



**FINANCIAL CONDITION
FULTON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

**FINANCIAL CONDITION
FULTON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fulton County, Ohio (the County), as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fulton County, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General, Motor Vehicle and Gas Tax, County Board of Developmental Disabilities (DD), Public Assistance, and EMS Advanced and Basic Life Services funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2005, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Betty Montgomery
Auditor of State

September 19, 2005

**FINANCIAL CONDITION
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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, 2004. 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 2004 are as follows:

- The total net assets of the County increased \$4,308,759. Net assets of governmental activities increased \$3,737,131, which represents a 9.64% increase over fiscal year 2003. Net assets of business-type activities increased \$571,628 or 4.37% from fiscal year 2003.
- General revenues accounted for \$15,738,979 or 48.61% of total governmental activities revenue. Program specific revenues accounted for \$16,641,128 or 51.39% of total governmental activities revenue of \$32,380,107.
- The County had \$28,570,976 in expenses related to governmental activities; \$16,641,128 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes) of \$15,738,979 were adequate to provide for these programs.
- The general fund, the County's largest major fund, had revenues and other financing sources of \$10,316,121 in 2004, an increase of \$3,432 or 0.03% from 2003 revenues. The expenditures and other financing uses of the general fund were \$10,577,103 in 2004, increased \$73,439 or 0.70% from 2003. The increase in expenditures and decrease in revenues contributed to the general fund balance decrease of \$260,982 from 2003 to 2004.
- The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$4,385,560 in 2004. The motor vehicle and gas tax fund had expenditures and other financing uses of \$4,442,739 in 2004. The motor vehicle and gas tax fund balance decreased \$57,179 from 2003 to 2004.
- The County Board of Developmental Disabilities (DD), a County major fund, had revenues of \$3,598,004 in 2004. The County Board of DD had expenditures of \$3,489,052 in 2004. The County Board of DD fund balance increased \$108,952 from 2003 to 2004.
- The public assistance fund, a County major fund, had revenues and other financing sources of \$3,457,913 in 2004. The public assistance fund, had expenditures and other financing uses of \$3,560,744 in 2004. The public assistance fund balance decreased \$102,831 from 2003 to 2004.
- The Emergency Medical System (EMS) advanced and basic life services fund, a County major fund, had revenues of \$2,217,286 in 2004. The EMS advanced and basic life services fund had expenditures of \$1,598,812 in 2004. The EMS advanced and basic life services fund balance increased \$618,474 from 2003 to 2004.
- The County had two major enterprise funds. The net assets for the Water enterprise fund increased in 2004 by \$648,842 or 7.68% as a result of change in date, related debt is paid. Net assets for the Sewer enterprise fund decreased in 2004 by \$78,457 or 1.72%.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

- In the general fund, the actual revenues came in \$1,427,958 higher than they were originally budgeted and actual expenditures were \$249,911 less than the amount in the original budget. These positive variances are a result of the County's conservative budgeting process.

Using this Basic Financial Statements (BFS)

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

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

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities answer the question, "How did we do financially during 2004?" These statements include *all assets, liabilities, 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 assets and changes in those assets. This change in net assets is important because it tells the reader that, for the County as a whole, the financial position of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and

**FINANCIAL CONDITION
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General Fund, Motor Vehicle and Gas Tax, Board of DD and Developmentally Disabled (DD), Public Assistance and EMS Advanced and Basic Life Services. The analysis of the County's major governmental and proprietary funds begins on page 11.

Governmental Funds

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

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 24-31 of this report.

Proprietary Funds

The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its water, sewer, and sanitary sewer incinerator operations. The internal service fund is used to accumulate and allocate costs intentionally for mapping services provided to other departments. The basic proprietary fund financial statements can be found on pages 32-35 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 36 of this report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 37-71 of this report.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the County as a whole.

The table below provides a summary comparison of the County's net assets for 2004 and 2003.

	Net Assets					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	2004 Total	2003 Total
	2004	2004	2003	2003	Total	Total
<u>Assets</u>						
Current and other assets	\$ 31,234,944	\$ 3,008,151	\$ 30,331,730	\$ 2,387,146	\$ 34,243,095	\$ 32,718,876
Capital assets	<u>23,193,902</u>	<u>21,149,003</u>	<u>21,055,764</u>	<u>21,537,142</u>	<u>44,342,905</u>	<u>42,592,906</u>
Total assets	<u>54,428,846</u>	<u>24,157,154</u>	<u>51,387,494</u>	<u>23,924,288</u>	<u>78,586,000</u>	<u>75,311,782</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	3,209,083	10,241,817	3,358,453	10,579,520	13,450,900	13,937,973
Other liabilities	<u>8,709,110</u>	<u>277,451</u>	<u>9,255,519</u>	<u>278,510</u>	<u>8,986,561</u>	<u>9,534,029</u>
Total liabilities	<u>11,918,193</u>	<u>10,519,268</u>	<u>12,613,972</u>	<u>10,858,030</u>	<u>22,437,461</u>	<u>23,472,002</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	22,686,496	11,927,865	20,416,601	12,022,962	34,614,361	32,439,563
Restricted	16,964,196	-	16,205,086	-	16,964,196	16,205,086
Unrestricted	<u>2,859,961</u>	<u>1,710,021</u>	<u>2,151,835</u>	<u>1,043,296</u>	<u>4,569,982</u>	<u>3,195,131</u>
Total net assets	<u>\$ 42,510,653</u>	<u>\$ 13,637,886</u>	<u>\$ 38,773,522</u>	<u>\$ 13,066,258</u>	<u>\$ 56,148,539</u>	<u>\$ 51,839,780</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2004, the County's assets exceeded liabilities by \$56,148,539. This amounts to \$42,510,653 in governmental activities and \$13,637,886 in business-type activities. The County's finances remained strong during 2004, despite the decline in the economy.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At year-end, capital assets represented 56.42% of total governmental and business-type assets. Capital assets include land, construction-in-progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2004, were \$34,614,361. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's

**FINANCIAL CONDITION
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

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, 2004, the County is able to report positive balances in all three categories of net assets for the governmental activities and business-type activities.

A portion of the County's net assets, \$16,964,196 or 39.90%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net assets of \$4,569,982 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal years 2004 and 2003. Certain 2003 amounts have been restated due to a prior period adjustment detailed in Note 3 of the notes to the financials.

	Change in Net Assets					
	Governmental	Business-type	Restated	Restated		Restated
	Activities	Activities	Governmental	Business-type	2004	2003
	<u>2004</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>	<u>Total</u>	<u>Total</u>
Revenues						
Program revenues:						
Charges for services and sales	\$ 5,055,959	\$ 2,018,015	\$ 5,048,263	\$ 1,661,387	\$ 7,073,974	\$ 6,709,650
Operating grants and contributions	11,585,169	-	11,237,009	-	11,585,169	11,237,009
Capital grants and contributions	-	-	-	870,784	-	870,784
Total program revenues	<u>16,641,128</u>	<u>2,018,015</u>	<u>16,285,272</u>	<u>2,532,171</u>	<u>18,659,143</u>	<u>18,817,443</u>
General revenues:						
Property taxes	6,585,291	-	6,308,736	-	6,585,291	6,308,736
Sales tax	4,626,194	-	4,470,035	-	4,626,194	4,470,035
Unrestricted grants	2,759,507	-	2,690,435	-	2,759,507	2,690,435
Investment earnings	493,808	-	359,203	-	493,808	359,203
Gain on sale of capital assets	-	-	87,303	-	-	87,303
Other	1,274,179	-	1,680,317	-	1,274,179	1,680,317
Total general revenues	<u>15,738,979</u>	<u>-</u>	<u>15,596,029</u>	<u>-</u>	<u>15,738,979</u>	<u>15,596,029</u>
Total revenues	<u>32,380,107</u>	<u>2,018,015</u>	<u>31,881,301</u>	<u>2,532,171</u>	<u>34,398,122</u>	<u>34,413,472</u>

(Continued)

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

Change in Net Assets (Continued)

	Governmental Activities <u>2004</u>	Business-type Activities <u>2004</u>	Restated Governmental Activities <u>2003</u>	Restated Business-type Activities <u>2003</u>	2004 <u>Total</u>	Restated 2003 <u>Total</u>
Expenses:						
Program Expenses:						
General government	6,558,611	-	5,557,988	-	6,558,611	5,557,988
Public safety	5,849,562	-	5,666,565	-	5,849,562	5,666,565
Public works	3,381,823	-	2,933,349	-	3,381,823	2,933,349
Health	4,564,443	-	4,494,179	-	4,564,443	4,494,179
Human services	6,228,742	-	5,827,847	-	6,228,742	5,827,847
Economic development	873,039	-	1,106,758	-	873,039	1,106,758
Other	41,216	-	999,816	-	41,216	999,816
Intergovernmental	997,753	-	844,037	-	997,753	844,037
Interest and fiscal charges	75,787	-	91,143	-	75,787	91,143
Water	-	2,296,267	-	1,819,052	2,296,267	1,819,052
Sewer	-	397,029	-	400,836	397,029	400,836
Solid waste incinerator	-	186,844	-	144,951	186,844	144,951
Total expenses	<u>28,570,976</u>	<u>2,880,140</u>	<u>27,521,682</u>	<u>2,364,839</u>	<u>31,451,116</u>	<u>29,886,521</u>
Transfers	(72,000)	72,000	(109,277)	109,277	-	-
Capital contributions	-	1,361,753	-	1,603,241	1,361,753	1,603,241
Change in net assets	3,737,131	571,628	4,250,342	1,879,850	4,308,759	6,130,192
Net assets at beginning of year (restated)	<u>38,773,522</u>	<u>13,066,258</u>	<u>34,523,180</u>	<u>11,186,408</u>	<u>51,839,780</u>	<u>45,709,588</u>
Net assets at end of year	<u>\$ 42,510,653</u>	<u>\$ 13,637,886</u>	<u>\$ 38,773,522</u>	<u>\$ 13,066,258</u>	<u>\$ 56,148,539</u>	<u>\$ 51,839,780</u>

Governmental Activities

Governmental net assets increased by \$3,737,131 in 2004 from 2003.

General government represents activities related to the governing body as well as activities that directly support County programs. In 2004, general government expenses totaled \$6,558,611, or 22.96% of total governmental expenses. General government programs were supported by \$2,618,164 in direct charges to users.

The County's largest program, human services, accounted for \$6,228,742 or 21.80% of total governmental expenses. Human services programs include the operations of the Public Assistance, Public Assistance Trust, Child Support Enforcement Agency, and the Children Services Board. Human services programs are primarily supported by revenues from charges to users of services, of \$629,008, and operating grants and contributions of \$5,758,312.

The next largest program is 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 \$5,849,562 of

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

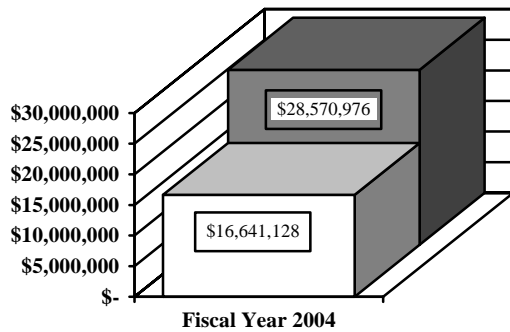
expenses, or 20.47% of total governmental expenses of the County during 2004. These expenses were funded in part by \$893,125 in charges to users of services and \$384,402 in operating grants and contributions in 2004.

Operating grants and contributions were the largest type of program revenue. The state and federal government contributed revenues of \$11,585,169 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$5,758,312, or 49.70%, subsidized human services programs, \$3,762,685 or 32.48%, subsidized public works programs, and \$384,402, or 3.32%, subsidized public safety programs. Another type of program revenue, direct charges to users of governmental activities, made up \$5,055,959 or 15.61% 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.

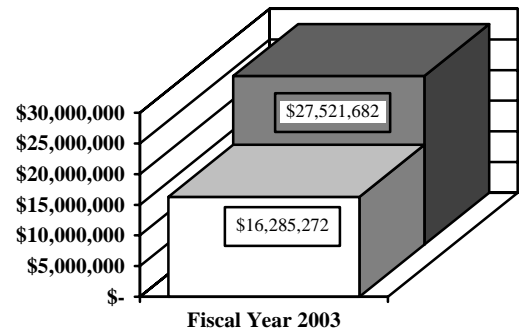
General revenues totaled \$15,738,979, and amounted to 48.61% of total revenues. These revenues primarily consist of property and sales tax revenue of \$11,211,485, or 71.23% of total general revenues in 2004. Property taxes increased by 4.38% during 2004. Sales tax increased only 3.49% in 2004. The other primary source of general revenues is grants and entitlements not restricted to specific programs which include local government revenue. In August 2002, the state placed a freeze on local government and local government revenue assistance to be distributed to local governments in 2003 and 2004. Interest earnings, which were \$493,808, increased by \$134,605, or 37.47%, due to slight increases in interest rates from 2003 earned by the County.

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 2004. 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



□ Program Revenues ■ Expenses



□ Program Revenues ■ Expenses

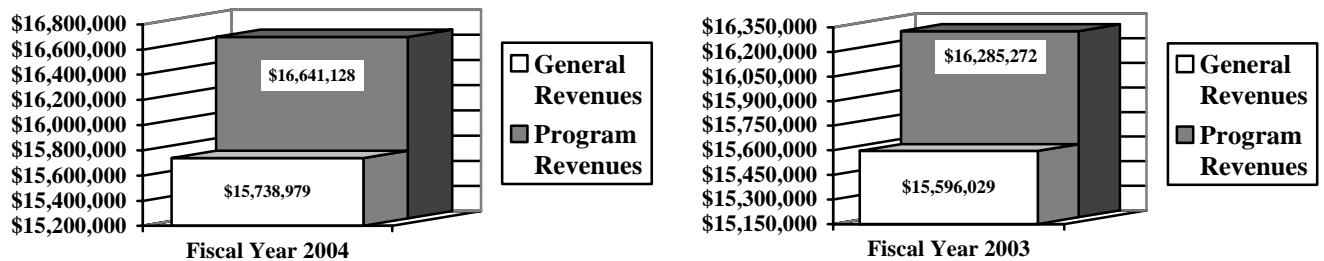
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2004	2004	2003	2003
Program Expenses:				
General government	\$ 6,558,611	\$ 3,940,447	\$ 5,557,988	\$ 2,704,102
Public safety	5,849,562	4,572,035	5,666,565	4,328,860
Public works	3,381,823	(868,014)	2,933,349	(827,165)
Health	4,564,443	3,490,257	4,494,179	3,991,750
Human services	6,228,742	(158,578)	5,827,847	(124,370)
Economic development and assistance	873,039	(159,438)	1,106,758	(693,886)
Other	41,216	39,599	999,816	921,939
Intergovernmental	997,753	997,753	844,037	844,037
Interest and fiscal charges	75,787	75,787	91,143	91,143
Total	\$ 28,570,976	\$ 11,929,848	\$ 27,521,682	\$ 11,236,410

The dependence upon general revenues for governmental activities is apparent; with 41.76% expenses supported through taxes and other general revenues during 2004.

Governmental Activities - General and Program Revenues



Business-Type Activities

The Water and Sewer funds are the County's two major enterprise funds. These programs had revenues of \$2,018,015 and expenses of \$2,880,140 for fiscal year 2004. The net assets of these programs increased \$571,628 or 4.37% from 2003. During 2004, these funds received \$1,361,753 in capital contributions and \$72,000 in transfers.

Financial Analysis of the Government's Funds

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

Governmental Funds

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

The County's governmental funds (as presented on the balance sheet on pages 20-21) reported a combined fund balance of \$16,412,113 which is \$89,027 below last year's total of \$16,323,086. The 2003 fund balances have been restated, which is detailed in Note 3 in the notes to the financials. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2004 and December 31, 2003, for all major and nonmajor governmental funds.

	<u>Fund Balance</u> <u>December 31, 2004</u>	<u>Fund Balance</u> <u>December 31, 2003</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 4,164,515	\$ 4,425,497	\$ (260,982)
Motor Vehicle and Gas Tax	3,316,769	3,373,948	(57,179)
County Board of MRDD	935,797	826,845	108,952
Public Assistance	930,423	1,033,254	(102,831)
EMS A & B Life Services	1,396,565	778,091	618,474
Other Nonmajor Governmental Funds	<u>5,668,044</u>	<u>5,885,451</u>	<u>(217,407)</u>
Total	<u>\$ 16,412,113</u>	<u>\$ 16,323,086</u>	<u>\$ 89,027</u>

General Fund

The general fund is the operating fund of the County. At the end of the fiscal year, the fund balance of the general fund was \$4,164,515, a 5.90% decrease from 2003.

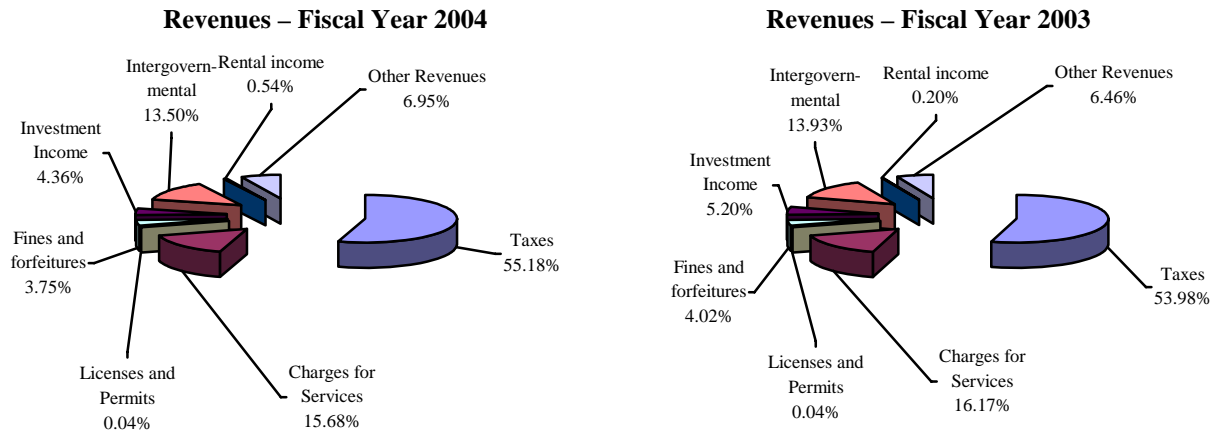
The table that follows assists in illustrating the revenues of the general fund.

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 5,532,379	\$ 5,439,797	1.70 %
Charges for services	1,571,364	1,629,058	(3.54) %
Licenses and permits	3,828	4,394	(12.88) %
Fines and forfeitures	375,480	404,859	(7.26) %
Intergovernmental	1,353,765	1,403,437	(3.54) %
Investment income	436,778	523,617	(16.58) %
Rental income	54,607	20,103	171.64 %
Other	<u>696,362</u>	<u>650,616</u>	7.03 %
Total	<u>\$ 10,024,563</u>	<u>\$ 10,075,881</u>	(0.51) %

**FINANCIAL CONDITION
FULTON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

Tax revenue represents 55.19% of all general fund revenue. Tax revenue increased slightly by 1.70% above the prior year. The decrease in charges for services revenue is primarily due to fewer fees collected by the recorder's office. The increase in rental income is due to the collection of delinquent rental payments and some new rental fees. The increase in other revenue is primarily due to an increase in reimbursements received during the year coupled with an increase in activity related to segregated bank accounts of the following departments: recorder's office, prosecuting attorney, clerk of courts, probate court and juvenile court and probation. The decrease in fines and forfeitures is due to less activity related to this revenue sources than in the prior year. All other revenue remained comparable to 2003.



The table that follows assists in illustrating the expenditures of the general fund. Certain 2003 amounts have been restated to conform to 2004 presentation.

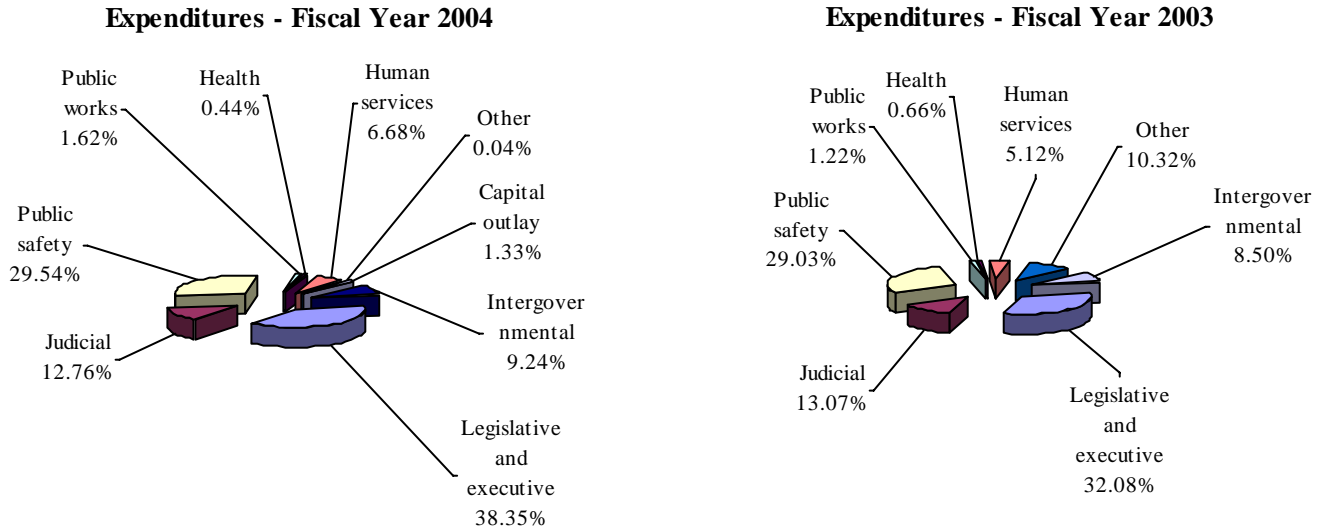
	2004 <u>Amount</u>	2003 <u>Amount</u>	Percentage <u>Change</u>
<u>Expenditures</u>			
General government			
Legislative and executive	\$ 3,945,493	\$ 3,130,225	26.05 %
Judicial	1,312,583	1,275,055	2.94 %
Public safety	3,038,143	2,832,653	7.25 %
Public works	166,677	118,952	40.12 %
Health	45,271	64,860	(30.20) %
Human services	687,459	499,973	37.50 %
Other	3,683	1,007,259	(99.63) %
Capital outlay	136,473	-	100.00 %
Intergovernmental	<u>950,447</u>	<u>829,936</u>	14.52 %
Total	<u>\$10,286,229</u>	<u>\$ 9,758,913</u>	5.40 %

The most significant increases were in the areas of human services, intergovernmental and capital outlay. Human services expenditures relate to the following services: county home, children services, soldier's relief, and veteran's services. These services saw an overall increase in contractual services related expenditures in 2004. The increase in intergovernmental expenditures is attributable to increases in matching funds related to grants. The increase in capital

**FINANCIAL CONDITION
FULTON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

outlay is the result of more accurately classifying a capital outlay account that was previously included in the legislative and executive program. The most significant decrease occurred in other expenditures. This was primarily due to more accurately classifying certain insurance and county airport grant accounts to the legislative and executive and intergovernmental program respectively. All other expenditures remained comparable to 2003.



Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$4,385,560 in 2004. The motor vehicle and gas tax fund had expenditures of \$4,442,739 in 2004. The motor vehicle and gas tax fund balance decreased \$57,179 from 2003 to 2004. The decrease is primarily due to the increase in expenditures.

County Board of Developmental Disabilities (DD)

The County Board of DD, a County major fund, had revenues of \$3,598,004 in 2004. The County Board of DD had expenditures of \$3,489,052 in 2004. The County board of DD fund balance increased \$108,952 from 2003 to 2004. The increase is primarily due to decreasing revenues still being greater than increased expenditures.

Public Assistance Fund

The public assistance fund, a County major fund, had revenues and other financing sources of \$3,457,913 in 2004. The public assistance fund, had expenditures of \$3,560,744 in 2004. The public assistance fund balance decreased \$102,831 from 2003 to 2004. The decrease is primarily due to a decrease in intergovernmental revenues.

EMS Advanced and Basic Life Services Fund

The EMS advanced and basic life services fund, a County major fund, had revenues of \$2,217,286 in 2004. The EMS advanced and basic life services fund had expenditures of \$1,598,812 in 2004. The EMS advanced and basic life services fund balance increased \$618,474 from 2003 to 2004. This increase is primarily due to a decrease in expenditures.

**FINANCIAL CONDITION
FULTON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

Budgeting Highlights

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

Budgetary information is presented for the general fund, County board of DD, motor vehicle and gas tax, public assistance and EMS advanced and basic life services. In the general fund, there were no significant changes between the original and final budget. Actual revenues and other financing sources of \$10,657,423 exceeded final budgeted revenues and other financing sources by \$1,427,958 or 15.47%. This increase is due to the County's conservative approach to budgeting. Another difference between the final budgeted appropriations and actual expenditures and other financing uses was \$779,893 or 6.5%.

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 2004, the County had \$44,342,905 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction-in-progress, and infrastructure. Of this total, \$23,193,902 was reported in governmental activities and \$21,149,003 was reported in business-type activities, see Note 10 to the basic financial statements for detail. The 2003 balances have been restated for the business-type activities to include construction in progress completed during 2004. The following table shows fiscal 2004 balances compared to 2003:

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

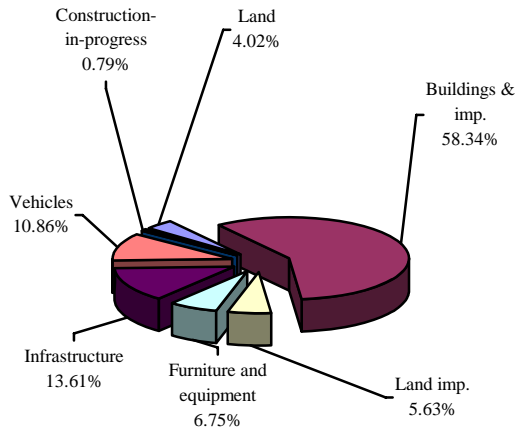
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 931,322	\$ 869,312	\$ -	\$ -	\$ 931,322	\$ 869,312
Construction-in-progress	182,571	37,698	-	311,796	182,571	349,494
Land improvements	1,306,960	1,270,913	-	-	1,306,960	1,270,913
Building and improvements	13,529,669	13,455,762	32,973	34,708	13,562,642	13,490,470
Furniture and equipment	1,566,728	1,460,842	6,728	7,689	1,573,456	1,468,531
Vehicles	2,519,002	2,383,239	-	-	2,519,002	2,383,239
Infrastructure	3,157,650	1,577,998	-	-	3,157,650	1,577,998
Water/sewer lines	-	-	21,109,302	21,182,949	21,109,302	21,182,949
Total	\$ 23,193,902	\$ 21,055,764	\$ 21,149,003	\$ 21,537,142	\$ 44,342,905	\$ 42,592,906

**FINANCIAL CONDITION
FULTON COUNTY**

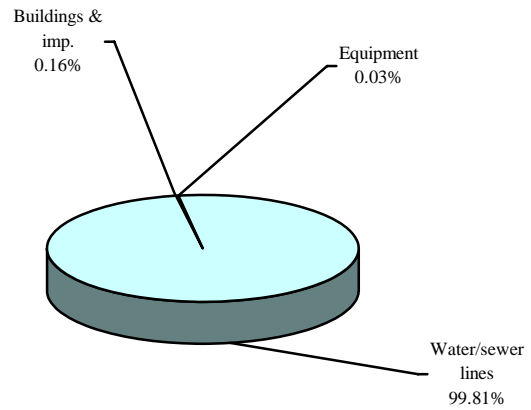
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

The following graphs show the breakdown of governmental and business-type activities capital assets by category for 2004 and 2003.

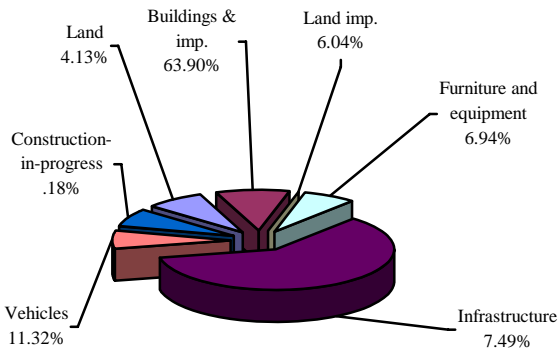
Capital Assets - Governmental Activities 2004



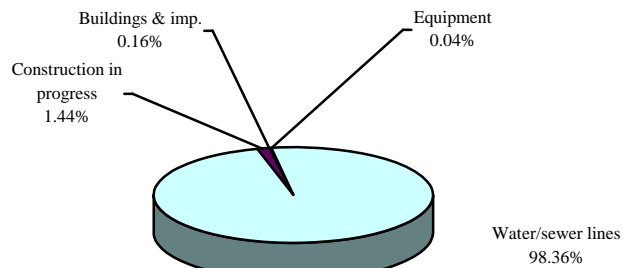
Capital Assets - Business-Type Activities 2004



Capital Assets - Governmental Activities 2003



Capital Assets - Business-Type Activities 2003



Debt Administration

The County had the following long-term obligations outstanding at December 31, 2004 and 2003:

**FINANCIAL CONDITION
FULTON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>
OWDA loans	\$ 1,018,975	\$ 1,071,067
Special assessment bonds	396,197	135,000
General obligation notes	315,932	633,473
General obligation bonds	190,000	-
Landfill closure/postclosure	506,692	782,774
Capital lease obligations	<u>1,474</u>	<u>5,690</u>
Total long-term obligations	<u>\$ 2,429,270</u>	<u>\$ 2,628,004</u>
	Business-Type Activities <u>2004</u>	Business-Type Activities <u>2003</u>
OWDA loans	\$ 9,178,163	\$ 9,609,513
Special assessment bonds	745,000	645,000
Loan payable	<u>300,864</u>	<u>311,989</u>
Total long-term obligations	<u>\$ 10,224,027</u>	<u>\$ 10,566,502</u>

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

Economic Factors and Next Year's General Fund Budget Outlook

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

The average unemployment rate for Fulton County in 2004 was 6.3% and is a part of a three year increase in unemployment. Fulton County ranks slightly higher than the state average of 6.1%. Efforts in the area of economic development are predicted to have positive results in 2005 with the addition of jobs in Fulton County. Also, various corporations in Fulton County are experiencing growth in the area of equipment and inventory increases. The overall economy of the County is anticipated to show slow, but steady increases over the next year.

Contacting the County's Financial Management

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

**FINANCIAL CONDITION
FULTON COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents.	\$ 13,872,942	\$ 2,081,780	\$ 15,954,722
Cash with fiscal and escrow agents	242,997	16,882	259,879
Receivables:			
Sales taxes	641,747	-	641,747
Real estate and other taxes	7,944,534	-	7,944,534
Accounts	211,059	112,306	323,365
Due from other governments	6,590,293	-	6,590,293
Special assessments.	573,451	845,269	1,418,720
Accrued interest.	173,590	-	173,590
Internal balances.	48,086	(48,086)	-
Prepayments.	146,380	-	146,380
Materials and supplies inventory	206,115	-	206,115
Loans receivable.	583,750	-	583,750
Capital assets:			
Land and construction-in-progress	1,113,893	-	1,113,893
Depreciable capital assets, net	22,080,009	21,149,003	43,229,012
Total capital assets	23,193,902	21,149,003	44,342,905
Total assets	54,428,846	24,157,154	78,586,000
Liabilities:			
Accounts payable	492,676	46,645	539,321
Accrued wages and benefits	188,396	3,973	192,369
Due to other governments	140,780	1,610	142,390
Deferred revenue.	7,823,817	-	7,823,817
Accrued interest payable	22,145	205,223	227,368
Amount to be repaid to claimants	41,296	-	41,296
Bond anticipation notes payable	-	20,000	20,000
Long-term liabilities:			
Due within one year	396,401	988,094	1,384,495
Due in more than one year	2,812,682	9,253,723	12,066,405
Total liabilities	11,918,193	10,519,268	22,437,461
Net assets:			
Invested in capital assets, net of related debt	22,686,496	11,927,865	34,614,361
Restricted for:			
Capital projects	1,139,105	-	1,139,105
Public safety	2,606,632	-	2,606,632
Public works projects.	4,650,504	-	4,650,504
Human services programs	4,129,957	-	4,129,957
Health programs	1,164,680	-	1,164,680
Other purposes	3,273,318	-	3,273,318
Unrestricted	2,859,961	1,710,021	4,569,982
Total net assets	\$ 42,510,653	\$ 13,637,886	\$ 56,148,539

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Expenses
Governmental Activities:	
General government:	
Legislative and executive	\$ 5,078,921
Judicial	1,479,690
Public safety.	5,849,562
Public works.	3,381,823
Health	4,564,443
Human services	6,228,742
Economic development and assistance	873,039
Other	41,216
Intergovernmental	997,753
Interest and fiscal charges	75,787
Total governmental activities	28,570,976
Business-Type Activities:	
Water.	2,296,267
Sewer.	397,029
Solid waste incinerator.	186,844
Total business-type activities	2,880,140
Total primary government	\$ 31,451,116

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
			Governmental Activities	Business-Type Activity	Total
\$ 2,067,014	\$ -	\$ -	\$ (3,011,907)	\$ -	\$ (3,011,907)
551,150	-	-	(928,540)	-	(928,540)
893,125	384,402	-	(4,572,035)	-	(4,572,035)
487,152	3,762,685	-	868,014	-	868,014
359,502	714,684	-	(3,490,257)	-	(3,490,257)
629,008	5,758,312	-	158,578	-	158,578
67,391	965,086	-	159,438	-	159,438
1,617	-	-	(39,599)	-	(39,599)
-	-	-	(997,753)	-	(997,753)
-	-	-	(75,787)	-	(75,787)
<u>5,055,959</u>	<u>11,585,169</u>	<u>-</u>	<u>(11,929,848)</u>	<u>-</u>	<u>(11,929,848)</u>
1,649,700	-	-	-	(646,567)	(646,567)
252,228	-	-	-	(144,801)	(144,801)
116,087	-	-	-	(70,757)	(70,757)
<u>2,018,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(862,125)</u>	<u>(862,125)</u>
<u>\$ 7,073,974</u>	<u>\$ 11,585,169</u>	<u>\$ -</u>	<u>(11,929,848)</u>	<u>(862,125)</u>	<u>(12,791,973)</u>
General Revenues:					
Property taxes levied for:					
General fund			1,538,036	-	1,538,036
Health - County Board of MRDD			2,338,977	-	2,338,977
Health - Senior Center			638,055	-	638,055
Public safety - EMS Advanced and Basic Life Services			1,398,708	-	1,398,708
Public safety - EMS			327,547	-	327,547
Public safety - 911.			343,968	-	343,968
Sales taxes			4,626,194	-	4,626,194
Grants and entitlements not restricted to specific programs			2,759,507	-	2,759,507
Investment earnings			493,808	-	493,808
Miscellaneous			1,274,179	-	1,274,179
Total general revenues			<u>15,738,979</u>	<u>-</u>	<u>15,738,979</u>
Transfers			(72,000)	72,000	-
Capital contributions			-	1,361,753	1,361,753
Change in net assets			3,737,131	571,628	4,308,759
Net assets at beginning of year (restated)			<u>38,773,522</u>	<u>13,066,258</u>	<u>51,839,780</u>
Net assets at end of year			<u>\$ 42,510,653</u>	<u>\$ 13,637,886</u>	<u>\$ 56,148,539</u>

**FINANCIAL CONDITION
FULTON COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	General	Motor Vehicle and Gas Tax
Assets:		
Equity in pooled cash and cash equivalents	\$ 2,452,662	\$ 2,775,562
Cash with fiscal and escrow agents.	108,424	-
Receivables:		
Sales taxes	641,747	-
Property taxes.	1,805,335	-
Accounts.	98,526	6,395
Special assessments	-	-
Due from other funds	29,158	-
Due from other governments.	685,851	1,915,244
Accrued interest	172,851	-
Interfund loan receivable.	217,000	-
Advances to other funds	336,087	-
Prepayments	80,711	25,634
Materials and supplies inventory	62,003	101,097
Loans receivable	-	-
Total assets	\$ 6,690,355	\$ 4,823,932
Liabilities:		
Accounts payable	\$ 126,708	\$ 33,970
Accrued wages and benefits	70,089	25,298
Compensated absences payable.	-	4,353
Due to other funds	-	-
Due to other governments	29,847	11,007
Interfund loan payable	-	-
Advances from other funds.	-	-
Deferred revenue.	2,257,900	1,432,535
Amount to be repaid to claimants	41,296	-
Total liabilities	2,525,840	1,507,163
Fund Balances:		
Reserved for encumbrances	90,596	106,091
Reserved for prepayments	80,711	25,634
Reserved for materials and supplies inventory	62,003	101,097
Reserved for advances	336,087	-
Reserved for loans	-	-
Reserved for unclaimed monies	36,371	-
Unreserved:		
Designated for budget stabilization	513,087	-
Undesignated, reported in:		
General fund	3,045,660	-
Special revenue funds	-	3,083,947
Debt service fund	-	-
Capital projects funds	-	-
Total fund balances	4,164,515	3,316,769
Total liabilities and fund balances.	\$ 6,690,355	\$ 4,823,932

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

County Board of DD	Public Assistance	EMS A & B Life Services	Other Governmental Funds	Total Governmental Funds
\$ 1,033,664	\$ 829,941	\$ 1,369,523	\$ 5,393,312	\$ 13,854,664
-	-	-	134,573	242,997
-	-	-	-	641,747
2,732,738	-	1,635,568	1,770,893	7,944,534
5,458	248	89,690	10,742	211,059
-	-	-	573,451	573,451
-	14,439	-	-	43,597
143,362	1,673,804	76,837	2,095,125	6,590,223
-	-	-	739	173,590
-	-	-	-	217,000
-	-	-	-	336,087
5,456	5,753	-	28,826	146,380
3,929	21,995	-	17,091	206,115
-	-	-	583,750	583,750
<u>\$ 3,924,607</u>	<u>\$ 2,546,180</u>	<u>\$ 3,171,618</u>	<u>\$ 10,608,502</u>	<u>\$ 31,765,194</u>
\$ 58,072	\$ 54,298	\$ 42	\$ 219,316	\$ 492,406
39,567	19,829	-	32,725	187,508
-	-	-	-	4,353
-	-	-	43,597	43,597
15,071	8,012	62,606	13,848	140,391
-	-	-	217,000	217,000
-	-	-	288,001	288,001
2,876,100	1,533,618	1,712,405	4,125,971	13,938,529
-	-	-	-	41,296
<u>2,988,810</u>	<u>1,615,757</u>	<u>1,775,053</u>	<u>4,940,458</u>	<u>15,353,081</u>
32,546	125,559	171,167	450,547	976,506
5,456	5,753	-	28,826	146,380
3,929	21,995	-	17,091	206,115
-	-	-	-	336,087
-	-	-	583,750	583,750
-	-	-	-	36,371
-	-	-	-	513,087
-	-	-	-	3,045,660
893,866	777,116	1,225,398	3,786,845	9,767,172
-	-	-	33,406	33,406
-	-	-	767,579	767,579
<u>935,797</u>	<u>930,423</u>	<u>1,396,565</u>	<u>5,668,044</u>	<u>16,412,113</u>
<u>\$ 3,924,607</u>	<u>\$ 2,546,180</u>	<u>\$ 3,171,618</u>	<u>\$ 10,608,502</u>	<u>\$ 31,765,194</u>

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**FINANCIAL CONDITION
FULTON COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004

Total governmental fund balances	\$	16,412,113
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		23,186,491
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 31,107	
Special assessments	573,451	
Interest revenue	129,266	
Intergovernmental revenues	<u>5,380,888</u>	
Total		6,114,712
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
OWDA loans	(1,018,975)	
Special assessment bonds	(396,197)	
General obligation notes	(315,932)	
General obligation bonds	(190,000)	
Compensated absences	(766,138)	
Capital leases payable	(1,474)	
Landfill closure/postclosure	(506,692)	
Accrued interest payable	<u>(22,145)</u>	
Total		(3,217,553)
The internal service funds is used by management to charge the costs of the geographic information systems services to individual funds. The assets and liabilities of the internal service funds is included in governmental activities in the statement of net assets.		<u>14,890</u>
Net assets of governmental activities	\$	<u><u>42,510,653</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	General	Motor Vehicle and Gas Tax
Revenues:		
Property taxes	\$ 1,538,085	\$ -
Sales taxes	3,994,294	519,414
Charges for services.	1,571,364	49,571
Licenses and permits	3,828	-
Fines and forfeitures	375,480	69,081
Intergovernmental	1,353,765	3,540,363
Special assessments	-	-
Investment income	436,778	30,560
Rental income	54,607	-
Other.	696,362	123,169
Total revenues	10,024,563	4,332,158
Expenditures:		
Current:		
General government:		
Legislative and executive	3,945,493	-
Judicial	1,312,583	-
Public safety.	3,038,143	-
Public works.	166,677	4,442,739
Health	45,271	-
Human services	687,459	-
Economic development and assistance	-	-
Other	3,683	-
Capital outlay	136,473	-
Intergovernmental	950,447	-
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	-	-
Total expenditures	10,286,229	4,442,739
Excess (deficiency) of revenues over (under) expenditures	(261,666)	(110,581)
Other financing sources (uses):		
Sale of capital assets	9,719	-
Proceeds from bonds.	-	-
Transfers in	281,839	53,402
Transfers out.	(290,874)	-
Total other financing sources (uses).	684	53,402
Net change in fund balances.	(260,982)	(57,179)
Fund balances at beginning of year (restated)	4,425,497	3,373,948
Fund balances at end of year	\$ 4,164,515	\$ 3,316,769

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

County Board of DD	Public Assistance	EMS A & B Life Services	Other Governmental Funds	Total Governmental Funds
\$ 2,339,089	\$ -	\$ 1,398,770	\$ 1,308,623	\$ 6,584,567
-	-	-	-	4,513,708
179,889	-	624,461	1,727,600	4,152,885
-	-	-	21,400	25,228
-	-	-	66,631	511,192
965,516	3,232,227	148,282	3,619,813	12,859,966
-	-	-	351,959	351,959
-	-	-	17,613	484,951
-	-	-	-	54,607
113,510	182,239	45,773	325,011	1,486,064
<u>3,598,004</u>	<u>3,414,466</u>	<u>2,217,286</u>	<u>7,438,650</u>	<u>31,025,127</u>
-	-	-	664,366	4,609,859
-	-	-	115,703	1,428,286
-	-	1,598,812	1,293,009	5,929,964
-	-	-	194,207	4,803,623
3,485,974	-	-	1,020,071	4,551,316
-	3,479,592	-	1,904,624	6,071,675
-	-	-	875,725	875,725
-	-	-	-	3,683
-	-	-	1,528,763	1,665,236
-	-	-	-	950,447
2,958	-	-	385,891	388,849
120	-	-	61,233	61,353
<u>3,489,052</u>	<u>3,479,592</u>	<u>1,598,812</u>	<u>8,043,592</u>	<u>31,340,016</u>
<u>108,952</u>	<u>(65,126)</u>	<u>618,474</u>	<u>(604,942)</u>	<u>(314,889)</u>
-	-	-	-	9,719
-	-	-	466,197	466,197
-	43,447	-	311,808	690,496
-	(81,152)	-	(390,470)	(762,496)
-	(37,705)	-	387,535	403,916
108,952	(102,831)	618,474	(217,407)	89,027
826,845	1,033,254	778,091	5,885,451	16,323,086
<u>\$ 935,797</u>	<u>\$ 930,423</u>	<u>\$ 1,396,565</u>	<u>\$ 5,668,044</u>	<u>\$ 16,412,113</u>

**FINANCIAL CONDITION
FULTON COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Net change in fund balances - total governmental funds \$ 89,027

*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 are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$3,376,158) exceeded depreciation expense (\$1,187,160) in the current period. 2,188,998

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (46,561)

Proceeds of notes are other financing sources in the governmental funds, but increase liabilities in governmental activities. (466,197)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,354,980

Repayment of bond, loan, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 388,849

Governmental funds report revenue for grants and capital outlay expense for improvements related to the landfill. However, on the statement of net assets these revenues increase and the capital outlays decrease the long-term liability for the closure and postclosure cost. 276,082

In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due. (14,434)

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. (45,518)

The internal service fund used by management to charge the costs of geographic information systems services to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 11,905

Change in net assets of governmental activities \$ 3,737,131

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,547,499	\$ 147,499
Sales taxes	3,900,000	3,900,000	3,996,369	96,369
Charges for services	1,250,000	1,250,000	1,567,556	317,556
Licenses and permits	-	-	3,828	3,828
Fines and forfeitures	340,000	340,000	371,399	31,399
Intergovernmental	1,249,465	1,249,465	1,386,092	136,627
Investment income	725,000	725,000	391,374	(333,626)
Rental income	-	-	54,607	54,607
Other	365,000	365,000	688,384	323,384
Total revenues	<u>9,229,465</u>	<u>9,229,465</u>	<u>10,007,108</u>	<u>777,643</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	3,311,731	4,358,449	4,016,517	341,932
Judicial	2,257,404	1,429,894	1,345,697	84,197
Public safety	2,739,125	3,279,197	3,171,599	107,598
Public works	211,005	170,764	167,027	3,737
Health	97,422	49,691	46,620	3,071
Human services	723,613	799,128	692,134	106,994
Other	1,263,730	163,197	51,238	111,959
Capital outlay	-	136,523	136,473	50
Intergovernmental	841,880	971,175	950,820	20,355
Total expenditures	<u>11,445,910</u>	<u>11,358,018</u>	<u>10,578,125</u>	<u>779,893</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,216,445)</u>	<u>(2,128,553)</u>	<u>(571,017)</u>	<u>1,557,536</u>
Other financing sources (uses):				
Proceeds from the sale of capital assets	-	-	9,719	9,719
Transfers in	-	-	391,839	391,839
Advances in	-	-	248,757	248,757
Transfers out	-	(400,874)	(400,874)	-
Advances out	-	(217,000)	(217,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(617,874)</u>	<u>32,441</u>	<u>650,315</u>
Net change in fund balance	(2,216,445)	(2,746,427)	(538,576)	2,207,851
Fund balance at beginning of year	2,614,239	2,614,239	2,614,239	-
Prior year encumbrances appropriated	<u>206,921</u>	<u>206,921</u>	<u>206,921</u>	<u>-</u>
Fund balance at end of year	<u>\$ 604,715</u>	<u>\$ 74,733</u>	<u>\$ 2,282,584</u>	<u>\$ 2,207,851</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
MOTOR VEHICLE AND GAS TAX
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales taxes	\$ 500,000	\$ 500,000	\$ 519,414	\$ 19,414
Charges for services	3,728	3,728	50,660	46,932
Fines and forfeitures	60,000	60,000	68,148	8,148
Intergovernmental	2,900,000	2,900,000	3,552,906	652,906
Investment income	-	-	30,560	30,560
Other	100,000	100,000	122,617	22,617
Total revenues	<u>3,563,728</u>	<u>3,563,728</u>	<u>4,344,305</u>	<u>780,577</u>
Expenditures:				
Current:				
Public works	5,891,787	5,902,678	4,612,859	1,289,819
Total expenditures	<u>5,891,787</u>	<u>5,902,678</u>	<u>4,612,859</u>	<u>1,289,819</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,328,059)</u>	<u>(2,338,950)</u>	<u>(268,554)</u>	<u>2,070,396</u>
Other financing sources:				
Transfers in	300,000	300,000	53,402	(246,598)
Total other financing sources	<u>300,000</u>	<u>300,000</u>	<u>53,402</u>	<u>(246,598)</u>
Net change in fund balance	(2,028,059)	(2,038,950)	(215,152)	1,823,798
Fund balance at beginning of year	2,140,910	2,140,910	2,140,910	-
Prior year encumbrances appropriated	<u>736,316</u>	<u>736,316</u>	<u>736,316</u>	<u>-</u>
Fund balance at end of year	<u>\$ 849,167</u>	<u>\$ 838,276</u>	<u>\$ 2,662,074</u>	<u>\$ 1,823,798</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
COUNTY BOARD OF DEVELOPMENTAL DISABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 2,212,496	\$ 2,270,000	\$ 2,353,714	\$ 83,714
Charges for services	172,516	177,000	187,653	10,653
Intergovernmental	745,397	764,771	880,117	115,346
Other	69,591	71,400	252,286	180,886
Total revenues	<u>3,200,000</u>	<u>3,283,171</u>	<u>3,673,770</u>	<u>390,599</u>
Expenditures:				
Current:				
Human services	3,486,854	3,638,707	3,618,404	20,303
Total expenditures	<u>3,486,854</u>	<u>3,638,707</u>	<u>3,618,404</u>	<u>20,303</u>
Net change in fund balance	(286,854)	(355,536)	55,366	410,902
Fund balance at beginning of year	712,932	712,932	712,932	-
Prior year encumbrances appropriated	<u>94,131</u>	<u>94,131</u>	<u>94,131</u>	<u>-</u>
Fund balance at end of year	<u>\$ 520,209</u>	<u>\$ 451,527</u>	<u>\$ 862,429</u>	<u>\$ 410,902</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
PUBLIC ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 4,117,211	\$ 4,117,211	\$ 3,720,220	\$ (396,991)
Other	190,104	190,104	167,627	(22,477)
Total revenues	<u>4,307,315</u>	<u>4,307,315</u>	<u>3,887,847</u>	<u>(419,468)</u>
Expenditures:				
Current:				
Human services	4,212,640	4,110,910	3,783,470	327,440
Total expenditures	<u>4,212,640</u>	<u>4,110,910</u>	<u>3,783,470</u>	<u>327,440</u>
Excess (deficiency) of revenues over (under) expenditures	<u>94,675</u>	<u>196,405</u>	<u>104,377</u>	<u>(92,028)</u>
Other financing sources (uses):				
Transfers in	-	-	43,447	43,447
Transfers out	-	(83,152)	(81,152)	2,000
Total other financing sources (uses)	<u>-</u>	<u>(83,152)</u>	<u>(37,705)</u>	<u>45,447</u>
Net change in fund balance	94,675	113,253	66,672	(46,581)
Fund balance at beginning of year	306,296	306,296	306,296	-
Prior year encumbrances appropriated	<u>290,097</u>	<u>290,097</u>	<u>290,097</u>	<u>-</u>
Fund balance at end of year	<u>\$ 691,068</u>	<u>\$ 709,646</u>	<u>\$ 663,065</u>	<u>\$ (46,581)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
EMS ADVANCED AND BASIC LIFE SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 1,367,500	\$ 1,367,500	\$ 1,407,472	\$ 39,972
Charges for services	561,500	561,500	694,957	133,457
Intergovernmental	136,500	136,500	148,282	11,782
Other	34,500	34,500	44,025	9,525
Total revenues	<u>2,100,000</u>	<u>2,100,000</u>	<u>2,294,736</u>	<u>194,736</u>
Expenditures:				
Current:				
Public safety	1,835,915	1,998,915	1,979,908	19,007
Total expenditures	<u>1,835,915</u>	<u>1,998,915</u>	<u>1,979,908</u>	<u>19,007</u>
Net change in fund balance	264,085	101,085	314,828	213,743
Fund balance at beginning of year	598,794	598,794	598,794	-
Prior year encumbrances appropriated	<u>164,986</u>	<u>164,986</u>	<u>164,986</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,027,865</u>	<u>\$ 864,865</u>	<u>\$ 1,078,608</u>	<u>\$ 213,743</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Nonmajor Fund	Total	
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 1,670,218	\$ 346,978	\$ 64,584	\$ 2,081,780	\$ 18,278
Cash with fiscal and escrow agents	7,229	7,229	2,424	16,882	-
Receivables:					
Accounts	111,895	218	193	112,306	-
Special assessments	261,400	583,869	-	845,269	-
Due from other governments	-	-	-	-	70
Total current assets	2,050,742	938,294	67,201	3,056,237	18,348
Noncurrent assets:					
Capital assets:					
Depreciable capital assets, net	15,779,908	5,329,394	39,701	21,149,003	7,411
Total noncurrent assets	15,779,908	5,329,394	39,701	21,149,003	7,411
Total assets	17,830,650	6,267,688	106,902	24,205,240	25,759
Liabilities:					
Current liabilities:					
Accounts payable	20,192	3,306	23,147	46,645	270
Accrued wages and benefits	1,238	1,238	1,497	3,973	888
Compensated absences	1,169	1,169	5,330	7,668	4,067
Advances from other funds	24,043	24,043	-	48,086	-
Due to other governments	504	503	603	1,610	389
Accrued interest payable	185,453	19,770	-	205,223	-
Current portion of loan payable	11,505	-	-	11,505	-
Current portion of special assessment bonds payable	20,000	24,234	-	44,234	-
Current portion of OWDA loans payable	806,803	114,683	-	921,486	-
Bond anticipation notes	20,000	-	-	20,000	-
Total current liabilities	1,090,907	188,946	30,577	1,310,430	5,614
Long-term liabilities:					
Compensated absences	2,769	2,769	4,584	10,122	5,255
Loan payable	289,359	-	-	289,359	-
Special assessment bonds payable	180,000	520,766	-	700,766	-
OWDA loans payable	7,174,054	1,082,623	-	8,256,677	-
Total long-term liabilities	7,646,182	1,606,158	4,584	9,256,924	5,255
Total liabilities	8,737,089	1,795,104	35,161	10,567,354	10,869
Net assets:					
Invested in capital assets	8,301,076	3,587,088	39,701	11,927,865	-
Unrestricted	792,485	885,496	32,040	1,710,021	14,890
Total net assets	\$ 9,093,561	\$ 4,472,584	\$ 71,741	\$ 13,637,886	\$ 14,890

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Nonmajor Fund	Total	
Operating revenues:					
Charges for services	\$ 1,593,372	\$ 196,604	\$ 116,087	\$ 1,906,063	\$ 81,059
Tap-in fees	55,623	55,624	-	111,247	-
Other	705	-	-	705	-
Total operating revenues	<u>1,649,700</u>	<u>252,228</u>	<u>116,087</u>	<u>2,018,015</u>	<u>81,059</u>
Operating expenses:					
Personal services	89,050	89,050	71,441	249,541	62,376
Contract services	1,177,889	29,353	107,596	1,314,838	-
Materials and supplies	1,151	5,267	824	7,242	2,418
Depreciation	387,819	132,519	2,696	523,034	4,299
Administrative costs	1,796	1,797	-	3,593	-
Other	253,113	83,193	4,287	340,593	61
Total operating expenses	<u>1,910,818</u>	<u>341,179</u>	<u>186,844</u>	<u>2,438,841</u>	<u>69,154</u>
Operating income (loss)	<u>(261,118)</u>	<u>(88,951)</u>	<u>(70,757)</u>	<u>(420,826)</u>	<u>11,905</u>
Nonoperating revenues (expenses):					
Interest expense and fiscal charges	<u>(385,449)</u>	<u>(55,850)</u>	<u>-</u>	<u>(441,299)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(385,449)</u>	<u>(55,850)</u>	<u>-</u>	<u>(441,299)</u>	<u>-</u>
Income (loss) before capital contributions and transfers	(646,567)	(144,801)	(70,757)	(862,125)	11,905
Capital contributions	1,295,409	66,344	-	1,361,753	-
Transfers in	<u>-</u>	<u>-</u>	<u>72,000</u>	<u>72,000</u>	<u>-</u>
Change in net assets	648,842	(78,457)	1,243	571,628	11,905
Net assets at beginning of year (restated)	<u>8,444,719</u>	<u>4,551,041</u>	<u>70,498</u>	<u>13,066,258</u>	<u>2,985</u>
Net assets at end of year	<u><u>\$ 9,093,561</u></u>	<u><u>\$ 4,472,584</u></u>	<u><u>\$ 71,741</u></u>	<u><u>\$ 13,637,886</u></u>	<u><u>\$ 14,890</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service
	Water	Sewer	Nonmajor Fund	Total	
Cash flows from operating activities:					
Cash received from sales/service charges	\$ 1,627,625	\$ 239,599	\$ 116,420	\$ 1,983,644	\$ 80,989
Cash received from tap-in fees	55,623	55,624	-	111,247	-
Cash received from other operating revenue	705	-	-	705	-
Cash payments for personal services	(90,638)	(90,638)	(70,002)	(251,278)	(64,755)
Cash payments for contract services	(1,281,320)	(27,548)	(91,044)	(1,399,912)	-
Cash payments for materials and supplies	(1,126)	(5,236)	(824)	(7,186)	(2,030)
Cash payments for administrative costs	(1,737)	(1,738)	-	(3,475)	-
Cash payments for other expenses	(234,836)	(85,054)	(2,412)	(322,302)	(61)
Net cash provided by (used in) operating activities	74,296	85,009	(47,862)	111,443	14,143
Cash flows from noncapital financing activities:					
Transfers in	-	-	72,000	72,000	-
Net cash provided by noncapital financing activities	-	-	72,000	72,000	-
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(22,973)	(111,922)	-	(134,895)	-
Capital contributions	1,295,409	66,344	-	1,361,753	-
Principal retirement on bonds	(20,000)	(20,000)	-	(40,000)	-
Principal retirement on loans	(395,252)	(47,223)	-	(442,475)	-
Principal retirement on notes	-	(140,000)	-	(140,000)	-
Proceeds of bonds	-	140,000	-	140,000	-
Proceeds of notes	20,000	-	-	20,000	-
Interest and fiscal charges	(204,101)	(43,264)	-	(247,365)	-
Net cash provided by (used in) capital and related financing activities	673,083	(156,065)	-	517,018	-
Net increase in cash and cash equivalents	747,379	(71,056)	24,138	700,461	14,143
Cash and cash equivalents at beginning of year	930,068	425,263	42,870	1,398,201	4,135
Cash and cash equivalents at end of year	<u>\$ 1,677,447</u>	<u>\$ 354,207</u>	<u>\$ 67,008</u>	<u>\$ 2,098,662</u>	<u>\$ 18,278</u>

(Continued)

**FINANCIAL CONDITION
FULTON COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service
	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor Fund</u>	<u>Total</u>	
Reconciliation of operating loss to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (261,118)	\$ (88,951)	\$ (70,757)	\$ (420,826)	\$ 11,905
Adjustments:					
Depreciation	387,819	132,519	2,696	523,034	4,299
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(4,355)	(59)	333	(4,081)	-
(Increase) decrease in due from other governments	6,538	1,044	-	7,582	(70)
Decrease in special assessments receivable	32,070	42,010	-	74,080	-
Decrease in prepayments	-	-	1,875	1,875	388
Increase in accounts payable	19,575	882	16,552	37,009	270
Decrease in accrued wages and benefits	(1,933)	(1,933)	(883)	(4,749)	(1,386)
Decrease in due to other governments	(105,340)	(1,543)	(370)	(107,253)	(756)
Increase (decrease) in compensated absences payable	1,040	1,040	2,692	4,772	(507)
	<u>1,040</u>	<u>1,040</u>	<u>2,692</u>	<u>4,772</u>	<u>(507)</u>
Net cash provided by (used in) operating activities	<u>\$ 74,296</u>	<u>\$ 85,009</u>	<u>\$ (47,862)</u>	<u>\$ 111,443</u>	<u>\$ 14,143</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2004

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 5,147,986
Cash with fiscal and escrow agents	171,846
Receivables:	
Real estate and other taxes	37,458,866
Due from other governments	2,772,334
Special assessments	5,287,408
Deferred assessments receivable	<u>1,287,664</u>
Total assets	<u><u>\$ 52,126,104</u></u>
Liabilities:	
Accounts payable	\$ 61,101
Deposits held and due to others	48,988,614
Due to other governments	1,788,725
Deferred loan payments	<u>1,287,664</u>
Total liabilities	<u><u>\$ 52,126,104</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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 County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The County has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The County has elected not to apply these FASB Statements and Interpretations.

The most significant of the County's accounting policies are described below.

A. Reporting Entity

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

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

EXCLUDED POTENTIAL COMPONENT UNITS

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

In the case of the separate agencies, boards, and commissions listed below the County serves as fiscal agent and custodian, but is not accountable; therefore the operations of the following PCUs have been

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

excluded from the County's BFS, but the funds held on behalf of these PCUs in the County Treasury are included in the agency funds.

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

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

JOINTLY GOVERNED ORGANIZATIONS

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

MVPO is governed by a Board consisting of fifteen members. The Board is made up of one County Commissioner from each member county as well as one township representative and one municipal representative for each of the five member counties. The main sources of revenue are fees charged by MVPO to administer CDBG grants and a per capita amount from each county. In 2004, the County paid per capita charges of \$90,061 to MVPO.

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

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

JOINT VENTURES WITHOUT EQUITY INTEREST

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

The CCNO is governed by a Commission Team made up of 18 members. These members consist of one judge, one chief law enforcement officer, and one county commissioner or administrative official from each entity. Sources of revenue include operating costs and capital costs contributed by Members and rental revenue. The County does not have explicit, measurable right to the net resources of the CCNO. Total expenditures made by the County to the CCNO in 2004 were \$1,173,525. Complete

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

financial statements for the CCNO can be obtained from the CCNO's administrative office on County Road 24 in Stryker, Ohio.

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

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 mentally retarded and developmentally disabled residents in each County and set priorities based on available funds. The County provides subsidies to the Board based on units of service provided to it. For the year ended December 31, 2004 the County remitted \$283,777 to Quadco to supplement its operations.

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

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

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

The County has an ongoing financial interest in the District. The County Commissioners are able to influence the Board of Director's to use the District's surplus resources to undertake special projects of interest of the County's citizens. In the event that a county withdraws from the District, this access to the net resources has not been explicitly defined, nor is it currently measurable. The County has no ongoing financial responsibility for the District. No contributions were made by the County to the District in 2004. Grant monies received by the County from the District are reported as a special revenue fund.

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

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

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

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

NWOJDD is governed and operated by a thirteen member board of trustees consisting of three trustees from each county and one at large member. Revenue sources are from member counties and rental revenue. The County has no ongoing financial responsibility for NWOJDD. The County remitted \$236,336 to NWOJDD in 2004.

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.

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

B. Basis of Presentation

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

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

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

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

C. Fund Accounting

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

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

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

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

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

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

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

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

Other governmental funds of the County are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs and (c) for grants and other resources, the use of which is restricted to a particular purpose.

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

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

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

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

The other enterprise fund of the County is used to account for the solid waste incinerator activities. This fund is a nonmajor fund whose activity has been presented in a single column in the BFS.

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

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

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

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

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

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

E. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the full accrual basis when the exchange takes place. On a modified 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 period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from all other nonexchange transactions must also be available before it can be recognized.

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

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

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met also are recorded as deferred revenue.

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

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

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

F. Budgetary Data

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

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

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

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

On or about January 1, the Certificate of Estimated Resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the final amended certificate issued during 2004.

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 2004 are included in the final budget amounts in the budget-to-actual comparisons.

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

G. Cash and Investments

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

During fiscal year 2004, investments were limited to federal agency securities, nonnegotiable certificates of deposit, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

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

The County has invested funds in STAR Ohio during fiscal year 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission (SEC) as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2004.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$436,778 which includes \$375,978 assigned from other County funds.

The County has segregated bank accounts for monies held separately from the County's central bank account. These interest-bearing depository accounts are presented on the basic financial statements as "Cash with fiscal and escrow agents" 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

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

H. Inventories of Materials and Supplies

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

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

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of \$2,500. The County's infrastructure consists of roads, bridges, culverts, and sanitary sewers. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

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

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

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The County's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

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 2004, the net interest expense incurred on proprietary fund construction projects was not material.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2004, 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, 2004, 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, 2004, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

L. Accrued Liabilities and Long-term Obligations

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

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

M. Interfund Transactions

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

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

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

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

N. Fund Balance Reserves and Designations

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

The County reports amounts representing encumbrances outstanding, prepayments, materials and supplies inventories, advances, loans receivable, and unclaimed monies as reservations of fund balance in the governmental funds. The County reports amounts set-aside by the County Commissioners as budget stabilization as designation of fund balance in the governmental funds.

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

O. Operating Revenues and Expenses

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

P. Contributions of Capital

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

Q. Net Assets

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

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

R. Estimates

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

NOTE 3 - ACCOUNTABILITY AND CHANGE IN ACCOUNTING PRINCIPLES

A. Prior Period Adjustment

The County has presented a prior period adjustment to correct tax revenues reported in the prior year which had the following effect on the County's governmental fund balances as previously reported:

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Public Assistance</u>	<u>MRDD</u>	<u>EMS A & BLS</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance							
December 31, 2003	\$ 4,525,777	\$ 3,373,948	\$ 1,033,254	\$ 979,158	\$ 869,182	\$ 5,969,794	\$ 16,751,113
Tax adjustment	<u>(100,280)</u>	<u>-</u>	<u>-</u>	<u>(152,313)</u>	<u>(91,091)</u>	<u>(84,343)</u>	<u>(428,027)</u>
Adjusted fund balance,							
December 31, 2003	<u>\$ 4,425,497</u>	<u>\$ 3,373,948</u>	<u>\$ 1,033,254</u>	<u>\$ 826,845</u>	<u>\$ 778,091</u>	<u>\$ 5,885,451</u>	<u>\$ 16,323,086</u>

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

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

Governmental activities net assets, December 31, 2003	\$ 39,201,549
Tax adjustment	<u>(428,027)</u>
Governmental activities net assets, December 31, 2003	<u>\$ 38,773,522</u>

Business-Type Activities - Restatement of Fund Equity - The capital assets of the business-type activities have been restated at December 31, 2003, due to errors and omissions in the prior years.

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

	<u>Water</u>	<u>Sewer</u>	<u>Other Nonmajor</u>	<u>Total</u>
Fund equity as previously reported	\$ 8,444,719	\$ 4,239,245	\$ 70,498	\$ 12,754,462
Adjustment for capital assets	-	311,796	-	311,796
Restated net assets as of January 1, 2004	<u>\$ 8,444,719</u>	<u>\$ 4,551,041</u>	<u>\$ 70,498</u>	<u>\$ 13,066,258</u>

B. Deficit Fund Balances

	<u>Deficit</u>
<u>Nonmajor Governmental Funds</u>	
Workforce Investment Act	\$ 405
Capital Improvements	73,398
Landfill	1,685
Ditch Maintenance	13,893

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

A. Primary Government

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

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

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's Investment Pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

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

Deposits: At year-end, the carrying amount of the County’s deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$13,551,335 and the bank balance, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$14,217,288. Of the bank balance:

1. \$6,559,444 was covered by federal depository insurance, covered by collateral held in the pledging bank’s trust department in the County’s name, or surety company bonds deposited with the County; and
2. \$7,657,844 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

Investments: The County’s investments are required to be categorized to give an indication of the level of custodial credit risk assumed by the County at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the County’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the County’s name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category</u>	<u>Fair</u>
	<u>2</u>	<u>Value</u>
Federal agency securities	<u>\$ 5,959,274</u>	\$ 5,959,274
Investment in STAR Ohio		<u>2,023,824</u>
Total investments		<u>\$ 7,983,098</u>

The federal agency securities have maturity dates ranging from February 2005 to December 2006.

The classification of cash and cash equivalents on the basic financial statements is based on criteria set forth in GASB Statement No. 9, “*Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.*”

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

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 21,534,433	\$ -
Investments of the cash management pool:		
Federal agency securities	(5,959,274)	5,959,274
Investment in STAR Ohio	<u>(2,023,824)</u>	<u>2,023,824</u>
GASB Statement No. 3	<u>\$ 13,551,335</u>	<u>\$ 7,983,098</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended December 31, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to General Fund from:		
Nonmajor Governmental Funds		\$ 281,839
Transfers to Motor Vehicle and Gas Tax :		
Nonmajor Governmental Funds		53,402
Transfers to Public Assistance :		
Nonmajor Governmental Funds		43,447
Transfers to Nonmajor Governmental Funds from:		
General Fund		218,874
Public Assistance		81,152
Nonmajor Governmental Fund		<u>11,782</u>
Total Transfers to Nonmajor Governmental Funds		<u>311,808</u>
Transfers to Nonmajor Enterprise Fund from:		
General Fund		<u>72,000</u>
Total Transfers		<u>\$ 762,496</u>

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

- B.** Short-term interfund loans consisted of the following at December 31, 2004, as reported on the fund financial statements:

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 217,000

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

- C. Long-term advances to and from other funds at December 31, 2004, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 288,001
General	Water fund	24,043
General	Sewer fund	<u>24,043</u>
Total long-term advances		<u>\$ 336,087</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.

- D. Due from/to other funds consisted of the following at December 31, 2004, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 29,158
Public Assistance	Nonmajor governmental funds	<u>14,439</u>
Total due to/from other funds		<u>\$ 43,597</u>

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

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2004 taxes were collected was \$875,531,350. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2004, was \$9.75 per \$1,000 of assessed valuation.

The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

<u>Real Property</u>	
Agricultural	\$ 92,414,870
Residential	481,462,810
Commercial/Industrial/Mineral	127,881,690
Tangible Personal Property	129,456,090
<u>Public Utility</u>	
Real	392,730
Personal	<u>43,923,160</u>
Total Assessed Value	<u>\$ 875,531,350</u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due March 1. If paid semi-annually, the first payment is due March 1 and the remainder payable July 15. Under certain circumstances, State statute permits earlier or later payment dates to be established.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County. Tangible personal property taxes for unincorporated and single county businesses are due semi-annually, with the first payment due May 10 and the remainder payable by September 20. Due dates are normally extended an additional 30 days. The due date for the entire tax for inter-county businesses is September 20 or the extended date. The first \$10,000 of taxable value is exempt from taxation for each business by state law.

The lien date is either December 31 or the end of their fiscal year (for incorporated businesses in operation more than one year). Since each business must file a return to the County Auditor, the tangible personal taxes are not known until all the returns are received.

"Real estate and other taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of December 31 real and public utility taxes which were measurable as of the year end.

Since the current levy is not intended to finance 2004 operations, the receivable is offset by a credit to "deferred revenue". The delinquent real, public utility, and tangible personal property taxes that will become available to the County within the first 60 days of 2005 are shown as 2004 revenue; the remainder is shown as "deferred revenue". The eventual collection of significantly all real and public utility property taxes (both current and delinquent) is reasonably assured due to the County's ability to force foreclosure of the properties on which the taxes are levied.

NOTE 7 - PERMISSIVE SALES AND USE TAX

In 1983, the County Commissioners by resolution imposed a 0.5% percent tax on all retail sales made in the County, including sales of motor vehicles, and on storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. In 1987, the County Commissioners by resolution increased this tax by 0.5% to provide a total tax of 1.0%. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of the month of collection. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the sales tax are credited to the general fund and the Motor Vehicle and Gas Tax special revenue fund and amounts that have been collected by the state and are to be received within the available period are accrued as revenue to the extent they are intended to finance the fiscal 2004 operations. Sales tax revenue for 2004 amounted to \$4,513,708.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2004, consisted of taxes, special assessments, accounts (billings for user charged services), interfund transactions, interest, and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "Due from Other Governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2004, as well as intended to finance fiscal 2004 operations.

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

Governmental Activities:

Sales taxes	\$ 641,747
Taxes	7,944,534
Accounts	211,059
Due from other governments	6,590,293
Special assessments	573,451
Accrued interest	173,590
Internal balances	48,086

Business-Type Activities:

Accounts	112,306
Special assessments	845,269

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

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 2004 is as follows:

	Balance at <u>12/31/03</u>	<u>Issued</u>	<u>Received</u>	Balance at <u>12/31/04</u>
Revolving Loans	<u>\$ 425,251</u>	<u>\$ 225,000</u>	<u>\$ (66,501)</u>	<u>\$ 583,750</u>

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

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

NOTE 10 - CAPITAL ASSETS

A. Capital asset activity for the fiscal year ended December 31, 2004, was as follows:

Governmental Activities:	<u>Balance 12/31/2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/04</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 869,312	\$ 62,010	\$ -	\$ 931,322
Construction in progress	<u>37,698</u>	<u>176,341</u>	<u>(31,468)</u>	<u>182,571</u>
Total capital assets, not being depreciated	<u>907,010</u>	<u>238,351</u>	<u>(31,468)</u>	<u>1,113,893</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,562,727	110,448	-	1,673,175
Building and improvements	17,713,090	601,172	-	18,314,262
Equipment	3,114,145	320,244	(13,970)	3,420,419
Vehicles	3,854,505	434,257	(170,967)	4,117,795
Infrastructure	<u>1,618,460</u>	<u>1,703,154</u>	<u>-</u>	<u>3,321,614</u>
Total capital assets, being depreciated	<u>27,862,927</u>	<u>3,169,275</u>	<u>(184,937)</u>	<u>30,847,265</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(291,814)	(74,401)	-	(366,215)
Building and improvements	(4,257,328)	(527,265)	-	(4,784,593)
Equipment	(1,653,303)	(210,793)	10,405	(1,853,691)
Vehicles	(1,471,266)	(255,498)	127,971	(1,598,793)
Infrastructure	<u>(40,462)</u>	<u>(123,502)</u>	<u>-</u>	<u>(163,964)</u>
Total accumulated depreciation	<u>(7,714,173)</u>	<u>(1,191,459)</u>	<u>138,376</u>	<u>(8,767,256)</u>
Total capital assets being depreciated, net	<u>20,148,754</u>	<u>1,977,816</u>	<u>(46,561)</u>	<u>22,080,009</u>
Governmental activities capital assets, net	<u>\$ 21,055,764</u>	<u>\$ 2,216,167</u>	<u>\$ (78,029)</u>	<u>\$ 23,193,902</u>

Under GASB Statement No. 34, the County has elected to “phase in” the retroactive reporting of infrastructure assets. The County plans to retroactively report infrastructure capital assets in the 2005 basic financial statements. Only infrastructure capital assets acquired or constructed in 2003 and 2004 are reflected in the basic financial statements for the fiscal year ended December 31, 2004.

The December 31, 2003 balance has been restated to include construction in progress which was completed during the current year.

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FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

	Restated Balance			Balance
Business-Type Activities:	<u>12/31/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/04</u>
<i>Capital assets, not being depreciated:</i>				
Construction in progress	\$ 311,796	\$ -	\$ (311,796)	\$ -
Total capital assets, not being depreciated	<u>311,796</u>	<u>-</u>	<u>(311,796)</u>	<u>-</u>
<i>Capital assets, being depreciated:</i>				
Buildings/improvements	\$ 69,416	\$ -	\$ -	\$ 69,416
Machinery	14,417	-	-	14,417
Vehicles	20,989	-	-	20,989
Waterlines/Sewerlines	<u>25,793,550</u>	<u>446,691</u>	<u>-</u>	<u>26,240,241</u>
Total capital assets, being depreciated	<u>25,898,372</u>	<u>446,691</u>	<u>-</u>	<u>26,345,063</u>
<i>Less: accumulated depreciation:</i>				
Buildings/improvements	(34,708)	(1,735)	-	(36,443)
Machinery and equipment	(6,728)	(961)	-	(7,689)
Vehicles	(20,989)	-	-	(20,989)
Waterlines/Sewerlines	<u>(4,610,601)</u>	<u>(520,338)</u>	<u>-</u>	<u>(5,130,939)</u>
Total accumulated depreciation	<u>(4,673,026)</u>	<u>(523,034)</u>	<u>-</u>	<u>(5,196,060)</u>
Business-type activities capital assets, net	<u>\$ 21,537,142</u>	<u>\$ (76,343)</u>	<u>\$ (311,796)</u>	<u>\$ 21,149,003</u>

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

Governmental activities:	
Legislative and executive	\$ 223,611
Judicial	77,781
Public safety	176,996
Public works	299,669
Health	126,364
Human services	178,881
Other	59,814
Economic development	1,037
Intergovernmental	<u>47,306</u>
Total depreciation expense - governmental activities	<u>\$ 1,191,459</u>

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

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

**FINANCIAL CONDITION
FULTON COUNTY**

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(Continued)

For the County, a corresponding liability was recorded in the government-wide financial statements. Principal payments in 2004 totaled \$4,216 in the special revenue funds. Capital lease payments in special revenue funds have been reclassified on the financial statements to reflect debt principal and interest payments. These payments are reported as program expenditures on the budgetary statement.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2004.

<u>Year Ending December 31,</u>	<u>Nonmajor Governmental</u>
2005	\$ 1,420
2006	<u>119</u>
Total future minimum lease payments	1,539
Less: amount representing interest	<u>(65)</u>
Present value of net minimum lease payments	<u>\$ 1,474</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.

At December 31, 2004, vested benefits for vacation leave for governmental activities employees totaled \$539,588 and vested benefits for sick leave totaled \$79,972. These amounts represent the non-current portion of the vested benefits and are reported in the government-wide financial statements. For business-type activities, vested benefits for vacation leave totaled \$10,868 and vested benefits for sick leave totaled \$1,476. 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 \$160,253 for governmental activities employees and \$5,446 for business-type activities employees was accrued to record termination (severance) payments for employees expected to become eligible to retire in the future.

NOTE 13 - NOTES PAYABLE

The County had the following general obligation bond anticipation notes outstanding at December 31, 2004:

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FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

Governmental Activities:	<u>Issue Date</u>	<u>Balance at 12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/04</u>	<u>Amount Due in One Year</u>
<u>Special Revenue Fund</u>						
Board of DD Renovation	12/23/03	\$ 400,000	\$ -	\$ (400,000)	\$ -	\$ -
<u>Enterprise Fund</u>						
Industrial Corridor Sewer	12/15/03	\$ 140,000	\$ -	\$ (140,000)	\$ -	\$ -
Waterline Extension	12/24/04	-	20,000	-	20,000	20,000
Total business-type activities		<u>\$ 140,000</u>	<u>\$ 20,000</u>	<u>\$ (140,000)</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>

General Obligation Bond Anticipation Notes - 2003 Series - On December 23, 2003, the County issued \$400,000 of general obligation bonds anticipation notes bearing an annual interest rate of 5.50% for the purpose of renovating the DD building. The notes matured on December 24, 2004, and were retired with \$190,000 of bond proceeds, which can be found in note 14 in addition to an advance from the general fund.

General Obligation Bond Anticipation Notes - Sewer Improvement - On December 15, 2003, the County issued \$140,000 of general obligation bond anticipation notes bearing an interest rate of 5.50%. The notes matured on December 23, 2004, and were retired with bond proceeds, which are included in long-term obligations in note 14.

Bond Anticipation Notes - Waterline Extension - On December 23, 2004, the County issued \$20,000 of notes bearing an interest rate of 5.50%. The notes have a maturity date of December 15, 2005. The notes were issued to fund the Fulton/Lucas Waterline Extension project. The notes will be retired through the issuance of bonds.

NOTE 14 - LONG-TERM OBLIGATIONS

A. Governmental Long-Term Obligations

During the fiscal year 2004, the following changes occurred in the County's governmental long-term obligations:

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FULTON COUNTY**

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FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/04</u>	<u>Amount Due in One Year</u>
<u>Ohio Water Development Authority Loans</u>							
Delta/Worthington Steel							
Waterlines - 1%	1996	2012	\$ 582,959	\$ -	\$ (25,983)	\$ 556,976	\$ 55,540
Sewerlines - 6.36%	1996	2012	488,108	-	(26,109)	461,999	52,356
Total OWDA loans			<u>1,071,067</u>	<u>-</u>	<u>(52,092)</u>	<u>1,018,975</u>	<u>107,896</u>
<u>Special Assessment Bonds</u>							
Elmira & Assumption waterlines	12/31/92	12/01/11	135,000	-	(15,000)	120,000	15,000
Ditch #2093 - 4.95%	7/30/04	10/1/09	-	49,457	-	49,457	8,959
Ditch #2091 - 3.95%	7/30/04	10/1/09	-	203,455	-	203,455	37,978
Smith Kellogg Ditch - 3.45%	7/30/04	10/1/09	-	23,285	-	23,285	4,347
Total special assessment bonds			<u>135,000</u>	<u>276,197</u>	<u>(15,000)</u>	<u>396,197</u>	<u>66,284</u>
<u>General Obligation Notes</u>							
Fulton County							
Administration building - 3.63%	05/26/03	05/26/04	300,140	-	(300,140)	-	-
Solid Waste building	01/10/03	12/01/17	333,333	-	(17,401)	315,932	18,166
Total general obligation notes			<u>633,473</u>	<u>-</u>	<u>(317,541)</u>	<u>315,932</u>	<u>18,166</u>
<u>General Obligation Bonds</u>							
Board of DD Renovations	12/23/04	12/1/24	-	190,000	-	190,000	15,247
Total general obligation bonds			<u>-</u>	<u>190,000</u>	<u>-</u>	<u>190,000</u>	<u>15,247</u>
Total financial obligation debt			<u>1,839,540</u>	<u>466,197</u>	<u>(384,633)</u>	<u>1,921,104</u>	<u>207,593</u>
<u>Other Long-Term Obligations</u>							
Landfill closure/postclosure costs			782,774	-	(276,082)	506,692	49,020
Capital lease obligations			5,690	-	(4,216)	1,474	1,356
Compensated absences			730,449	156,521	(107,157)	779,813	138,432
Total other long-term obligations			<u>1,518,913</u>	<u>156,521</u>	<u>(387,455)</u>	<u>1,287,979</u>	<u>188,808</u>
Total governmental activities long-term liabilities			<u>\$ 3,358,453</u>	<u>\$ 622,718</u>	<u>\$ (772,088)</u>	<u>\$ 3,209,083</u>	<u>\$ 396,401</u>

Ohio Water Development Authority (OWDA) Loans: Note 14.C. provides detail on the OWDA loans outstanding at December 31, 2004.

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

Landfill Closure/Postclosure Costs: The County has recognized a liability for estimated closure and postclosure costs on the landfill. The liability for landfill closure and postclosure costs is further described in Note 20.

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(Continued)

Administration Building Note: On May 25, 2001, the County issued a \$1,250,000 general obligation note for the purpose of constructing a new County administration building. On May 26, 2003, the County reissued this note in the amount of \$300,140. During 2004, the County retired the note.

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

General Obligation Bonds: On December 23, 2004, the County issued general obligation bonds for the additions and renovations of the Board of DD building. These bonds retired the bond anticipation notes which matured on December 24, 2004. These bonds are supported by the full faith and credit of the County. Repayment will be made with tax levy revenues.

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

Compensated Absences: Compensated absences represent amounts for which the County could potentially be liable on eligible employees. Compensated absences are presented net of actual increases and decreases because of the practicality of determining these values. The benefits will be paid from the fund from which the person is paid. Compensated absences are further described in Note 12.

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>Special Assessment Bonds</u>			<u>OWDA Loans</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 66,284	\$ 20,142	\$ 86,426	\$ 107,896	\$ 39,907	\$ 147,803
2006	68,188	15,507	83,695	111,953	35,850	147,803
2007	70,164	12,525	82,689	116,239	31,563	147,802
2008	72,216	9,461	81,677	120,165	28,414	148,579
2009	79,345	6,320	85,665	124,740	24,617	149,357
2010-2013	<u>40,000</u>	<u>4,110</u>	<u>44,110</u>	<u>437,982</u>	<u>39,286</u>	<u>477,268</u>
Total	<u>\$ 396,197</u>	<u>\$ 68,065</u>	<u>\$ 464,262</u>	<u>\$ 1,018,975</u>	<u>\$ 199,637</u>	<u>\$ 1,218,612</u>

**FINANCIAL CONDITION
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(Continued)

Year Ending	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 15,247	\$ 9,272	\$ 24,519
2006	15,979	8,528	24,507
2007	16,747	7,748	24,495
2008	17,550	6,945	24,495
2009	18,393	6,087	24,480
2010-2014	<u>106,084</u>	<u>16,129</u>	<u>122,213</u>
Total	<u>\$ 190,000</u>	<u>\$ 54,709</u>	<u>\$ 244,709</u>

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

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. Based on this calculation, the County's legal debt margin was \$19,090,493 as of December 31, 2004.

C. Business-Type Activities

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

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/04</u>	<u>Amount Due in One Year</u>
<u>Ohio Water Development Authority Loan</u>							
Waterline - Lucas County/North Star Steel	1996	2012	\$ 8,235,964	\$ -	\$ (384,127)	\$ 7,851,837	\$ 784,931
Waterline - Teleflex Extension	2000	2009	129,020	-	-	129,020	21,872
Sewerline - Worthington Steel/ North Star Steel	1996	2012	946,597	-	(47,223)	899,374	95,400
Sewer Infrastructure - Fulton County	2002	2012	<u>297,932</u>	<u>-</u>	<u>-</u>	<u>297,932</u>	<u>19,283</u>
Total OWDA Loans			<u>9,609,513</u>	<u>-</u>	<u>(431,350)</u>	<u>9,178,163</u>	<u>921,486</u>

(Continued)

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

	Issue <u>Date</u>	Maturity <u>Date</u>	Balance <u>12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/04</u>	Amount Due <u>in One Year</u>
<u>Special Assessment Bonds</u>							
Pettisville Waterline	09/01/97	12/01/14	220,000	-	(20,000)	200,000	20,000
Exit 3 Sewer Improvement	01/13/99	12/01/18	425,000	-	(20,000)	405,000	20,000
Industrial Corridor Sewer District	12/23/04	12/01/24	-	140,000	-	140,000	4,234
Total special assessment bonds			<u>645,000</u>	<u>140,000</u>	<u>(40,000)</u>	<u>745,000</u>	<u>44,234</u>
<u>Other Long-Term Obligations</u>							
Loan payable			311,989	-	(11,125)	300,864	11,505
Compensated absences			<u>13,018</u>	<u>14,976</u>	<u>(10,204)</u>	<u>17,790</u>	<u>10,868</u>
Total other long-term obligations			<u>325,007</u>	<u>14,976</u>	<u>(21,329)</u>	<u>318,654</u>	<u>22,373</u>
Total business-type activities long-term liabilities			<u>\$ 10,579,520</u>	<u>\$ 154,976</u>	<u>\$ (492,679)</u>	<u>\$ 10,241,817</u>	<u>\$ 988,093</u>

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

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

Ohio Water Development Authority Loan - 2002 Issue: During 2002, the County entered into a loan agreement with the OWDA for County Infrastructure. Repayment of this loan is funded through user charges in the Sewer enterprise fund.

Special Assessment Bonds: On December 23, 2004, the County issued special assessment bonds for the industrial corridor sewer project. The bonds retired the bond anticipation notes which matured on December 15, 2004. 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.

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 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 OWDA loans:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

<u>Year Ended</u>	<u>Special Assessment Bonds</u>			<u>OWDA Loans</u>		
	<u>Principal on Bonds</u>	<u>Interest on Bonds</u>	<u>Total</u>	<u>Principal on Loans</u>	<u>Interest on Loans</u>	<u>Total</u>
2005	\$ 44,234	\$ 38,962	\$ 83,196	\$ 921,487	\$ 390,118	\$ 1,311,605
2006	44,446	36,735	81,181	978,903	356,453	1,335,356
2007	49,668	34,478	84,146	1,019,443	315,914	1,335,357
2008	49,901	31,970	81,871	1,058,514	281,620	1,340,134
2009	50,146	29,414	79,560	1,102,361	242,550	1,344,911
2010-2014	274,859	106,505	381,364	4,097,455	436,341	4,533,796
2015-2019	183,110	38,171	221,281			
2020-2024	48,636	7,534	56,170	-	-	-
Total	\$ 745,000	\$ 323,769	\$ 1,068,769	\$ 9,178,163	\$ 2,022,996	\$ 11,201,159

<u>Year Ended</u>	<u>Loans Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 11,505	\$ 10,103	\$ 21,608
2006	11,898	9,709	21,607
2007	12,305	9,303	21,608
2008	12,726	8,882	21,608
2009	13,161	8,447	21,608
2010-2014	72,868	35,170	108,038
2015-2019	86,208	21,832	108,040
2020-2023	80,193	6,235	86,428
Total	\$ 300,864	\$ 109,681	\$ 410,545

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

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

NOTE 15 - RISK MANAGEMENT

A. County Risk Sharing Authority, Inc.

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

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The County is a member of CORSA which is a shared risk pool of sixty counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

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

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

B. Fulton-Henry Counties Employee Insurance Benefits Program

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

Each member pays a monthly premium amount, which is established annually by the Board, to Reliance Financial Services ("Reliance"). Reliance is the fiscal agent for the Council and has a trust agreement with the Council to account for all Council finances and assets. The Program is governed by a Board consisting of one representative from each member county's Board of Commissioners. The degree of control exercised by any participating member is limited to its representation on the Board. Upon withdrawal from the Program, a program agreement shall govern the disposition of any contributions by the withdrawing member to each program of the Council in excess of that member's share of the costs of that program. In fiscal year 2004, the County contributed a total of \$2,193,968 for this plan.

NOTE 16 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

All County full-time employees, other than uniformed employees, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614 222-6705 or 1-800-222-PERS (7377)).

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The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2004 was 8.5% for employees other than law enforcement and public safety. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. Public safety division members contribute at 9%. The employer contribution rate for employees other than law enforcement and public safety division was 13.55% of covered payroll and 9.55% was the portion used to fund pension obligations for 2004. The employer contribution rate for law enforcement and public safety divisions was 16.70% of covered payroll and 12.70% was the portion used to fund pension obligations for 2004. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The County's contributions to OPERS to fund the pension obligation for the years ended December 31, 2004, 2003, and 2002 were \$784,868, \$767,150, and \$776,177, respectively; 100% has been contributed for 2004, 2003 and 2002.

B. State Teachers Retirement System

Certified teachers employed by the County for the Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information for STRS Ohio. That report may be obtained by writing to or by calling (614) 227-4090 the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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Plan members are required to contribute 10% of their annual covered salary and the County is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's contributions for pension obligations to STRS Ohio for the years ended December 31, 2004, 2003, and 2002 were \$26,125, \$25,588, and \$17,910, respectively; 100% has been contributed for the years 2004, 2003, and 2002. There were no contributions to the DC and Combined Plans made by the County or by plan members.

NOTE 17 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

OPERS provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "*Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers*". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2004 employer contribution rate for local government employers was 13.55% of covered payroll and 4.00% was the portion that was used to fund health care. For both the public safety and law enforcement divisions the 2003 employer rate was 16.70% of covered payroll and 4.00% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The County's contribution actually made to fund postemployment benefits was \$355,290.

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

As of December 31, 2003 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively, at December 31, 2003 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2003 (the latest information available) was 369,885.

In December 2002, the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

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

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the OPERS December 31, 2004, Comprehensive Annual Financial Report.

B. State Teachers Retirement System of Ohio

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

All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to the Health Care Stabilization Fund equal to 1% of covered payroll for the fiscal year ended June 30, 2004. For the County, this amount equaled \$2,010 during calendar year 2004. As of June 30, 2004, the balance in the Health Care Reserve Fund was \$3.1 billion and eligible benefit recipients totaled 111,853 for STRS Ohio as a whole. For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739 million.

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

**FINANCIAL CONDITION
FULTON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

Net Change in Fund Balances

	Governmental Fund Types				
	General	Motor Vehicle Gas Tax	MRDD	Public Assistance	EMS A and BLS
Budget basis	\$ (538,576)	\$ (215,152)	\$ 55,366	\$ 66,672	\$ 314,828
Net adjustment for revenue accruals	(374,384)	(12,147)	(75,766)	(473,381)	(77,450)
Net adjustment for expenditure accruals	149,949	56,632	53,591	137,002	379,953
Net adjustment for other financing sources/(uses) accruals	360,082	-	-	-	-
Encumbrances (budget basis)	141,947	113,488	75,761	166,876	1,143
GAAP basis	\$ (260,982)	\$ (57,179)	\$ 108,952	\$ (102,831)	\$ 618,474

NOTE 19 - CONTINGENT LIABILITIES

A. Grants

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

B. Litigation

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

NOTE 20 - LANDFILL

State laws and regulations require that the County perform certain maintenance and monitoring functions at the closed landfill site for thirty years after closure. The landfill was closed in 1983. The estimated liability for landfill postclosure care has a balance of \$506,692 as of December 31, 2004. The estimated cost of landfill postclosure care expenses is based on the amount that would be paid if all materials and services required to monitor and maintain the closed landfill were acquired as of December 31, 2004. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The costs will be paid from current County revenues.

NOTE 21 - CONDUIT DEBT OBLIGATIONS

To provide for the financing of certain expenditures at the Fulton County Health Center, the Health Center has issued special facility revenue bonds. These consist of \$5,200,000 in 1995 and \$7,000,000 in 1999, Fulton County, Ohio, Tax-Exempt Variable Rate Demand Bonds, with final maturity in 2021. Also, in 1999 the County issued \$4,450,000 in industrial revenue bonds for the acquisition, construction and equipping of industrial and commercial facilities deemed to be in the public interest. These bonds do not constitute a debt or pledge of the faith and credit of the County and have not been reported in the accompanying financial statements. As of December 31, 2004, \$12,172,000 was still outstanding.

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 22 - FEDERAL TRANSACTIONS

The Fulton County Department of Jobs and Family Services (JFS) distribute federal food stamps to entitled recipients within Fulton County. The receipt and issuance of these stamps have the characteristics of federal grants. However, the JFS 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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**FINANCIAL CONDITION
FULTON COUNTY**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JANUARY 1, 2004 THROUGH DECEMBER 31, 2004

FEDERAL GRANTOR	Federal		
<i>Pass-through Grantor</i>	CFDA	Award	Disburse-
Program Files	Number	Amount	ments
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through the Ohio Department of Development</i>			
Community Development Block Grants			
Formula Grants-02	14.228	\$ 182,000	\$ 57,070
Formula Grants-03	14.228	188,000	8,500
Community Housing Improvement Program (CHIP)	14.228	155,000	109,032
FY 02 Water and Sewer	14.228	441,282	<u>9,318</u>
Total Community Development Block Grants			183,920
Home Improvement programs	14.239	395,000	<u>217,015</u>
Total U.S. Department of Housing and Urban Development			<u>400,935</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through Ohio Department of Job and Family Services</i>			
Special Programs for the Aging - Title III -B	93.044	21,755	21,755
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities</i>			
CAFS/TCM Received by County	93.778		371,299
Waiver Administration	93.778		19,779
IO Waiver Federal Enhancement	93.778		<u>23,731</u>
Total Medicaid Assistance Programs			414,809
Social Services Block Grant (Title XX)	93.667		<u>32,416</u>
Total U.S. Department of Health and Human Services			<u>468,980</u>
UNITED STATES DEPARTMENT OF LABOR			
<i>Passed through Ohio Department of Job and Family Services</i>			
<u>Workforce Investment Act Cluster</u>			
Workforce Investment Act - Adult	17.258		60,867
Workforce Investment Act - Youth	17.259		10,757
Workforce Investment Act - Dislocated Worker	17.260		<u>27,329</u>
Total Passed through Ohio Department of Job and Family Services			<u>98,953</u>

(Continued)

**FINANCIAL CONDITION
FULTON COUNTY**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JANUARY 1, 2004 THROUGH DECEMBER 31, 2004
(Continued)

FEDERAL GRANTOR	Federal		
<i>Pass-through Grantor</i>	CFDA	Award	Disburse-
Program Files	Number	Amount	ments
UNITED STATES DEPARTMENT OF LABOR			
<i>Passed through Area 7 Workforce Investment Board</i>			
<u>Workforce Investment Act Cluster</u>			
Workforce Investment Act - Adult	17.258		9,908
Workforce Investment Act - Youth	17.259		15,591
Workforce Investment Act - Dislocated Worker	17.260		5,817
Total Passed through Area 7 Workforce Investment Board			<u>31,316</u>
Total U.S. Department of Labor			<u>130,269</u>
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Pass-through the Ohio Office of Criminal Justice Services</i>			
Police Records Management/NIBRS	16.579	37,151	3,359
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through Ohio Emergency Management Agency</i>			
Emergency Management Performance Grant	97.042	28,786	28,786
Pre-Disaster Mitigation Grant	97.047	5,760	1,152
Fiscal Year 2002 State Domestic Preparedness Equipment Program	97.004	65,825	40,419
Fiscal Year 2002 State Domestic Preparedness Exercise Program	97.004	12,000	7,400
<i>Pass-Through the Ohio Office of Domestic Preparedness</i>			
Fiscal Year 2003 State Homeland Security Grant Program I	97.004	87,000	28,200
Fiscal Year 2003 State Homeland Security Grant Program II	97.004	141,195	141,195
Fiscal Year 2004 State Homeland Security Grant Program	97.004	174,979	98,139
Total State Domestic Preparedness Program			<u>315,353</u>
Total U.S. Department of Homeland Security			<u>345,291</u>

(Continued)

**FINANCIAL CONDITION
FULTON COUNTY**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JANUARY 1, 2004 THROUGH DECEMBER 31, 2004
(Continued)

FEDERAL GRANTOR	Federal		
<i>Pass-through Grantor</i>	CFDA	Award	Disburse-
Program Files	Number	Amount	ments
UNITED STATES GENERAL SERVICES ADMINISTRATION			
ON BEHALF OF THE ELECTION ASSISTANCE COMMISSION			
<i>Pass-through the Ohio Secretary of State</i>			
The Help America Vote Act of 2002	39.011	6,685	6,685
UNITED STATES DEPARTMENT OF			
TRANSPORTATION, FEDERAL AVIATION			
ADMINISTRATION			
Fulton County Airport Project, AIR 21 Funding - 01	20.106	58,200	3,624
Fulton County Airport Project, AIR 21 Funding - 02	20.106	153,250	7,108
Fulton County Airport Project, AIR 21 Funding - 03	20.106	238,550	<u>165,460</u>
Total U.S. Department of Transportation, Federal Aviation Administration			<u>176,192</u>
UNITED STATES ENVIRONMENTAL PROTECTION			
AGENCY			
FY 2002 Special Projects Grant	66.606	482,100	<u>421,578</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 1,953,289</u>

THE ACCOMPANYING NOTES ARE A INTEGRAL PART OF THIS SCHEDULE

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development (include this if applicable). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages, personal guarantees, promissory notes, and/or security agreements. At December 31, 2004, the gross amount of loans outstanding under this program was \$583,750.

NOTE C - MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' 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 270
Wauseon, Ohio 43567-3309

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fulton County (the County) as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the County's management dated September 19, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the County's management dated September 19, 2005, we reported other matters related to noncompliance we deemed immaterial.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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

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

Betty Montgomery
Auditor of State

September 19, 2005



**Auditor of State
Betty Montgomery**

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

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

To the Board of Commissioners:

Compliance

We have audited the compliance of Fulton County (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended December 31, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Fulton County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2004. In a separate letter to the Government's management dated September 19, 2005, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

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

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

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



Betty Montgomery
Auditor of State

September 19, 2005

**FINANCIAL CONDITION
FULTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(I)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(I)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(I)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(I)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(I)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(I)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(I)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(I)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(I)(vii)</i>	Major Programs (list):	Home Investment Partnerships Program (HOME) CFDA # 14.239 Medical Assistance Program (Medicaid; Title Xix) CFDA # 93.778
<i>(d)(I)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(I)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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FINANCIAL CONDITION

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 18, 2005**