



Dave Yost • Auditor of State

**FULTON COUNTY
DECEMBER 31, 2016**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	21
Statement of Activities.....	22
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	24
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	26
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	30
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)	
General Fund.....	31
Motor Vehicle and Gas Tax Fund.....	32
County Board of Development Disabilities Fund.....	33
EMS Advanced and Basic Life Services Fund.....	34
Statement of Net Position	
Proprietary Funds	35
Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds	36
Statement of Cash Flows	
Proprietary Funds.....	38
Statement of Fiduciary Assets and Liabilities	
Fiduciary Funds	40
Notes to the Basic Financial Statements.....	41

FULTON COUNTY
DECEMBER 31, 2016

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Required Supplementary Information:	
Schedule of the County's Proportionate Share of the Net Pension Liability/Net Pension Asset:	
Ohio Public Employees Retirement System (OPERS)	94
State Teachers Retirement System (STRS) of Ohio	95
Schedule of County Contributions	
Ohio Public Employees Retirement System (OPERS)	96
State Teachers Retirement System (STRS) of Ohio	98
Notes to Required Supplementary Information	100
Schedule of Expenditures of Federal Awards	101
Notes to the Schedule of Expenditures of Federal Awards	103
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	105
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	107
Schedule of Findings	109



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Fulton County
152 South Fulton Street, Suite 165
Wauseon, Ohio 43567-3310

To the Board of Commissioners:

Report on the Financial Statements

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, Ohio (the County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Motor Vehicle and Gas Tax, County Board of Developmental Disabilities, and the Emergency Medical Services Advanced and Basic Life Services funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the County's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2017, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

August 29, 2017

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FULTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED

The management's 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, 2016. 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 2016 are as follows:

- The total net position of the County decreased \$641,466. Net position of governmental activities increased \$130,736, which represents a 0.17% increase from 2015 net position. Net position of business-type activities decreased \$772,202 or 3.51% from 2015 net position.
- General revenues accounted for \$20,708,011 or 57.41% of total governmental activities revenue. Program specific revenues accounted for \$15,363,496 or 42.59% of total governmental activities revenue of \$36,071,507.
- The County had \$35,915,771 in expenses related to governmental activities; \$15,363,496 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$20,708,011 were adequate to provide for these programs.
- The general fund, the County's largest major fund, had revenues of \$13,488,870 in 2016. The expenditures and other financing uses of the general fund were \$13,501,238 in 2016. The general fund balance decreased \$12,368 from 2015 to 2016.
- The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$4,868,049 in 2016. The motor vehicle and gas tax fund had expenditures of \$4,443,345 in 2016. The motor vehicle and gas tax fund balance increased \$424,704 from 2015 to 2016.
- The county board of developmental disabilities (the "county board of DD") fund, a County major fund, had revenues and other financing sources of \$4,811,921 in 2016. The county board of DD had expenditures of \$4,209,260 in 2016. The county board of DD fund balance increased \$602,661 from 2015 to 2016.
- The emergency medical system advanced and basic ("EMS A&B") life services fund, a County major fund, had revenues of \$2,257,167 in 2016. The EMS advanced and basic life services fund had expenditures of \$3,228,715 in 2016. The EMS A&B life services fund balance decreased \$971,548 from 2015 to 2016.
- The County had two major proprietary funds. The net position for the water fund decreased in 2016 by \$618,671 or 3.78%. Net position for the sewer fund decreased in 2016 by \$108,705 or 1.96%.
- In the general fund, actual revenues and other financing sources of \$13,328,029 exceeded original budgeted revenues by \$1,969,064 and final budgeted revenues by \$1,229,064. The increase is due to the County's conservative approach to budgeting.

FULTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED - (CONTINUED)

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 position 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 four major governmental funds. The general fund is the largest major fund.

Reporting the County as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities answer the question, "How did we do financially during 2016?" These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take 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 position and changes in net position. This change in net position 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 and other factors.

In the statement of net position 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.

FULTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED - (CONTINUED)

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, motor vehicle and gas tax, board of developmental disabilities (county board of DD), and EMS advanced and basic (EMS A&B) life services funds.

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.

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, solid waste incinerator and recycling operations. The internal service funds used to accumulate and allocate costs intentionally for mapping services and information technology provided to other departments.

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.

FULTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED - (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.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's net pension liability.

Government-Wide Financial Analysis

Recall that the statement of net position provides the perspective of the County as a whole.

The table below provides a summary of the County's net position for 2016 and 2015.

	Net Position					
	Governmental Activities 2016	Business-type Activities 2016	Governmental Activities 2015	Business-type Activities 2015	2016 Total	2015 Total
Assets:						
Current and other assets	\$ 48,663,901	\$ 3,143,746	\$ 46,645,446	\$ 3,122,358	\$ 51,807,647	\$ 49,767,804
Capital assets, net	<u>50,761,994</u>	<u>20,861,445</u>	<u>50,939,882</u>	<u>21,434,916</u>	<u>71,623,439</u>	<u>72,374,798</u>
Total assets	<u>99,425,895</u>	<u>24,005,191</u>	<u>97,585,328</u>	<u>24,557,274</u>	<u>123,431,086</u>	<u>122,142,602</u>
Deferred outflows of resources:						
Pension	<u>5,787,004</u>	<u>121,482</u>	<u>1,890,210</u>	<u>38,617</u>	<u>5,908,486</u>	<u>1,928,827</u>
Total deferred outflows of resources	<u>5,787,004</u>	<u>121,482</u>	<u>1,890,210</u>	<u>38,617</u>	<u>5,908,486</u>	<u>1,928,827</u>
Liabilities:						
Long-term liabilities	1,919,280	2,185,696	2,071,942	2,314,509	4,104,976	4,386,451
Net pension liability	15,583,335	313,659	10,942,142	213,781	15,896,994	11,155,923
Other liabilities	<u>776,294</u>	<u>373,913</u>	<u>1,851,358</u>	<u>45,332</u>	<u>1,150,207</u>	<u>1,896,690</u>
Total liabilities	<u>18,278,909</u>	<u>2,873,268</u>	<u>14,865,442</u>	<u>2,573,622</u>	<u>21,152,177</u>	<u>17,439,064</u>
Deferred inflows of resources:						
Property taxes	9,853,904	-	7,661,000	-	9,853,904	7,661,000
Pension	<u>357,372</u>	<u>7,235</u>	<u>357,118</u>	<u>3,897</u>	<u>364,607</u>	<u>361,015</u>
Total deferred inflows of resources	<u>10,211,276</u>	<u>7,235</u>	<u>8,018,118</u>	<u>3,897</u>	<u>10,218,511</u>	<u>8,022,015</u>
Net position:						
Net investment in capital assets	49,839,225	18,797,181	48,679,958	19,289,867	68,636,406	67,969,825
Restricted	16,489,201	-	17,550,403	-	16,489,201	17,550,403
Unrestricted	<u>10,394,288</u>	<u>2,448,989</u>	<u>10,361,617</u>	<u>2,728,505</u>	<u>12,843,277</u>	<u>13,090,122</u>
Total net position	<u>\$ 76,722,714</u>	<u>\$ 21,246,170</u>	<u>\$ 76,591,978</u>	<u>\$ 22,018,372</u>	<u>\$ 97,968,884</u>	<u>\$ 98,610,350</u>

FULTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED - (CONTINUED)

The County has adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the County's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the County's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the County is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the County's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

FULTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED - (CONTINUED)

As a result of implementing GASB 68, the County is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2016, the County's assets and deferred outflows exceeded liabilities and deferred inflows by \$97,968,884. This amounts to \$76,722,714 in governmental activities and \$21,246,170 in business-type activities. The County's finances remained strong during 2016.

Capital assets reported on the government-wide statements represent the largest portion of the County's net position. At year-end, capital assets represented 58.03% 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. The County's net investment in capital assets at December 31, 2016, was \$68,636,406. 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, 2016, the County is able to report positive balances in all three categories of net position for the governmental activities and business-type activities.

A portion of the County's net position, \$16,489,201 or 16.83%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$12,843,277 may be used to meet the government's ongoing obligations to citizens and creditors.

FULTON COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED - (CONTINUED)**

The table below shows the changes in net position for fiscal years 2016 and 2015.

	Change in Net Position					
	Governmental Activities 2016	Business-type Activities 2016	Governmental Activities 2015	Business-type Activities 2015	2016 Total	2015 Total
Revenues:						
Program revenues:						
Charges for services and sales	\$ 5,299,795	\$ 4,417,460	\$ 5,978,718	\$ 4,326,407	\$ 9,717,255	\$ 10,305,125
Operating grants and contributions	9,672,484	-	9,680,917	-	9,672,484	9,680,917
Capital grants and contributions	391,217	-	3,850,853	-	391,217	3,850,853
Total program revenues	<u>15,363,496</u>	<u>4,417,460</u>	<u>19,510,488</u>	<u>4,326,407</u>	<u>19,780,956</u>	<u>23,836,895</u>
General revenues:						
Property taxes	8,272,887	-	7,918,606	-	8,272,887	7,918,606
Sales tax	8,406,039	-	8,314,532	-	8,406,039	8,314,532
Unrestricted grants	2,348,362	-	2,575,517	-	2,348,362	2,575,517
Investment earnings	307,265	-	343,067	-	307,265	343,067
Other	1,373,458	117,383	1,491,918	93,364	1,490,841	1,585,282
Total general revenues	<u>20,708,011</u>	<u>117,383</u>	<u>20,643,640</u>	<u>93,364</u>	<u>20,825,394</u>	<u>20,737,004</u>
Total revenues	<u>36,071,507</u>	<u>4,534,843</u>	<u>40,154,128</u>	<u>4,419,771</u>	<u>40,606,350</u>	<u>44,573,899</u>
Expenses:						
Program expenses:						
General government	8,288,794	-	7,453,533	-	8,288,794	7,453,533
Public safety	8,720,152	-	7,634,190	-	8,720,152	7,634,190
Public works	5,076,492	-	5,349,456	-	5,076,492	5,349,456
Health	6,533,114	-	6,904,748	-	6,533,114	6,904,748
Human services	5,229,186	-	4,815,726	-	5,229,186	4,815,726
Economic development	935,415	-	538,570	-	935,415	538,570
Other	4,928	-	8,389	-	4,928	8,389
Intergovernmental	1,111,874	-	1,014,096	-	1,111,874	1,014,096
Interest and fiscal charges	15,816	-	20,684	-	15,816	20,684
Water	-	4,363,798	-	4,106,641	4,363,798	4,106,641
Sewer	-	678,080	-	576,239	678,080	576,239
Solid waste incinerator	-	290,167	-	231,826	290,167	231,826
Total expenses	<u>35,915,771</u>	<u>5,332,045</u>	<u>33,739,392</u>	<u>4,914,706</u>	<u>41,247,816</u>	<u>38,654,098</u>
Transfers	<u>(25,000)</u>	<u>25,000</u>	<u>(75,000)</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
Change in net position	130,736	(772,202)	6,339,736	(419,935)	(641,466)	5,919,801
Net position at beginning of year	<u>76,591,978</u>	<u>22,018,372</u>	<u>70,252,242</u>	<u>22,438,307</u>	<u>98,610,350</u>	<u>92,690,549</u>
Net position at end of year	<u>\$ 76,722,714</u>	<u>\$ 21,246,170</u>	<u>\$ 76,591,978</u>	<u>\$ 22,018,372</u>	<u>\$ 97,968,884</u>	<u>\$ 98,610,350</u>

FULTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED - (CONTINUED)

Governmental Activities

Governmental net position increased by \$130,736 in 2016 from 2015 which appears to be due to an increase in sales tax collections in 2016.

General government represents activities related to the governing body as well as activities that directly support County programs. In 2016, general government expenses totaled \$8,288,794, or 23.08% of total governmental expenses. General government programs were supported by \$3,235,436 in direct charges to users and \$34,357 in operating grants and contributions.

The County's largest program was public safety, which primarily supports the operations of the sheriff's department, E-911, emergency medical services, and the EMS advanced & basic life services. The program accounted for \$8,720,152 or 24.28% of total governmental expenses. Public safety programs are primarily supported by revenues from charges to users of service, of \$806,043, and operating grants and contributions of \$325,727.

The next largest program is health, which accounted for \$6,533,114 of expenses, or 18.19% of total governmental expenses of the County during 2016. Health programs include the operation of the county board of DD, the senior center and the dog warden and kennel. These expenses were funded in part by \$537,109 in charges to users of services and \$1,301,822 in operating grants and contributions in 2016.

Another significant program is public works, which accounted for \$5,076,492 of expenses, or 14.13% of total governmental expenses of the County during 2016. Public works programs include the office of the County Engineer, which is accounted for in the motor vehicle and gas tax fund. These expenses were funded in part by \$112,496 in charges to users of services, \$4,101,172 in operating grants and contributions, and \$391,217 in capital grants and contributions in 2016.

The final significant program is human services, which accounted for \$5,229,186 of expenses, or 14.56% of total governmental expenses of the County during 2016. Human services programs include the operations of the public assistance, public assistance trust, child support enforcement agency and the children services board. These expenses were funded in part by \$578,380 in charges to users of services and \$3,421,906 in operating grants and contributions in 2016.

Operating grants and contributions were the largest type of program revenue. The State and federal government contributed revenues of \$9,672,484 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$3,421,906, or 35.38%, subsidized human services programs, \$4,101,172 or 42.40%, subsidized public works programs, and \$1,301,822, or 13.46%, subsidized health programs. Another type of program revenue is direct charges to users of governmental activities, made up \$5,299,795 or 14.69% 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.

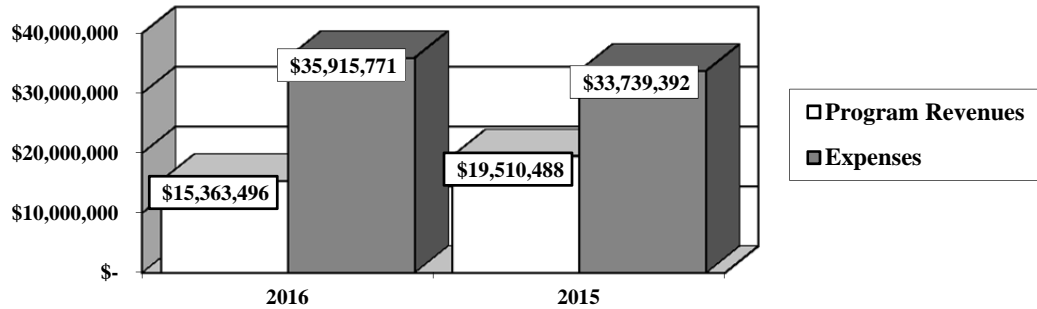
General revenues totaled \$20,708,011, and amounted to 57.41% of total revenues. These revenues primarily consist of property and sales tax revenue of \$16,678,926, or 80.54% of total general revenues in 2016. Property taxes increased by \$354,281 during 2016. Sales tax revenue increased \$91,507 in 2016. The other primary source of general revenues is grants and entitlements not restricted to specific programs which include local government revenue, homestead and rollback and tangible personal property tax reimbursement revenue. Interest earnings decreased during 2016 to \$307,265, or 1.48%, of total general revenues.

FULTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED - (CONTINUED)

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 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities – Program Revenues vs. Total Expenses



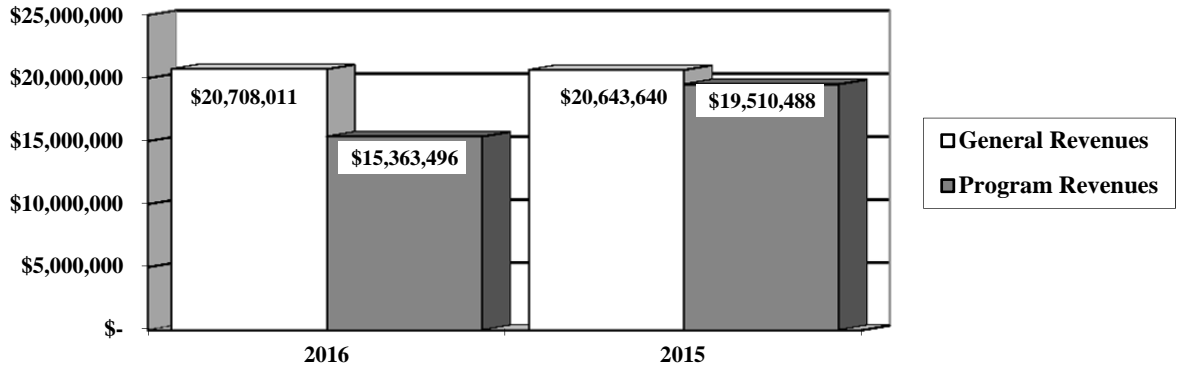
	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Program expenses:				
General government	\$ 8,288,794	\$ 5,019,001	\$ 7,453,533	\$ 4,015,685
Public safety	8,720,152	7,588,382	7,634,190	5,758,655
Public works	5,076,492	471,607	5,349,456	(2,874,439)
Health	6,533,114	4,694,183	6,904,748	5,081,468
Human services	5,229,186	1,228,900	4,815,726	945,188
Economic development and assistance	935,415	417,584	538,570	259,178
Other	4,928	4,928	8,389	8,389
Intergovernmental	1,111,874	1,111,874	1,014,096	1,014,096
Interest and fiscal charges	15,816	15,816	20,684	20,684
Total	<u>\$ 35,915,771</u>	<u>\$ 20,552,275</u>	<u>\$ 33,739,392</u>	<u>\$ 14,228,904</u>

The dependence upon general revenues for governmental activities is apparent; with 57.22% and 42.17% of expenses supported through taxes and other general revenues during 2016 and 2015, respectively.

FULTON COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED - (CONTINUED)**

Governmental Activities - General and Program Revenues



Business-Type Activities

The water and sewer funds are the County's two major proprietary funds. The business-type activities had revenues of \$4,534,843 and expenses of \$5,332,045 for 2016. The net position of these programs decreased \$772,202 or 3.51% from 2015.

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, unassigned 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 reported a combined fund balance of \$34,148,986, which is \$1,313,525 more than last year's total of \$32,835,461. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2016 for all major and non-major governmental funds.

FULTON COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED - (CONTINUED)**

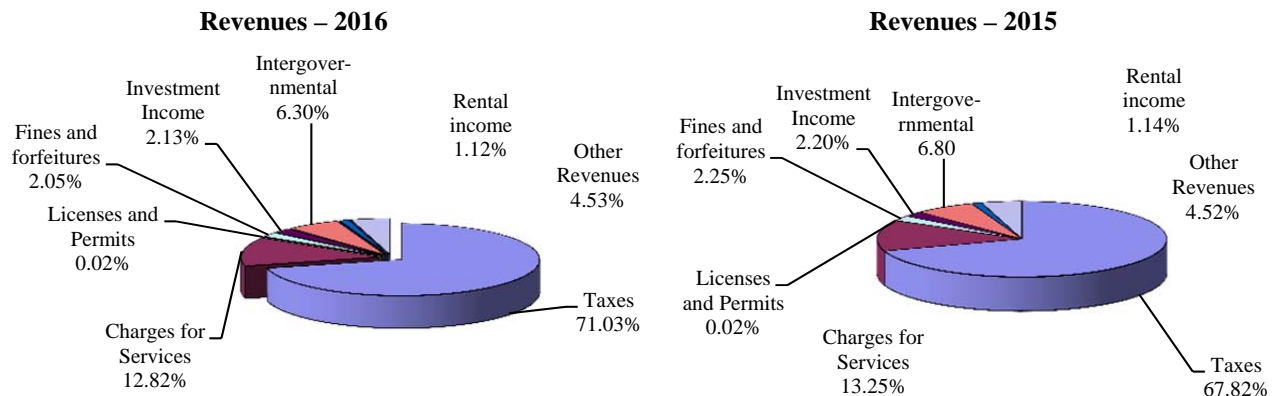
	<u>Fund Balance</u> <u>December 31, 2016</u>	<u>Fund Balance</u> <u>December 31, 2015</u>	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 11,956,981	\$ 11,969,349	\$ (12,368)
Motor vehicle and gas tax	2,775,421	2,350,717	424,704
County board of DD	5,433,216	4,830,555	602,661
EMS A & B life services	914,805	1,886,353	(971,548)
Other nonmajor governmental funds	<u>13,068,563</u>	<u>11,798,487</u>	<u>1,270,076</u>
Total	<u>\$ 34,148,986</u>	<u>\$ 32,835,461</u>	<u>\$ 1,313,525</u>

General Fund

The general fund is the primary operating fund of the County. During 2016, the County's general fund balance decreased \$12,368. The table that follows assists in illustrating the revenues of the general fund.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Taxes	\$ 9,581,285	\$ 9,520,462	0.64 %
Charges for services	1,728,988	1,806,594	(4.30) %
Licenses and permits	2,985	2,838	5.18 %
Fines and forfeitures	276,891	307,158	(9.85) %
Intergovernmental	848,332	927,246	(8.51) %
Investment income	287,921	299,474	(3.86) %
Rental income	150,864	155,287	(2.85) %
Other	<u>611,604</u>	<u>616,527</u>	(0.80) %
Total	<u>\$ 13,488,870</u>	<u>\$ 13,635,586</u>	(1.08) %

Tax revenue represents 71.03% of all general fund revenue. Intergovernmental income decreased 8.51% due to a decrease in local government taxes received in 2016. All other revenue remained comparable to 2015



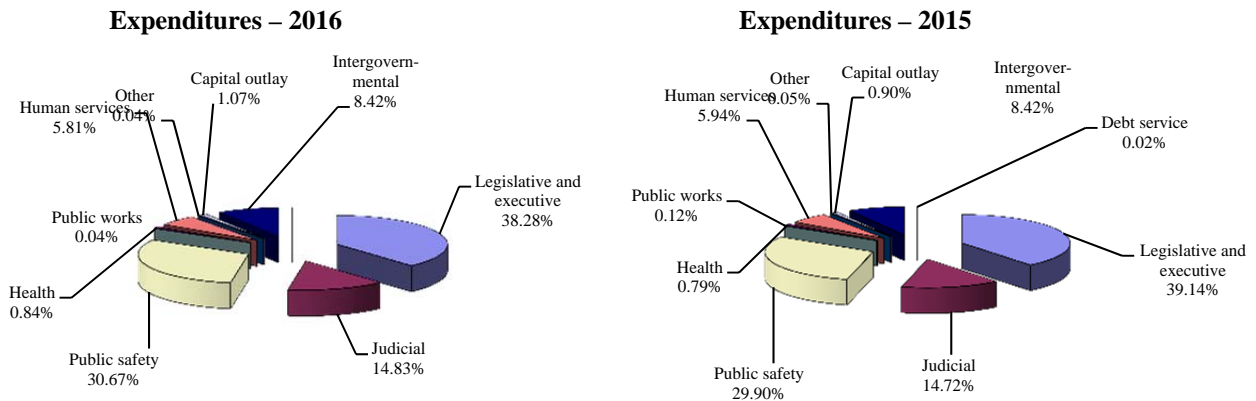
FULTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED - (CONTINUED)

The table that follows assists in illustrating the expenditures of the general fund.

	2016 <u>Amount</u>	2015 <u>Amount</u>	Percentage <u>Change</u>
<u>Expenditures</u>			
General government			
Legislative and executive	\$ 4,477,645	\$ 4,391,097	1.97 %
Judicial	1,673,376	1,651,941	1.30 %
Public safety	3,586,246	3,353,881	6.93 %
Public works	4,438	13,365	(66.79) %
Health	97,698	88,449	10.46 %
Human services	679,362	666,405	1.94 %
Other	4,928	5,707	(13.65) %
Capital outlay	124,854	100,823	23.83 %
Intergovernmental	1,050,013	944,717	11.15 %
Debt service	-	2,220	(100.00) %
Total	<u>\$ 11,698,560</u>	<u>\$ 11,218,605</u>	<u>4.28 %</u>

Overall general fund expenditures increased 4.28% from the prior year. Public works expenditures decreased 66.79% due to a decrease in public works projects. Capital outlay increased 23.83% due to an increase in assets purchased. Overall, expenditures remained consistent with the prior year.



Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$4,868,049 in 2016. The motor vehicle and gas tax fund had expenditures of \$4,443,345 in 2016. The motor vehicle and gas tax fund balance increased \$424,704 from 2015 to 2016. The increase is due to expenditures for public works projects being less than revenues.

FULTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED - (CONTINUED)

County Board of Developmental Disabilities (County Board of DD)

The county board of developmental disabilities (the "county board of DD") fund, a County major fund, had revenues and other financing sources of \$4,811,921 in 2016. The county board of DD had expenditures of \$4,209,260 in 2016. The county board of DD fund balance increased \$602,661 from 2015 to 2016. The increase is due to expenditures for health programs being less than revenues.

EMS Advanced and Basic Life Services Fund

The emergency medical system advanced and basic ("EMS A&B") life services fund, a County major fund, had revenues of \$2,257,167 in 2016. The EMS advanced and basic life services fund had expenditures of \$3,228,715 in 2016. The EMS A&B life services fund balance decreased \$971,548 from 2015 to 2016. This decrease is primarily due to an increase in public safety contract services.

Budgeting Highlights – General Fund

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.

In the general fund, actual revenues and other financing sources of \$13,328,029 exceeded original budgeted revenues by \$1,969,064 and final budgeted revenues by \$1,229,064. The increase is due to the County's conservative approach to budgeting. Actual expenditures and other financing uses of \$13,482,635 were \$197,013 more than original budgeted appropriations and \$1,501,943 less than final budgeted appropriations, respectively.

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 2016, the County had \$71,623,439 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, and infrastructure. Of this total, \$50,761,994 was reported in governmental activities and \$20,861,445 was reported in business-type activities, see Note 10 to the basic financial statements for detail.

FULTON COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED - (CONTINUED)**

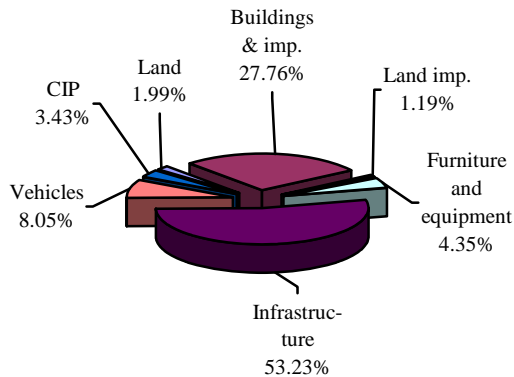
The following table shows fiscal 2016 balances compared to 2015:

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

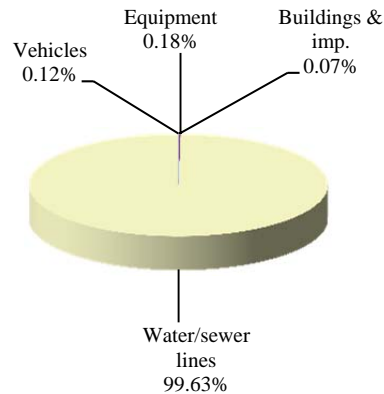
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,011,931	\$ 1,011,931	\$ -	\$ -	\$ 1,011,931	\$ 1,011,931
Construction-in-progress	1,742,367	1,564,948	-	-	1,742,367	1,564,948
Land improvements	606,238	669,347	-	-	606,238	669,347
Building and improvements	14,091,392	14,186,324	12,150	13,885	14,103,542	14,200,209
Furniture and equipment	2,209,640	2,277,535	37,483	42,296	2,247,123	2,319,831
Vehicles	4,088,298	3,453,192	25,422	28,812	4,113,720	3,482,004
Infrastructure	27,012,128	27,776,605	-	-	27,012,128	27,776,605
Water/sewer lines	-	-	20,786,390	21,349,923	20,786,390	21,349,923
Total	\$ 50,761,994	\$ 50,939,882	\$ 20,861,445	\$ 21,434,916	\$ 71,623,439	\$ 72,374,798

The following graphs show the breakdown of governmental and business-type activities capital assets by category for 2016 and 2015.

Capital Assets - Governmental Activities 2016



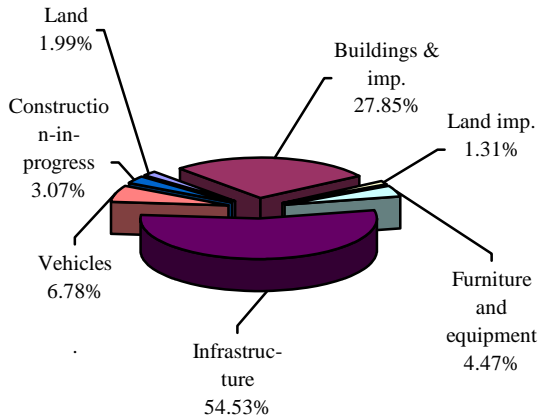
Capital Assets - Business-Type Activities 2016



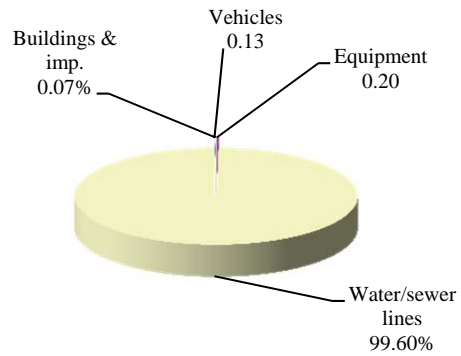
FULTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED - (CONTINUED)

**Capital Assets - Governmental Activities
2015**



**Capital Assets - Business-Type Activities
2015**



Debt Administration

The County had the following long-term obligations outstanding at December 31, 2016 and 2015:

	Governmental Activities 2016	Governmental Activities 2015
Special assessment bonds	\$ 85,000	\$ 105,000
General obligation notes	31,562	61,678
General obligation bonds	110,000	215,000
Capital lease	9,751	12,524
OPWC loans	750,966	787,649
Total long-term obligations	\$ 987,279	\$ 1,181,851
	Business-Type Activities 2016	Business-Type Activities 2015
OWDA loans	\$ 1,839,016	\$ 1,917,420
Special assessment bonds	157,603	200,455
Loan payable	133,645	150,298
Total long-term obligations	\$ 2,130,264	\$ 2,268,173

See Note 13 to the basic financial statements for additional disclosures and detail regarding the County's debt activity.

FULTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED - (CONTINUED)

Economic Factors

The County's Administration considered the impact of various economic factors when establishing the 2016 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 2014 budget, the County emphasized various efforts to continue to contain costs while pursuing new sources of revenue.

The average unemployment rate for Fulton County in 2016 was 4.6%. Fulton County ranks slightly lower than the state average of 5.1%. Efforts in the area of economic development are predicted to have positive results in 2017 with the addition of jobs in Fulton County. The strongest growth area in 2017 is predicted to be in the area of commercial/retail opportunities, while the manufacturing base is remaining steady. Also, new housing growth is remaining steady in the County. The overall economy of the County is anticipated to improve slowly 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 Brett J. Kolb, Fulton County Auditor, Courthouse, 152 S. Fulton Street, Suite 165, Wauseon, Ohio 43567-3310.

FULTON COUNTY

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 31,795,208	\$ 2,348,805	\$ 34,144,013
Cash in segregated accounts.	23,103	2,158	25,261
Receivables:			
Sales taxes.	2,153,810	-	2,153,810
Property taxes.	9,904,248	-	9,904,248
Accounts.	284,059	381,939	665,998
Special assessments	568,792	405,746	974,538
Accrued interest	172,415	-	172,415
Due from other governments.	3,213,351	-	3,213,351
Materials and supplies inventory.	265,425	4,221	269,646
Prepayments	159,242	2,866	162,108
Net pension asset.	27,393	590	27,983
Loans receivable, net	94,276	-	94,276
Internal balance	2,579	(2,579)	-
Capital assets:			
Land and construction in progress.	2,754,298	-	2,754,298
Depreciable capital assets, net.	48,007,696	20,861,445	68,869,141
Total capital assets, net.	50,761,994	20,861,445	71,623,439
Total assets	99,425,895	24,005,191	123,431,086
Deferred outflows of resources:			
Pension- OPERS	5,639,588	121,482	5,761,070
Pension- STRS	147,416	-	147,416
Total deferred outflows of resources	5,787,004	121,482	5,908,486
Liabilities:			
Accounts payable.	470,557	368,143	838,700
Contracts payable.	37,469	-	37,469
Accrued wages and benefits.	203,097	4,477	207,574
Due to other governments	61,450	618	62,068
Accrued interest payable	3,721	675	4,396
Long-term liabilities:			
Due within one year	947,515	182,198	1,129,713
Net pension liability	15,583,335	313,659	15,896,994
Due in more than one year.	971,765	2,003,498	2,975,263
Total liabilities	18,278,909	2,873,268	21,152,177
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	9,853,904	-	9,853,904
Pension-OPERS.	335,907	7,235	343,142
Pension-STRS.	21,465	-	21,465
Total deferred inflows of resources	10,211,276	7,235	10,218,511
Net position:			
Net investment in capital assets.	49,839,225	18,797,181	68,636,406
Restricted for:			
Debt service	14,149	-	14,149
Capital projects	1,008,006	-	1,008,006
Real estate assessment.	762,672	-	762,672
Public safety programs.	2,438,383	-	2,438,383
Public works.	3,114,662	-	3,114,662
Health programs.	4,097,940	-	4,097,940
County court special projects.	840,546	-	840,546
Human services programs.	2,395,138	-	2,395,138
Economic development programs.	400,548	-	400,548
County court computer services	385,884	-	385,884
Other purposes.	1,031,273	-	1,031,273
Unrestricted	10,394,288	2,448,989	12,843,277
Total net position	\$ 76,722,714	\$ 21,246,170	\$ 97,968,884

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FULTON COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government:				
Legislative and executive	\$ 6,250,508	\$ 2,033,203	\$ 34,357	\$ -
Judicial	2,038,286	1,202,233	-	-
Public safety	8,720,152	806,043	325,727	-
Public works	5,076,492	112,496	4,101,172	391,217
Health	6,533,114	537,109	1,301,822	-
Human services	5,229,186	578,380	3,421,906	-
Economic development and assistance	935,415	30,331	487,500	-
Intergovernmental	1,111,874	-	-	-
Other	4,928	-	-	-
Interest and fiscal charges	15,816	-	-	-
Total governmental activities	<u>35,915,771</u>	<u>5,299,795</u>	<u>9,672,484</u>	<u>391,217</u>
Business-type activities:				
Water	4,363,798	3,700,841	-	-
Sewer	678,080	496,278	-	-
Other business-type activities:				
Solid waste incinerator	<u>290,167</u>	<u>220,341</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>5,332,045</u>	<u>4,417,460</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 41,247,816</u>	<u>\$ 9,717,255</u>	<u>\$ 9,672,484</u>	<u>\$ 391,217</u>

General revenues:

Property taxes levied for:
General purposes
Health - County Board of DD.
Health - Senior Center.
Public safety - EMS A & B life services.
Public safety - EMS.
Public safety - 911.
Sales taxes levied for:
General purposes
Grants and entitlements not restricted to specific programs.
Investment earnings.
Miscellaneous
Total general revenues
Transfers
Total general revenues and transfers
Change in net position
Net position at beginning of year.
Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (4,182,948)	\$ -	\$ (4,182,948)
(836,053)	-	(836,053)
(7,588,382)	-	(7,588,382)
(471,607)	-	(471,607)
(4,694,183)	-	(4,694,183)
(1,228,900)	-	(1,228,900)
(417,584)	-	(417,584)
(1,111,874)	-	(1,111,874)
(4,928)	-	(4,928)
(15,816)	-	(15,816)
<u>(20,552,275)</u>	<u>-</u>	<u>(20,552,275)</u>
-	(662,957)	(662,957)
-	(181,802)	(181,802)
<u>-</u>	<u>(69,826)</u>	<u>(69,826)</u>
<u>-</u>	<u>(914,585)</u>	<u>(914,585)</u>
<u>(20,552,275)</u>	<u>(914,585)</u>	<u>(21,466,860)</u>
1,766,300	-	1,766,300
2,805,785	-	2,805,785
1,231,740	-	1,231,740
1,563,572	-	1,563,572
216,157	-	216,157
689,333	-	689,333
8,406,039	-	8,406,039
2,348,362	-	2,348,362
307,265	-	307,265
1,373,458	117,383	1,490,841
<u>20,708,011</u>	<u>117,383</u>	<u>20,825,394</u>
<u>(25,000)</u>	<u>25,000</u>	<u>-</u>
<u>20,683,011</u>	<u>142,383</u>	<u>20,825,394</u>
130,736	(772,202)	(641,466)
<u>76,591,978</u>	<u>22,018,372</u>	<u>98,610,350</u>
<u>\$ 76,722,714</u>	<u>\$ 21,246,170</u>	<u>\$ 97,968,884</u>

FULTON COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of DD</u>	<u>EMS A & B Life Services</u>
Assets:				
Equity in pooled cash and investments	\$ 10,424,999	\$ 2,101,577	\$ 5,494,650	\$ 866,607
Cash in segregated accounts	22,878	-	-	-
Receivables:				
Sales taxes	2,113,011	40,799	-	-
Property taxes	1,703,219	-	2,725,151	3,506,628
Accounts	99,304	9,681	1,660	99,942
Special assessments	-	-	-	-
Accrued interest	172,415	-	-	-
Due from other funds	27,639	-	-	-
Due from other governments	402,359	2,014,311	175,299	107,438
Advances to other funds	40,473	-	-	-
Materials and supplies inventory	67,219	144,793	3,417	-
Prepayments	86,362	5,745	12,955	1,570
Loans receivable, net	-	-	-	-
Total assets	<u>15,159,878</u>	<u>4,316,906</u>	<u>8,413,132</u>	<u>4,582,185</u>
Liabilities:				
Accounts payable	117,473	133,888	53,041	11,168
Contracts payable	3,708	-	-	1,370
Accrued wages and benefits payable	88,454	24,043	22,461	693
Due to other governments	13,081	3,318	3,964	96
Advances from other funds	-	-	-	-
Due to other funds	56,695	77	-	128
Total liabilities	<u>279,411</u>	<u>161,326</u>	<u>79,466</u>	<u>13,455</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	1,700,000	-	2,720,000	3,500,000
Delinquent property tax revenue not available	3,219	-	5,151	6,628
Accrued interest not available	101,608	-	-	-
Special assessments revenue not available	-	-	-	-
Sales tax revenue not available	813,419	-	-	-
Intergovernmental revenue not available	305,240	1,380,159	175,299	107,438
Miscellaneous revenue not available	-	-	-	39,859
Total deferred inflows of resources	<u>2,923,486</u>	<u>1,380,159</u>	<u>2,900,450</u>	<u>3,653,925</u>
Fund balances:				
Nonspendable	284,656	150,538	16,372	1,570
Restricted	-	2,624,883	5,416,844	913,235
Committed	-	-	-	-
Assigned	3,446,215	-	-	-
Unassigned	8,226,110	-	-	-
Total fund balances	<u>11,956,981</u>	<u>2,775,421</u>	<u>5,433,216</u>	<u>914,805</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,159,878</u>	<u>\$ 4,316,906</u>	<u>\$ 8,413,132</u>	<u>\$ 4,582,185</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Nonmajor Governmental Funds	Total Governmental Funds
\$ 12,810,908	\$ 31,698,741
225	23,103
-	2,153,810
1,969,250	9,904,248
73,472	284,059
568,792	568,792
-	172,415
68,510	96,149
513,944	3,213,351
-	40,473
49,818	265,247
43,935	150,567
94,276	94,276
<u>16,193,130</u>	<u>48,665,231</u>
153,946	469,516
32,391	37,469
62,943	198,594
40,370	60,829
40,473	40,473
36,670	93,570
<u>366,793</u>	<u>900,451</u>
1,933,904	9,853,904
3,663	18,661
-	101,608
568,792	568,792
-	813,419
251,415	2,219,551
-	39,859
<u>2,757,774</u>	<u>13,615,794</u>
93,753	546,889
10,193,804	19,148,766
2,772,874	2,772,874
8,132	3,454,347
-	8,226,110
<u>13,068,563</u>	<u>34,148,986</u>
<u>\$ 16,193,130</u>	<u>\$ 48,665,231</u>

FULTON COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016

Total governmental fund balances		\$	34,148,986
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and therefore are not reported in the funds.			50,757,324
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Sales taxes receivable	\$	813,419	
Property taxes receivable		18,661	
Charges for service receivable		39,859	
Intergovernmental receivable		2,219,551	
Special assessments receivable		568,792	
Accrued interest receivable		101,608	
Total		3,761,890	3,761,890
Internal service funds are used by management to charge the costs of geographic information systems and loss to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the statement of net position.			(95,305)
On the statement of net position interest is accrued on outstanding bonds and loans payable, whereas in the governmental funds, interest is accrued when due.			(3,721)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Net pension asset		26,837	
Deferred outflows of resources		5,672,632	
Deferred inflows of resources		(350,560)	
Net pension liability		(15,288,034)	
Total		(9,939,125)	(9,939,125)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		920,056	
Capital lease payable		9,751	
General obligation bonds		110,000	
General obligation notes		31,562	
Special assessment bonds		85,000	
OPWC loans		750,966	
Total		(1,907,335)	(1,907,335)
Net position of governmental activities		\$	76,722,714

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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FULTON COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of DD</u>	<u>EMS A & B Life Services</u>
Revenues:				
Property taxes	\$ 1,768,161	\$ -	\$ 2,808,763	\$ 1,560,874
Sales taxes	7,813,124	553,080	-	-
Charges for services	1,728,988	46,402	170,916	523,609
Licenses and permits	2,985	-	-	-
Fines and forfeitures	276,891	66,094	-	-
Intergovernmental	848,332	4,103,899	1,651,516	165,738
Special assessments	-	-	-	-
Investment income	287,921	321	-	-
Rental income	150,864	-	-	-
Contributions and donations	5,738	-	8,529	-
Other	605,866	98,079	127,197	6,946
Total revenues	<u>13,488,870</u>	<u>4,867,875</u>	<u>4,766,921</u>	<u>2,257,167</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	4,477,645	-	-	-
Judicial	1,673,376	-	-	-
Public safety	3,586,246	-	-	3,228,715
Public works	4,438	4,180,397	-	-
Health	97,698	-	4,209,260	-
Human services	679,362	-	-	-
Economic development and assistance	-	-	-	-
Capital outlay	124,854	149,788	-	-
Intergovernmental	1,050,013	-	-	-
Other	4,928	-	-	-
Debt service:				
Principal retirement	-	113,160	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>11,698,560</u>	<u>4,443,345</u>	<u>4,209,260</u>	<u>3,228,715</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,790,310</u>	<u>424,530</u>	<u>557,661</u>	<u>(971,548)</u>
Other financing sources (uses):				
Transfers in	-	174	45,000	-
Transfers (out)	(1,802,678)	-	-	-
OPWC loan proceeds	-	-	-	-
Total other financing sources (uses)	<u>(1,802,678)</u>	<u>174</u>	<u>45,000</u>	<u>-</u>
Net change in fund balances	(12,368)	424,704	602,661	(971,548)
Fund balances at beginning of year	<u>11,969,349</u>	<u>2,350,717</u>	<u>4,830,555</u>	<u>1,886,353</u>
Fund balances at end of year	<u>\$ 11,956,981</u>	<u>\$ 2,775,421</u>	<u>\$ 5,433,216</u>	<u>\$ 914,805</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,139,323	\$ 8,277,121
-	8,366,204
2,109,827	4,579,742
53,230	56,215
166,112	509,097
5,777,872	12,547,357
247,084	247,084
-	288,242
-	150,864
-	14,267
539,440	1,377,528
<u>11,032,888</u>	<u>36,413,721</u>

955,976	5,433,621
184,644	1,858,020
1,521,119	8,336,080
13,654	4,198,489
1,706,545	6,013,503
4,076,235	4,755,597
919,596	919,596
1,993,520	2,268,162
-	1,050,013
-	4,928
157,889	271,049
16,015	16,015
<u>11,545,193</u>	<u>35,125,073</u>

<u>(512,305)</u>	<u>1,288,648</u>
------------------	------------------

1,775,547	1,820,721
(69,643)	(1,872,321)
76,477	76,477
<u>1,782,381</u>	<u>24,877</u>

1,270,076	1,313,525
11,798,487	32,835,461
<u>\$ 13,068,563</u>	<u>\$ 34,148,986</u>

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, 2016

Net change in fund balances - total governmental funds \$ 1,313,525

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

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

Capital asset additions	\$ 3,713,168	
Current year depreciation	(3,704,388)	
Total		8,780

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (184,616)

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

Sales taxes	39,835	
Property taxes	(4,234)	
Intergovernmental revenues	(418,545)	
Special assessments	36,167	
Investment income	19,023	
Charges for services	(14,460)	
Total		(342,214)

Proceeds of loans are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position. (76,477)

Repayment of bond, loan, note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 271,049

In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due. 199

Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,317,816

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (2,034,590)

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. (44,034)

The internal service funds used by management to charge the costs of GIS and loss to individual funds are not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities. (98,702)

Change in net position of governmental activities \$ 130,736

FULTON COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 1,707,500	\$ 1,707,500	\$ 1,758,484	\$ 50,984
Sales taxes	6,600,000	7,200,000	7,727,931	527,931
Charges for services.	1,260,305	1,300,305	1,439,482	139,177
Licenses and permits	1,600	1,600	2,910	1,310
Fines and forfeitures	295,550	295,550	279,226	(16,324)
Intergovernmental.	732,000	732,000	900,575	168,575
Investment income.	200,310	300,310	334,373	34,063
Rental income	110,000	110,000	150,864	40,864
Contributions and donations.	2,000	2,000	5,738	3,738
Other	449,700	449,700	563,446	113,746
Total revenues	11,358,965	12,098,965	13,163,029	1,064,064
Expenditures:				
Current:				
General government:				
Legislative and executive	4,955,609	4,986,189	4,528,204	457,985
Judicial.	1,728,210	1,794,620	1,544,348	250,272
Public safety	4,092,733	4,117,093	3,629,543	487,550
Public works	6,614	5,826	4,490	1,336
Health	101,125	101,125	97,698	3,427
Human services.	848,830	860,656	664,889	195,767
Intergovernmental.	1,070,577	1,125,426	1,045,884	79,542
Other	319,160	15,000	1,619	13,381
Capital outlay	162,764	141,276	128,593	12,683
Total expenditures	13,285,622	13,147,211	11,645,268	1,501,943
Excess (deficiency) of revenues over (under) expenditures.	(1,926,657)	(1,048,246)	1,517,761	2,566,007
Other financing sources (uses):				
Advances in.	-	-	165,000	165,000
Transfers (out).	-	(1,837,367)	(1,837,367)	-
Total other financing sources (uses)	-	(1,837,367)	(1,672,367)	165,000
Net change in fund balance	(1,926,657)	(2,885,613)	(154,606)	2,731,007
Fund balance at beginning of year	6,296,234	6,296,234	6,296,234	-
Prior year encumbrances appropriated	232,360	232,360	232,360	-
Fund balance at end of year	\$ 4,601,937	\$ 3,642,981	\$ 6,373,988	\$ 2,731,007

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FULTON COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 MOTOR VEHICLE AND GAS TAX
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales taxes	\$ 520,000	\$ 520,000	\$ 554,739	\$ 34,739
Charges for services.	-	-	41,249	41,249
Fines and forfeitures	52,600	52,600	67,331	14,731
Intergovernmental.	3,970,000	3,970,000	4,093,634	123,634
Investment income.	1,200	1,200	321	(879)
Other	226,200	226,200	159,585	(66,615)
Total revenues	<u>4,770,000</u>	<u>4,770,000</u>	<u>4,916,859</u>	<u>146,859</u>
Expenditures:				
Current:				
Public works	4,871,728	5,852,420	4,448,177	1,404,243
Capital outlay	157,138	157,138	149,788	7,350
Debt service:				
Principal retirement.	115,000	115,000	113,158	1,842
Total expenditures	<u>5,143,866</u>	<u>6,124,558</u>	<u>4,711,123</u>	<u>1,413,435</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(373,866)</u>	<u>(1,354,558)</u>	<u>205,736</u>	<u>1,560,294</u>
Other financing sources:				
Transfers in	30,000	30,000	122,365	92,365
Total other financing sources.	<u>30,000</u>	<u>30,000</u>	<u>122,365</u>	<u>92,365</u>
Net change in fund balance	(343,866)	(1,324,558)	328,101	1,652,659
Fund balance at beginning of year	1,298,055	1,298,055	1,298,055	-
Prior year encumbrances appropriated	178,866	178,866	178,866	-
Fund balance at end of year	<u>\$ 1,133,055</u>	<u>\$ 152,363</u>	<u>\$ 1,805,022</u>	<u>\$ 1,652,659</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FULTON COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 COUNTY BOARD OF DEVELOPMENTAL DISABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes.	\$ 2,720,000	\$ 2,720,000	\$ 2,793,281	\$ 73,281
Charges for services.	172,000	177,000	208,218	31,218
Intergovernmental.	1,495,000	1,272,185	1,763,878	491,693
Contributions and donations.	500	-	8,529	8,529
Other	38,000	23,000	128,108	105,108
Total revenues	<u>4,425,500</u>	<u>4,192,185</u>	<u>4,902,014</u>	<u>709,829</u>
Expenditures:				
Current:				
Health	6,226,243	5,381,314	4,789,889	591,425
Total expenditures	<u>6,226,243</u>	<u>5,381,314</u>	<u>4,789,889</u>	<u>591,425</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(1,800,743)</u>	<u>(1,189,129)</u>	<u>112,125</u>	<u>1,301,254</u>
Other financing sources:				
Transfers in	45,000	45,000	45,000	-
Total other financing sources.	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>-</u>
Net change in fund balance	(1,755,743)	(1,144,129)	157,125	1,301,254
Fund balance at beginning of year	4,274,810	4,274,810	4,274,810	-
Prior year encumbrances appropriated . . .	184,743	184,743	184,743	-
Fund balance at end of year	<u>\$ 2,703,810</u>	<u>\$ 3,315,424</u>	<u>\$ 4,616,678</u>	<u>\$ 1,301,254</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FULTON COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 EMS ADVANCED AND BASIC LIFE SERVICES
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 1,315,000	\$ 1,332,144	\$ 1,332,144	\$ -
Charges for services.	400,000	454,382	512,609	58,227
Intergovernmental.	160,000	165,738	165,738	-
Other	2,000	4,736	7,653	2,917
Total revenues	<u>1,877,000</u>	<u>1,957,000</u>	<u>2,018,144</u>	<u>61,144</u>
Expenditures:				
Current:				
Public safety	3,156,283	3,570,688	3,397,843	172,845
Total expenditures	<u>3,156,283</u>	<u>3,570,688</u>	<u>3,397,843</u>	<u>172,845</u>
Net change in fund balance	(1,279,283)	(1,613,688)	(1,379,699)	233,989
Fund balance at beginning of year	1,693,688	1,693,688	1,693,688	-
Prior year encumbrances appropriated	58,631	58,631	58,631	-
Fund balance at end of year	<u>\$ 473,036</u>	<u>\$ 138,631</u>	<u>\$ 372,620</u>	<u>\$ 233,989</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FULTON COUNTY

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Nonmajor Enterprise Funds	Total	
Assets:					
Current assets:					
Equity in pooled cash and investments.	\$ 1,810,784	\$ 509,987	\$ 28,034	\$ 2,348,805	\$ 96,467
Cash with fiscal and escrow agents.	-	-	2,158	2,158	-
Receivables:					
Accounts.	314,837	63,592	3,510	381,939	-
Special assessments	27,715	378,031	-	405,746	-
Materials and supplies inventory.	4,221	-	-	4,221	178
Prepayments	2,375	157	334	2,866	8,675
Total current assets	<u>2,159,932</u>	<u>951,767</u>	<u>34,036</u>	<u>3,145,735</u>	<u>105,320</u>
Noncurrent assets:					
Net pension asset	249	249	92	590	556
Capital assets:					
Depreciable capital assets, net.	15,835,387	4,981,789	44,269	20,861,445	4,670
Total noncurrent assets	<u>15,835,636</u>	<u>4,982,038</u>	<u>44,361</u>	<u>20,862,035</u>	<u>5,226</u>
Total assets	<u>17,995,568</u>	<u>5,933,805</u>	<u>78,397</u>	<u>24,007,770</u>	<u>110,546</u>
Deferred outflows of resources:					
Pension-OPERS.	<u>51,246</u>	<u>51,246</u>	<u>18,990</u>	<u>121,482</u>	<u>114,372</u>
Liabilities:					
Current liabilities:					
Accounts payable.	284,672	68,891	14,580	368,143	1,041
Accrued wages and benefits	1,957	1,957	563	4,477	4,503
Due to other funds	1,485	992	102	2,579	-
Due to other governments	270	270	78	618	621
Accrued interest payable	83	592	-	675	-
Compensated absences payable - current.	21,648	21,648	-	43,296	7,776
Special assessment bonds payable	672	42,604	-	43,276	-
OWDA loans payable	66,216	12,188	-	78,404	-
Other loans payable	17,222	-	-	17,222	-
Total current liabilities	<u>394,225</u>	<u>149,142</u>	<u>15,323</u>	<u>558,690</u>	<u>13,941</u>
Long-term liabilities:					
Compensated absences payable	6,068	6,068	-	12,136	4,169
Special assessment bonds payable	9,324	105,003	-	114,327	-
OWDA loans payable	1,622,295	138,317	-	1,760,612	-
Other loans payable	116,423	-	-	116,423	-
Net pension liability	132,314	132,314	49,031	313,659	295,301
Total long-term liabilities	<u>1,886,424</u>	<u>381,702</u>	<u>49,031</u>	<u>2,317,157</u>	<u>299,470</u>
Total liabilities	<u>2,280,649</u>	<u>530,844</u>	<u>64,354</u>	<u>2,875,847</u>	<u>313,411</u>
Deferred inflows of resources:					
Pension-OPERS.	<u>3,052</u>	<u>3,052</u>	<u>1,131</u>	<u>7,235</u>	<u>6,812</u>
Net position:					
Net investment in capital assets.	14,003,235	4,749,677	44,269	18,797,181	4,670
Unrestricted (deficit)	<u>1,759,878</u>	<u>701,478</u>	<u>(12,367)</u>	<u>2,448,989</u>	<u>(99,975)</u>
Total net position.	<u>\$ 15,763,113</u>	<u>\$ 5,451,155</u>	<u>\$ 31,902</u>	<u>\$ 21,246,170</u>	<u>\$ (95,305)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FULTON COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Nonmajor Enterprise Funds	Total	
Operating revenues:					
Charges for services	\$ 3,696,378	\$ 491,815	\$ 220,341	\$ 4,408,534	\$ 417,124
Tap-in fees.	4,463	4,463	-	8,926	-
Other operating revenues	44,286	73,097	-	117,383	85
Total operating revenues.	<u>3,745,127</u>	<u>569,375</u>	<u>220,341</u>	<u>4,534,843</u>	<u>417,209</u>
Operating expenses:					
Personal services	147,972	148,869	46,256	343,097	328,385
Contract services.	3,535,337	310,626	233,322	4,079,285	-
Materials and supplies.	8,161	22,996	4,415	35,572	211,272
Administrative costs.	5,390	5,391	-	10,781	445
Depreciation.	488,584	167,507	4,055	660,146	2,052
Other	172,934	12,889	2,119	187,942	357
Total operating expenses.	<u>4,358,378</u>	<u>668,278</u>	<u>290,167</u>	<u>5,316,823</u>	<u>542,511</u>
Operating loss	<u>(613,251)</u>	<u>(98,903)</u>	<u>(69,826)</u>	<u>(781,980)</u>	<u>(125,302)</u>
Nonoperating expenses:					
Interest and fiscal charges	(5,420)	(9,802)	-	(15,222)	-
Total nonoperating expenses.	<u>(5,420)</u>	<u>(9,802)</u>	<u>-</u>	<u>(15,222)</u>	<u>-</u>
Loss before transfers	(618,671)	(108,705)	(69,826)	(797,202)	(125,302)
Transfer in	-	-	25,000	25,000	26,600
Change in net position	(618,671)	(108,705)	(44,826)	(772,202)	(98,702)
Net position at beginning of year . .	<u>16,381,784</u>	<u>5,559,860</u>	<u>76,728</u>	<u>22,018,372</u>	<u>3,397</u>
Net position (deficit) at end of year . .	<u>\$ 15,763,113</u>	<u>\$ 5,451,155</u>	<u>\$ 31,902</u>	<u>21,246,170</u>	<u>\$ (95,305)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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FULTON COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	
Cash flows from operating activities:					
Cash received from tap-in fees	\$ 4,463	\$ 4,463	\$ -	\$ 8,926	\$ -
Cash received from charges for services	3,681,647	407,219	221,150	4,310,016	417,464
Cash received from other operations	45,443	73,097	-	118,540	85
Cash payments for personal services	(135,776)	(135,776)	(43,136)	(314,688)	(307,098)
Cash payments for contractual services	(3,318,290)	(249,076)	(234,037)	(3,801,403)	-
Cash payments for materials and supplies	(8,107)	(23,179)	(4,423)	(35,709)	(206,048)
Cash payments for administrative costs	(4,700)	(4,701)	-	(9,401)	(445)
Cash payments for other expenses	(126,960)	(8,097)	(2,111)	(137,168)	(722)
Net cash provided by (used in) operating activities.	<u>137,720</u>	<u>63,950</u>	<u>(62,557)</u>	<u>139,113</u>	<u>(96,764)</u>
Cash flows from noncapital financing activities:					
Cash received from transfers in	-	-	25,000	25,000	26,600
Cash used in repayment of interfund loans	(165,000)	-	-	(165,000)	-
Net cash provided by (used in) noncapital financing activities.	<u>(165,000)</u>	<u>-</u>	<u>25,000</u>	<u>(140,000)</u>	<u>26,600</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(86,675)	-	-	(86,675)	-
Principal retirement on bonds	(610)	(42,242)	-	(42,852)	-
Principal retirement on loans	(82,869)	(12,188)	-	(95,057)	-
Interest and fiscal charges	(5,425)	(9,970)	-	(15,395)	-
Net cash used in capital and related financing activities.	<u>(175,579)</u>	<u>(64,400)</u>	<u>-</u>	<u>(239,979)</u>	<u>-</u>
Net decrease in cash and investments	(202,859)	(450)	(37,557)	(240,866)	(70,164)
Cash and investments at beginning of year	<u>2,013,643</u>	<u>510,437</u>	<u>67,749</u>	<u>2,591,829</u>	<u>166,631</u>
Cash and investments at end of year.	<u>\$ 1,810,784</u>	<u>\$ 509,987</u>	<u>\$ 30,192</u>	<u>\$ 2,350,963</u>	<u>\$ 96,467</u>

- - Continued

FULTON COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	
Reconciliation of operating loss to net cash provided (used in) by operating activities:					
Operating loss	\$ (613,251)	\$ (98,903)	\$ (69,826)	\$ (781,980)	\$ (125,302)
Adjustments:					
Depreciation.	488,584	167,507	4,055	660,146	2,052
Changes in assets and liabilities:					
Increase in materials and supplies inventory	-	-	-	-	(10)
Decrease (increase) in accounts receivable.	(20,460)	(46,762)	809	(66,413)	-
Decrease (increase) in special assessment receivable.	5,563	(37,834)	-	(32,271)	-
Increase in net pension asset.	(54)	(54)	(20)	(128)	(130)
Increase in deferred outflows - pension - OPERS	(34,933)	(34,933)	(12,999)	(82,865)	(78,708)
Decrease (increase) in prepayments	(447)	448	674	675	4,892
Increase (decrease) in accounts payable	279,729	66,582	(1,389)	344,922	288
Decrease in contracts payable.	(15,142)	-	-	(15,142)	-
Increase in accrued wages and benefits	289	289	55	633	982
Decrease in intergovernmental payable.	(679)	(678)	(302)	(1,659)	(1,556)
Increase in net pension liability.	42,009	42,009	15,860	99,878	97,874
Increase in deferred inflows - pension - OPERS.	1,406	1,406	526	3,338	3,214
Increase (decrease) in compensated absences payable.	4,548	4,548	-	9,096	(360)
Increase in due to other funds	558	325	-	883	-
Net cash provided (used in) by operating activities	<u>\$ 137,720</u>	<u>\$ 63,950</u>	<u>\$ (62,557)</u>	<u>\$ 139,113</u>	<u>\$ (96,764)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FULTON COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 DECEMBER 31, 2016

	Agency
Assets:	
Equity in pooled cash and investments	\$ 7,012,733
Cash in segregated accounts.	363,133
Receivables:	
Real estate and other taxes.	44,288,567
Due from other governments.	1,669,949
Special assessments.	3,975,237
Deferred special assessments.	1,263,107
Total assets	\$ 58,572,726
Liabilities:	
Deposits held and due to others.	\$ 7,375,866
Due to other governments.	49,933,753
Deferred loan payments.	1,263,107
Total liabilities	\$ 58,572,726

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 - DESCRIPTION OF THE COUNTY

Fulton County, Ohio (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.

NOTE 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 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" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". 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.

Based on the foregoing criteria, the financial activities of the following PCU's 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 County Auditor certifies the availability of cash and appropriations prior to the processing of payments and purchases. As the custodian of all public funds, the County 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 PCU's have been excluded from the County's BFS, but the funds held on behalf of these PCU's in the County treasury are included in the agency funds.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 of Health adopts its own budget and operates autonomously from the County.

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

JOINTLY GOVERNED ORGANIZATIONS

Maumee Valley Planning Organization - The County is a member of the Maumee Valley Planning Organization (MVPO) which is a jointly governed organization between Defiance, Fulton, Henry, Paulding, and Williams Counties and the respective townships and municipalities in each of those counties. The purpose of MVPO is to act as a joint regional planning commission to write and administer 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 Community Development Block Grants and a per capita amount from each county. In 2016, the County paid per capita charges of \$19,489 to MVPO.

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 2016 were \$1,434,516. Complete financial statements for the CCNO can be obtained from the CCNO's administrative office on County Road 24 in Stryker, Ohio.

The Multi-Area Task Force (Task Force) - is a joint venture among Defiance, Williams, Fulton, and Putnam counties and Defiance and Bryan City. The Task Force is jointly controlled by the chief law enforcement officer of each respective entity. The main source of revenue for the Task Force is from federal grants and local matching funds from the entities. The County has no ongoing financial interest or responsibility for the Task Force. In 2016, the County contributed \$0 to the Task Force's operations. Information can be obtained from the Defiance County Sheriff's Office, 113 Beide Street, Defiance, Ohio 43512.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

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 sets priorities based on available funds. The County provides subsidies to Quadco based on units of service provided to it. For the year ended December 31, 2016 the County remitted \$4,830 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.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

The County has an ongoing financial interest in the District. The County Commissioners are able to influence the Board of Directors 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 2016. Grant monies received by the County from the District are reported in 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 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 \$218,681 to NWOJDD in 2016.

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.

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.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 position 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 activities of the internal service funds are 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 position 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 business-type activities 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 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 proprietary 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 funds are 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.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 and deferred inflows is reported as fund balance. The following are the County's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available 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 (County Board of DD) - This fund accounts for the operation of a school and the costs of administering a workshop for the developmentally disabled. Revenue sources include a countywide property tax levy and federal and State grants.

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

Other governmental funds of the County are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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. The costs of providing these services are financed primarily through user charges.

The other enterprise funds of the County are used to account for the solid waste incinerator and recycling activities. These funds are nonmajor funds whose activities have been aggregated and presented in a single column in the BFS.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Internal Service Funds - 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 funds primarily account for geographic information systems services provided to various departments of the County.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. 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. The County's agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent and for taxes, State-levied shared revenues, and fines and for forfeitures collected and distributed to other political subdivisions.

D. Measurement Focus

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

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, current deferred outflows, current liabilities and current deferred inflows 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, deferred outflows, liabilities and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary funds.

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.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 inflows of resources, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On a full accrual basis, revenue from sales taxes is recognized in the year in which the sales are made. 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 nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: sales tax (See Note 7), interest, federal and State grants and subsidies, State-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, See Note 15 for deferred outflows of resources related the County's net pension liability.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For the County, See Note 15 for deferred inflows of resources related to the County's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. 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 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 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 County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the 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 County Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the original and final amended certificate of estimated resources issued during 2016.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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 2016 are included in the original and 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 re-appropriated.

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 investments" on the basic financial statements.

During 2016, investments were limited to federal agency securities, negotiable certificates of deposit, nonnegotiable certificates of deposit, commercial paper and U.S. Government money market mutual funds.

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.

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 2016 amounted to \$287,921 which includes \$214,520 assigned from other County funds.

The County has segregated bank accounts for monies held separately from the County's central bank account. These 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 County'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, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

On fund financial statements, reported material and supplies inventory is equally offset by nonspendable balance 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 position, 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 position 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 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 water and sewer lines. 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 capital 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 2016, the net interest expense incurred on proprietary fund construction projects was not material.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 is attributable to services already rendered and is 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, 2016, 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, 2016, 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, 2016, 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.

On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance classification in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 and special termination benefits 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, notes, 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 “advances to/from other funds” for long-term loans and “interfund loans receivable/ payable” for short-term 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 position, 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”.

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

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Commissioners (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Board of Commissioners removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Board of Commissioners.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The County applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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, solid waste incinerator, recycling and geographic information systems programs. Operating expenses are necessary costs incurred to provide the good or service that are 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. During 2016, the proprietary funds received no contributions.

Q. Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. The net position component "net investment in capital assets," 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At December 31, 2016, there was no net position restricted by enabling legislation.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The County had no extraordinary or special items during 2016.

S. 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.

T. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

U. Fair Value Measurements

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2016, the County has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans" and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The County incorporated the corresponding GASB 72 guidance into its 2016 financial statements, however there was no effect on fund balance/net position.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the County.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the County.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. These disclosures were incorporated in the City's fiscal year 2016 financial statements (see Note 23); however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the County.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The implementation of GASB statement No 79 did not have an effect on the financial statements of the County.

B. Deficit Fund Balances

Fund balances at December 31, 2016 included the following individual fund deficits:

<u>Internal service funds</u>	<u>Deficit</u>
Geographic information systems	\$ 59,506
Loss control fund	35,799

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current 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.

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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time;
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.
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.

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

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 County Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash in Segregated Accounts

At year end, the County had \$388,394 cash and cash equivalents deposited separate from the County's internal investment pool. This amount is included in the amount of deposits with fiscal institutions below.

B. Deposits with Financial Institutions

At December 31, 2016, the carrying amount of all County deposits was \$21,592,130. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2016, \$7,158,732 of the County's bank balance of \$22,402,699 was exposed to custodial risk as discussed below, while \$15,243,967 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the County's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the County. The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of December 31, 2016, the County had the following investments and maturities:

Measurement/ Investment type	Measurement Amount	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair value:						
FHLMC	\$ 7,117,697	\$ -	\$ -	\$ -	\$ -	\$ 7,117,697
FHLB	249,090	-	-	-	-	249,090
FNMA	3,576,760	-	-	-	498,560	3,078,200
Wells Fargo Corporate notes	499,985	-	-	499,985	-	-
Negotiable CD's	2,242,238	-	-	-	1,993,377	248,861
Commercial paper	6,266,638	3,910,872	2,355,766	-	-	-
U.S. Government money market	602	602	-	-	-	-
Total	\$ 19,953,010	\$ 3,911,474	\$ 2,355,766	\$ 499,985	\$ 2,491,937	\$ 10,693,848

The weighted average maturity of investments is 2.46 years.

The City's investments in federal agency securities and negotiable certificates of deposit are valued using quoted market prices (Level 2 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the County's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The U.S. Government money market funds carry a rating of AAAM by Standard & Poor's. The County's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The County's investments in Wells Fargo corporate notes were rated Aa2 by Moody's Investor Services. The County's investments in negotiable certificates of deposit, commercial paper and U.S. government money market were not rated.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and negotiable certificates of deposit are exposed to custodial credit risk in that they are uninsured and unregistered. The County has no investment policy dealing with investments custodial risk beyond the requirement in State statute that prohibits payments for investments prior to the delivery of the securities representing such investments to the County Treasurer or qualified trustee.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2016:

<u>Measurement/ Investment type</u>	<u>Measurement Amount</u>	<u>% of total</u>
Fair value:		
FHLMC	\$ 7,117,697	35.67%
FFLB	249,090	1.24%
FNMA	3,576,760	17.93%
Wells Fargo Corporate notes	499,985	2.51%
Negotiable CD's	2,242,238	11.24%
Commerical paper	6,266,638	31.41%
U.S. Government money market	<u>602</u>	<u>0.00%</u>
Total	<u>\$ 19,953,010</u>	<u>100.00%</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 21,592,130
Investments	<u>19,953,010</u>
Total	<u>\$ 41,545,140</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 31,818,311
Business-type activities	2,350,963
Agency funds	<u>7,375,866</u>
Total	<u>\$ 41,545,140</u>

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended December 31, 2016, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:

General fund	\$ 1,750,904
Nonmajor governmental fund	24,643

Transfers to County Board of DD fund from:

Nonmajor governmental fund	45,000
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Transfers to motor vehicle gas tax fund from:

General fund	174
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Transfers to internal service funds from:

General fund	26,600
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Transfers to nonmajor enterprise funds from:

General fund	<u>25,000</u>
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Total transfers	<u>\$ 1,872,321</u>
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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.

Transfers between governmental funds are eliminated on the statement of activities.

- B.** Long-term advances to and from other funds at December 31, 2016, consisted of the following, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 40,473</u>

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

Long-term advances between governmental funds are eliminated on the statement of net position.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- C. Due to/from other funds consisted of the following at December 31, 2016, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Motor vehicle tax	\$ 77
General fund	EMS A&B life services	128
General fund	Nonmajor governmental funds	24,855
General fund	Water	1,485
General fund	Sewer	992
General fund	Nonmajor enterprise funds	102
Nonmajor governmental funds	Nonmajor governmental funds	11,815
Nonmajor governmental funds	General	<u>56,695</u>
Total due to/from other funds		<u>\$ 96,149</u>

The balances resulted from the time lag between the dates that payments between the funds are made. Amounts due to/from between governmental funds are eliminated on the statement of net position.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the County. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2016 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow since the current taxes were not levied to finance 2016 operations and the collection of delinquent taxes has been offset by a deferred inflow since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 6 - PROPERTY TAXES - (Continued)

The full tax rate for all County operations for the year ended December 31, 2016 was \$12.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 825,127,110
Commercial/industrial/mineral	137,362,510
<u>Public utility</u>	
Real/Personal	48,582,180
Total assessed value	<u>\$ 1,011,071,800</u>

NOTE 7 - PERMISSIVE SALES AND USE TAX

In 1983, the County Commissioners by resolution imposed a 0.5% tax on all retail sales made in the County, including sales of motor vehicles, and on storage, use, or consumption in the County of tangible personal property, including automobiles not subject to the sales tax. In 1987, the County Commissioners by resolution increased this tax by 0.5% to provide a total tax of 1.0%. In 2009, the County Commissioners by resolution increased this tax by 0.5% to provide a total tax of 1.5%.

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 Office of Budget and Management the amount of the taxes to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month.

Proceeds of the sales tax are credited to the general fund and the motor vehicle and gas tax fund and amounts that have been collected by the State and are to be received within the available period are accrued as revenue to the extent they are intended to finance the 2016 operations. Sales tax revenue for 2016 amounted to \$8,366,204.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2016, consisted of taxes, special assessments, accounts (billings for user charged services), interest, and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2016.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 8 – RECEIVABLES – (Continued)

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

Governmental activities:

Sales taxes	\$ 2,153,810
Property taxes	9,904,248
Accounts	284,059
Due from other governments	3,213,351
Special assessments	568,792
Accrued interest	172,415

Business-type activities:

Accounts	381,939
Special assessments	405,746

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year, with the exception of the special assessments which are collected over the life of the assessment.

NOTE 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 2016 is as follows:

	Balance at 12/31/2015	Issued/ Additions	Payments/ Reductions	Balance at 12/31/2016
Revolving loans	\$ 257,239	\$ -	\$ (25,928)	\$ 231,311
Allowance for doubtful accounts	(137,035)	-	-	(137,035)
Revolving loans, net	<u>\$ 120,204</u>	<u>\$ -</u>	<u>\$ (25,928)</u>	<u>\$ 94,276</u>

The loans are reported in the nonmajor governmental funds.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 10 - CAPITAL ASSETS

A. Capital asset activity for the fiscal year ended December 31, 2016, was as follows:

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/16</u>
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,011,931	\$ -	\$ -	\$ 1,011,931
Construction in progress	<u>1,564,948</u>	<u>602,024</u>	<u>(424,605)</u>	<u>1,742,367</u>
Total capital assets not being depreciated	<u>2,576,879</u>	<u>602,024</u>	<u>(424,605)</u>	<u>2,754,298</u>
<i>Capital assets being depreciated:</i>				
Land improvements	4,185,091	37,743	-	4,222,834
Buildings and improvements	25,117,486	630,395	(19,439)	25,728,442
Machinery and equipment	6,850,253	334,850	(77,718)	7,107,385
Vehicles	6,321,670	1,178,398	(599,659)	6,900,409
Infrastructure	<u>57,824,278</u>	<u>1,354,363</u>	<u>-</u>	<u>59,178,641</u>
Total capital assets being depreciated	<u>100,298,778</u>	<u>3,535,749</u>	<u>(696,816)</u>	<u>103,137,711</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(3,515,744)	(100,852)	-	(3,616,596)
Buildings and improvements	(10,931,162)	(725,327)	19,439	(11,637,050)
Machinery and equipment	(4,572,718)	(396,374)	71,347	(4,897,745)
Vehicles	(2,868,478)	(365,047)	421,414	(2,812,111)
Infrastructure	<u>(30,047,673)</u>	<u>(2,118,840)</u>	<u>-</u>	<u>(32,166,513)</u>
Total accumulated depreciation	<u>(51,935,775)</u>	<u>(3,706,440)</u>	<u>512,200</u>	<u>(55,130,015)</u>
Total capital assets being depreciated, net	<u>48,363,003</u>	<u>(170,691)</u>	<u>(184,616)</u>	<u>48,007,696</u>
Governmental activities capital assets, net	<u>\$ 50,939,882</u>	<u>\$ 431,333</u>	<u>\$ (609,221)</u>	<u>\$ 50,761,994</u>

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 10 - CAPITAL ASSETS - (Continued)

Capital assets of the business-type activities for the year ended December 31, 2016, was as follows:

	Balance 12/31/15	Additions	Deductions	Balance 12/31/16
Business-type activities:				
<i>Capital assets being depreciated:</i>				
Buildings and improvements	\$ 69,416	\$ -	\$ -	\$ 69,416
Machinery and equipment	264,545	-	-	264,545
Vehicles	33,897	-	-	33,897
Waterlines/sewerlines	32,658,084	86,675	-	32,744,759
Total capital assets being depreciated	33,025,942	86,675	-	33,112,617
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(55,531)	(1,735)	-	(57,266)
Machinery and equipment	(222,249)	(4,813)	-	(227,062)
Vehicles	(5,085)	(3,390)	-	(8,475)
Waterlines/sewerlines	(11,308,161)	(650,208)	-	(11,958,369)
Total accumulated depreciation	(11,591,026)	(660,146)	-	(12,251,172)
Total capital assets being depreciated, net	\$ 21,434,916	\$ (573,471)	\$ -	\$ 20,861,445

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

Governmental activities:	
Legislative and executive	\$ 379,603
Judicial	159,603
Public safety	256,529
Public works	2,441,352
Health	265,983
Human services	131,656
Economic development	7,801
Intergovernmental	61,861
Depreciation of internal service fund capital assets	2,052
Total depreciation expense - governmental activities	\$ 3,706,440
Business-type activities:	
Water	\$ 488,584
Sewer	167,507
Nonmajor	4,055
Total depreciation expense - business-type activities	\$ 660,146

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the County entered into capital lease agreements for the acquisition of office equipment and copier equipment. These leases meet the criteria of a capital lease as defined by generally accepted accounting principles 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.

Capital assets consisting of copier equipment has been capitalized in the amount of \$14,731. This amount represents the present value of minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2016 was \$4,419, leaving a current book value of \$10,312. A corresponding liability was recorded in the government-wide financial statements. Principal and interest payments made in 2016 totaled \$2,773, and \$563, respectively.

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, 2016:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 3,336
2018	3,336
2019	3,336
2020	<u>556</u>
Total future minimum lease payments	10,564
Less: amount representing interest	<u>(813)</u>
Present value of net minimum lease payments	<u><u>\$ 9,751</u></u>

NOTE 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% of his or her accumulated unused sick leave, up to a maximum of 30 days upon retirement from the County, with the exception of the County Engineer Department highway workers who are paid 33% of the accumulated unused sick leave, up to maximum of 30 days upon retirement from the County.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 12 - COMPENSATED ABSENCES - (Continued)

At December 31, 2016, vested benefits for vacation leave for governmental activities employees totaled \$645,037 and vested benefits for sick leave totaled \$107,431. These amounts represent the non-current portion of the vested benefits and are reported in the government-wide financial statements. There was no current liability reported for governmental activities sick leave at December 31, 2016. For business-type activities, vested benefits for vacation leave totaled \$43,296 and vested benefits for sick leave totaled zero. 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 \$179,533 for governmental activities employees and \$12,136 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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FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 13 - LONG-TERM OBLIGATIONS

A. Governmental Long-Term Obligations

During 2016, the following changes occurred in the County's governmental long-term obligations.

	Issue Date	Maturity Date	Balance 12/31/15	Additions	Reductions	Balance 12/31/16	Amount Due in One Year
Governmental activities:							
<u>Special assessment bonds:</u>							
Ditch Bond, Series 2014	5/08/14	12/1/20	\$ 105,000	\$ -	\$ (20,000)	\$ 85,000	\$ 20,000
Total special assessment bonds			<u>105,000</u>	<u>-</u>	<u>(20,000)</u>	<u>85,000</u>	<u>20,000</u>
<u>General obligation notes:</u>							
Fulton County							
solid waste building	1/10/03	12/1/17	61,678	-	(30,116)	31,562	31,562
Total general obligation notes			<u>61,678</u>	<u>-</u>	<u>(30,116)</u>	<u>31,562</u>	<u>31,562</u>
<u>General obligation bonds:</u>							
Various purposes	8/30/07	8/15/17	70,000	-	(35,000)	35,000	35,000
Various purposes	8/30/07	8/15/17	145,000	-	(70,000)	75,000	75,000
Total general obligation bonds			<u>215,000</u>	<u>-</u>	<u>(105,000)</u>	<u>110,000</u>	<u>110,000</u>
<u>OPWC loans payable:</u>							
Issue II Loan - Co Rd C Project	12/01/06	01/01/27	52,388	-	(4,763)	47,625	4,762
Issue II Loan - Co Rd 14 Project	12/01/06	01/01/27	45,468	-	(4,133)	41,335	4,134
Issue II Loan - Co Rd C Reconstruct.	01/01/07	01/01/28	15,000	-	(1,250)	13,750	1,250
Issue II Loan - Co Rd A Project	01/01/07	07/01/18	40,993	-	(16,397)	24,596	16,397
Issue II Loan - Rd 20 Resurfacing	12/1/09	07/01/19	47,466	-	(13,562)	33,904	13,561
Issue II Loan - County Rd B	10/22/10	01/01/21	139,526	-	(27,905)	111,621	27,905
Issue II Loan - Co Rd D Resurfacing	7/22/11	01/01/22	186,093	-	(31,016)	155,077	31,015
Issue II Loan - Bridge T64.9 replace	10/5/12	07/01/32	103,460	-	(6,271)	97,189	6,270
Issue II Loan - Bridge 26 D5 replace	9/15/15	01/01/36	157,255	-	(7,863)	149,392	7,863
Issue II Loan - Bridges M23.9 and B8.7	9/15/16	01/01/37	-	76,477	-	76,477	-
Total OPWC Loans			<u>787,649</u>	<u>76,477</u>	<u>(113,160)</u>	<u>750,966</u>	<u>113,157</u>
<u>Other long-term obligations</u>							
Capital lease obligations			12,524	-	(2,773)	9,751	2,914
Net pension liability			10,942,142	4,641,193	-	15,583,335	-
Compensated absences			890,091	657,750	(615,840)	932,001	669,882
Total other long-term obligations			<u>11,844,757</u>	<u>5,298,943</u>	<u>(618,613)</u>	<u>16,525,087</u>	<u>672,796</u>
Total governmental activities long-term liabilities			<u>\$ 13,014,084</u>	<u>\$ 5,375,420</u>	<u>\$ (886,889)</u>	<u>\$ 17,502,615</u>	<u>\$ 947,515</u>

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Net pension liability: See Note 15 for more details.

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 from nonmajor governmental funds.

General obligation bonds: On August 30, 2007 the County issued two general obligation bonds for various purposes in the amount of \$915,000. These bonds bear an interest rate of 4.05% and are supported by the full faith and credit of the County. Repayment will be made with tax levy revenues in the nonmajor governmental funds.

General obligation notes: 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 had an interest rate of 4.40% and matured December 1, 2007; the second series for \$115,000 has an interest rate of 4.65% and matured on December 1, 2012; and the third series for \$144,000 has an interest rate of 4.80% and matures on December 1, 2017. Payments are made from nonmajor governmental funds.

OPWC loans payable: The Ohio Public Works Commission (OPWC) loans were issued on December 1, 2006, January 1, 2007, July 24, 2008, June 22, 2009, October 22, 2010, July 22, 2011, October 5, 2012, and September 15, 2015 to provide for improvements to County Road C, County Road 14, County Road A, County Road 20, County Road B, County Road D, Bridge T64.9 and Bridge 26 D5. These loans bear no interest rate as long as the County remains current on its payments. The OPWC loan proceeds are recorded in a nonmajor governmental fund and OPWC loan payments are recorded in the motor vehicle and gas tax fund.

During 2016, the County entered into another OPWC loan agreement for the purpose of replacing Bridges M23.9 and B8.7. The outstanding balance as of December 31, 2016 was \$76,477. As the loan is still open, no amortization schedule was available at December 31, 2016.

Capital lease obligation: The County has entered into capital lease obligations for the purchase of office and copier equipment. Principal payments on these obligations are reported in the general fund and in nonmajor governmental funds. The capital lease obligation 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 funds from which the employees' salaries are paid, which are primarily the general, motor vehicle and gas tax, and County Board of DD funds. Compensated absences are further described in Note 12.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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

<u>Year Ending</u>	<u>OPWC Loans</u>			<u>Special Assessment Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 113,157	\$ -	\$ 113,157	\$ 20,000	\$ 3,953	\$ 23,953
2018	104,962	-	104,962	20,000	3,022	23,022
2019	89,980	-	89,980	20,000	2,093	22,093
2020	83,200	-	83,200	25,000	1,162	26,162
2021	55,294	-	55,294	-	-	-
2022 - 2026	121,395	-	121,395	-	-	-
2027 - 2031	71,915	-	71,915	-	-	-
2032 - 2035	34,586	-	34,586	-	-	-
Total	\$ 674,489	\$ -	\$ 674,489	\$ 85,000	\$ 10,230	\$ 95,230

<u>Year Ending</u>	<u>General Obligation Notes</u>			<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 31,562	\$ 1,515	\$ 33,077	\$ 110,000	\$ 3,342	\$ 113,342
Total	\$ 31,562	\$ 1,515	\$ 33,077	\$ 110,000	\$ 3,342	\$ 113,342

- 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 not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The assessed valuation used in determining the County's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the County's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. Based on this calculation, the County's voted legal debt margin was \$23,666,795 at December 31, 2016 and the unvoted legal debt margin was \$10,110,718 at December 31, 2016.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

C. Business-Type Activities

During 2016, the following changes occurred in the County's business-type long-term obligations.

	Issue Date	Maturity Date	Balance 12/31/15	Additions	Reductions	Balance 12/31/16	Amount Due in One Year
Business-type activities:							
<u>OWDA loans:</u>							
NE Fulton County Water Supply	2010	2042	\$ 1,754,727	\$ -	\$ (66,216)	\$ 1,688,511	\$ 66,216
Riviera Mobile Home Court sewer	2011	2031	26,323	-	(1,698)	24,625	1,698
Wastewater collection/treatment	2007	2028	136,370	-	(10,490)	125,880	10,490
Total OWDA loans			1,917,420	-	(78,404)	1,839,016	78,404
<u>Special assessment bonds:</u>							
Waterline extension assessment	6/15/06	6/15/26	10,606	-	(610)	9,996	672
Exit 3 sewer improvement	1/13/99	12/1/18	110,000	-	(35,000)	75,000	35,000
Industrial corridor sewer district	12/23/04	12/1/24	79,849	-	(7,242)	72,607	7,604
Total special assessment bonds			200,455	-	(42,852)	157,603	43,276
<u>Other long-term obligations:</u>							
Loan payable			150,298	-	(16,653)	133,645	17,222
Net pension liability			213,781	99,878	-	313,659	-
Compensated absences			46,336	14,576	(5,480)	55,432	43,296
Total other long-term obligations			410,415	114,454	(22,133)	502,736	60,518
Total business-type activities long-term liabilities			\$ 2,528,290	\$ 114,454	\$ (143,389)	\$ 2,499,355	\$ 182,198

Ohio Water Development Authority Loan - 2007 Issue: During 2007, the County entered into a loan agreement with the OWDA for wastewater collection and treatment. Repayment of this loan is funded through user charges in the sewer fund. This loan is interest free with final maturity on July 1, 2028.

Ohio Water Development Authority Loan - 2010 Issue: During 2010, the County entered into a loan agreement with the OWDA for the Northeast Fulton County Water Supply project. Repayment of this loan is funded through user charges in the water fund. This loan is interest free with final maturity on January 1, 2042.

Ohio Water Development Authority Loan - 2011 Issue: During 2011, the County entered into a loan agreement with the OWDA for the Riviera Mobile Home Court Sanitary Sewer. Repayment of this loan is funded through user charges in the sewer fund. This loan is interest free with final maturity on January 1, 2031. Since no capital assets were purchased with this loan, it is not included in the calculation of "net investment in capital assets" in the sewer fund.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Special assessment bonds: On June 15, 2006, the County issued special assessment bonds which retired the bond anticipation note issued in 2005 for the waterline extension project. On December 23, 2004, the County issued special assessment bonds for the industrial corridor sewer project in the amount of \$140,000. Other special assessments issued in prior years include the Pettisville waterline and Exit 3 sewer improvement projects. These 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 in the sewer fund. A portion of the capital assets associated with the Exit 3 sewer improvement bond are no longer reported as capital assets of the County, therefore, 88% of the balance of this loan is excluded from the County's calculation of "net investment in capital assets" for the sewer 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. Repayment of this loan will be funded by user charges collected by the County. The loan bears an interest rate of 3.39% and will mature on January 1, 2024.

The following is a summary of the future debt service requirements of the business-type special assessment bonds and loans:

Year Ended	Special Assessment Bonds			OWDA Loans		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 43,276	\$ 8,695	\$ 51,971	\$ 78,404	\$ -	\$ 78,404
2018	48,724	6,339	55,063	78,405	-	78,405
2019	9,199	3,685	12,884	78,404	-	78,404
2020	9,701	3,182	12,883	78,405	-	78,405
2021	10,243	2,650	12,893	78,404	-	78,404
2022 - 2026	36,460	4,665	41,125	392,021	-	392,021
2027 - 2031	-	-	-	359,704	-	359,704
2032 - 2036	-	-	-	331,081	-	331,081
2037 - 2041	-	-	-	331,080	-	331,080
2042	-	-	-	33,108	-	33,108
Total	<u>\$ 157,603</u>	<u>\$ 29,216</u>	<u>\$ 186,819</u>	<u>\$ 1,839,016</u>	<u>\$ -</u>	<u>\$ 1,839,016</u>

Year Ended	Loan Payable		
	Principal	Interest	Total
2017	\$ 17,222	\$ 3,881	\$ 21,103
2018	17,811	3,360	21,171
2019	18,420	2,821	21,241
2020	19,049	2,264	21,313
2021	19,699	1,689	21,388
2022 - 2024	41,444	1,566	43,010
Total	<u>\$ 133,645</u>	<u>\$ 15,581</u>	<u>\$ 149,226</u>

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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 from 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 within one year, the County is responsible for paying interest from the general fund.

NOTE 14 - 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 the County Risk Sharing Authority Inc. (CORSA), which is a shared risk pool of sixty-one counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, law enforcement liability, crime and excess 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.

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 the County Employee Benefits Consortium of Ohio, Inc. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

B. County Employee Benefits Consortium of Ohio

The County participates in the County Employee Benefits Consortium of Ohio, Inc. (CEBCO), an Ohio not-for-profit corporation with membership open to Ohio political subdivisions to collectively pool resources to purchase employee benefits. The County pays, on a monthly basis, the annual actuarially determined funding rate. Components of the funding rate include the claims fund contribution, incurred but not reported claims, a claim contingency reserve fund, as well as the fixed costs of the consortium. In 2016, the County contributed a total of \$2,486,999 to the Consortium.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

NOTE 14 - RISK MANAGEMENT - (Continued)

The business and affairs of the consortium are managed by a board of not less than nine of more than fifteen directors that exercise all powers of the consortium. Two thirds of the directors are County Commissioners of member Counties and one third are employees of the member Counties. Each member of the consortium is entitled to one vote. At all times, one director is required to be a member of the Board of Directors of the CCAO and another is required to be a Board Member of the County Risk Sharing Authority, Inc. (CORSA).

NOTE 15 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

The net pension liability/asset reported on the statement of net position represents a liability or asset to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability/asset represents the County's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments* on both the accrual and modified accrual bases of accounting.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2016 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2016 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	2.0 %	2.0 %	2.0 %
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The County's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$1,355,481 for 2016. Of this amount, \$28,831 is reported as due to other governments.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description - County licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For January 1, 2016 through June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. For July 1, 2016 through December 31, 2016, plan members were required to contribute 14 percent of their annual covered salary. The County was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2016 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$35,653 for 2016. Of this amount, \$1,139 is reported as due to other governments.

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2015, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. STRS's total pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability or asset was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.09716900%	0.00308570%	
Proportion of the net pension liability current measurement date	<u>0.09721400%</u>	<u>0.00305406%</u>	
Change in proportionate share	<u>0.00004500%</u>	<u>-0.00003164%</u>	
Proportion of the net pension asset prior measurement date	0.06566000%		
Proportion of the net pension asset current measurement date	<u>0.12754900%</u>		
Change in proportionate share	<u>0.06188900%</u>		
Proportionate share of the net pension liability	\$ 14,874,708	\$ 1,022,286	\$ 15,896,994
Proportionate share of the net pension asset	27,983	-	27,983
Pension expense	2,176,725	(44,170)	2,132,555

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 1,471	\$ 41,305	\$ 42,776
Net difference between projected and actual earnings on pension plan investments	4,384,564	84,878	4,469,442
Changes in employer's proportionate percentage/ difference between employer contributions	19,554	3,406	22,960
County contributions subsequent to the measurement date	<u>1,355,481</u>	<u>17,827</u>	<u>1,373,308</u>
Total deferred outflows of resources	<u>\$ 5,761,070</u>	<u>\$ 147,416</u>	<u>\$ 5,908,486</u>
Deferred inflows of resources			
Differences between expected and actual experience	300,077	-	300,077
Changes in employer's proportionate percentage/ difference between employer contributions	<u>43,065</u>	<u>21,465</u>	<u>64,530</u>
Total deferred inflows of resources	<u>\$ 343,142</u>	<u>\$ 21,465</u>	<u>\$ 364,607</u>

\$1,373,308 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Year Ending December 31:			
2017	\$ 954,882	\$ 15,222	\$ 970,104
2018	1,010,846	15,223	1,026,069
2019	1,111,399	47,788	1,159,187
2020	990,836	29,891	1,020,727
2021	(1,420)	-	(1,420)
Thereafter	<u>(4,096)</u>	<u>-</u>	<u>(4,096)</u>
Total	<u>\$ 4,062,447</u>	<u>\$ 108,124</u>	<u>\$ 4,170,571</u>

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability/asset in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation COLA or ad hoc COLA	4.25 to 10.05 percent including wage inflation Pre 1/7/2013 retirees: 3 percent, simple Post 1/7/2013 retirees: 3 percent, simple through 2018, then 2.80% simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 401 (h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	20.70	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the County's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the County's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 23,699,044	\$ 14,874,708	\$ 7,431,660
Combined Plan	(571)	(27,770)	(49,647)
Member-Directed Plan	556	(213)	(556)

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Changes Between Measurement Date and Report Date - In October 2016, the OPERS Board of Trustees adopted certain assumption changes which impacted their annual actuarial valuation prepared as of December 31, 2016. The most significant changes are a reduction in the expected investment return to 7.50% from 8.00%, the expected long-term average wage inflation was reduced to 3.25% from 3.75%, the expected long-term average price inflation was reduced to 2.50% from 3.00% and a change to various demographic assumptions. Although the exact amount of these changes is not known, the impact to the County's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
County's proportionate share of the net pension liability	\$ 1,358,535	\$ 1,022,286	\$ 738,640

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75% and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the County's net pension liability is expected to be significant.

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2016, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2016 was 2.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$248,255, \$205,203, and \$236,307, respectively; 98.38% has been contributed for 2016 and 100% has been contributed for 2015 and 2014. The remaining 2016 post-employment health care benefits liability has been reported as due to other governments/pension and postemployment benefits payable on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

B. State Teachers Retirement System of Ohio

Plan Description - The County contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS did not allocate any percentage of employer contributions to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2016, 2015 and 2014 were \$0, \$0 and \$1,222, respectively. The full amount has been contributed for 2014.

FULTON COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (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, motor vehicle and gas tax fund, County Board of Developmental Disabilities (DD) fund and EMS Advance and Basic (A&B) Life Services fund 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 and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses 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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance

	<u>General fund</u>	<u>Motor Vehicle Gas Tax</u>	<u>County Board of DD</u>	<u>EMS A&B Life Services</u>
Budget basis	\$ (154,606)	\$ 328,101	\$ 157,125	\$ (1,379,699)
Net adjustment for revenue accruals	(8,258)	(48,984)	(135,093)	239,023
Net adjustment for expenditure accruals	20,891	(28,777)	(21,926)	29,538
Net adjustment for other sources/uses	(170,311)	(122,191)	-	-
Funds budgeted elsewhere	148,520	-	-	-
Adjustment for encumbrances	<u>151,396</u>	<u>296,555</u>	<u>602,555</u>	<u>139,590</u>
GAAP basis	<u>\$ (12,368)</u>	<u>\$ 424,704</u>	<u>\$ 602,661</u>	<u>\$ (971,548)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the budget stabilization fund, the unclaimed hospital bond fund, the self insurance fund, unclaimed monies fund, the age 26-28 dependent fund, the title administration fund, the recorder equipment fund and rural fire protection fund.

NOTE 18 - 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.

FULTON COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 19 - 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. In 2005, the special facility bonds were refunded and new bonds were issued in the amount of \$28,500,000. In 2011 the special facility bonds were refunded and new bonds were issued in the amount of \$28,755,000. 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, 2016, \$25,185,000 was still outstanding.

NOTE 20 - FEDERAL TRANSACTIONS

The Fulton County Department of Job and Family Services 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.

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FULTON COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 21 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Motor Vehicle Gas Tax	County Board of DD	EMS A & B Life Services	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Materials and supplies inventory	\$ 67,219	\$ 144,793	\$ 3,417	\$ -	\$ 49,818	\$ 265,247
Prepays	86,362	5,745	12,955	1,570	43,935	150,567
Advances to other funds	40,473	-	-	-	-	40,473
Unclaimed hospital bond	40,262	-	-	-	-	40,262
Unclaimed monies	50,340	-	-	-	-	50,340
Total nonspendable	284,656	150,538	16,372	1,570	93,753	546,889
Restricted:						
Debt service	-	-	-	-	14,546	14,546
Capital improvements	-	-	-	-	439,214	439,214
Public works	-	2,624,883	-	-	118,147	2,743,030
Real estate assessment	-	-	-	-	1,053,526	1,053,526
Economic development	-	-	-	-	531,224	531,224
Public safety	-	-	-	913,235	1,783,462	2,696,697
WIA	-	-	-	-	62,940	62,940
Health programs	-	-	5,416,844	-	1,298,357	6,715,201
Human service programs	-	-	-	-	3,011,251	3,011,251
County court computer services	-	-	-	-	385,394	385,394
County court special projects	-	-	-	-	841,066	841,066
Other purposes	-	-	-	-	654,677	654,677
Total restricted	-	2,624,883	5,416,844	913,235	10,193,804	19,148,766
Committed:						
Capital improvements	-	-	-	-	2,772,874	2,772,874
Total committed	-	-	-	-	2,772,874	2,772,874
Assigned:						
Debt service	-	-	-	-	83	83
Capital improvements	-	-	-	-	8,049	8,049
Legislative and executive	104,077	-	-	-	-	104,077
Subsequent year's appropriations	1,674,093	-	-	-	-	1,674,093
Stabilization	1,610,282	-	-	-	-	1,610,282
Other purposes	57,763	-	-	-	-	57,763
Total assigned	3,446,215	-	-	-	8,132	3,454,347
Unassigned	8,226,110	-	-	-	-	8,226,110
Total fund balances	\$ 11,956,981	\$ 2,775,421	\$ 5,433,216	\$ 914,805	\$ 13,068,563	\$ 34,148,986

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 22 - OTHER COMMITMENTS

The County utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the County’s commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End</u> <u>Encumbrances</u>
General fund	\$ 129,914
Motor vehicle and gas tax	180,767
County Board of DD	558,397
EMS A&B life services	135,665
Nonmajor governmental	<u>3,035,234</u>
Total	<u>\$ 4,039,977</u>

NOTE 23 - TAX ABATEMENTS

As of December 31, 2016, the County provides tax abatements through two programs—Community Reinvestment Area (CRA) and Enterprise Zone (Ezone). These programs relate to the abatement of property taxes.

CRA - Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA’s are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity’s property tax bill.

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An Ezone’s geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the “Agreement”) with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business’s property tax bill.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 23 - TAX ABATEMENTS – (Continued)

The County has entered into agreements to abate property taxes through these programs. During 2016, the County's property tax revenues were reduced as a result of these agreements as follows:

<u>Tax Abatement Program</u>	<u>County Taxes Abated</u>
CRA	\$ 461,192
Ezone	<u>106,095</u>
Total	<u>\$ 567,287</u>

REQUIRED SUPPLEMENTARY INFORMATION

FULTON COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST THREE YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>			
County's proportion of the net pension liability	0.097214%	0.097169%	0.097169%
County's proportionate share of the net pension liability	\$ 14,874,708	\$ 10,303,126	\$ 10,070,412
County's covered-employee payroll	\$ 10,390,575	\$ 10,901,087	\$ 11,735,615
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	143.16%	94.51%	85.81%
Plan fiduciary net position as a percentage of the total pension liability	81.08%	86.45%	86.36%
<i>Combined Plan:</i>			
County's proportion of the net pension asset	0.064600%	0.065660%	0.065660%
County's proportionate share of the net pension asset	\$ 27,769	\$ 22,226	\$ 6,057
County's covered-employee payroll	\$ 225,275	\$ 240,013	\$ 180,815
County's proportionate share of the net pension asset as a percentage of its covered-employee payroll	12.33%	9.26%	3.35%
Plan fiduciary net position as a percentage of the total pension asset	116.90%	114.83%	104.56%
<i>Member Directed Plan:</i>			
County's proportion of the net pension asset	0.062949%	n/a	n/a
County's proportionate share of the net pension asset	\$ 214	n/a	n/a
County's covered-employee payroll	\$ 344,467	n/a	n/a
County's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.06%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	103.91%	n/a	n/a

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the County's measurement date which is the prior year-end.

FULTON COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability	0.00305406%	0.00308570%	0.00306584%
County's proportionate share of the net pension liability	\$ 1,022,286	\$ 852,797	\$ 745,718
County's covered-employee payroll	\$ 258,779	\$ 235,614	\$ 240,023
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	395.04%	361.95%	310.69%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the County's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

FULTON COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COUNTY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	2016	2015	2014	2013
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 1,299,778	\$ 1,246,869	\$ 1,308,130	\$ 1,525,630
Contributions in relation to the contractually required contribution	(1,299,778)	(1,246,869)	(1,308,130)	(1,525,630)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 10,831,483	\$ 10,390,575	\$ 10,901,083	\$ 11,735,615
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
 <i>Combined Plan:</i>				
Contractually required contribution	\$ 20,748	\$ 27,033	\$ 28,802	\$ 23,506
Contributions in relation to the contractually required contribution	(20,748)	(27,033)	(28,802)	(23,506)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 172,900	\$ 225,275	\$ 240,017	\$ 180,815
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
 Note: Information prior to 2010 for the Combined Plan was unavailable.				
 <i>Member Directed Plan:</i>				
Contractually required contribution	\$ 34,955	\$ 41,336		
Contributions in relation to the contractually required contribution	(34,955)	(41,336)		
Contribution deficiency (excess)	\$ -	\$ -		
County's covered-employee payroll	\$ 291,292	\$ 344,467		
Contributions as a percentage of covered-employee payroll	12.00%	12.00%		

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,150,880	\$ 1,172,960	\$ 1,003,449	\$ 954,696	\$ 819,610	\$ 855,794
<u>(1,150,880)</u>	<u>(1,172,960)</u>	<u>(1,003,449)</u>	<u>(954,696)</u>	<u>(819,610)</u>	<u>(855,794)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 11,508,800	\$ 11,729,600	\$ 11,253,634	\$ 11,750,105	\$ 11,708,714	\$ 10,249,030
10.00%	10.00%	8.92%	8.13%	7.00%	8.35%
\$ 10,054	\$ 6,306	\$ 12,275			
<u>(10,054)</u>	<u>(6,306)</u>	<u>(12,275)</u>			
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
\$ 126,465	\$ 79,321	\$ 126,721			
7.95%	7.95%	9.69%			

FULTON COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COUNTY CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 35,653	\$ 36,229	\$ 32,986	\$ 31,203
Contributions in relation to the contractually required contribution	<u>(35,653)</u>	<u>(36,229)</u>	<u>(32,986)</u>	<u>(31,203)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 254,664	\$ 258,779	\$ 253,738	\$ 240,023
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 30,744	\$ 30,773	\$ 29,830	\$ 29,259	\$ 29,017	\$ 29,708
<u>(30,744)</u>	<u>(30,773)</u>	<u>(29,830)</u>	<u>(29,259)</u>	<u>(29,017)</u>	<u>(29,708)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 236,492	\$ 236,715	\$ 229,462	\$ 225,069	\$ 223,208	\$ 228,523
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

FULTON COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 - 2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 - 2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

FULTON COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed through the Ohio Department of Development Services Agency</i>				
Community Development Block Grants				
Formula Grants	14.228	B-F-14-1AX-1		\$ 378,000
Total U.S. Department of Housing and Urban Development				378,000
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed through Ohio Department of Job and Family Services</i>				
Promoting Safe and Stable Families	93.556	G-1617-11-5512		11,280
Temporary Assistance for Needy Families	93.558	G-1617-11-5512	\$ 100,612	822,591
Child Support Enforcement	93.563	G-1617-11-5512		416,373
Child Care and Development Block Grant	93.575	G-1617-11-5512	38,230	38,230
Child Welfare Services	93.645	G-1617-11-5512		15,527
Foster Care (Title IV-E)	93.658	G-1617-11-5512		107,910
Adoption Assistance	93.659	G-1617-11-5512		41,377
Social Services Block Grant (Title XX)	93.667	G-1617-11-5512		459,283
Medical Assistance Program	93.778	G-1617-11-5512		465,237
Chafee Foster Care Independence Program	93.674	G-1617-11-5512		976
<i>Total passed through Ohio Department of Job and Family Services</i>			138,842	2,378,784
<i>Passed through Area Office of Aging</i>				
<u>Aging Cluster</u>				
Nutrition Incentive Program	93.053			12,347
Special Programs for the Aging - Title III Part C	93.045			58,223
Grants for Supportive Services and Senior Centers	93.044			45,397
Total Aging Cluster				115,967
<i>Total passed through Area Office of Aging</i>				115,967
<i>Passed through Ohio Department of Developmental Disabilities</i>				
Medicaid Assistance Program	93.778			87,502
Social Services Block Grant (Title XX)	93.667			26,695
<i>Total passed through Ohio Department of Developmental Disabilities</i>				114,197
Total Social Service Block Grant Program (CFDA 93.667)				485,978
Total Medicaid Assistance Program (CFDA 93.778)				552,739
Total U.S. Department of Health and Human Services			138,842	2,608,948
UNITED STATES DEPARTMENT OF LABOR				
<i>Passed through Area 7, Workforce Investment Board (Montgomery County)</i>				
<u>Workforce Investment Act Cluster</u>				
Workforce Investment Act - Adult	17.258	G-1617-11-5512		80,947
Workforce Investment Act - Youth	17.259	G-1617-11-5512	67,223	75,698
Workforce Investment Act - Dislocated Worker	17.278	G-1617-11-5512		78,578
Total Workforce Investment Act Cluster			67,223	235,223
Total U.S. Department of Labor			67,223	235,223
UNITED STATES DEPARTMENT OF HOMELAND SECURITY				
<i>Passed through Ohio Emergency Management Agency</i>				
Emergency Management Performance Grant	97.042	EMW-2015-EP-00034-S01		17,974
	97.042	EMW-2016-EP-0003-S01		18,522
Total Emergency Management Performance Grant				36,496
Total U.S. Department of Homeland Security				36,496
UNITED STATES DEPARTMENT OF AGRICULTURE				
FOOD AND NUTRITION SERVICE				
State Administrative Match Grant for Supplemental				

FULTON COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Nutrition Assistance Program	10.561	G-1617-11-5512	<u> </u>	<u>203,587</u>
 UNITED STATES DEPARTMENT OF TRANSPORTATION				
<i>Federal Aviation Administration</i>				
Airport Improvement Program	20.106	3-39-0087-013-2015	<u> </u>	<u>85,273</u>
<i>Passed through Ohio Department of Public Safety</i>				
National Priority Safety Program	20.616	IDEP-2016-26-00-00-00330-00		11,018
	20.616	IDEP-2017-26-00-00-00375-00		6,230
Total National Priority Safety Programs			<u> </u>	<u>17,248</u>
State and Community Highway Safety	20.600	STEP-2016-26-00-00-00476-00		10,095
	20.600	STEP-2017-26-00-00-00496-00		1,357
Total State and Community Highway Safety Programs			<u> </u>	<u>11,452</u>
<i>Total passed through Ohio Department of Public Safety</i>			<u> </u>	<u>28,700</u>
<i>Passed through the Ohio Department of Transportation</i>				
Highway Planning and Construction Grant	20.205	95190	<u> </u>	<u>1,038,243</u>
Total U.S. Department of Transportation			<u> </u>	<u>1,152,216</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u><u>\$</u></u>	<u><u>206,065</u></u>
			<u><u>\$</u></u>	<u><u>4,614,470</u></u>

THE ACCOMPANYING NOTES ARE A INTEGRAL PART OF THIS SCHEDULE

FULTON COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 2 CFR 200.510(b)(6) FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Fulton County (the County's) under programs of the federal government for the year ended December 31, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The County passes certain federal awards received from Ohio Department of Job and Family Services (ODJFS) and Area 7, Workforce Investment Board to other governments or not-for-profit agencies (subrecipients). As Note B describes, the County reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE D - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) and HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT PROGRAMS with REVOLVING LOAN CASH BALANCE

The current cash balance on the County's local program income account as of December 31, 2016 is \$233,970.

NOTE E - MATCHING REQUIREMENTS

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

FULTON COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

NOTE F - TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2016, the County made allowable transfers of \$284,407 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$822,591 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2016 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$1,107,061
Transfer to Social Services Block Grant	<u>(284,470)</u>
Total Temporary Assistance for Needy Families	<u>\$ 822,591</u>



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

Fulton County
152 South Fulton Street, Suite 165
Wauseon, Ohio 43567-3310

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fulton County, Ohio, (the County) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 29, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

August 29, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Fulton County
152 South Fulton Street
Suite 165
Wauseon, Ohio 43567-3310

To the Board of Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Fulton County, Ohio's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Fulton County's major federal programs for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

The County's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. 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 our audit provides a reasonable basis for our compliance opinion on each of the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Fulton County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2016.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

www.ohioauditor.gov

Report on Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

August 29, 2017

FULTON COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2016

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Highway Planning and Construction Grant – CFDA #20.205 Child Support Enforcement Grant – CFDA #93.563
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 12, 2017