



Dave Yost • Auditor of State

FULTON COUNTY
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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

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, 2011, 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, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Motor Vehicle Gas Tax, County Board of Developmental Disabilities, and Emergency Medical Services Advanced and Basic Life Service Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, in 2011 the County implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2012, 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements taken as a whole. The schedule of federal awards expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

September 13, 2012

FULTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

The management's discussion and analysis of Fulton County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2011. 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 2011 are as follows:

- The total net assets of the County increased \$5,189,583. Net assets of governmental activities increased \$4,302,902, which represents a 5.97% increase from 2010. Net assets of business-type activities increased \$886,681 or 3.99% from 2010.
- General revenues accounted for \$18,595,647 or 49.58% of total governmental activities revenue. Program specific revenues accounted for \$18,916,884 or 50.42% of total governmental activities revenue of \$37,512,531.
- The County had \$33,209,629 in expenses related to governmental activities; \$18,916,884 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$18,595,647 were adequate to provide for these programs.
- The general fund, the County's largest major fund, had revenues and other financing sources of \$12,647,584 in 2011. The expenditures and other financing uses of the general fund were \$12,105,623 in 2011. The general fund balance increased \$541,961 from 2010 to 2011.
- The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,705,287 in 2011. The motor vehicle and gas tax fund had expenditures of \$4,014,387 in 2011. The motor vehicle and gas tax fund balance increased \$690,900 from 2010 to 2011.
- The county board of developmental disabilities (the "county board of DD") fund, a County major fund, had revenues and other financing sources of \$5,259,787 in 2011. The county board of DD had expenditures of \$5,126,297 in 2011. The county board of DD fund balance increased \$133,490 from 2010 to 2011.
- The emergency medical system advanced and basic ("EMS A&B") life services fund, a County major fund, had revenues and other financing sources of \$3,265,681 in 2011. The EMS advanced and basic life services fund had expenditures of \$3,867,967 in 2011. The EMS A&B life services fund balance decreased \$602,286 from 2010 to 2011.
- The County had two major proprietary funds. The net assets for the water fund increased in 2011 by \$884,606 or 5.53%. Net assets for the sewer fund increased in 2011 by \$31,597 or 0.52%.
- In the general fund, the actual revenues and other financing sources came in \$1,249,521 greater than they were originally budgeted and actual expenditures and other financing uses were \$993,173 greater than the amount in the original budget. The positive variance in revenue is a result of the County's conservative budgeting process.

FULTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

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 four 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 2011?" 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 and other factors.

In the statement of net assets and the statement of activities, the County is divided into two distinct kinds of activities:

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general,

FULTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

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

Governmental Funds

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

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds

The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its water, sewer, solid waste incinerator and recycling operations. The internal service funds used to accumulate and allocate costs intentionally for mapping services and information technology provided to other departments.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. ***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.

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 of the County's net assets for 2011 and 2010.

FULTON COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

Net Assets

	Governmental Activities 2011	Business-type Activities 2011	Governmental Activities 2010	Business-type Activities 2010	2011 Total	2010 Total
Assets:						
Current and other assets	\$ 43,121,987	\$ 4,179,733	\$ 40,436,749	\$ 4,018,965	\$ 47,301,720	\$ 44,455,714
Capital assets, net	<u>44,392,288</u>	<u>23,865,743</u>	<u>42,739,673</u>	<u>24,126,472</u>	<u>68,258,031</u>	<u>66,866,145</u>
Total assets	<u>87,514,275</u>	<u>28,045,476</u>	<u>83,176,422</u>	<u>28,145,437</u>	<u>115,559,751</u>	<u>111,321,859</u>
Liabilities:						
Long-term liabilities	3,107,891	4,589,202	3,276,368	5,578,452	7,697,093	8,854,820
Other liabilities	8,033,437	307,805	7,830,009	305,197	8,341,242	8,135,206
Total liabilities	<u>11,141,328</u>	<u>4,897,007</u>	<u>11,106,377</u>	<u>5,883,649</u>	<u>16,038,335</u>	<u>16,990,026</u>
Net assets:						
Invested in capital assets, net of related debt	42,693,161	19,786,071	41,166,896	19,242,863	62,479,232	60,409,759
Restricted	26,939,079	-	25,601,324	-	26,939,079	25,601,324
Unrestricted	<u>6,740,707</u>	<u>3,362,398</u>	<u>5,301,825</u>	<u>3,018,925</u>	<u>10,103,105</u>	<u>8,320,750</u>
Total net assets	<u>\$ 76,372,947</u>	<u>\$ 23,148,469</u>	<u>\$ 72,070,045</u>	<u>\$ 22,261,788</u>	<u>\$ 99,521,416</u>	<u>\$ 94,331,833</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2011, the County's assets exceeded liabilities by \$99,521,416. This amounts to \$76,372,947 in governmental activities and \$23,148,469 in business-type activities. The County's finances remained strong during 2011.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At year-end, capital assets represented 59.04% 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, 2011, were \$62,479,232. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2011, 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, \$26,939,079 or 27.07%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$10,103,105 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 2011 and 2010.

FULTON COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

Change in Net Assets

	Governmental Activities 2011	Business-type Activities 2011	Governmental Activities 2010	Business-type Activities 2010	2011 Total	2010 Total
Revenues:						
Program revenues:						
Charges for services and sales	\$ 7,225,544	\$ 3,037,810	\$ 5,588,170	\$ 2,594,773	\$ 10,263,354	\$ 8,182,943
Operating grants and contributions	10,844,209	-	11,600,584	-	10,844,209	11,600,584
Capital grants and contributions	<u>847,131</u>	<u>1,321,094</u>	<u>2,398,540</u>	<u>4,469,909</u>	<u>2,168,225</u>	<u>6,868,449</u>
Total program revenues	<u>18,916,884</u>	<u>4,358,904</u>	<u>19,587,294</u>	<u>7,064,682</u>	<u>23,275,788</u>	<u>26,651,976</u>
General revenues:						
Property taxes	6,670,833	-	7,148,290	-	6,670,833	7,148,290
Sales tax	7,338,349	-	6,120,809	-	7,338,349	6,120,809
Unrestricted grants	2,790,009	-	3,368,506	-	2,790,009	3,368,506
Investment earnings	495,498	-	570,981	-	495,498	570,981
Other	<u>1,300,958</u>	<u>153,729</u>	<u>1,691,617</u>	<u>296,364</u>	<u>1,454,687</u>	<u>1,987,981</u>
Total general revenues	<u>18,595,647</u>	<u>153,729</u>	<u>18,900,203</u>	<u>296,364</u>	<u>18,749,376</u>	<u>19,196,567</u>
Total revenues	<u>37,512,531</u>	<u>4,512,633</u>	<u>38,487,497</u>	<u>7,361,046</u>	<u>42,025,164</u>	<u>45,848,543</u>
Expenses:						
Program expenses:						
General government	6,736,226	-	6,439,608	-	6,736,226	6,439,608
Public safety	8,327,848	-	6,761,938	-	8,327,848	6,761,938
Public works	5,434,322	-	4,580,614	-	5,434,322	4,580,614
Health	5,900,523	-	5,422,171	-	5,900,523	5,422,171
Human services	4,807,503	-	4,858,005	-	4,807,503	4,858,005
Economic development	1,043,304	-	2,617,460	-	1,043,304	2,617,460
Other	2,852	-	14,766	-	2,852	14,766
Intergovernmental	904,101	-	661,392	-	904,101	661,392
Interest and fiscal charges	52,950	-	66,308	-	52,950	66,308
Water	-	2,836,071	-	2,414,018	2,836,071	2,414,018
Sewer	-	553,421	-	450,195	553,421	450,195
Solid waste incinerator	-	236,460	-	243,107	236,460	243,107
Recycling	-	-	-	15,908	-	15,908
Total expenses	<u>33,209,629</u>	<u>3,625,952</u>	<u>31,422,262</u>	<u>3,123,228</u>	<u>36,835,581</u>	<u>34,545,490</u>
Transfers	<u>-</u>	<u>-</u>	<u>(114,531)</u>	<u>114,531</u>	<u>-</u>	<u>-</u>
Change in net assets	4,302,902	886,681	6,950,704	4,352,349	5,189,583	11,303,053
Net assets at beginning of year	<u>72,070,045</u>	<u>22,261,788</u>	<u>65,119,341</u>	<u>17,909,439</u>	<u>94,331,833</u>	<u>83,028,780</u>
Net assets at end of year	<u>\$ 76,372,947</u>	<u>\$ 23,148,469</u>	<u>\$ 72,070,045</u>	<u>\$ 22,261,788</u>	<u>\$ 99,521,416</u>	<u>\$ 94,331,833</u>

Governmental Activities

Governmental net assets increased by \$4,302,902 in 2011 from 2010.

General government represents activities related to the governing body as well as activities that directly support County programs. In 2011, general government expenses totaled \$6,736,226, or 20.29% of total governmental expenses. General government programs were supported by \$3,088,583 in direct charges to users and \$5,258 in operating grants and contributions.

The County's largest program was public safety, which primarily supports the operations of the sheriff's department, E-911, emergency medical services, and the EMS advanced & basic life services. The

FULTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

program accounted for \$8,327,848 or 25.08% of total governmental expenses. Public safety programs are primarily supported by revenues from charges to users of services, of \$2,583,304, and operating grants and contributions of \$262,378.

The next largest program is health, which accounted for \$5,900,523 of expenses, or 17.77% of total governmental expenses of the County during 2011. Health programs include the operation of the county board of DD, the senior center and the dog warden and kennel. These expenses were funded in part by \$449,387 in charges to users of services and \$1,551,255 in operating grants and contributions in 2011.

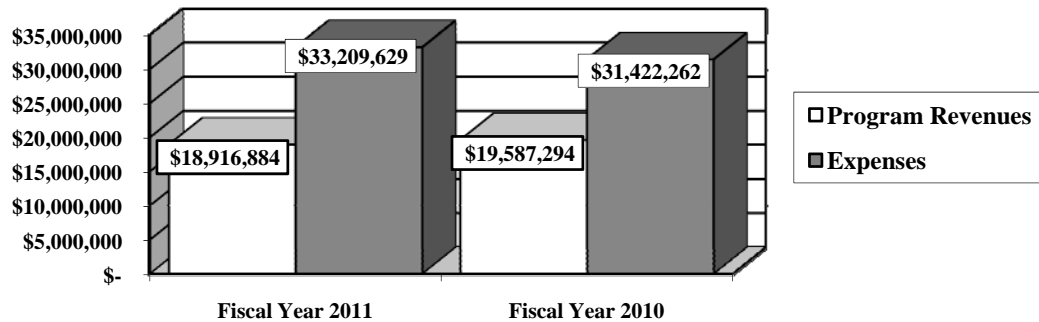
Another significant program is human services, which accounted for \$4,807,503 of expenses, or 14.48% of total governmental expenses of the County during 2011. Human services programs include the operations of the public assistance, public assistance trust, child support enforcement agency and the children services board. These expenses were funded in part by \$884,730 in charges to users of services and \$3,321,914 in operating grants and contributions in 2011.

Operating grants and contributions were the largest type of program revenue. The State and federal government contributed revenues of \$10,844,209 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$3,321,914, or 30.64%, subsidized human services programs, \$3,955,580 or 36.48%, subsidized public works programs, and \$1,747,824, or 16.12%, subsidized economic development programs. Another type of program revenue is direct charges to users of governmental activities, made up \$7,225,544 or 19.27% 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 \$18,595,647, and amounted to 49.58% of total revenues. These revenues primarily consist of property and sales tax revenue of \$14,009,182, or 75.34% of total general revenues in 2011. Property taxes decreased by 6.68% during 2011. Sales tax revenue increased 19.90% in 2011. The other primary source of general revenues is grants and entitlements not restricted to specific programs which include local government revenue, homestead and rollback and tangible personal property tax reimbursement revenue. Interest earnings decreased during 2011 to \$495,498, or 2.67%, of total general revenues.

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 2011. 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



FULTON COUNTY

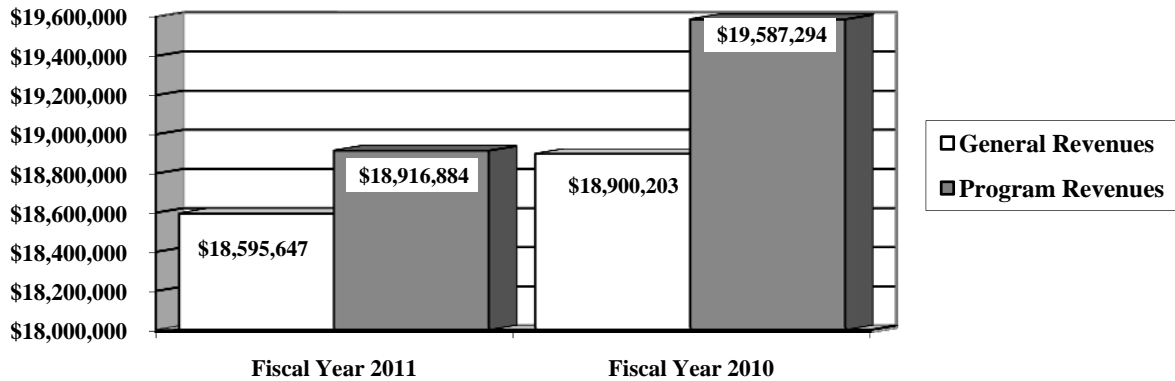
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Program expenses:				
General government	\$ 6,736,226	\$ 3,642,385	\$ 6,439,608	\$ 3,456,149
Public safety	8,327,848	5,482,166	6,761,938	4,993,958
Public works	5,434,322	433,645	4,580,614	(2,102,832)
Health	5,900,523	3,899,881	5,422,171	3,645,707
Human services	4,807,503	600,859	4,858,005	944,719
Economic development and assistance	1,043,304	(726,094)	2,617,460	154,801
Other	2,852	2,852	14,766	14,766
Intergovernmental	904,101	904,101	661,392	661,392
Interest and fiscal charges	52,950	52,950	66,308	66,308
Total	\$ 33,209,629	\$ 14,292,745	\$ 31,422,262	\$ 11,834,968

The dependence upon general revenues for governmental activities is apparent; with 43.04% and 37.67% of expenses supported through taxes and other general revenues during 2011 and 2010, respectively.

Governmental Activities - General and Program Revenues



Business-Type Activities

The water and sewer funds are the County's two major proprietary funds. The business-type activities had revenues of \$4,512,633 and expenses of \$3,625,952 for 2011. The net assets of these programs increased \$886,681 or 3.99% from 2010. During 2011, these programs received \$1,321,094 in capital grants and contributions.

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing

FULTON COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

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 December 31, 2010 fund balance of the general fund and other governmental funds were restated for fund reclassification required for the implementation of GASB 54 (See note 3.B for detail). The County's governmental funds reported a combined fund balance of \$30,934,536, which is \$1,588,003 greater than last year's restated total of \$29,346,533. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2011 for all major and non-major governmental funds.

	Fund Balance <u>December 31, 2011</u>	Restated Fund Balance <u>December 31, 2010</u>	Increase <u>(Decrease)</u>
Major funds:			
General	\$ 6,644,978	\$ 6,103,017	\$ 541,961
Motor vehicle and gas tax	3,542,316	2,851,416	690,900
County board of DD	6,739,485	6,605,995	133,490
EMS A & B life services	4,193,248	4,795,534	(602,286)
Other nonmajor governmental funds	<u>9,814,509</u>	<u>8,990,571</u>	<u>823,938</u>
 Total	 <u>\$ 30,934,536</u>	 <u>\$ 29,346,533</u>	 <u>\$ 1,588,003</u>

General Fund

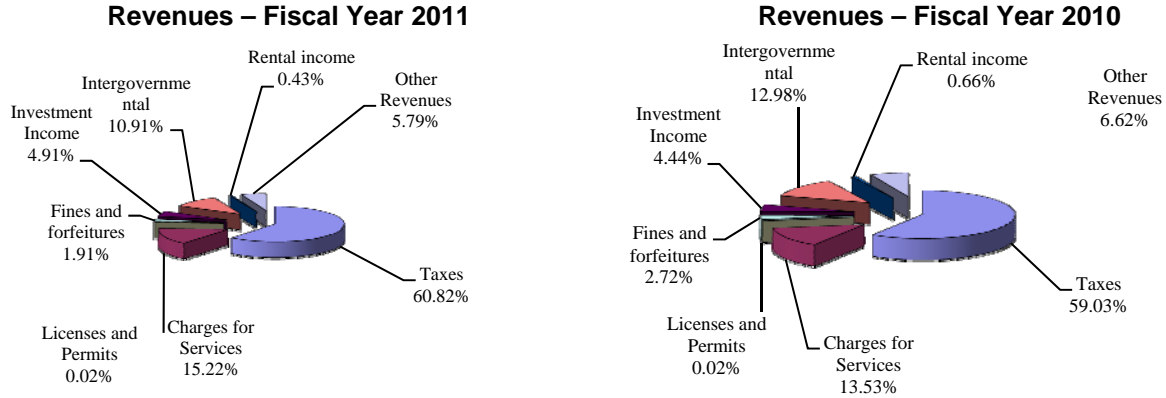
The general fund is the primary operating fund of the County. During 2011, the County's general fund balance increased \$541,961. The table that follows assists in illustrating the revenues of the general fund. Revenues for 2010 have been restated to include funds reclassified to be part of the general fund (see Note 3.B).

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Percentage <u>Change</u>
Revenues:			
Taxes	\$ 7,680,651	\$ 7,177,737	7.01 %
Charges for services	1,921,343	1,645,114	16.79 %
Licenses and permits	2,476	2,668	(7.20) %
Fines and forfeitures	241,155	330,874	(27.12) %
Intergovernmental	1,377,281	1,578,483	(12.75) %
Investment income	619,542	540,438	14.64 %
Rental income	53,800	80,182	(32.90) %
Other	<u>731,862</u>	<u>805,140</u>	(9.10) %
 Total	 <u>\$ 12,628,110</u>	 <u>\$ 12,160,636</u>	 3.84 %

Tax revenue represents 60.83% of all general fund revenue. Tax revenue increased by 7.01% from the prior year. This is due to increased sales tax revenue from the recovering economy. Charges for services revenue increased 16.79% from 2010. This is primarily due to an increase in charges received for EMS. The decrease in intergovernmental revenue is due to cuts made by the State of Ohio to the local governmental fund. All other revenue remained comparable to 2010.

FULTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)



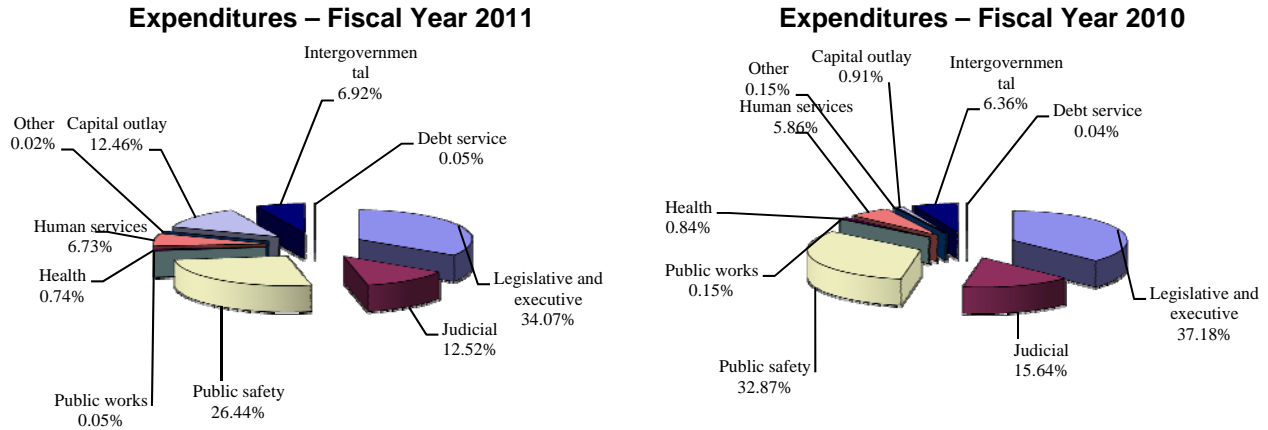
The table that follows assists in illustrating the expenses of the general fund. Expenses for 2010 have been restated to include funds reclassified to be part of the general fund (see Note 3.B).

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Percentage <u>Change</u>
Expenditures			
General government			
Legislative and executive	\$ 4,016,610	\$ 3,602,546	11.49 %
Judicial	1,476,155	1,514,962	(2.56) %
Public safety	3,117,547	3,185,007	(2.12) %
Public works	6,299	14,340	(56.07) %
Health	87,502	81,160	7.81 %
Human services	793,302	567,510	39.79 %
Other	2,852	14,766	(80.69) %
Capital outlay	1,469,060	88,177	1,566.04 %
Intergovernmental	815,793	616,371	32.35 %
Debt service	<u>5,964</u>	<u>3,744</u>	<u>59.29 %</u>
Total	<u>\$ 11,791,084</u>	<u>\$ 9,688,583</u>	<u>21.70 %</u>

Overall general fund expenditures increased 21.71% from the prior year, which is mainly due to capital outlay expenditures for a new agricultural services building. Legislative and executive expenditures increased \$414,064. This is primarily due to an increase in health insurance premiums during 2011. Human services expenditures increased \$225,792 when compared to the prior year. This increase was due to an increase in the County's share of children's services.

FULTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)



Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,705,287 in 2011. The motor vehicle and gas tax fund had expenditures of \$4,014,387 in 2011. The motor vehicle and gas tax fund balance increased \$690,900 from 2010 to 2011. The increase is due to expenditures for public works projects being less than revenues.

County Board of Developmental Disabilities (County Board of DD)

The county board of DD, a County major fund, had revenues and other financing sources of \$5,259,787 in 2011. The county board of DD had expenditures of \$5,126,297 in 2011. The county board of DD fund balance increased \$133,490 from 2010 to 2011. The increase is due to revenues, consisting mainly of property taxes, exceeding expenditures during 2011.

EMS Advanced and Basic Life Services Fund

The EMS A&B life services fund, a County major fund, had revenues and other financing sources of \$3,265,681. The EMS advanced and basic life services fund had expenditures of \$3,867,967. The EMS advanced and basic life services fund balance decreased \$602,286 from 2010 to 2011. This decrease is primarily due to decreasing continuing revenue sources, such as property taxes and charges for services, and increasing expenditures.

Budgeting Highlights – General Fund

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

In the general fund, actual revenues and other financing sources of \$12,259,865 exceeded original and final budgeted revenues and other financing sources by \$1,249,521 and \$1,135,921, respectively. These increases are due to the County's conservative approach to budgeting. Actual expenditures and other financing uses of \$12,134,355 were \$993,173 greater than original budgeted appropriations and \$951,188 less final budgeted appropriations, respectively. The large difference between original budgeted appropriations and final budgeted appropriations is due to the increased capital outlay budget for the construction of the new agricultural services building.

FULTON COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

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 2011, the County had \$68,258,031 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, and infrastructure. Of this total, \$44,392,288 was reported in governmental activities and \$23,865,743 was reported in business-type activities, see Note 10 to the basic financial statements for detail.

The following table shows fiscal 2011 balances compared to 2010:

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

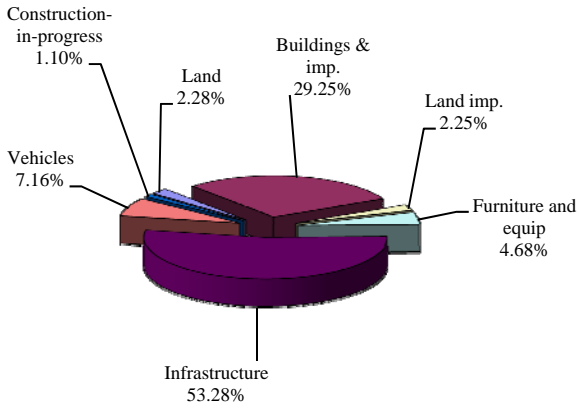
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,011,931	\$ 1,011,931	\$ -	\$ -	\$ 1,011,931	\$ 1,011,931
Construction-in-progress	489,830	405,324	4,918,007	4,644,324	5,407,837	5,049,648
Land improvements	998,034	1,292,146	-	-	998,034	1,292,146
Building and improvements	12,984,877	11,312,746	20,825	22,560	13,005,702	11,335,306
Furniture and equipment	2,078,423	1,658,195	30,976	11,318	2,109,399	1,669,513
Vehicles	3,178,215	3,028,112	-	-	3,178,215	3,028,112
Infrastructure	23,650,978	24,031,219	-	-	23,650,978	24,031,219
Water/sewer lines	-	-	18,895,935	19,448,270	18,895,935	19,448,270
Total	<u>\$ 44,392,288</u>	<u>\$ 42,739,673</u>	<u>\$ 23,865,743</u>	<u>\$ 24,126,472</u>	<u>\$ 68,258,031</u>	<u>\$ 66,866,145</u>

The following graphs show the breakdown of governmental and business-type activities capital assets by category for 2011 and 2010.

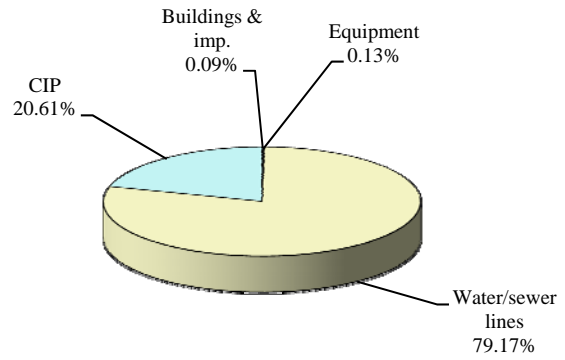
FULTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

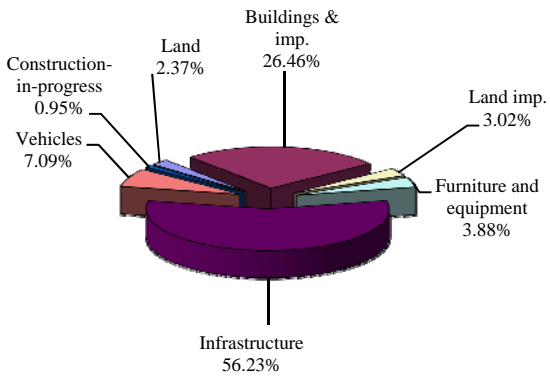
Capital Assets - Governmental Activities 2011



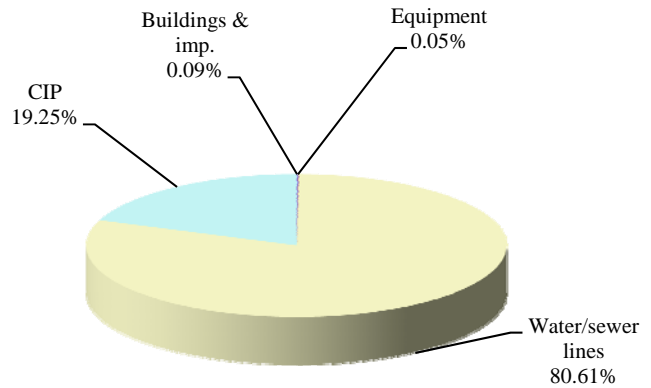
Capital Assets - Business-Type Activities 2011



Capital Assets - Governmental Activities 2010



Capital Assets - Business-Type Activities 2010



FULTON COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

Debt Administration

The County had the following long-term obligations outstanding at December 31, 2011 and 2010:

	Governmental Activities 2011	Governmental Activities 2010
OWDA loans	\$ 171,397	\$ 307,644
Special assessment bonds	93,186	147,697
General obligation notes	169,137	193,157
General obligation bonds	595,000	680,000
Landfill closure/postclosure	276,269	334,612
Capital lease	11,955	18,731
OPWC loans	<u>923,035</u>	<u>680,889</u>
Total long-term obligations	<u>\$ 2,239,979</u>	<u>\$ 2,362,730</u>
	Business-Type Activities 2011	Business-Type Activities 2010
OWDA loans	\$ 3,895,335	\$ 4,815,414
Special assessment bonds	418,056	469,105
OEPA loans	32,963	33,965
Loan payable	<u>211,582</u>	<u>225,658</u>
Total long-term obligations	<u>\$ 4,557,936</u>	<u>\$ 5,544,142</u>

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

Economic Factors

The County's Administration considered the impact of various economic factors when establishing the 2011 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 2011 budget, the County emphasized various efforts to continue to contain costs while pursuing new sources of revenue.

The passage of the State budget bill, House Bill 153, in June of 2011 is predicted to have a significant impact on the 2012 and 2013 County budgets. The anticipated cuts in the local government fund and the accelerated phase out of the tangible personal property tax reimbursements will increase the reliance on other general fund revenue sources, such as sales taxes.

The average unemployment rate for Fulton County in 2011 was 9.4%, which reflects a decrease from 2010. Fulton County ranks higher than the state average of 8.6%. Efforts in the area of economic development are predicted to have positive results in 2011 with the addition of jobs in Fulton County. The strongest growth area in 2012 is predicted to be in the area of commercial/retail opportunities, while the manufacturing base is remaining steady. Also, new housing growth is remaining steady in the County. The overall economy of the County is anticipated to improve slowly over the next year.

FULTON COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

Contacting the County's Financial Management

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

FULTON COUNTY

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments.	\$ 28,644,303	\$ 2,893,210	\$ 31,537,513
Cash in segregated accounts.	57,207	198,773	255,980
Receivables:			
Sales taxes.	1,696,023	-	1,696,023
Property taxes.	7,154,147	-	7,154,147
Accounts.	508,641	278,357	786,998
Special assessments	580,797	809,856	1,390,653
Due from other governments.	3,703,711	-	3,703,711
Accrued interest	104,196	-	104,196
Materials and supplies inventory.	304,737	-	304,737
Prepayments	118,140	1,688	119,828
Loans receivable, net	247,934	-	247,934
Internal balance	2,151	(2,151)	-
Capital assets:			
Land and construction in progress.	1,501,761	4,918,007	6,419,768
Depreciable capital assets, net.	42,890,527	18,947,736	61,838,263
Total capital assets, net.	<u>44,392,288</u>	<u>23,865,743</u>	<u>68,258,031</u>
Total assets	<u>87,514,275</u>	<u>28,045,476</u>	<u>115,559,751</u>
Liabilities:			
Accounts payable.	285,938	24,784	310,722
Retainage payable	-	195,555	195,555
Accrued wages and benefits.	398,826	8,365	407,191
Due to other governments	208,766	23,872	232,638
Accrued interest payable	13,212	55,229	68,441
Unearned revenue	7,126,695	-	7,126,695
Long-term liabilities:			
Due within one year	988,561	1,355,197	2,343,758
Due in more than one year.	2,119,330	3,234,005	5,353,335
Total liabilities	<u>11,141,328</u>	<u>4,897,007</u>	<u>16,038,335</u>
Net assets:			
Invested in capital assets, net of related debt	42,693,161	19,786,071	62,479,232
Restricted for:			
Debt service	83,110	-	83,110
Capital projects	1,185,223	-	1,185,223
Real estate assessment.	743,268	-	743,268
Public safety programs.	6,403,945	-	6,403,945
Public works.	4,861,709	-	4,861,709
Health programs.	8,168,249	-	8,168,249
County court special projects.	471,783	-	471,783
Human services programs.	2,623,596	-	2,623,596
Economic development programs.	1,420,405	-	1,420,405
County court computer services	340,190	-	340,190
Other purposes.	637,601	-	637,601
Unrestricted	<u>6,740,707</u>	<u>3,362,398</u>	<u>10,103,105</u>
Total net assets	<u>\$ 76,372,947</u>	<u>\$ 23,148,469</u>	<u>\$ 99,521,416</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FULTON COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government:				
Legislative and executive	\$ 4,902,137	\$ 1,830,189	\$ -	\$ -
Judicial	1,834,089	1,258,394	5,258	-
Public safety	8,327,848	2,583,304	262,378	-
Public works	5,434,322	197,966	3,955,580	847,131
Health	5,900,523	449,387	1,551,255	-
Human services	4,807,503	884,730	3,321,914	-
Economic development and assistance	1,043,304	21,574	1,747,824	-
Intergovernmental	904,101	-	-	-
Other	2,852	-	-	-
Interest and fiscal charges	52,950	-	-	-
Total governmental activities	33,209,629	7,225,544	10,844,209	847,131
Business-type activities:				
Water	2,836,071	2,489,575	-	1,140,901
Sewer	553,421	341,309	-	180,193
Other business-type activities:				
Solid waste incinerator	236,460	206,926	-	-
Total business-type activities	3,625,952	3,037,810	-	1,321,094
Total primary government	\$ 36,835,581	\$ 10,263,354	\$ 10,844,209	\$ 2,168,225

General revenues:

Property taxes levied for:

- General purposes
- Health - County Board of DD.
- Health - Senior Center.
- Public safety - EMS A & B life services.
- Public safety - EMS.
- Public safety - 911.

Sales taxes levied for:

- General purposes
- Grants and entitlements not restricted to specific programs.
- Investment earnings.
- Miscellaneous

Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (3,071,948)	\$ -	\$ (3,071,948)
(570,437)	-	(570,437)
(5,482,166)	-	(5,482,166)
(433,645)	-	(433,645)
(3,899,881)	-	(3,899,881)
(600,859)	-	(600,859)
726,094	-	726,094
(904,101)	-	(904,101)
(2,852)	-	(2,852)
(52,950)	-	(52,950)
<u>(14,292,745)</u>	<u>-</u>	<u>(14,292,745)</u>
-	794,405	794,405
-	(31,919)	(31,919)
-	<u>(29,534)</u>	<u>(29,534)</u>
-	732,952	732,952
<u>(14,292,745)</u>	<u>732,952</u>	<u>(13,559,793)</u>
1,539,610	-	1,539,610
2,721,238	-	2,721,238
783,643	-	783,643
991,552	-	991,552
117,999	-	117,999
516,791	-	516,791
7,338,349	-	7,338,349
2,790,009	-	2,790,009
495,498	-	495,498
1,300,958	153,729	1,454,687
<u>18,595,647</u>	<u>153,729</u>	<u>18,749,376</u>
4,302,902	886,681	5,189,583
<u>72,070,045</u>	<u>22,261,788</u>	<u>94,331,833</u>
<u>\$ 76,372,947</u>	<u>\$ 23,148,469</u>	<u>\$ 99,521,416</u>

FULTON COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General	Motor Vehicle and Gas Tax	County Board of DD	EMS A & B Life Services
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 5,322,694	\$ 2,772,246	\$ 6,795,565	\$ 4,153,642
Cash in segregated accounts	57,207	-	-	-
Receivables:				
Sales taxes	1,655,950	40,073	-	-
Property taxes	1,581,067	-	2,650,169	1,505,778
Accounts	148,029	4,441	166	248,790
Special assessments	-	-	-	-
Interfund loans	100,000	-	-	-
Due from other funds	10,912	-	-	-
Due from other governments	550,830	2,023,362	297,672	87,968
Accrued interest	104,196	-	-	-
Advances to other funds	40,473	-	-	-
Materials and supplies inventory	61,080	191,344	6,647	-
Prepayments	65,955	-	5,687	-
Loans receivable, net	-	-	-	-
Total assets	<u>\$ 9,698,393</u>	<u>\$ 5,031,466</u>	<u>\$ 9,755,906</u>	<u>\$ 5,996,178</u>
Liabilities:				
Accounts payable	\$ 84,876	\$ 34,609	\$ 25,658	\$ 1,650
Accrued wages and benefits	149,057	44,583	80,365	1,622
Compensated absences payable	13,355	1,900	-	-
Due to other governments	76,384	20,046	37,501	21,250
Interfund loans payable	-	-	-	-
Advances from other funds	-	-	-	-
Due to other funds	47,959	113	-	-
Deferred revenue	1,106,784	1,387,899	232,897	278,408
Unearned revenue	1,575,000	-	2,640,000	1,500,000
Total liabilities	<u>3,053,415</u>	<u>1,489,150</u>	<u>3,016,421</u>	<u>1,802,930</u>
Fund balances:				
Nonspendable	339,513	191,344	12,334	-
Restricted	-	3,350,972	6,727,151	4,193,248
Assigned	138,831	-	-	-
Unassigned (deficit)	6,166,634	-	-	-
Total fund balances	<u>6,644,978</u>	<u>3,542,316</u>	<u>6,739,485</u>	<u>4,193,248</u>
Total liabilities and fund balances	<u>\$ 9,698,393</u>	<u>\$ 5,031,466</u>	<u>\$ 9,755,906</u>	<u>\$ 5,996,178</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ 9,482,140	\$ 28,526,287
-	57,207
-	1,696,023
1,417,133	7,154,147
107,215	508,641
580,797	580,797
-	100,000
61,069	71,981
743,879	3,703,711
-	104,196
23,121	63,594
45,272	304,343
44,719	116,361
247,934	247,934
<u>\$ 12,753,279</u>	<u>\$ 43,235,222</u>

\$ 138,254	\$ 285,047
116,684	392,311
7,303	22,558
50,694	205,875
100,000	100,000
63,594	63,594
21,669	69,741
1,028,877	4,034,865
1,411,695	7,126,695
<u>2,938,770</u>	<u>12,300,686</u>

89,991	633,182
9,775,994	24,047,365
1,042	139,873
(52,518)	6,114,116
<u>9,814,509</u>	<u>30,934,536</u>
<u>\$ 12,753,279</u>	<u>\$ 43,235,222</u>

FULTON COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011

Total governmental fund balances		\$	30,934,536
 <i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and therefore are not reported in the funds.			44,376,622
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Sales taxes receivable	\$	673,384	
Property taxes receivable		27,452	
Charges for service receivable		196,806	
Intergovernmental receivable		2,526,117	
Special assessments receivable		580,797	
Accrued interest receivable		30,309	
Total		4,034,865	
Internal service funds are used by management to charge the costs of geographic information systems, loss and information technology to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the statement of net assets.			115,031
On the statement of net assets interest is accrued on outstanding bonds and loans payable, whereas in the governmental funds, interest is accrued when due.			(13,212)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		834,916	
OWDA loans		171,397	
Capital lease payable		11,955	
General obligation bonds		595,000	
General obligation notes		169,137	
Special assessment bonds		93,186	
OPWC loans		923,035	
Landfill closure/postclosure		276,269	
Total		(3,074,895)	
Net assets of governmental activities		\$	76,372,947

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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FULTON COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	General	Motor Vehicle and Gas Tax	County Board of DD	EMS A & B Life Services
Revenues:				
Property taxes	\$ 1,538,071	\$ -	\$ 2,718,427	\$ 988,604
Sales taxes	6,142,580	522,385	-	-
Charges for services	1,921,343	83,192	159,229	710,623
Licenses and permits	2,476	-	-	-
Fines and forfeitures	241,155	66,757	-	-
Intergovernmental	1,377,281	3,908,690	2,247,134	263,250
Special assessments	-	-	-	-
Investment income	619,542	6,351	-	-
Rental income	53,800	-	-	-
Contributions and donations	4,521	-	9,059	-
Reimbursement	-	-	-	1,200,000
Other	727,341	117,912	80,938	29,611
Total revenues	<u>12,628,110</u>	<u>4,705,287</u>	<u>5,214,787</u>	<u>3,192,088</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	4,016,610	-	-	-
Judicial	1,476,155	-	-	-
Public safety	3,117,547	-	-	3,867,967
Public works	6,299	3,946,378	-	-
Health	87,502	-	5,012,392	-
Human services	793,302	-	-	-
Economic development and assistance	-	-	-	-
Other	2,852	-	-	-
Intergovernmental	815,793	-	-	-
Capital outlay	1,469,060	-	113,905	-
Debt service:				
Principal retirement	5,020	68,009	-	-
Interest and fiscal charges	944	-	-	-
Total expenditures	<u>11,791,084</u>	<u>4,014,387</u>	<u>5,126,297</u>	<u>3,867,967</u>
Excess (deficiency) of revenues over (under) expenditures	<u>837,026</u>	<u>690,900</u>	<u>88,490</u>	<u>(675,879)</u>
Other financing sources (uses):				
Issuance of loan	-	-	-	-
Sale of capital assets	19,474	-	-	-
Transfers in	-	-	45,000	73,593
Transfers (out)	(314,539)	-	-	-
Total other financing sources (uses)	<u>(295,065)</u>	<u>-</u>	<u>45,000</u>	<u>73,593</u>
Net change in fund balances	541,961	690,900	133,490	(602,286)
Fund balances at beginning of year (restated)	<u>6,103,017</u>	<u>2,851,416</u>	<u>6,605,995</u>	<u>4,795,534</u>
Fund balances at end of year	<u>\$ 6,644,978</u>	<u>\$ 3,542,316</u>	<u>\$ 6,739,485</u>	<u>\$ 4,193,248</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ 1,417,046	\$ 6,662,148
-	6,664,965
2,286,380	5,160,767
173,517	175,993
155,878	463,790
5,944,193	13,740,548
479,973	479,973
6,415	632,308
-	53,800
20,216	33,796
-	1,200,000
461,312	1,417,114
<u>10,944,930</u>	<u>36,685,202</u>
793,714	4,810,324
247,291	1,723,446
1,312,305	8,297,819
113,118	4,065,795
1,348,073	6,447,967
3,909,899	4,703,201
1,038,380	1,038,380
-	2,852
-	815,793
1,471,216	3,054,181
301,534	374,563
<u>56,543</u>	<u>57,487</u>
<u>10,592,073</u>	<u>35,391,808</u>
<u>352,857</u>	<u>1,293,394</u>
310,155	310,155
-	19,474
466,316	584,909
<u>(305,390)</u>	<u>(619,929)</u>
<u>471,081</u>	<u>294,609</u>
823,938	1,588,003
8,990,571	29,346,533
<u>\$ 9,814,509</u>	<u>\$ 30,934,536</u>

FULTON COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Net change in fund balances - total governmental funds	\$	1,588,003
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 4,931,730	
Current year depreciation	<u>(3,152,563)</u>	
Total		1,779,167
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(134,114)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Sales taxes	673,384	
Property taxes	8,685	
Intergovernmental revenues	312,758	
Special assessments	(94,097)	
Investment income	(123,918)	
Charges for services	<u>50,517</u>	
Total		827,329
Proceeds of loans are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(310,155)
Repayment of bond, loan, note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		374,563
Governmental funds report capital outlay expenditures for improvements related to the landfill. However, on the statement of net assets, capital outlays decrease the long-term liability for the closure and postclosure cost.		
		58,343
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.		
		4,537
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.		
		70,356
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>44,873</u>
Change in net assets of governmental activities	\$	<u>4,302,902</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FULTON COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 1,610,000	\$ 1,610,000	\$ 1,512,034	\$ (97,966)
Sales taxes	5,300,000	5,300,000	6,110,108	810,108
Charges for services.	1,372,300	1,485,900	1,583,318	97,418
Licenses and permits	1,900	1,900	2,476	576
Fines and forfeitures	320,700	320,700	244,116	(76,584)
Intergovernmental.	1,472,744	1,472,744	1,414,515	(58,229)
Investment income.	400,600	400,600	606,489	205,889
Rental income	50,000	50,000	53,746	3,746
Contributions and donations.	5,000	5,000	4,521	(479)
Other	427,100	427,100	665,858	238,758
Total revenues	10,960,344	11,073,944	12,197,181	1,123,237
Expenditures:				
Current:				
General government:				
Legislative and executive	4,184,459	4,264,652	4,045,546	219,106
Judicial.	1,557,978	1,588,459	1,370,865	217,594
Public safety	3,487,441	3,414,565	3,118,260	296,305
Public works	14,500	6,100	6,000	100
Health	110,440	99,544	99,447	97
Human services.	687,988	980,900	797,306	183,594
Intergovernmental.	795,682	825,801	808,679	17,122
Other	211,000	12,788	2,853	9,935
Capital outlay	91,694	1,478,195	1,470,860	7,335
Total expenditures	11,141,182	12,671,004	11,719,816	951,188
Excess (deficiency) of revenues over (under) expenditures.	(180,838)	(1,597,060)	477,365	2,074,425
Other financing sources (uses):				
Sale of capital assets.	10,000	10,000	19,474	9,474
Advances in.	-	-	43,210	43,210
Advances (out).	-	(100,000)	(100,000)	-
Transfers in	40,000	40,000	-	(40,000)
Transfers (out).	-	(314,539)	(314,539)	-
Total other financing sources (uses)	50,000	(364,539)	(351,855)	12,684
Net change in fund balances	(130,838)	(1,961,599)	125,510	2,087,109
Fund balances at				
beginning of year (restated)	3,686,714	3,686,714	3,686,714	-
Prior year encumbrances appropriated	245,163	245,163	245,163	-
Fund balance at end of year	\$ 3,801,039	\$ 1,970,278	\$ 4,057,387	\$ 2,087,109

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FULTON COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 MOTOR VEHICLE AND GAS TAX
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Sales taxes	\$ 504,000	\$ 504,000	\$ 520,690	\$ 16,690
Charges for services.	32,000	32,000	83,812	51,812
Fines and forfeitures	62,600	62,600	67,061	4,461
Intergovernmental.	3,860,000	3,860,000	3,993,035	133,035
Investment income.	5,000	5,000	6,351	1,351
Other	41,400	41,400	117,912	76,512
Total revenues	4,505,000	4,505,000	4,788,861	283,861
Expenditures:				
Current:				
Public works	6,004,439	6,364,086	4,306,525	2,057,561
Capital outlay	409,025	29,025	29,025	-
Debt service:				
Principal retirement.	50,000	68,009	68,009	-
Total expenditures	6,463,464	6,461,120	4,403,559	2,057,561
Excess (deficiency) of revenues over (under) expenditures.	(1,958,464)	(1,956,120)	385,302	2,341,422
Other financing uses:				
Transfers (out).	(540)	-	-	-
Total other financing uses	(540)	-	-	-
Net change in fund balances	(1,959,004)	(1,956,120)	385,302	2,341,422
Fund balances at beginning of year	1,957,973	1,957,973	1,957,973	-
Prior year encumbrances appropriated	201,554	201,554	201,554	-
Fund balance at end of year	\$ 200,523	\$ 203,407	\$ 2,544,829	\$ 2,341,422

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FULTON COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 COUNTY BOARD OF DEVELOPMENTAL DISABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Property taxes	\$ 2,600,000	\$ 2,600,000	\$ 2,671,016	\$ 71,016
Charges for services.	105,000	105,000	159,265	54,265
Intergovernmental.	2,477,802	2,477,802	2,188,616	(289,186)
Contributions and donations.	3,500	3,500	9,059	5,559
Other	8,500	8,500	80,918	72,418
Total revenues	5,194,802	5,194,802	5,108,874	(85,928)
Expenditures:				
Current:				
Health	6,434,577	6,416,641	5,293,446	1,123,195
Capital outlay	138,905	138,905	113,905	25,000
Total expenditures	6,573,482	6,555,546	5,407,351	1,148,195
 Excess of expenditures over revenues.	 (1,378,680)	 (1,360,744)	 (298,477)	 1,062,267
Other financing sources:				
Transfers in	45,000	45,000	45,000	-
Total other financing sources.	45,000	45,000	45,000	-
 Net change in fund balances	 (1,333,680)	 (1,315,744)	 (253,477)	 1,062,267
Fund balances at				
beginning of year (restated)	6,536,471	6,536,471	6,536,471	-
Prior year encumbrances appropriated . . .	217,982	217,982	217,982	-
Fund balance at end of year	\$ 5,420,773	\$ 5,438,709	\$ 6,500,976	\$ 1,062,267

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FULTON COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 EMS ADVANCED AND BASIC LIFE SERVICES
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 1,000,000	\$ 1,000,000	\$ 939,890	\$ (60,110)
Charges for services.	810,000	720,300	733,822	13,522
Intergovernmental.	255,294	255,294	263,250	7,956
Reimbursement	-	-	1,200,000	1,200,000
Other	1,000	1,000	29,611	28,611
Total revenues	2,066,294	1,976,594	3,166,573	1,189,979
Expenditures:				
Current:				
Public safety	3,428,584	4,440,249	4,322,354	117,895
Total expenditures	3,428,584	4,440,249	4,322,354	117,895
Excess of expenditures over revenues.	(1,362,290)	(2,463,655)	(1,155,781)	1,307,874
Other financing sources:				
Transfers in	-	-	73,593	73,593
Total other financing sources	-	-	73,593	73,593
Net change in fund balances	(1,362,290)	(2,463,655)	(1,082,188)	1,381,467
Fund balances at beginning of year	3,339,659	3,339,659	3,339,659	-
Prior year encumbrances appropriated	1,329,424	1,329,424	1,329,424	-
Fund balance at end of year	\$ 3,306,793	\$ 2,205,428	\$ 3,586,895	\$ 1,381,467

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FULTON COUNTY

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds				Governmental
	Water	Sewer	Nonmajor Funds	Total	Activities - Internal Service Funds
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents . . .	\$ 2,358,400	\$ 496,032	\$ 38,778	\$ 2,893,210	\$ 118,016
Cash in segregated accounts	195,555	-	3,218	198,773	-
Receivables:					
Accounts	238,650	33,561	6,146	278,357	-
Special assessments	86,347	723,509	-	809,856	-
Materials and supplies inventory	-	-	-	-	394
Prepayments	1,451	137	100	1,688	1,779
Total current assets	<u>2,880,403</u>	<u>1,253,239</u>	<u>48,242</u>	<u>4,181,884</u>	<u>120,189</u>
Noncurrent assets:					
Capital assets:					
Land and construction in progress	4,918,007	-	-	4,918,007	-
Depreciable capital assets, net	13,214,832	5,703,276	29,628	18,947,736	15,666
Total capital assets, net	<u>18,132,839</u>	<u>5,703,276</u>	<u>29,628</u>	<u>23,865,743</u>	<u>15,666</u>
Total noncurrent assets	<u>18,132,839</u>	<u>5,703,276</u>	<u>29,628</u>	<u>23,865,743</u>	<u>15,666</u>
Total assets	<u>21,013,242</u>	<u>6,956,515</u>	<u>77,870</u>	<u>28,047,627</u>	<u>135,855</u>
Liabilities:					
Current liabilities:					
Accounts payable	317	11,053	13,414	24,784	891
Retainage payable	195,555	-	-	195,555	-
Accrued wages and benefits	3,418	3,418	1,529	8,365	6,515
Due to other funds	1,076	1,075	-	2,151	89
Due to other governments	1,570	21,495	807	23,872	2,891
Accrued interest payable	50,898	4,331	-	55,229	-
Compensated absences payable - current	10,634	10,634	-	21,268	7,485
Special assessment bonds payable	20,413	35,958	-	56,371	-
OWDA loans payable	1,098,332	162,665	-	1,260,997	-
Other loans payable	14,557	2,004	-	16,561	-
Total current liabilities	<u>1,396,770</u>	<u>252,633</u>	<u>15,750</u>	<u>1,665,153</u>	<u>17,871</u>
Long-term liabilities:					
Compensated absences payable	4,999	4,999	-	9,998	2,953
Special assessment bonds payable	52,116	309,569	-	361,685	-
OWDA loans payable	2,466,498	167,840	-	2,634,338	-
Other loans payable	197,025	30,959	-	227,984	-
Total long-term liabilities	<u>2,720,638</u>	<u>513,367</u>	<u>-</u>	<u>3,234,005</u>	<u>2,953</u>
Total liabilities	<u>4,117,408</u>	<u>766,000</u>	<u>15,750</u>	<u>4,899,158</u>	<u>20,824</u>
Net assets:					
Invested in capital assets, net of related debt . . .	14,525,199	5,231,244	29,628	19,786,071	15,666
Unrestricted	2,370,635	959,271	32,492	3,362,398	99,365
Total net assets	<u>\$ 16,895,834</u>	<u>\$ 6,190,515</u>	<u>\$ 62,120</u>	<u>23,148,469</u>	<u>\$ 115,031</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FULTON COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds				Governmental
	Water	Sewer	Nonmajor Funds	Total	Activities - Internal Service Funds
Operating revenues:					
Charges for services	\$ 2,489,575	\$ 341,309	\$ 206,926	\$ 3,037,810	\$ 299,847
Other operating revenues	84,613	47,258	12	131,883	-
Total operating revenues.	<u>2,574,188</u>	<u>388,567</u>	<u>206,938</u>	<u>3,169,693</u>	<u>299,847</u>
Operating expenses:					
Personal services	136,735	136,737	53,339	326,811	202,773
Contract services.	2,073,161	194,002	170,168	2,437,331	19,259
Materials and supplies.	20,331	3,078	554	23,963	72,063
Administrative costs.	5,014	5,013	-	10,027	2,565
Depreciation.	392,118	163,789	4,250	560,157	1,156
Other	92,448	23,746	8,149	124,343	896
Total operating expenses.	<u>2,719,807</u>	<u>526,365</u>	<u>236,460</u>	<u>3,482,632</u>	<u>298,712</u>
Operating income (loss)	<u>(145,619)</u>	<u>(137,798)</u>	<u>(29,522)</u>	<u>(312,939)</u>	<u>1,135</u>
Nonoperating revenues (expenses):					
Interest and fiscal charges	(116,264)	(27,056)	-	(143,320)	-
Other nonoperating revenues	5,588	16,258	-	21,846	-
Total nonoperating revenues (expenses).	<u>(110,676)</u>	<u>(10,798)</u>	<u>-</u>	<u>(121,474)</u>	<u>-</u>
Income (loss) before contributions and transfers	(256,295)	(148,596)	(29,522)	(434,413)	1,135
Transfer in	-	-	-	-	35,020
Capital contributions.	1,140,901	180,193	-	1,321,094	8,718
Change in net assets	884,606	31,597	(29,522)	886,681	44,873
Net assets at beginning of year.	<u>16,011,228</u>	<u>6,158,918</u>	<u>91,642</u>	<u>22,261,788</u>	<u>70,158</u>
Net assets at end of year	<u>\$ 16,895,834</u>	<u>\$ 6,190,515</u>	<u>\$ 62,120</u>	<u>23,148,469</u>	<u>\$ 115,031</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FULTON COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds				Governmental
	Water	Sewer	Nonmajor Funds	Total	Activities - Internal Service Funds
Cash flows from operating activities:					
Cash received from sales/charges for services.	\$ 2,432,696	\$ 341,424	\$ 201,308	\$ 2,975,428	\$ 303,408
Cash received from other operations	85,547	47,258	12	132,817	-
Cash payments for personal services.	(138,567)	(138,568)	(53,659)	(330,794)	(199,188)
Cash payments for contractual services	(2,078,625)	(189,759)	(170,381)	(2,438,765)	(20,147)
Cash payments for materials and supplies	(20,277)	(2,737)	(600)	(23,614)	(71,986)
Cash payments for administrative costs.	(4,778)	(4,777)	-	(9,555)	(2,565)
Cash payments for other expenses	(94,174)	(3,097)	(7,599)	(104,870)	(882)
Net cash provided by (used in) operating activities	<u>181,822</u>	<u>49,744</u>	<u>(30,919)</u>	<u>200,647</u>	<u>8,640</u>
Cash flows from noncapital financing activities:					
Cash received from special assessments.	21,250	32,230	-	53,480	-
Cash received from transfers in	-	-	-	-	35,020
Net cash provided by noncapital financing activities.	<u>21,250</u>	<u>32,230</u>	<u>-</u>	<u>53,480</u>	<u>35,020</u>
Cash flows from capital and related financing activities:					
Capital contributions.	1,140,901	180,193	-	1,321,094	-
Principal retirement on bonds.	(20,375)	(30,674)	-	(51,049)	-
Principal retirement on loans.	(1,027,854)	(180,986)	-	(1,208,840)	-
Cash received from loan issuance.	273,683	-	-	273,683	-
Interest and fiscal charges	(140,450)	(30,364)	-	(170,814)	-
Acquisition of capital assets	(263,421)	(3,899)	-	(267,320)	-
Net cash used in capital and related financing activities.	<u>(37,516)</u>	<u>(65,730)</u>	<u>-</u>	<u>(103,246)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	165,556	16,244	(30,919)	150,881	43,660
Cash and cash equivalents at beginning of year	<u>2,388,399</u>	<u>479,788</u>	<u>72,915</u>	<u>2,941,102</u>	<u>74,356</u>
Cash and cash equivalents at end of year	<u>\$ 2,553,955</u>	<u>\$ 496,032</u>	<u>\$ 41,996</u>	<u>\$ 3,091,983</u>	<u>\$ 118,016</u>

-- Continued

FULTON COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2011
 (Continued)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Nonmajor Funds	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (145,619)	\$ (137,798)	\$ (29,522)	\$ (312,939)	\$ 1,135
Adjustments:					
Depreciation.	392,118	163,789	4,250	560,157	1,156
Changes in assets and liabilities:					
Decrease in materials and supplies inventory	-	-	-	-	77
Decrease (increase) in accounts receivable.	(55,945)	115	(5,618)	(61,448)	(53)
Decrease in due from other funds.	-	-	-	-	3,561
Decrease (increase) in prepayments	(953)	544	(100)	(509)	(1,779)
Increase (decrease) in accounts payable	(866)	9,691	391	9,216	891
Increase (decrease) in accrued wages and benefits . . .	(389)	(388)	190	(587)	1,140
Increase (decrease) in intergovernmental payable. . . .	(4,404)	15,913	(298)	11,211	426
Increase (decrease) in compensated absences payable.	(1,416)	(1,416)	(212)	(3,044)	2,072
Increase (decrease) in due to other funds.	(704)	(706)	-	(1,410)	14
Net cash provided by (used in) operating activities	<u>\$ 181,822</u>	<u>\$ 49,744</u>	<u>\$ (30,919)</u>	<u>\$ 200,647</u>	<u>\$ 8,640</u>

During 2011, the GIS internal service fund received \$8,718 in capital contributions from governmental funds.
 At December 31, 2011, the water fund purchased \$10,262 in capital assets on account.

FULTON COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 DECEMBER 31, 2011

	Agency
Assets:	
Equity in pooled cash	
and cash equivalents	\$ 5,729,805
Cash in segregated accounts.	240,739
Receivables:	
Real estate and other taxes.	38,724,086
Due from other governments.	1,796,977
Special assessments.	6,007,567
Deferred assessments.	1,263,107
Total assets	\$ 53,762,281
Liabilities:	
Deposits held and due to others.	\$ 5,970,544
Due to other governments.	46,528,630
Deferred loan payments.	1,263,107
Total liabilities.	\$ 53,762,281

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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) guidance issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided it does not conflict with or contradict GASB pronouncements. The County has the option to also apply FASB guidance issued after November 30, 1989 to its business-type activities and proprietary funds, subject to this same limitation. The County has elected not to apply this FASB guidance.

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

A. Reporting Entity

The County's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB statement No. 39 "Determining Whether Certain Organizations are Component Units". The basic financial statements include all funds, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of the PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County.

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

EXCLUDED POTENTIAL COMPONENT UNITS

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

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

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

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

Fulton County Board of Health - The five member Board of Health is appointed by the District Advisory Council, which is comprised of township trustee chairmen and clerks and mayors of participating municipalities. The Board of Health adopts its own budget and operates autonomously from the County.

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

JOINTLY GOVERNED ORGANIZATIONS

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

MVPO is governed by a Board consisting of fifteen members. The Board is made up of one County Commissioner from each member county as well as one township representative and one municipal representative for each of the five member counties. The main sources of revenue are fees charged by MVPO to administer Community Development Block Grants and a per capita amount from each county. In 2011, the County paid per capita charges of \$87,130 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 County 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.

Regional Port Authority of Northwest Ohio - The Regional Port Authority of Northwest Ohio (the "Authority") was created in June 2008 and is a jointly governed organization between Defiance, Henry, Paulding and Fulton Counties. The Authority was established pursuant to Ohio Revised Code Section 4582.21. The purpose of the Authority is to enhance, foster, aid, provide or promote transportation, economic development, housing, recreation, education, governmental operations, culture, research and the creation and preservation of jobs and employment opportunities.

The Authority is governed by a Board consisting of twelve appointed members. Each member county's Board of County Commissioners shall appoint three members. Each

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

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

respective Board of County Commissioners shall appoint one member of the Board whose initial term expires December 31, 2011, one member of the Board whose initial term expires December 31, 2012 and one member of the Board whose initial term expires December 31, 2013. Upon the expiration of the initial terms, each subsequent member of the Board shall serve a four year term commencing on January 1 of each year.

Any county may withdraw from the Authority by resolution of that county's Board of County Commissioners. Upon withdrawal, such county shall not be entitled to any distribution from the Authority and forfeits its rights to receive any funds it contributed to the Authority. The Authority may be dissolved by adoption of a resolution by all member counties' Board of County Commissioners. Upon dissolution and after paying all expenses, costs and debts of the Authority, any real or personal property given to the Authority shall be returned to the county from which it was received, and any balances remaining in the funds of the Authority, and remaining real or personal property of the Authority, shall be distributed to the counties equally.

During 2011, the County made \$25,000 in contributions to the Authority. Financial information of the Authority can be obtained by contacting Jerry J. Arkebauer, Executive Director, 1300 E. 2nd Street, Suite 200, Defiance, Ohio 43512.

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 2011 were \$1,291,329. Complete financial statements for the CCNO can be obtained from the CCNO's administrative office on County Road 24 in Stryker, Ohio.

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

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

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

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

Quadco is governed by an eight member Board composed of two appointees made by each of the four County Boards of Developmental Disabilities (County Boards of DD). This Board in conjunction with the County Boards of DD assesses the need of the adult developmentally disabled residents in each County and sets priorities based on available funds. The County provides subsidies to Quadco based on units of service provided to it. For the year ended December 31, 2011 the County remitted \$15,383 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 District is governed and operated through a twelve member Board of Directors, comprised of three commissioners from each county. Financial records are maintained by the Williams County Auditor in Bryan, Ohio. The District's sole revenue source is derived from a waste disposal fee for in-district and out-of-district waste.

The County has an ongoing financial interest in the District. The County Commissioners are able to influence the Board of Directors to use the District's surplus resources to undertake special projects of interest of the County's citizens. In the event that a county withdraws from the District, this access to the net resources has not been explicitly defined, nor is it currently measurable. The County has no ongoing financial responsibility for the District. No contributions were made by the County to the District in 2011. Grant monies received by the County from the District are reported in a special revenue fund.

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

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

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011 (Continued)

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

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 \$225,027 to NWOJDD in 2011.

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.

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 business-type activities of the County. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. The policy of the County is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

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

particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

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

C. Fund Accounting

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

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 and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

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

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

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

other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

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

Internal Service Funds - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service funds primarily account for geographic information systems services provided to various departments of the County and information technology 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 for forfeitures collected and distributed to other political subdivisions.

D. Measurement Focus

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

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

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 funds.

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

E. Basis of Accounting

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On a full accrual basis, revenue from sales taxes is recognized in the year in which the sales are made. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from all other nonexchange transactions must also be available before it can be recognized.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance year 2012 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue. Special assessments and sales taxes not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2011, are recorded as deferred revenue in the governmental funds.

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 and the OWDA debt service fund, are legally required to be budgeted. The purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

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

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

On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the County Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the original and final amended certificate of estimated resources issued during 2011.

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 2011 are included in the original and final budget amounts in the budget-to-actual comparisons.

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

During 2011, investments were limited to federal agency securities, corporate notes, nonnegotiable certificates of deposit and U.S. Government money market mutual funds.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during 2011 amounted to \$619,542 which includes \$532,044 assigned from other County funds.

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

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

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

the County treasury.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

H. Inventories of Materials and Supplies

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

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

I. Capital Assets

Governmental capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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 water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

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

FULTON COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

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

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

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

Capitalized interest is amortized on the straight-line method over the estimated useful life of the asset. For 2011, 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 is attributable to services already rendered and is not contingent on a specific event that is outside the control of the County and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2011, 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, 2011, 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.

FULTON COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

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

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, 2011, 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.

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 and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, notes, capital leases and long-term loans are recognized as a liability in the fund financial statements when due.

M. Interfund Transactions

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

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

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds" for long-term loans and "interfund loans receivable/payable" for loans expected to be repaid within one year. 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".

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

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

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

N. Fund Balance

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

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

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

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

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

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

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

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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, solid waste incinerator, recycling and geographic information systems programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. During 2011, the water and sewer funds received \$1,140,901 and \$180,193 in contributions, respectively.

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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At December 31, 2011, there were no net assets restricted by enabling legislation.

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The County had no extraordinary or special items during 2011.

S. Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the County has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

FULTON COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the County.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications 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>County Board of DD</u>	<u>EMS A & B Life Services</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 5,868,345	\$ 2,851,416	\$ 6,566,508	\$ 4,795,534	\$ 9,264,730	\$ 29,346,533
Fund reclassifications:						
Title administration	185,361	-	-	-	(185,361)	-
Gifts and donations - DD	-	-	4,660	-	(4,660)	-
Residential services - DD	-	-	34,827	-	(34,827)	-
Rural fire protection	652	-	-	-	(652)	-
Recorder equipment	<u>48,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(48,659)</u>	<u>-</u>
Total fund reclassifications	<u>234,672</u>	<u>-</u>	<u>39,487</u>	<u>-</u>	<u>(274,159)</u>	<u>-</u>
Restated fund balance at January 1, 2011	<u>\$ 6,103,017</u>	<u>\$ 2,851,416</u>	<u>\$ 6,605,995</u>	<u>\$ 4,795,534</u>	<u>\$ 8,990,571</u>	<u>\$ 29,346,533</u>

The fund reclassifications did not have an effect on net assets as previously reported.

C. Budgetary Prior Period Adjustment

In prior years the general fund included certain funds that are legally budgeted in separate funds on a budgetary basis. The County has elected to report only the legally budgeted general fund in the budgetary statements; therefore, a restatement to the beginning budgetary balance is required. In addition, the County Board of DD fund has added two funds which were previously reported separately. The restatement of the general fund and County Board of DD's budgetary-basis fund balances at December 31, 2011 is as follows:

FULTON COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

Budgetary Basis

	<u>General Fund</u>	<u>County Board of DD</u>
Balance at December 31, 2010	\$ 4,372,052	\$ 6,496,984
Funds budgeted elsewhere	<u>(685,338)</u>	<u>39,487</u>
Restated balance at January 1, 2011	<u>\$ 3,686,714</u>	<u>\$ 6,536,471</u>

D. Deficit Fund Balances

Fund balances at December 31, 2011 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Fulton County landfill	\$ 6,903
Ditch bond retirement	45,615

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 - DEPOSITS AND INVESTMENTS

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time;
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.
9. High grade commercial paper for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio.

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

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

A. Cash in Segregated Accounts

At year end, the County had \$496,719 cash and cash equivalents deposited separate from the County's internal investment pool. This amount is included in the amount of deposits with fiscal institutions below.

B. Deposits with Financial Institutions

At December 31, 2011, the carrying amount of all County deposits was \$34,244,807. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk"

FULTON COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Disclosures", as of December 31, 2011, \$21,470,203 of the County's bank balance of \$34,344,400 was exposed to custodial risk as discussed below, while \$12,874,197 was covered by the FDIC.

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

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

C. Investments

As of December 31, 2011, the County had the following investments and maturities:

Investment type	Fair value	Investment maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FHLB	\$ 3,002,970	\$ -	\$ -	\$ -	\$ 2,002,840	\$ 1,000,130
GE corporate note	506,160	-	-	-	506,160	-
U.S. government money market	10,100	10,100	-	-	-	-
Total	\$ 3,519,230	\$ 10,100	\$ -	\$ -	\$ 2,509,000	\$ 1,000,130

The weighted average maturity of investments is 1.82 years.

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

Credit Risk: The U.S. Government money market funds carry a rating of AAAM by Standard & Poor's. The County's investments in federal agency securities and corporate notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

FULTON COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2011:

<u>Investment type</u>	<u>Fair value</u>	<u>% of total</u>
FHLB	\$ 3,002,970	85.33%
GE corporate note	506,160	14.38%
U.S. government money market	<u>10,100</u>	<u>0.29%</u>
Total	<u>\$ 3,519,230</u>	<u>100.00%</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 34,244,807
Investments	<u>3,519,230</u>
Total	<u>\$ 37,764,037</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 28,701,510
Business-type activities	3,091,983
Agency funds	<u>5,970,544</u>
Total	<u>\$ 37,764,037</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended December 31, 2011, consisted of the following, as reported on the fund financial statements:

FULTON COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

<u>Transfers to nonmajor governmental funds from:</u>	
General fund	\$ 234,519
Nonmajor governmental funds	231,797
 <u>Transfers to County Board of DD fund from:</u>	
General fund	45,000
 <u>Transfers to EMS A & B Life Services from:</u>	
Nonmajor governmental funds	73,593
 <u>Transfers to interal service funds from:</u>	
General fund	<u>35,020</u>
Total transfers	<u>\$ 619,929</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.

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

- B.** Long-term advances to and from other funds at December 31, 2011, consisted of the following, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 40,473
Nonmajor governmental funds	Nonmajor governmental funds	<u>23,121</u>
Total long-term advances		<u>\$ 63,594</u>

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

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

- C.** Interfund loans receivable/payable at December 31, 2011, consisted of the following, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 100,000</u>
Total interfund loans		<u>\$ 100,000</u>

FULTON COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

The balance in the general fund and nonmajor governmental funds represents amounts due from other funds that are expected to be repaid within the next year.

Interfund loans between governmental funds are eliminated on the statement of net assets.

- D.** Due to/from other funds consisted of the following at December 31, 2011, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Motor vehicle and gas tax	\$ 113
General	Nonmajor governmental funds	8,559
General	Water	1,076
General	Sewer	1,075
General	Internal service funds	89
Nonmajor governmental funds	Nonmajor governmental funds	13,110
Nonmajor governmental funds	General	<u>47,959</u>
Total due to/from other funds		<u>\$ 71,981</u>

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

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the County its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2011 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

NOTE 6 - PROPERTY TAXES – (Continued)

since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all County operations for the year ended December 31, 2011 was \$9.55 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 697,325,840
Commercial/industrial/mineral	154,672,650
<u>Public utility</u>	
Real	441,610
Personal	37,840,970
Total assessed value	<u>\$ 890,281,070</u>

NOTE 7 - PERMISSIVE SALES AND USE TAX

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

Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the Office of Budget and Management the amount of the taxes to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month.

Proceeds of the sales tax are credited to the general fund and the motor vehicle and gas tax fund and amounts that have been collected by the State and are to be received within the available period are accrued as revenue to the extent they are intended to finance the 2011 operations. Sales tax revenue for 2011 amounted to \$6,664,965.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2011, consisted of taxes, special assessments, accounts (billings for user charged services), interest, and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2011.

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

FULTON COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 8 – RECEIVABLES – (Continued)

Governmental activities:

Sales taxes	\$	1,696,023
Property taxes		7,154,147
Accounts		508,641
Due from other governments		3,703,711
Special assessments		580,797
Accrued interest		104,196

Business-type activities:

Accounts		278,357
Special assessments		809,856

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

NOTE 9 - LOANS RECEIVABLE

Loans receivable represents low interest loans made by the County for development projects and small businesses under the Federal Community Development Block Grant (CDBG) program. The loans bear interest at annual rates ranging between 3 and 5 percent. The loans are to be repaid over periods ranging from 5 to 10 years. A summary of the CDBG loan activity for 2011 is as follows:

	<u>Balance at 12/31/2010</u>	<u>Issued/ Additions</u>	<u>Payments/ Reductions</u>	<u>Balance at 12/31/2011</u>
Revolving loans	\$ 368,951	\$ 200,000	\$ (183,982)	\$ 384,969
Allowance for doubtful accounts	<u>(243,178)</u>	<u>-</u>	<u>106,143</u>	<u>(137,035)</u>
Revolving loans, net	<u>\$ 125,773</u>	<u>\$ 200,000</u>	<u>\$ (77,839)</u>	<u>\$ 247,934</u>

The loans are reported in the nonmajor governmental funds.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

NOTE 10 - CAPITAL ASSETS

A. Capital asset activity for the fiscal year ended December 31, 2011, was as follows:

	Balance 12/31/10	Adjustments & Additions	Deductions	Balance 12/31/11
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,011,931	\$ -	\$ -	\$ 1,011,931
Construction in progress	405,324	84,506	-	489,830
Total capital assets not being depreciated	<u>1,417,255</u>	<u>84,506</u>	<u>-</u>	<u>1,501,761</u>
<i>Capital assets being depreciated:</i>				
Land improvements	2,171,528	1,863,565	-	4,035,093
Buildings and improvements	19,345,943	2,078,020	(73,196)	21,350,767
Machinery and equipment	5,285,324	847,460	(807,899)	5,324,885
Vehicles	5,194,893	506,281	(270,957)	5,430,217
Infrastructure	44,498,176	1,424,181	-	45,922,357
Total capital assets being depreciated	<u>76,495,864</u>	<u>6,719,507</u>	<u>(1,152,052)</u>	<u>82,063,319</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(879,382)	(2,157,677)	-	(3,037,059)
Buildings and improvements	(8,033,197)	(405,889)	73,196	(8,365,890)
Machinery and equipment	(3,627,129)	(365,812)	746,479	(3,246,462)
Vehicles	(2,166,781)	(308,331)	223,110	(2,252,002)
Infrastructure	(20,466,957)	(1,804,422)	-	(22,271,379)
Total accumulated depreciation	<u>(35,173,446)</u>	<u>(5,042,131)</u>	<u>1,042,785</u>	<u>(39,172,792)</u>
Total capital assets being depreciated, net	<u>41,322,418</u>	<u>1,677,376</u>	<u>(109,267)</u>	<u>42,890,527</u>
Governmental activities capital assets, net	<u>\$ 42,739,673</u>	<u>\$ 1,761,882</u>	<u>\$ (109,267)</u>	<u>\$ 44,392,288</u>

During 2011, the County conducted a reappraisal of its governmental activities capital assets. This required several adjustments to be posted in the current year activity. Land improvements were increased by \$1,863,565 due to the reappraisal. The accumulated depreciation on the land improvements was increased \$2,035,634. The accumulated depreciation on the buildings and improvements was decreased by \$147,222. All of these amounts are reported in the additions column above.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

NOTE 10 - CAPITAL ASSETS - (Continued)

Capital assets of the business-type activities for the year ended December 31, 2011, was as follows:

	Balance 12/31/10	Adjustments & Additions	Deductions	Balance 12/31/11
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ 4,644,324	\$ 273,683	\$ -	\$ 4,918,007
Total capital assets not being depreciated	<u>4,644,324</u>	<u>273,683</u>	<u>-</u>	<u>4,918,007</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	69,416	-	-	69,416
Machinery and equipment	25,150	203,796	-	228,946
Vehicles	20,989	-	-	20,989
Waterlines/sewerlines	<u>27,616,749</u>	<u>-</u>	<u>-</u>	<u>27,616,749</u>
Total capital assets being depreciated	<u>27,732,304</u>	<u>203,796</u>	<u>-</u>	<u>27,936,100</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(46,856)	(1,735)	-	(48,591)
Machinery and equipment	(13,832)	(184,138)	-	(197,970)
Vehicles	(20,989)	-	-	(20,989)
Waterlines/sewerlines	<u>(8,168,479)</u>	<u>(552,335)</u>	<u>-</u>	<u>(8,720,814)</u>
Total accumulated depreciation	<u>(8,250,156)</u>	<u>(738,208)</u>	<u>-</u>	<u>(8,988,364)</u>
Total capital assets being depreciated, net	<u>19,482,148</u>	<u>(534,412)</u>	<u>-</u>	<u>18,947,736</u>
Business-type activities capital assets, net	<u>\$ 24,126,472</u>	<u>\$ (260,729)</u>	<u>\$ -</u>	<u>\$ 23,865,743</u>

During 2011, the County conducted a reappraisal of its business-type activities capital assets. This required several adjustments to be posted in the current year activity. Machinery and equipment were increased by \$199,897 due to the reappraisal. The accumulated depreciation on the machinery and equipment was increased \$178,051. All of these amounts are reported in the additions column above.

FULTON COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 10 - CAPITAL ASSETS - (Continued)

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

Governmental activities:

Legislative and executive	\$	364,017
Judicial		110,561
Public safety		184,966
Public works		2,112,855
Health		129,795
Human services		162,061
Intergovernmental		88,308
Depreciation of internal service fund capital assets		<u>1,156</u>
Total depreciation expense - governmental activities	\$	<u>3,153,719</u>

Business-type activities:

Water	\$	392,118
Sewer		163,789
Nonmajor		<u>4,250</u>
Total depreciation expense - business-type activities	\$	<u>560,157</u>

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the County entered into capital lease agreements for the acquisition of copier equipment. These leases meet the criteria of a capital lease as defined by generally accepted accounting principles which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. At inception, capital lease transactions are accounted for as a capital outlay expenditure and other financing source in the appropriate fund.

Capital assets consisting of copier equipment have been capitalized in the amount of \$33,115. This amount represents the present value of minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2011 was \$16,921, leaving a current book value of \$16,194. A corresponding liability was recorded in the government-wide financial statements. Principal payments made in the 2011 totaled \$5,020 and \$1,756, paid by the general fund and the workforce investment act fund, a nonmajor governmental fund, respectively.

FULTON COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

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, 2011:

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$ 5,006
2013	3,697
2014	2,664
2015	<u>2,220</u>
Total future minimum lease payments	13,587
Less: amount representing interest	<u>(1,632)</u>
Present value of net minimum lease payments	<u>\$ 11,955</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, 2011, vested benefits for vacation leave for governmental activities employees totaled \$579,946 and vested benefits for sick leave totaled \$93,941. These amounts represent the non-current portion of the vested benefits and are reported in the government-wide financial statements. A current liability of \$22,558 is reported for governmental activities sick leave at December 31, 2011. For business-type activities, vested benefits for vacation leave totaled \$21,268 and vested benefits for sick leave totaled \$0. 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 \$171,467 for governmental activities employees and \$9,998 for business-type activities employees was accrued to record termination (severance) payments for employees expected to become eligible to retire in the future.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS

A. Governmental Long-Term Obligations

During 2011, the following changes occurred in the County's governmental long-term obligations:

	Issue Date	Maturity Date	Balance 12/31/10	Additions	Reductions	Balance 12/31/11	Amount Due in One Year
Governmental activities:							
<u>OWDA loans:</u>							
Delta/Worthington Steel							
Waterlines - 6.36%	7/1/96	1/1/13	\$ 141,599	\$ -	\$ (55,845)	\$ 85,754	\$ 56,842
Sewerlines - 1%	1/1/96	7/1/12	166,045	-	(80,402)	85,643	85,643
Total OWDA loans			307,644	-	(136,247)	171,397	142,485
<u>Special assessment bonds:</u>							
Elmira & Assumption waterlines	12/31/92	12/1/11	20,000	-	(20,000)	-	-
Ditch Bond, Ditch #2100	6/30/06	10/1/11	6,085	-	(6,085)	-	-
Ditch Bond, Ditch #2105	10/15/09	12/1/14	121,612	-	(28,426)	93,186	29,705
Total special assessment bonds			147,697	-	(54,511)	93,186	29,705
<u>General obligation notes:</u>							
Fulton County							
solid waste building	1/10/03	12/1/17	193,157	-	(24,020)	169,137	25,137
Total general obligation notes			193,157	-	(24,020)	169,137	25,137
<u>General obligation bonds:</u>							
Various purposes	8/30/07	8/15/17	225,000	-	(30,000)	195,000	30,000
Various purposes	8/30/07	8/15/17	455,000	-	(55,000)	400,000	60,000
Total general obligation bonds			680,000	-	(85,000)	595,000	90,000
<u>OPWC loans payable:</u>							
Issue II Loan - Co Rd C Project	12/01/06	01/01/27	76,200	-	(4,762)	71,438	4,763
Issue II Loan - Co Rd 14 Project	12/01/06	01/01/27	66,135	-	(4,133)	62,002	4,133
Issue II Loan - Co Rd C Reconstruct.	1/1/07	1/1/28	21,250	-	(1,250)	20,000	1,250
Issue II Loan - Co Rd A Project	1/1/07	7/1/18	122,978	-	(16,397)	106,581	16,397
Issue II Loan - Rd 20 Resurfacing	12/1/09	7/1/19	115,273	-	(13,561)	101,712	13,562
Issue II Loan - County Rd B	10/22/10	1/1/21	279,053	-	(27,906)	251,147	27,905
Issue II Loan - Co Rd D Resurfacing	7/22/11	1/1/22	-	310,155	-	310,155	31,016
Total OPWC Loans			680,889	310,155	(68,009)	923,035	99,026
<u>Other long-term obligations</u>							
Landfill closure/postclosure costs			334,612	-	(58,343)	276,269	60,000
Capital lease obligations			18,731	-	(6,776)	11,955	4,212
Compensated absences			913,638	546,220	(591,946)	867,912	537,996
Total other long-term obligations			1,266,981	546,220	(657,065)	1,156,136	602,208
Total governmental activities							
long-term liabilities			\$ 3,276,368	\$ 856,375	\$ (1,024,852)	\$ 3,107,891	\$ 988,561

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Ohio Water Development Authority (OWDA) Loans: The OWDA loans reported as governmental activities liabilities were issued in previous years by the County for waterline and sewer line projects. The loans are funded by tax increment financing service payments. Loan payments will be made from nonmajor governmental funds. A portion of the waterline loan is reported in the water fund in Note 13.C.

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

Landfill closure/postclosure costs: The County has recognized a liability for estimated closure and postclosure costs on the landfill. The liability is reduced as expenditures are made, which occur in a nonmajor governmental fund. The liability for landfill closure and postclosure costs is further described in Note 19.

General obligation notes: The County issued general obligation notes on January 10, 2003, for the purpose of acquiring and improving a facility to be used as a solid waste/recycling transfer station and acquiring equipment for operation. The notes have been issued in three series - the first series for \$91,000 had an interest rate of 4.40% and matured December 1, 2007; the second series for \$115,000 has an interest rate of 4.65% and 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. Payments are made from nonmajor governmental funds.

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

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

Capital lease obligation: The County has entered into capital lease obligations for the purchase of copier equipment. Principal payments on these obligations are reported in the general fund and in nonmajor governmental funds. The capital lease obligation is further described in Note 11.

Compensated absences: Compensated absences represent amounts for which the County could potentially be liable on eligible employees. Compensated absences are presented net of actual increases and decreases because of the practicality of determining these values. The benefits will be paid from the funds from which the employees' salaries are paid, which are primarily the general, motor vehicle and gas tax, and County Board of DD funds. Compensated absences are further described in Note 12.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ending	Special Assessment Bonds			OWDA Loans		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 29,705	\$ 4,193	\$ 33,898	\$ 142,485	\$ 6,872	\$ 149,357
2013	31,042	2,857	33,899	28,912	289	29,201
2014	32,439	1,459	33,898	-	-	-
Total	\$ 93,186	\$ 8,509	\$ 101,695	\$ 171,397	\$ 7,161	\$ 178,558

Year Ending	OPWC Loans			General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 99,026	\$ -	\$ 99,026	\$ 90,000	\$ 23,187	\$ 113,187
2013	99,026	-	99,026	95,000	19,439	114,439
2014	99,025	-	99,025	95,000	15,694	110,694
2015	99,024	-	99,024	100,000	11,745	111,745
2016	99,027	-	99,027	105,000	7,695	112,695
2017 - 2021	375,927	-	375,927	110,000	3,342	113,342
2022 - 2026	50,730	-	50,730	-	-	-
2027	1,250	-	1,250	-	-	-
Total	\$ 923,035	\$ -	\$ 923,035	\$ 595,000	\$ 81,102	\$ 676,102

Year Ending	General Obligation Notes		
	Principal	Interest	Total
2012	\$ 25,137	\$ 8,081	\$ 33,218
2013	26,165	6,912	33,077
2014	27,420	5,656	33,076
2015	28,737	4,340	33,077
2016	30,116	2,960	33,076
2017	31,562	1,515	33,077
Total	\$ 169,137	\$ 29,464	\$ 198,601

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The assessed valuation used in determining the County's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the County's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. Based on this calculation, the County's voted legal debt margin was \$20,162,027 at December 31, 2011 and the unvoted legal debt margin was \$8,902,811 at December 31, 2011.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

C. Business-Type Activities

During 2011, the following changes occurred in the County's business-type long-term obligations:

	Issue Date	Maturity Date	Balance 12/31/10	Additions	Reductions	Balance 12/31/11	Amount Due in One Year
Business-type activities:							
<u>OWDA loans:</u>							
Lucas County/North Star	1996	2012	\$ 1,751,855	\$ -	\$ (670,728)	\$ 1,081,127	\$ 713,386
Lucas County/North Star	1996	2012	870,598	-	(343,050)	527,548	349,946
NE Fulton County Water Supply	2010	2042	1,682,472	273,683	-	1,956,155	35,000
Worthington/North Star	1996	2012	252,498	-	(123,724)	128,774	128,774
Sewer infrastructure	2002	2012	69,171	-	(45,770)	23,401	23,401
Wastewater collection/treatment	2007	2028	188,820	-	(10,490)	178,330	10,490
Total OWDA loans			4,815,414	273,683	(1,193,762)	3,895,335	1,260,997
<u>Special assessment bonds:</u>							
Pettisville waterline	9/1/97	12/1/14	80,000	-	(20,000)	60,000	20,000
Waterline extension assessment	6/15/06	6/15/26	12,904	-	(375)	12,529	413
Exit 3 sewer improvement	1/13/99	12/1/18	265,000	-	(25,000)	240,000	30,000
Industrial corridor sewer district	12/23/04	12/1/24	111,201	-	(5,674)	105,527	5,958
Total special assessment bonds			469,105	-	(51,049)	418,056	56,371
<u>Other long-term obligations:</u>							
Loan payable			225,658	-	(14,076)	211,582	14,557
OEPA loan payable			33,965	-	(1,002)	32,963	2,004
Compensated absences			34,310	15,943	(18,987)	31,266	21,268
Total other long-term obligations			293,933	15,943	(34,065)	275,811	37,829
Total business-type activities long-term liabilities			\$ 5,578,452	\$ 289,626	\$ (1,278,876)	\$ 4,589,202	\$ 1,355,197

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) service payments made by the two steel mills. Semi-annually the TIF service payments are made to the County and subsequently remitted to the OWDA. The loans are amortized over a period of fifteen years. A portion of the capital assets associated with the Lucas County/North Star Steel loans are no longer reported as capital assets of the County, therefore, 15% of the balances of the loans are excluded from the County's calculation of "invested in capital assets, net of related debt" for the water fund.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011 (Continued)

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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 service payments made by Teleflex. Semi-annually the TIF service payments are made to the County and subsequently remitted to the OWDA. This loan is paid from the water fund and bears an interest rate of 3.0%. The loan is amortized over a period of ten years.

Ohio Water Development Authority Loan - 2002 Issue: During 2002, the County entered into a loan agreement with the OWDA for infrastructure. Repayment of this loan is funded through user charges in the sewer fund. This loan bears an interest rate of 3.0% and is amortized over ten years.

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

Ohio Water Development Authority Loan - 2010 Issue: During 2010, the County entered into a loan agreement with the OWDA for the Northeast Fulton County Water Supply project. Repayment of this loan is funded through user charges in the water fund. This loan has not been closed as of December 31, 2011; therefore, no amortization schedule is available. This loan is interest free with final maturity on January 1, 2042.

Special assessment bonds: On June 15, 2006, the County issued special assessment bonds which retired the bond anticipation note issued in 2005 for the waterline extension project. On December 23, 2004, the County issued special assessment bonds for the industrial corridor sewer project in the amount of \$140,000. Other special assessments issued in prior years include the Pettisville waterline and Exit 3 sewer improvement projects. These bonds are supported by the full faith and credit of the County. Special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners in the sewer fund. A portion of the capital assets associated with the Exit 3 sewer improvement bond are no longer reported as capital assets of the County, therefore, 88% of the balance of this loan is excluded from the County's calculation of "invested in capital assets, net of related debt" for the sewer fund.

Loan payable: During 2002, Fulton County entered into an agreement with the City of Wauseon as a subrecipient of an OWDA loan to construct the Tedrow waterline. Repayment of this loan will be funded by user charges collected by the County. The loan bears an interest rate of 3.39% and will mature on January 1, 2024.

OEPA loan payable: During 2010, Fulton County entered into a loan agreement with the Ohio Environmental Protection Agency (OEPA) for improvements to the Camp Palmer sewer. The loan is not closed as of December 31, 2011 and therefore no amortization schedule is available.

FULTON COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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

<u>Year Ended</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>
2012	\$ 56,371	\$ 22,723	\$ 79,094	\$ 1,225,997	\$ 81,835	\$ 1,307,832
2013	56,710	19,693	76,403	555,833	25,108	580,941
2014	62,070	16,636	78,706	10,490	-	10,490
2015	42,450	13,300	55,750	10,490	-	10,490
2016	42,852	11,009	53,861	10,490	-	10,490
2017 - 2021	121,143	24,551	145,694	52,450	-	52,450
2022 - 2026	36,460	4,665	41,125	52,450	-	52,450
2027 - 2028	-	-	-	20,980	-	20,980
Total	\$ 418,056	\$ 112,577	\$ 530,633	\$ 1,939,180	\$ 106,943	\$ 2,046,123

<u>Year Ended</u>	<u>Loan Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 14,557	\$ 7,050	\$ 21,607
2013	15,055	6,553	21,608
2014	15,570	6,038	21,608
2015	16,102	5,506	21,608
2016	16,653	4,955	21,608
2017 - 2021	92,201	15,837	108,038
2022 - 2023	41,444	1,770	43,214
Total	\$ 211,582	\$ 47,709	\$ 259,291

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

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

FULTON COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 14 - RISK MANAGEMENT

A. County Risk Sharing Authority, Inc.

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

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

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

The County continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. The County obtains employee health, dental and vision coverage through 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 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 Program 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 Council's Governing 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 County 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 2011, the County contributed a total of \$2,350,006 for this plan.

FULTON COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 15 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2011 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 11.00% and 11.60%, respectively. The County's contribution rate for 2011 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10% of covered payroll.

The County's contribution rate for pension benefits for members in the Traditional Plan for 2011 was 10.00%. The County's contribution rate for pension benefits for members in the Combined Plan for 2010 was 7.95%. For those plan members in law enforcement and public safety pension contributions were 14.10%. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$1,179,266, \$1,015,724, and \$954,696, respectively; 100% has been contributed for 2011, 2010 and 2009. Contributions to the Member-Directed Plan for 2011 were \$33,639 made by the County and \$24,028 made by the plan members.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

NOTE 15 - PENSION PLANS - (Continued)

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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.

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For 2011, plan members were required to contribute 10.00% of their annual covered salaries. The County was required to contribute 14.00%; 13.00% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2011, 2010, and 2009 were \$30,773, \$29,830, and \$29,259, respectively; 100% has been contributed for years 2011, 2010 and 2009.

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement

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

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2011 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2011 was 6.05%.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$458,347, \$557,340, and \$615,019, respectively; 100% has been contributed for 2011, 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1,

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1.00% of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2011, 2010, and 2009 were \$2,367, \$2,295, and \$2,251, respectively; 100% has been contributed for 2011, 2010 and 2009.

NOTE 17 - 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, motor vehicle and gas tax fund, County Board of DD fund and EMS A&B life services fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,

FULTON COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>	<u>Motor Vehicle Gas Tax</u>	<u>County Board of DD</u>	<u>EMS A&B Life Services</u>
Budget basis	\$ 125,510	\$ 385,302	\$ (253,477)	\$ (1,082,188)
Net adjustment for revenue accruals	115,132	(83,574)	105,913	25,515
Net adjustment for expenditure accruals	(3,171)	161,755	152,646	(17,956)
Net adjustment for other sources/uses	56,790	-	-	-
Funds budgeted elsewhere	108,994	-	-	-
Adjustment for encumbrances	<u>138,706</u>	<u>227,417</u>	<u>128,408</u>	<u>472,343</u>
GAAP basis	<u>\$ 541,961</u>	<u>\$ 690,900</u>	<u>\$ 133,490</u>	<u>\$ (602,286)</u>

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

NOTE 18 - CONTINGENT LIABILITIES

A. Grants

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

B. Litigation

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

NOTE 19 - 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 \$276,269 as of December 31, 2011. 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, 2011. However, the actual cost of postclosure care may be

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

NOTE 20 - CONDUIT DEBT OBLIGATIONS

higher due to inflation, changes in technology, or changes in landfill laws and regulations. The costs will be paid from current County revenues.

To provide for the financing of certain expenditures at the Fulton County Health Center, the Health Center has issued special facility revenue bonds. These consist of \$5,200,000 in 1995 and \$7,000,000 in 1999, Fulton County, Ohio, Tax-Exempt Variable Rate Demand Bonds, with final maturity in 2021. In 2005, the special facility bonds were refunded and new bonds were issued in the amount of \$28,500,000. In 2011 the special facility bonds were refunded and new bonds were issued in the amount of \$28,755,000. These bonds do not constitute a debt or pledge of the faith and credit of the County and have not been reported in the accompanying financial statements. As of December 31, 2011, \$28,755,000 was still outstanding.

NOTE 21 - FEDERAL TRANSACTIONS

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

NOTE 22 - OTHER COMMITMENTS

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

Fund	Year-End
	Encumbrances
General fund	\$ 124,231
Motor vehicle and gas tax	223,974
County Board of DD	126,932
EMS A&B life services	450,743
Nonmajor governmental	585,694
Total	<u>\$ 1,511,574</u>

FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

NOTE 23 - FUND BALANCE

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

Fund balance	General	Motor Vehicle Gas Tax	County Board of DD	EMS A&B Life Services	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Materials and supplies inventory	\$ 61,080	\$ 191,344	\$ 6,647	\$ -	\$ 45,272	\$ 304,343
Prepays	65,955	-	5,687	-	44,719	116,361
Advances to other funds	40,473	-	-	-	-	40,473
Unclaimed hospital bond	40,262	-	-	-	-	40,262
Unclaimed monies	131,743	-	-	-	-	131,743
Total nonspendable	<u>339,513</u>	<u>191,344</u>	<u>12,334</u>	<u>-</u>	<u>89,991</u>	<u>633,182</u>
Restricted:						
Debt service	-	-	-	-	6,617	6,617
Capital improvements	-	-	-	-	715,452	715,452
Public works	-	3,350,972	-	-	8,330	3,359,302
Real estate assessment	-	-	-	-	753,579	753,579
Economic development	-	-	-	-	1,270,829	1,270,829
Public safety	-	-	-	4,193,248	1,860,748	6,053,996
WIA	-	-	-	-	102,776	102,776
Health programs	-	-	6,727,151	-	1,337,107	8,064,258
Human service programs	-	-	-	-	2,693,456	2,693,456
County court computer services	-	-	-	-	335,562	335,562
County court special projects	-	-	-	-	471,783	471,783
Other purposes	-	-	-	-	219,755	219,755
Total restricted	<u>-</u>	<u>3,350,972</u>	<u>6,727,151</u>	<u>4,193,248</u>	<u>9,775,994</u>	<u>24,047,365</u>
Assigned:						
Debt service	-	-	-	-	57	57
Capital improvements	-	-	-	-	985	985
Legislative and executive	85,410	-	-	-	-	85,410
Other purposes	53,421	-	-	-	-	53,421
Total assigned	<u>138,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,042</u>	<u>139,873</u>
Unassigned (deficit)	<u>6,166,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,518)</u>	<u>6,114,116</u>
Total fund balances	<u>\$ 6,644,978</u>	<u>\$ 3,542,316</u>	<u>\$ 6,739,485</u>	<u>\$ 4,193,248</u>	<u>\$ 9,814,509</u>	<u>\$ 30,934,536</u>

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FULTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Files	Federal CFDA Number	Project Number	Disburse- ments
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through the Ohio Department of Development</i>			
Community Development Block Grants			
Fiscal Year 2009 Formula Grants	14.228	B-F-09-1AX-1	\$ 6,099
Fiscal Year 2010 Formula Grants	14.228	B-F-10-1AX-1	116,000
Community Housing Improvement Program (CHIP)	14.228	B-C-10-1AX-1 & 2	148,731
Revolving Loan	14.228		<u>200,000</u>
Total Community Development Block Grants			<u>470,830</u>
Community Development Block Grant Entitlement Grant	14.253	B-Z-08-1AX-1	<u>74,558</u>
Total U.S. Department of Housing and Urban Development			<u>545,388</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through the Ohio Department of Job and Family Services</i>			
CCDF Cluster			
Child Care and Development Block Grant	93.575		19,625
Development Fund	93.596		<u>9,922</u>
Total CCDF Cluster			<u>29,547</u>
Child Support Enforcement	93.563		394,922
Promoting Safe and Stable Families	93.556		34,789
Temporary Assistance for Needy Families	93.558		397,984
Child Welfare Services	93.645		18,473
ARRA Adoption Assistance	93.659		24
Social Services Block Grant (Title XX)	93.667		411,885
Child Abuse and Neglect	93.669		2,000
Chafee Foster Care Independence Program	93.674		3,394
Medicaid	93.778		202,305
SCHIP	93.767		771
<i>Total passed through the Ohio Department of Job and Family Services</i>			<u>1,496,094</u>
<i>Passed through the Ohio Secretary of State</i>			
Voting Access for Individuals with Disabilities	93.617		1,230
<i>Passed through the Ohio Department of Developmental Disabilities</i>			
Social Services Block Grant (Title XX)	93.667		40,395
Medical Assistance Program	93.778		77,372
ARRA EFMAP	93.778		<u>616,536</u>
<i>Total passed through the Ohio Department of Developmental Disabilities</i>			<u>734,303</u>
Total Social Services Block Grant Programs (CFDA 93.667)			452,280
Total Medicaid Cluster (CFDA 93.778)			<u>896,213</u>
Total U.S. Department of Health and Human Services			<u>2,231,627</u>
UNITED STATES GENERAL SERVICES ADMINISTRATION			
ON BEHALF OF THE ELECTION ASSISTANCE COMMISSION			
<i>Passed through the Ohio Secretary of State</i>			
Help America Vote Act, Title II	90.401	251	632

(Continued)

FULTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Files	Federal CFDA Number	Project Number	Disburse- ments
UNITED STATES DEPARTMENT OF LABOR			
<i>Passed through the Area 7, Workforce Investment Board (Montgomery County)</i>			
Workforce Investment Act Cluster			
WIA Adult Program	17.258		117,739
WIA Youth Activities	17.259		150,724
ARRA WIA Dislocated Worker	17.260		22,468
WIA Dislocated Worker	17.260		203,017
Total WIA Dislocated Worker			<u>225,485</u>
Total Workforce Investment Act Cluster			<u>493,948</u>
One Stop Resource Sharing	17.225		11,047
One Stop System Enhancement	17.225		36,830
Total			<u>47,877</u>
Total U.S. Department of Labor			<u>541,825</u>
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through Ohio Emergency Management Agency</i>			
Fiscal Year 2010 Emergency Management Performance Grant	97.042	2010-EP-00-0003	34,071
Fiscal Year 2011 Emergency Management Performance Grant	97.042	2011-EP-0003-S01	5,994
Total passed through the Ohio Emergency Management Agency			<u>40,065</u>
<i>Passed through the Ohio Office of Domestic Preparedness</i>			
Fiscal Year 2008 State Homeland Security Program	97.073	2008-GE-T8-0025	16,010
Interoperable Communications Equipment Grant	97.055	2009-IP-T9-0016	73,593
Total passed through the Ohio Office of Domestic Preparedness			<u>89,603</u>
Total U.S. Department of Homeland Security			<u>129,668</u>
UNITED STATES DEPARTMENT OF TRANSPORTATION, FEDERAL AVIATION ADMINISTRATION			
<i>Direct Assistance</i>			
Airport Improvement Program			
Vision 100	20.106	3-39-0087-0708	72,792
Vision 100	20.106	3-39-0087-0809	3,648
Vision 100	20.106	3-39-0087-0910	74,903
Vision 100	20.106	3-39-0087-1011	8,242
Total U.S. Department of Transportation, Federal Aviation Administration			<u>159,585</u>

(Continued)

FULTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Files	Federal CFDA Number	Project Number	Disburse- ments
UNITED STATES DEPARTMENT OF AGRICULTURE FOOD AND NUTRITION SERVICE			
<i>Passed through the Ohio Department of Job and Family Services</i>			
State Admin Match Grant for Supplemental Nutrition Assistance Program	10.561		204,099
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Passed through the Ohio Department of Transportation</i>			
Highway Planning and Construction			
FED/CSTP - 2011	20.205	89150	125,613
FED/LBR - 2011	20.205	87270	17,632
FED/LBR - 2011	20.205	88870	24,901
Total U.S. Department Transportation			<u>168,146</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 3,980,970</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

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FULTON COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans; and therefore are reported as federal expenditures in the year of disbursement. Prior year outstanding loan balances are reported in the schedule below.

These loans are collateralized by mortgages, personal guarantees, promissory notes and/or security agreements.

Activity in the CDBG revolving loan fund during 2011 is as follows:

Beginning loans receivable balance as of January 1, 2011	\$368,951
Loans Issued	200,000
Loan principal repaid	<u>(183,982)</u>
Ending loans receivable balance as of December 31, 2011	<u>\$384,969</u>
Cash balance on hand in the revolving loan fund as of December 31, 2011	\$275,555
2011 Loans Issued	\$200,000
Other Grants administered through the 14.228 program	<u>270,830</u>
Total CDBG 14.228 program expenditures	<u>\$ 470,830</u>

The County estimates \$137,035 of the loans outstanding at December 31, 2011 to be uncollectible.

NOTE C - MATCHING REQUIREMENTS

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

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Dave Yost • Auditor of State

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 165
Wauseon, Ohio 43567

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, Ohio (the County), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 13, 2012, wherein we noted the County implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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*.

Fulton County
Independents Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standard*
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 13, 2012.

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

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

Dave Yost
Auditor of State

September 13, 2012



Dave Yost • Auditor of State

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

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

To the Board of Commissioners:

Compliance

We have audited the compliance of Fulton County, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2011. 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 opine on the County's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 these 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 these requirements.

As described in finding 2011-001 in the accompanying schedule of findings, the County did not comply with requirements regarding cash management applicable to its Community Development Block Grant - States Program major federal program. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, Fulton County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program, 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, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2011-001 to be a material weakness.

The County's response to the finding we identified is described in the accompanying schedule of findings we did not audit the County's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

September 13, 2012

FULTON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified for all major programs except for the Community Development Block Grant- States Program which we qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Workforce Investment Act Cluster – CFDA # 17.258, # 17.259, #17.260. Highway Planning and Construction – CFDA # 20.205. Social Services Block Grant – CFDA # 93.667. Medicaid Cluster – CFDA # 93.778. Community Development Block Grant – States Program – CFDA # 14.228.
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Cash Management – Noncompliance Citation/Material Weakness

Finding Number	2011-001
CFDA Title and Number	Community Development Block Grant – States Program CFDA # 14.228
Federal Award Year	2011
Federal Agency	United States Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Office of Housing and Community Partnerships Financial Management Rules and Regulations, Section (A)(3)(f) states in part that the grantee must develop a cash management system to ensure compliance with the 15-day rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within 15 days of receipt of any funds. Lump sum draw downs are not permitted.

The County did not sufficiently monitor the timing of requests for funds. The County maintained a balance in excess of \$5,000 for the entirety of the fiscal year after receiving a draw.

Noncompliance with the 15-Day Rule may jeopardize future funding.

We recommend the County establish procedures to monitor requests for funds to ensure that excess amounts of cash are not maintained.

Officials’ Response:

Fulton County and Maumee Valley Planning Organization (MVPO), as grant administrator, will monitor more closely the time taken to process outstanding invoices in order to comply with 24 CFR 92.502 (c) (2).

The OHCP grant funds can require 30 days or more from draw to receipt; therefore, MVPO is always estimating the draw amounts. Those estimates are based upon contactors’ information of anticipated project completion. MVPO will communicate more frequently with the contractors to assure the project is progressing per schedule, prior to requesting the funds from OHCP. As soon as the contractors’ pay requests are obtained, they will be sent to the County for processing, even if the funds have not been received from OHCP. Although Fulton County has the option of paying invoices prior to receiving OHCP funds, it is unlikely the County has sufficient working capital, to avoid all possible 15-day rule findings.

FULTON COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-001	<p>The OCD grant funds can require 30 days or more from draw to receipt; therefore, MVPO is always estimating the draw amounts. Those estimates are based upon contractors' information of anticipated project completion. MVPO will communicate more frequently with the contractors to assure the project is progressing per schedule, prior to requesting the funds from OCD. MVPO will begin to process purchase orders with the County, to insure prompt disbursement of funds. As soon as the contractors' pay requests are obtained, they will be sent to the County for processing, even if the funds have not been received from OCD. The County has the option of paying invoices prior to receiving OCD funds, although it is unlikely the County has sufficient working capital, to avoid all possible future 15-day rule findings.</p>	9/30/2012	Annie Hernandez, Fiscal Supervisor

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FULTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Failure to comply with 15 day rule for disbursement of CDBG Funds.	No	Reissued as Finding 2011-001 in this report.

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Dave Yost • Auditor of State

FULTON COUNTY 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 02, 2012