ 4,616,472</u>	<u>\$ 2,612,956</u>	<u>\$ 614,403</u>	<u>\$ 574,048</u>	<u>\$ 289,807</u>	<u>\$ 6,474,209</u>	<u>\$ 15,181,895</u>

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The transition from governmental fund balance to net assets of the governmental activities is also presented.

Adjusted fund balance, December 31, 2002	\$ 15,181,895
GASB Statement No. 34 adjustments:	
Capital assets	19,544,145
Internal service fund	3,514
Long-term liabilities	(3,466,570)
Long-term (deferred assets)	3,260,196
Governmental activities net assets, December 31, 2002	\$ 34,523,180

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund - The general fund unencumbered fund balance at the beginning of the year has been restated from \$2,596,389 to \$2,720,741 due to fund reclassifications to properly reflect their intended purpose in accordance with GASB Statement No. 34.

Business-Type Activities - Restatement of Fund Equity - The capital assets of the business-type activities have been restated at December 31, 2002, due to errors and omissions in the prior years.

The adjustment in capital assets had the following effect on fund balance of the business-type activities as previously reported:

	Water	Sewer	Other Nonmajor	Total
Fund equity as previously reported	\$ 6,474,426	\$ 2,737,035	\$ 1,798	\$ 9,213,259
Adjustment for capital assets	409,574	1,518,481	45,094	1,973,149
Restated net assets as of January 1, 2002	\$ 6,884,000	\$ 4,255,516	\$ 46,892	\$ 11,186,408

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**B. Deficit Fund Balances**

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
Ditch	\$ 276,325
Landfill	145,211

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**4. EQUITY IN POOLED CASH AND INVESTMENTS**

**Primary Government**

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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 or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's Investment Pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five 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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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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 year-end, the carrying amount of the County’s deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$11,632,891 and the bank balance, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$12,445,282. Of the bank balance:

1. \$1,253,199 was covered by federal depository insurance, covered by collateral held in the pledging bank’s trust department in the County’s name, or surety company bonds deposited with the County; and
2. \$11,192,083 was uninsured and uncollateralized. 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 custodial credit 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	\$ 6,977,112	\$ 6,977,112
Investment in STAR Ohio		3,019,044
Total investments		\$ 9,996,156

The federal agency securities have maturity dates ranging from January 2004 to November 2005.

The classification of cash and cash equivalents on the basic financial statements is based on criteria set forth in GASB Statement No. 9, “*Reporting Cash Flows of Proprietary and*

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*Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.”*

A reconciliation between the classifications of cash and cash equivalents on the basic 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	\$ 21,629,047	\$ -
Investments of the cash management pool:		
Federal agency securities	(6,977,112)	6,977,112
Investment in STAR Ohio	(3,019,044)	3,019,044
GASB Statement No. 3	\$ 11,632,891	\$ 9,996,156

**5. INTERFUND TRANSACTIONS**

**A.** Interfund transfers for the year ended December 31, 2003, consisted of the following, as reported on the fund financial statements:

Transfers to General Fund from:	
Nonmajor Governmental Funds	\$ 236,808
Transfers to Motor Vehicle and Gas Tax :	
Nonmajor Governmental Funds	333,176
Transfers to Nonmajor Governmental Funds from:	
General Fund	635,474
Nonmajor Governmental Fund	51,659
Total Transfers to Nonmajor Governmental Funds	687,133

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Transfers to Water Fund from:	
General Fund	23,754
Transfers to Sewer Fund from:	
General Fund	23,754
Transfers to Nonmajor Enterprise Fund from:	
General Fund	<u>61,769</u>
Total Transfers	<u>\$ 1,366,394</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

- B.** Short-term interfund loans consisted of the following at December 31, 2003, as reported on the fund financial statements:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental funds	<u>\$ 211,179</u>

This interfund balance will be repaid in the next fiscal year as resources become available.

- C.** Long-term advances to and from other funds at December 31, 2003, as reported on the fund financial statements:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 325,579
General	Water fund	24,043
General	Sewer fund	<u>24,043</u>
Total long-term advances		<u>\$ 373,665</u>

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The balance in the general fund represents amounts due from other funds that are not expected to be repaid within the next fiscal year.

- D.** Due from/to other funds consisted of the following at December 31, 2003, as reported on the fund financial statements:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental funds	\$ 798
	Public Assistance	<u>10,045</u>
	Total due to General Fund	10,843
Public Assistance	Nonmajor governmental funds	124,130
Nonmajor Governmental Funds	Public Assistance	3,347
Nonmajor Governmental Funds	DD	<u>2,357</u>
Total due to/from other funds		<u><u>\$ 140,677</u></u>

The balances resulted from the time lag between the dates that payments between the funds are made.

**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 percent of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 88 percent of true value for taxable transmission and distribution property and 25 percent 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 percent of true value. The assessed value upon which the 2003 taxes were collected was \$858,715,090. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2003, was \$9.65 per \$1,000 of assessed valuation.

The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Real Property:	
Agricultural	\$ 91,842,160
Residential	467,356,040
Commercial/Industrial/Mineral	119,644,370
Tangible Personal Property	129,456,090
Public Utility:	
Real	386,530
Personal	<u>44,523,980</u>
Total Assessed Value	<u>\$ 853,209,170</u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due March 1. If paid semi-annually, the first payment is due March 1 and the remainder payable July 15. 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 May 10 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 estate and other taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of December 31 real and public utility taxes which were measurable as of the year end.

Since the current levy is not intended to finance 2003 operations, the receivable is offset by a credit to "deferred revenue". The delinquent real, public utility, and tangible

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personal property taxes that will become available to the County within the first 60 days of 2004 are shown as 2003 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 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 percent to provide a total tax of 1.0 percent. 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 funds 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 2003 operations. Sales tax revenue for 2003 amounted to \$4,470,035.

**8. RECEIVABLES**

Receivables at December 31, 2003, consisted of taxes, accounts (billings for user charged services), interfund transactions, interest, and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "Due from Other Governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2003, as well as intended to finance fiscal 2003 operations.

A summary of the principal items of receivables reported on the statement of net assets follows:

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Governmental Activities:	
Sales taxes	\$ 643,822
Real estate and other taxes	7,504,472
Accounts	317,280
Due from other governments	5,617,191
Special assessments	560,237
Accrued interest	126,885
Internal balances	48,086
Business-Type Activities:	
Accounts	108,225
Due from other governments	7,582
Special assessments	919,349

Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

**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 2003 is as follows:

	Balance at 12/31/02	Issued	Received	Balance at 12/31/03
Revolving Loans	<u>\$ 477,498</u>	<u>\$ 7,500</u>	<u>\$ (59,747)</u>	<u>\$ 425,251</u>

The loans are reported in the special revenue funds. Fund balance has been reserved for the outstanding balance due at year-end.

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**10. CAPITAL ASSETS**

- A.** The beginning capital asset balances of the governmental activities have been restated as of December 31, 2002, to include accumulated depreciation and to correct errors in capital asset amounts previously reported.

	Balance		Restated
	12/31/02	Adjustments	Balance
	<u>12/31/02</u>	<u>Adjustments</u>	<u>12/31/02</u>
<b>Governmental Activities:</b>			
Land	\$ 595,629	\$ 215,078	\$ 810,707
Construction-in-progress	12,871	-	12,871
Land improvements	1,707,900	(173,483)	1,534,417
Buildings and improvements	17,114,611	280,671	17,395,282
Equipment	2,762,243	49,797	2,812,040
Vehicles	3,531,052	269,603	3,800,655
	<u>25,724,306</u>	<u>641,666</u>	<u>26,365,972</u>
Less: accumulated depreciation	<u>-</u>	<u>(6,812,834)</u>	<u>(6,812,834)</u>
Total	<u>\$ 25,724,306</u>	<u>\$ (6,171,168)</u>	<u>\$ 19,553,138</u>
 <b>Business-Type Activities:</b>			
Construction-in-progress	\$ 477,273	\$ -	\$ 477,273
Buildings and improvements	29,604	39,812	69,416
Machinery and equipment	34,506	(20,089)	14,417
Vehicles	20,989	-	20,989
Sewer lines/Water lines	20,741,579	3,512,171	24,253,750
	<u>21,303,951</u>	<u>3,531,894</u>	<u>24,835,845</u>
Less: accumulated depreciation	<u>(2,611,111)</u>	<u>(1,558,745)</u>	<u>(4,169,856)</u>
Total	<u>\$ 18,692,840</u>	<u>\$ 1,973,149</u>	<u>\$ 20,665,989</u>

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**B. Capital asset activity for the fiscal year ended December 31, 2003, was as follows:**

	Restated Balance <u>12/31/02</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/03</u>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 810,707	\$ 65,930	\$ (7,325)	\$ 869,312
Construction in progress	<u>12,871</u>	<u>37,357</u>	<u>(12,530)</u>	<u>37,698</u>
Total capital assets, not being depreciated	<u>823,578</u>	<u>103,287</u>	<u>(19,855)</u>	<u>907,010</u>
 <i>Capital assets, being depreciated:</i>				
Land improvements	1,534,417	28,310	-	1,562,727
Building and improvements	17,395,282	359,350	(41,542)	17,713,090
Equipment	2,812,040	364,252	(62,147)	3,114,145
Vehicles	3,800,655	144,289	(90,439)	3,854,505
Infrastructure	<u>-</u>	<u>1,618,460</u>	<u>-</u>	<u>1,618,460</u>
Total capital assets, being depreciated	<u>25,542,394</u>	<u>2,514,661</u>	<u>(194,128)</u>	<u>27,862,927</u>
 <i>Less: accumulated depreciation</i>				
Land improvements	(220,175)	(71,639)	-	(291,814)
Building and improvements	(3,788,432)	(508,386)	39,490	(4,257,328)
Equipment	(1,505,678)	(197,257)	49,632	(1,653,303)
Vehicles	(1,298,549)	(263,156)	90,439	(1,471,266)
Infrastructure	<u>-</u>	<u>(40,462)</u>	<u>-</u>	<u>(40,462)</u>
Total accumulated depreciation	<u>(6,812,834)</u>	<u>(1,080,900)</u>	<u>179,561</u>	<u>(7,714,173)</u>
Total capital assets being depreciated, net	<u>18,729,560</u>	<u>1,433,761</u>	<u>(14,567)</u>	<u>20,148,754</u>
Governmental activities capital assets, net	<u>\$ 19,553,138</u>	<u>\$ 1,537,048</u>	<u>\$ (34,422)</u>	<u>\$ 21,055,764</u>

Under GASB Statement No. 34, the County has elected to “phase in” the retroactive reporting of infrastructure assets. The County plans to retroactively report infrastructure capital assets in the 2004 basic financial statements. Only infrastructure capital assets acquired or constructed in 2003 are reflected in the basic financial statements for the fiscal year ended December 31, 2003.

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<b>Business-Type Activities</b>	Restated Balance 12/31/02	Additions	Deductions	Balance 12/31/03
<i>Capital assets, not being depreciated:</i>				
Construction-in-progress	\$ 477,273	\$ -	\$ (477,273)	\$ -
Total capital assets, not being depreciated	<u>477,273</u>	<u>-</u>	<u>(477,273)</u>	<u>-</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	69,416	-	-	69,416
Machinery and equipment	14,417	-	-	14,417
Vehicles	20,989	-	-	20,989
Sewer lines/Water lines	<u>24,253,750</u>	<u>1,539,800</u>	<u>-</u>	<u>25,793,550</u>
Total capital assets, being depreciated	<u>24,358,572</u>	<u>1,539,800</u>	<u>-</u>	<u>25,898,372</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(32,973)	(1,735)	-	(34,708)
Machinery and equipment	(5,766)	(962)	-	(6,728)
Vehicles	(20,989)	-	-	(20,989)
Sewer lines/Water lines	<u>(4,110,128)</u>	<u>(500,473)</u>	<u>-</u>	<u>(4,610,601)</u>
Total accumulated depreciation	<u>(4,169,856)</u>	<u>(503,170)</u>	<u>-</u>	<u>(4,673,026)</u>
Total capital assets, being depreciated net	<u>20,188,716</u>	<u>1,036,630</u>	<u>-</u>	<u>21,225,346</u>
Business-type activities capital assets, net	<u>\$ 20,665,989</u>	<u>\$ 1,036,630</u>	<u>\$ (477,273)</u>	<u>\$ 21,225,346</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

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Governmental activities:	
Legislative and executive	\$ 216,043
Judicial	72,609
Public safety	170,417
Public works	212,128
Health	119,223
Human services	180,378
Other	62,521
Economic development	1,037
Intergovernmental	<u>46,544</u>
Total depreciation expense - governmental activities	<u>\$ 1,080,900</u>

**11. CAPITAL LEASES - LESSEE DISCLOSURE**

In a prior year, the County entered into a capital lease agreement for the acquisition of computer and copier equipment. 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, a corresponding liability was recorded in the government-wide financial statements. Principal payments in 2003 totaled \$4,158 in the special revenue funds. Capital lease payments in special revenue 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.

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, 2003.

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Year Ending December 31,	Nonmajor Governmental	MRDD	Total
2004	\$ 1,420	\$ 3,078	\$ 4,498
2005	1,420	-	1,420
2006	<u>119</u>	<u>-</u>	<u>119</u>
Total future minimum lease payments	2,959	3,078	6,037
Less: amount representing interest	<u>(227)</u>	<u>(120)</u>	<u>(347)</u>
Present value of net minimum lease payments	<u>\$ 2,732</u>	<u>\$ 2,958</u>	<u>\$ 5,690</u>

**12. COMPENSATED ABSENCES**

Vacation leave is earned at rates which vary depending upon length of service and standard workweek. Current policies credit vacation leave on a pay period basis except for new employees who are required to complete one year of service prior to their accrual becoming available. Employees, per department policy, may also accrue compensatory time for hours worked in excess of regular work week. County employees are paid for earned, unused vacation leave upon termination of employment. Unused compensatory time may, depending on departmental policy, be paid at termination of service.

Upon retirement, all employees are paid their accumulated, unused sick leave per Ohio Revised Code Section 124.39(B). Each employee of the County with ten or more years of service with any Ohio local government or the State of Ohio is paid 25 percent of his or her accumulated unused sick leave, up to a maximum of 30 days upon retirement from the County.

At December 31, 2003, vested benefits for vacation leave for governmental activities employees totaled \$505,518 and vested benefits for sick leave totaled \$58,646. These amounts represent the non-current portion of the vested benefits and are reported in the government-wide financial statements. For business-type activities, vested benefits for vacation leave totaled \$7,638. These amounts represent the current and non-current portion of the vested benefits and are reported as a liability of the fund from which the employee is paid. In accordance with GASB Statement No. 16, an additional liability of \$166,285 for governmental activities employees and \$5,380 for business-type activities employees was accrued to record termination (severance) payments for employees expected to become eligible to retire in the future.



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**13. NOTES PAYABLE**

The County had the following bond anticipation notes outstanding at December 31, 2003:

	Issue Date	Balance at 01/01/03	Additions	Reductions	Balance at 12/31/03	Amount Due in One Year
<b>Governmental Activities</b>						
General Obligation Bond						
Anticipation Notes:						
Special Revenue Fund:						
DD Renovation - 5.5%	12/23/03	\$ -	\$ 400,000	\$ -	\$ 400,000	\$ 400,000
<b>Business-Type Activities</b>						
General Obligation Notes Payable:						
Enterprise Fund:						
Industrial Corridor Sewer	12/15/03	\$ -	\$ 140,000	\$ -	\$ 140,000	\$ 140,000

General Obligation Bond Anticipation Notes - 2003 Series - On December 23, 2003, the County issued \$400,000 of general obligation bonds anticipation notes bearing an annual interest rate of 5.50 percent for the purpose of renovating the DD building. The notes have a maturity date of December 24, 2004.

General Obligation Bond Anticipation Notes - Sewer Improvement - On December 15, 2003, the County issued \$140,000 of general obligation bond anticipation notes bearing an interest rate of 5.50 percent. The notes have a maturity date of December 23, 2004. The notes were issued in anticipation of the levy and collection of special assessments.

**14. LONG-TERM OBLIGATIONS**

**A. Governmental Long-Term Obligations**

The balance of the County's governmental activities long-term obligations at December 31, 2002 has been restated. The compensated absences liability increased \$156,346 from \$568,853 to \$725,199 due to fund reclassifications and the implementation of GASB Interpretation No. 6 as described in Note 3.A. The effect on the total governmental activities long-term obligations at January 1, 2003 was an increase from \$3,313,545 to \$3,475,839. During the fiscal year 2003, the following changes occurred in the County's governmental long-term obligations:

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	Issue Date	Maturity Date	Restated Balance 12/31/02	Additions	Reductions	Balance 12/31/03	Amount Due in One Year
<u>Ohio Water Development Authority Loans</u>							
Delta/Worthington Steel							
Waterlines	1996	2012	\$ 633,616	\$ -	\$ (50,657)	\$ 582,959	\$ 53,879
Sewerlines	1996	2012	539,687	-	(51,579)	488,108	52,096
Total OWDA loans			1,173,303	-	(102,236)	1,071,067	105,975
<u>Special Assessment Bonds</u>							
Elmira and Assumption waterlines	12/31/92	12/01/11	145,000	-	(10,000)	135,000	15,000
Total special assessment bonds			145,000	-	(10,000)	135,000	15,000
<u>General Obligation Notes</u>							
Fulton County							
Administration building - 3.12%	05/25/02	05/25/03	950,000	-	(950,000)	-	-
Administration building - 3.63%	05/26/03	05/26/04	-	300,140	-	300,140	300,140
Solid Waste building	01/10/03	12/01/17	-	350,000	(16,667)	333,333	17,401
Total general obligation notes			950,000	650,140	(966,667)	633,473	317,541
Total financial obligation debt			\$ 2,268,303	\$ 650,140	\$ (1,078,903)	\$ 1,839,540	\$ 438,516
<u>Other Long-Term Obligations</u>							
Landfill closure/postclosure costs			\$ 472,489	\$ 455,496	\$ (145,211)	\$ 782,774	\$ 329,909
Capital lease obligations			9,848	-	(4,158)	5,690	4,216
Compensated absences			725,199	446,467	(441,217)	730,449	407,424
Total other long-term obligations			1,207,536	901,963	(590,586)	1,518,913	741,549
Total governmental activities long-term liabilities			\$ 3,475,839	\$ 1,552,103	\$ (1,669,489)	\$ 3,358,453	\$ 1,180,065

Ohio Water Development Authority (OWDA) Loans: Note 14.C. provides detail on the OWDA loans outstanding at December 31, 2003.

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.

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.

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Capital Lease Obligation: The County has entered into capital lease obligations for the purchase of computer equipment for the County Courts and a copier for DD. Principal payments on this obligation are reported in the special revenue funds. The capital lease obligation at year-end is further described in Note 11.

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 12.

General Obligation Note: On May 25, 2001, the County issued a \$1,250,000 general obligation note for the purpose of constructing a new County administration building. This note had an annual interest rate of 3.65 percent and matured on May 24, 2002. On May 26, 2003, the County reissued this note in the amount of \$300,140. This note bears an annual interest rate of 3.63 percent and matures on May 26, 2004. 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.

Solid Waste Building Note: The County issued general obligation notes on January 10, 2003, for the purpose of acquiring and improving a facility to be used as a solid waste/recycling transfer station and acquiring equipment for operation. The notes have been issued in three series - the first series for \$91,000 has an interest rate of 4.40 percent and matures December 1, 2007; the second series for \$115,000 has an interest rate of 4.65 percent and matures on December 1, 2012; and the third series for \$144,000 has an interest rate of 4.80 percent and matures on December 1, 2017.

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

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Year Ending	Special Assessment Bonds			OWDA Loans		
	Principal on Bonds	Interest on Bonds	Total	Principal on Loans	Interest on Loans	Total
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	15,000	6,134	21,134	118,504	29,297	147,801
2008	15,000	5,122	20,122	122,084	27,273	149,357
2009-2011	60,000	8,220	68,220	500,486	51,464	551,950
Total	<u>\$ 135,000</u>	<u>\$ 43,850</u>	<u>\$ 178,850</u>	<u>\$ 1,071,067</u>	<u>\$ 221,446</u>	<u>\$ 1,292,513</u>

- B.** 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 net in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. Based on this calculation, the County's legal debt margin was \$19,518,899 as of December 31, 2003.

**C. Business-Type Activities**

The County had the following OWDA loans, special assessment bonds, and general obligation notes payable outstanding at year-end related to business-type activities:

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	Issue Date	Maturity Date	Balance 12/31/02	Additions	Reductions	Balance 12/31/03	Amount Due in One Year
<u>Ohio Water Development Authority Loan</u>							
Waterline - Lucas County/North Star Steel	1996	2012	\$ 8,974,988	\$ -	\$ (739,024)	\$ 8,235,964	\$ 769,052
Waterline - Teleflex Extension	2000	2009	148,385	-	(19,365)	129,020	19,946
Sewerline - Worthington Steel/ North Star Steel	1996	2012	1,038,256	-	(91,659)	946,597	95,400
Infrastructure - Fulton County	2002		278,856	19,076	-	297,932	-
Total OWDA Loans			10,440,485	19,076	(850,048)	9,609,513	884,398
<u>Special Assessment Bonds</u>							
Pettisville Waterline	09/01/97	12/01/14	240,000	-	(20,000)	220,000	20,000
Exit 3 Sewer Improvement	01/13/99	12/01/18	445,000	-	(20,000)	425,000	20,000
Total special assessment bonds			685,000	-	(40,000)	645,000	40,000
<u>Other Long-Term Obligations</u>							
Loan payable			190,780	121,209	-	311,989	11,125
Compensated absences			10,401	12,460	(9,843)	13,018	7,638
Total other long-term obligations			201,181	133,669	(9,843)	325,007	18,763
Total business-type activities long-term liabilities			\$ 11,326,666	\$ 152,745	\$ (899,891)	\$ 10,579,520	\$ 943,161

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. Repayment of these loans is 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.

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Semi-annually the TIF payments are made to the County and subsequently remitted to the OWDA. This loan is amortized over ten years.

Ohio Water Development Authority Loan - 2002 Issue: During 2002, the County entered into a loan agreement with the OWDA for County Infrastructure. Repayment of this loan is funded through user charges in the Sewer enterprise fund. The amount of the loan that was disbursed during 2003 was \$19,076 which is recorded as a fund liability in the Sewer enterprise fund.

Loan Payable: During 2002, Fulton County entered into an agreement with the City of Wauseon as a subrecipient of an OWDA loan to construct the Tedrow Waterline. During 2003, the City received \$121,209 in funds were disbursed to the County for payments to contractors. Repayment of this loan will be funded by user charges collected by the County.

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 future debt service requirements of the business-type special assessment bonds and OWDA loans:

Year Ended	Special Assessment Bonds			OWDA Loans		
	Principal on Bonds	Interest on Bonds	Total	Principal on Loans	Interest on Loans	Total
2004	\$ 40,000	\$ 34,080	\$ 74,080	\$ 884,398	\$ 403,455	\$ 1,287,853
2005	40,000	32,130	72,130	959,513	375,845	1,335,358
2006	40,000	30,110	70,110	998,970	336,387	1,335,357
2007	45,000	28,070	73,070	1,040,612	294,746	1,335,358
2008	45,000	25,777	70,777	1,077,924	266,986	1,344,910
2009-2013	235,000	93,201	328,201	4,648,096	546,246	5,194,342
2014-2018	200,000	30,981	230,981	-	-	-
Total	\$ 645,000	\$ 274,349	\$ 919,349	\$ 9,609,513	\$ 2,223,665	\$ 11,833,178

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Year Ended	Loans Payable		
	Principal	Interest	Total
2004	\$ 11,125	\$ 10,483	\$ 21,608
2005	11,505	10,103	21,608
2006	11,898	9,709	21,607
2007	12,305	9,303	21,608
2008	12,726	8,882	21,608
2009-2013	70,460	37,578	108,038
2014-2018	83,357	24,682	108,039
2019-2023	98,613	9,405	108,018
Total	\$ 311,989	\$ 120,145	\$ 432,134

**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.

**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 sixty 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

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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. Fulton-Henry Counties Employee Insurance Benefits Program**

The County participates in the Fulton-Henry Counties Employee Insurance Benefits Program (the "Program"), a public entity shared risk pool consisting of 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 2003, the County contributed a total of \$2,077,399 for this plan.



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**16. DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's contributions to OPERS for the years ended December 31, 2003, 2002, and 2001 were \$767,150, \$776,177, and \$704,509, respectively; 100 percent has been contributed for 2003, 2002 and 2001.

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**B. State Teachers Retirement System**

Certified teachers employed by the school for the Mentally 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 or by calling (614) 227-4090 the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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Plan members are required to contribute 9.3 percent of their annual covered salary and the County is required to contribute 14 percent; 13 percent 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 percent for members and 14 percent for employers. The County's contributions for pension obligations to STRS Ohio for the years ended December 31, 2003, 2002, and 2001 were \$25,588, \$17,910, and \$18,594, respectively; 100 percent has been contributed for the years 2003, 2002, and 2001.

**17 POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit 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 the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.70 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was 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 OPERS. The County's contribution actually made to fund postemployment benefits was \$433,906.

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. OPEBs are advance funded on an actuarially determined basis.

As of December 31, 2002 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$10.0 billion.

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FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively, at December 31, 2002 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2002 (the latest information available) was 364,881.

In December 2001, the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due, is available in the OPERS December 31, 2003, Comprehensive Annual Financial Report.

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

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

**FINANCIAL CONDITION  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

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 Stabilization Fund equal to 1 percent of covered payroll for the fiscal year ended June 30, 2003. For the County, this amount equaled \$1,968 during calendar year 2003. As of June 30, 2003, the balance in the Health Care Stabilization Fund was \$2.8 billion and eligible benefit recipients totaled 108,294 for STRS Ohio as a whole. For the fiscal year ended June 30, 2002, net health care costs paid by STRS Ohio were \$352.301 million.

**18. BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as payables (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and major special revenue funds are as follows:

**FINANCIAL CONDITION  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

	Net Change in Fund Balances				
	Governmental Fund Types				
	General	Motor Vehicle and Gas Tax	MRDD	Public Assistance	EMS A and BLS
Budget basis	\$ (268,635)	\$ (149,665)	\$ 208,680	\$ (461,912)	\$ 337,412
Net adjustment for revenue accruals	(128,908)	107,360	111,377	614,373	183,074
Net adjustment for expenditure accruals	63,228	66,981	(9,078)	(23,707)	(106,097)
Net adjustment for other financing sources/(uses) accruals	36,699	-	-	-	-
Encumbrances (budget basis)	<u>206,921</u>	<u>736,316</u>	<u>94,131</u>	<u>290,097</u>	<u>164,986</u>
GAAP basis	<u>\$ (90,695)</u>	<u>\$ 760,992</u>	<u>\$ 405,110</u>	<u>\$ 418,851</u>	<u>\$ 579,375</u>

**19. CONTINGENT LIABILITIES**

**A. Grants**

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

**B. Litigation**

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecutor, no liability is anticipated in excess of insurance coverage.

**20. LANDFILL**

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 \$782,774 as of December 31, 2003. 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, 2003. 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.

**FINANCIAL CONDITION  
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)

**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, 2003, \$13,040,000 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 21, 2004, the County retired the Administrative Building Note which had a principal balance of \$300,140 at December 31, 2003.

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**FINANCIAL CONDITION  
FULTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JANUARY 1, 2003 THROUGH DECEMBER 31, 2003**

<b>FEDERAL GRANTOR</b>	Federal		
<i>Pass-through Grantor</i>	CFDA	Award	Disburse-
Program Files	Number	Amount	ments
<b>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed through the Ohio Department of Development</i>			
Community Development Block Grants			
Formula Grants-01	14.228	\$ 179,000	\$ 61,881
Formula Grants-02	14.228	182,000	124,930
Community Housing Improvement Program (CHIP)	14.228	155,000	45,968
FY 02 Water and Sewer	14.228	500,000	<u>431,964</u>
Total Community Development Block Grants			664,743
Home Improvement programs	14.239	395,000	<u>162,262</u>
Total Department of Housing and Urban Development			<u><b>827,005</b></u>
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed through Ohio Department of Job and Family Services</i>			
Special Programs for the Aging - Title III -B	93.044	21,755	21,667
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities</i>			
CAFS/TCM Received by County	93.778		305,639
Waiver Administration	93.778		<u>1,200</u>
Total Medicaid Assistance Programs			306,839
Social Services Block Grant (Title XX)	93.667		<u>32,046</u>
Total Department of Health and Human Services			<u><b>360,552</b></u>
<b>UNITED STATES DEPARTMENT OF LABOR</b>			
<i>Passed through Ohio Department of Job and Family Services</i>			
<u>Workforce Investment Act Cluster</u>			
Workforce Investment Act - Adult	17.258		73,949
Workforce Investment Act - Adult Administration	17.258		<u>366</u>
Total Workforce Investment Act - Adult			74,315
Workforce Investment Act - Youth	17.259		101,337
Workforce Investment Act - Dislocated Worker	17.260		<u>64,838</u>
Total Department of Labor			<u><b>240,490</b></u>

(Continued)

**FINANCIAL CONDITION  
FULTON COUNTY**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JANUARY 1, 2003 THROUGH DECEMBER 31, 2003  
(Continued)

<b>FEDERAL GRANTOR</b>	Federal		
<i>Pass-through Grantor</i>	CFDA	Award	Disburse-
Program Files	Number	Amount	ments
<b>UNITED STATES DEPARTMENT OF JUSTICE</b>			
<i>Pass-through the Ohio Office of Criminal Justice Services</i>			
Police Records Management/NIBRS	16.579	37,151	33,792
<b>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Passed through Ohio Emergency Management Agency</i>			
Emergency Management Performance Grant	97.042	25,527	25,527
Pre-Disaster Mitigation Grant	97.047	5,760	4,608
State and Local All Hazards Emergency Operations Planning	97.051	27,498	22,175
Fiscal Year 2001 State Domestic Preparedness Equipment Program	97.004	45,627	4,512
Fiscal Year 2002 State Domestic Preparedness Equipment Program	97.004	65,825	49,557
Fiscal Year 2002 State Domestic Preparedness Exercise Program	97.004	12,000	4,600
<i>Pass-Through the Ohio Office of Domestic Preparedness</i>			
Fiscal Year 2003 State Homeland Security Grant Program I	97.004	87,000	58,800
Fiscal Year 2003 State Homeland Security Grant Program II	97.004	141,195	32,878
Total State Domestic Preparedness Program			<u>150,347</u>
Total Department of Homeland Security			<u><b>202,657</b></u>
<b>UNITED STATES DEPARTMENT OF TRANSPORTATION, FEDERAL AVIATION ADMINISTRATION</b>			
Fulton County Airport Project, AIR 21 Funding - 01	20.106	58,200	1,828
Fulton County Airport Project, AIR 21 Funding - 03	20.106	238,550	19,989
Total Department of Transportation, Federal Aviation Administration			<u><b>21,817</b></u>

(Continued)

**FINANCIAL CONDITION  
FULTON COUNTY**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JANUARY 1, 2003 THROUGH DECEMBER 31, 2003  
(Continued)

<b>FEDERAL GRANTOR</b>	Federal		
<i>Pass-through Grantor</i>	CFDA	Award	Disburse-
Program Files	Number	Amount	ments
<b>UNITED STATES ENVIRONMENTAL PROTECTION AGENCY</b>			
FY 2002 Special Projects Grant	66.606	679,000	<u><b>679,000</b></u>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<u><b>\$ 2,365,313</b></u>

THE ACCOMPANYING NOTES ARE A INTEGRAL PART OF THIS SCHEDULE

**FINANCIAL CONDITION  
FULTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED DECEMBER 31, 2003**

**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, 2003, the gross amount of loans outstanding under this program was \$425,251.

**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.

**NOTE D - U.S. DEPARTMENT OF HOMELAND SECURITY FEDERAL AWARDS**

The Federal Homeland Security Act of 2002 established the Department of Homeland Security (the Department) to consolidate functions of the other Federal agencies related to homeland security.

**FINANCIAL CONDITION  
FULTON COUNTY**

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED DECEMBER 31, 2003  
(Continued)

Effective January 24, 2003, the Department began to administer certain Federal awards Fulton County (the County) previously received from other Federal agencies. The accompanying Federal Awards Expenditure Schedule reports all such 2003 award amounts under the Department's Catalog of Federal Domestic Assistance (CFDA) numbers. The purposes and compliance requirement of these programs has not changed. A comparison of the former Federal agencies and CFDA numbers the County reported in its 2002 Federal Award Expenditure Schedule compared with the Department's CFDA numbers reported in the 2003 Schedule follows:

<u>Previous Federal Agency</u>	<u>CFDA Number Used for 2002</u>	<u>Homeland Security CFDA Number Used for 2003</u>
Department of Justice	16.007	97.004
Department of Emergency Management Assistance	83.552	97.004

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**Auditor of State  
Betty Montgomery**

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

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

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fulton County (the County) as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 14, 2004 in which we noted the County adopted Governmental Accounting Standards Board Statement 34 and reclassified the County Board of Mental Retardation and Development Disabilities fund. 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 tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the County's management in a separate letter dated October 14, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the

Financial Condition  
Fulton County  
Independent Accountants' Report on Compliance and on Internal  
Control Required by *Government Auditing Standards*  
Page 2

GASB 34 financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that does not require inclusion in this report that we have reported to the Fulton County's management in a separate letter dated October 14, 2004.

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.

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

**Betty Montgomery**  
Auditor of State

October 14, 2004





**Auditor of State  
Betty Montgomery**

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

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

To the Board of Commissioners:

**Compliance**

We have audited the compliance of Fulton County, Ohio (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. 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, 2003. We noted instances of noncompliance that do not require inclusion in this report that we have reported to the management of the County in a separate letter dated October 14, 2004.

### **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.

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.



**Betty Montgomery**  
Auditor of State

October 14, 2004

**FINANCIAL CONDITION  
FULTON COUNTY**

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2003

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Program's Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Workforce Investment Act (WIA) Cluster CFDA # 17.258 (Adult) CFDA # 17.259 (Youth) CFDA # 17.260 (Dislocated Worker) Community Development Block Grants CFDA # 14.238
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**FINANCIAL CONDITION  
FULTON COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

*OMB CIRCULAR A -133 § .315 (b)*

DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Not maintaining fixed assets records detailing water and sewer lines in proprietary fund.	Yes	
2002-002	Workforce Investment Act of 1998 Section 185 (e) to identify program activity in accordance with GAAP.	Yes	





**Auditor of State  
Betty Montgomery**

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800-282-0370

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## **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  
NOVEMBER 16, 2004**