



**Auditor of State
Betty Montgomery**

FULTON COUNTY
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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Fulton County
152 S. Fulton Street, Suite 270
Wauseon, Ohio 43567-3308

To the Board of Commissioners:

We have audited the accompanying general-purpose financial statements of Fulton County (the County) as of and for the year ended December 31, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Fulton County as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2003 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

July 17, 2003

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FULTON COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 2002

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$2,754,434	\$7,536,319	\$707,837	\$1,225,718
Cash and cash equivalents with fiscal and escrow agents	110,786	211,054		
Receivables (net of allowance for uncollectibles):				
Sales taxes	603,153			
Real and other taxes	1,443,381	2,970,082		
Accounts	72,028	103,172		3,304
Special assessments			145,000	636,650
Accrued interest	631,349	354		
Interfund loan receivable	124,782			
Advances to other funds	433,364			
Due from other funds	7,533	5,508		
Due from other governments	695,422	1,985,810		
Prepayments	31,063	49,430		
Materials and supplies inventory	44,283	159,211		
Loans receivable		477,498		
Property, plant and equipment (net of accumulated depreciation where applicable)				
Other Debits:				
Amount available in debt service fund				
Amount to be provided from general government resources				
Amount to be provided from component unit resources				
Total assets and other debits	<u>\$6,951,578</u>	<u>\$13,498,438</u>	<u>\$852,837</u>	<u>\$1,865,672</u>

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations			
\$1,006,784	\$60,027	\$5,015,921			\$18,307,040	\$528,219	\$18,835,259
15,001		437,197			774,038		774,038
					603,153		603,153
					4,413,463	2,624,953	7,038,416
115,026	6,065				299,595	42,260	341,855
995,359					1,777,009		1,777,009
					631,703		631,703
					124,782		124,782
					433,364		433,364
					13,041		13,041
3,574					2,684,806	143,180	2,827,986
703					81,196	13,762	94,958
					203,494	1,583	205,077
					477,498		477,498
18,692,840			\$25,724,306		44,417,146	710,927	45,128,073
				\$673,514	673,514		673,514
				2,640,031	2,640,031		2,640,031
						67,677	67,677
\$20,829,287	\$66,092	\$5,453,118	\$25,724,306	\$3,313,545	\$78,554,873	\$4,132,561	\$82,687,434

(Continued)

FULTON COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 2002
(Continued)

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$54,073	\$471,629		\$4,964
Accrued wages and benefits	135,643	137,749		
Compensated absences payable	61,790	28,342		
Interfund loans payable				66,397
Advances from other funds				335,278
Due to other funds		13,041		
Due to other governments	154,208	143,862		
Deposits held and due to others				
Deferred revenue	2,152,713	4,460,281	\$145,000	636,018
Amount to be paid to claimants				
Accrued interest payable			17,290	
Capital lease obligation payable				
Special assessment bonds payable				
OWDA loans payable				
Other loans payable				
General obligation bond anticipation notes payable				
Estimated accrued liability for landfill closure and post closure costs				
Total liabilities	<u>2,558,427</u>	<u>5,254,904</u>	<u>162,290</u>	<u>1,042,657</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets				
Contributed capital				
Retained earnings:				
Unreserved				
Fund balances:				
Reserved for encumbrances	120,303	614,154		48,512
Reserved for materials and supplies inventory	44,283	159,211		
Reserved for prepayments	31,063	49,430		
Reserved for debt service			673,514	
Reserved for loans		477,498		
Reserved for advances	433,364			
Unreserved/Designated for budget stabilization	485,440			
Unreserved/Undesignated	3,278,698	6,943,241	17,033	774,503
Total equity and other credits	<u>4,393,151</u>	<u>8,243,534</u>	<u>690,547</u>	<u>823,015</u>
Total liabilities, equity and other credits	<u><u>\$6,951,578</u></u>	<u><u>\$13,498,438</u></u>	<u><u>\$852,837</u></u>	<u><u>\$1,865,672</u></u>

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations			
\$21,236	\$5,732				\$557,634	\$28,469	\$586,103
7,019					280,411	56,353	336,764
10,401	8,969			\$568,853	678,355	73,900	752,255
48,385		\$10,000			124,782		124,782
98,086					433,364		433,364
					13,041		13,041
105,946		1,297,267			1,701,283	78,361	1,779,644
		4,055,859			4,055,859		4,055,859
					7,394,012	2,738,179	10,132,191
		41,296			41,296		41,296
8,690					25,980		25,980
				3,900	3,900	5,948	9,848
685,000				145,000	830,000		830,000
10,440,485				1,173,303	11,613,788		11,613,788
190,780					190,780		190,780
				950,000	950,000		950,000
				472,489	472,489		472,489
<u>11,616,028</u>	<u>14,701</u>	<u>5,404,422</u>		<u>3,313,545</u>	<u>29,366,974</u>	<u>2,981,210</u>	<u>32,348,184</u>
			\$25,724,306		25,724,306	710,927	26,435,233
6,490,531					6,490,531		6,490,531
2,722,728	51,391				2,774,119		2,774,119
					782,969		782,969
					203,494	1,583	205,077
					80,493	13,762	94,255
					673,514		673,514
					477,498		477,498
					433,364		433,364
					485,440		485,440
		48,696			11,062,171	425,079	11,487,250
<u>9,213,259</u>	<u>51,391</u>	<u>48,696</u>	<u>25,724,306</u>		<u>49,187,899</u>	<u>1,151,351</u>	<u>50,339,250</u>
<u>\$20,829,287</u>	<u>\$66,092</u>	<u>\$5,453,118</u>	<u>\$25,724,306</u>	<u>\$3,313,545</u>	<u>\$78,554,873</u>	<u>\$4,132,561</u>	<u>\$82,687,434</u>

FULTON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS,
 AND DISCRETELY PRESENTED COMPONENT UNIT
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Property taxes	\$1,372,326	\$2,596,086		
Sales taxes	3,900,823	505,586		
Charges for services	1,569,779	1,242,090		
Licenses and permits	3,617	10,983		
Fines and forfeitures	432,097	107,953		
Intergovernmental	1,360,806	8,209,027		\$458,169
Special assessments			\$58,338	380,623
Investment income	1,201,406	58,379		
Rental income		30		22,831
Other	458,382	1,752,382	147,802	119,874
Total revenues	10,299,236	14,482,516	206,140	981,497
Expenditures:				
Current:				
General government:				
Legislative and executive	3,020,477	467,524		
Judicial	1,227,323	63,486		
Public safety	2,661,101	2,591,415		
Public works	118,998	4,491,358		
Health	62,989	996,278		
Human services	541,437	4,843,532		
Economic development and assistance		807,585		
Other	1,028,069	22,001		4,473
Capital outlay				1,598,416
Intergovernmental pass through	675,211			
Debt service:				
Principal retirement		1,084	1,388,695	
Interest and fiscal charges		336	97,151	
Total expenditures	9,335,605	14,284,599	1,485,846	1,602,889
Excess of revenues over (under) expenditures	963,631	197,917	(1,279,706)	(621,392)
Other financing sources (uses):				
Proceeds from sale of notes			950,000	
Operating transfers in	240,340	218,524	675,000	740,547
Operating transfers out	(1,366,091)	(251,336)		(21,662)
Total other financing sources (uses)	(1,125,751)	(32,812)	1,625,000	718,885
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(162,120)	165,105	345,294	97,493
Fund balances, January 1	4,544,894	8,082,440	345,253	725,522
Increase (decrease) in reserve for inventory	10,377	(4,011)		
Fund balances, December 31	\$4,393,151	\$8,243,534	\$690,547	\$823,015

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

<u>Fiduciary Fund Type</u>	<u>Total Primary Government (Memorandum Only)</u>	<u>Component Unit</u>	<u>Total Reporting Entity (Memorandum Only)</u>
	\$3,968,412	\$2,152,037	\$6,120,449
	4,406,409		4,406,409
	2,811,869	508,818	3,320,687
	14,600		14,600
	540,050		540,050
	10,028,002	879,953	10,907,955
	438,961		438,961
	1,259,785		1,259,785
	22,861		22,861
\$1,230	2,479,670	100,376	2,580,046
1,230	25,970,619	3,641,184	29,611,803
	3,488,001		3,488,001
	1,290,809		1,290,809
	5,252,516		5,252,516
	4,610,356		4,610,356
	1,059,267	3,291,562	4,350,829
	5,384,969		5,384,969
	807,585		807,585
2,001	1,056,544		1,056,544
	1,598,416		1,598,416
	675,211		675,211
	1,389,779	2,761	1,392,540
	97,487	597	98,084
2,001	26,710,940	3,294,920	30,005,860
(771)	(740,321)	346,264	(394,057)
	950,000		950,000
2,000	1,876,411	18,300	1,894,711
	(1,639,089)	(18,300)	(1,657,389)
2,000	1,187,322		1,187,322
1,229	447,001	346,264	793,265
47,467	13,745,576	94,888	13,840,464
	6,366	(728)	5,638
\$48,696	\$14,198,943	\$440,424	\$14,639,367

FULTON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

	General		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Property taxes	\$1,369,146	\$1,372,314	\$3,168
Sales taxes	3,892,027	3,892,027	
Charges for services	1,378,406	1,505,068	126,662
Licenses and permits	3,372	3,617	245
Fines and forfeitures	414,476	416,111	1,635
Intergovernmental	1,257,375	1,362,375	105,000
Special assessments			
Investment income	1,048,649	1,113,861	65,212
Rental income			
Other	302,726	439,830	137,104
Total revenues	9,666,177	10,105,203	439,026
Expenditures:			
Current:			
General government:			
Legislative and executive	3,252,021	3,049,440	202,581
Judicial	1,287,169	1,227,710	59,459
Public safety	2,819,778	2,671,623	148,155
Public works	128,418	117,822	10,596
Health	78,900	75,339	3,561
Human services	833,179	543,222	289,957
Economic development and assistance			
Other	1,264,300	1,047,539	216,761
Capital outlay			
Intergovernmental pass through	680,571	675,211	5,360
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	10,344,336	9,407,906	936,430
Excess of revenues over (under) expenditures	(678,159)	697,297	1,375,456
Other financing sources (uses):			
Proceeds from sale of notes			
Advances in	396,374	553,039	156,665
Advances out	(310,282)	(310,282)	
Operating transfers in	146,188	615,339	469,151
Operating transfers out	(1,741,091)	(1,741,091)	
Total other financing sources (uses)	(1,508,811)	(882,995)	625,816
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(2,186,970)	(185,698)	2,001,272
Fund balances, January 1	2,633,928	2,633,928	
Prior year encumbrances appropriated	148,159	148,159	
Fund balances, December 31	\$595,117	\$2,596,389	\$2,001,272

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$2,578,447	\$2,596,849	\$18,402			
471,961	505,586	33,625			
1,009,041	1,204,438	195,397			
10,055	10,663	608			
102,524	104,403	1,879			
7,328,349	7,624,018	295,669			
	46,695	46,695	\$57,474	\$58,969	\$1,495
30	30				
1,428,645	1,735,487	306,842			
12,929,052	13,828,169	899,117	57,474	58,969	1,495
1,019,599	582,427	437,172			
463,039	87,160	375,879			
2,927,252	2,529,010	398,242			
6,414,757	4,530,352	1,884,405			
1,092,841	1,015,585	77,256			
5,956,797	5,385,984	570,813			
867,548	808,286	59,262			
65,800	19,639	46,161	1,500		1,500
			1,290,000	1,290,000	
			64,565	57,370	7,195
18,807,633	14,958,443	3,849,190	1,356,065	1,347,370	8,695
(5,878,581)	(1,130,274)	4,748,307	(1,298,591)	(1,288,401)	10,190
			950,000	950,000	
(5,190)	(5,190)		(6,453)	(6,453)	
214,709	218,524	3,815		675,000	675,000
(260,845)	(251,336)	9,509			
(51,326)	(38,002)	13,324	943,547	1,618,547	675,000
(5,929,907)	(1,168,276)	4,761,631	(355,044)	330,146	685,190
6,538,778	6,538,778		377,691	377,691	
1,250,629	1,250,629				
\$1,859,500	\$6,621,131	\$4,761,631	\$22,647	\$707,837	\$685,190

(Continued)

FULTON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
 (Continued)

	Capital Projects		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Property taxes			
Sales taxes			
Charges for services			
Licenses and permits			
Fines and forfeitures			
Intergovernmental	\$461,407	\$461,407	
Special assessments	323,939	382,544	\$58,605
Investment income			
Rental income	19,527	19,527	
Other	108,759	119,874	11,115
Total revenues	913,632	983,352	69,720
Expenditures:			
Current:			
General government:			
Legislative and executive			
Judicial			
Public safety			
Public works			
Health			
Human services			
Economic development and assistance			
Other	23,644	4,474	19,170
Capital outlay	1,964,461	1,655,829	308,632
Intergovernmental pass through			
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	1,988,105	1,660,303	327,802
Excess of revenues over (under) expenditures	(1,074,473)	(676,951)	397,522
Other financing sources (uses):			
Proceeds from sale of notes			
Advances in	141,618	138,102	(3,516)
Advances out	(404,079)	(404,079)	
Operating transfers in	740,548	747,048	6,500
Operating transfers out	(21,662)	(21,662)	
Total other financing sources (uses)	456,425	459,409	2,984
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(618,048)	(217,542)	400,506
Fund balances, January 1	1,066,285	1,066,285	
Prior year encumbrances appropriated	323,963	323,963	
Fund balances, December 31	\$772,200	\$1,172,706	\$400,506

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

Total (Memorandum Only)

Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$3,947,593	\$3,969,163	\$21,570
4,363,988	4,397,613	33,625
2,387,447	2,709,506	322,059
13,427	14,280	853
517,000	520,514	3,514
9,047,131	9,447,800	400,669
381,413	441,513	60,100
1,048,649	1,160,556	111,907
19,557	19,557	
1,840,130	2,295,191	455,061
23,566,335	24,975,693	1,409,358
4,271,620	3,631,867	639,753
1,750,208	1,314,870	435,338
5,747,030	5,200,633	546,397
6,543,175	4,648,174	1,895,001
1,171,741	1,090,924	80,817
6,789,976	5,929,206	860,770
867,548	808,286	59,262
1,355,244	1,071,652	283,592
1,964,461	1,655,829	308,632
680,571	675,211	5,360
1,290,000	1,290,000	
64,565	57,370	7,195
32,496,139	27,374,022	5,122,117
(8,929,804)	(2,398,329)	6,531,475
950,000	950,000	
537,992	691,141	153,149
(726,004)	(726,004)	
1,101,445	2,255,911	1,154,466
(2,023,598)	(2,014,089)	9,509
(160,165)	1,156,959	1,317,124
(9,089,969)	(1,241,370)	7,848,599
10,616,682	10,616,682	
1,722,751	1,722,751	
\$3,249,464	\$11,098,063	\$7,848,599

FULTON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUNDS TYPES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating revenues:			
Charges for services	\$1,760,011	\$882	\$1,760,893
Tap-in fees	57,563		57,563
Other operating revenues	167,373	104,317	271,690
	<u>1,984,947</u>	<u>105,199</u>	<u>2,090,146</u>
Operating expenses:			
Personal services	226,515	65,262	291,777
Contractual services	1,250,540	7,220	1,257,760
Materials and supplies	2,269	3,396	5,665
Claims expense		56,695	56,695
Administrative costs	2,308		2,308
Depreciation	418,217		418,217
Other operating expenses	307,292	271	307,563
	<u>2,207,141</u>	<u>132,844</u>	<u>2,339,985</u>
Operating loss	<u>(222,194)</u>	<u>(27,645)</u>	<u>(249,839)</u>
Nonoperating expenses:			
Interest and fiscal charges	<u>(510,793)</u>		<u>(510,793)</u>
Total nonoperating expenses	<u>(510,793)</u>		<u>(510,793)</u>
Net loss before capital contributions and operating transfers	(732,987)	(27,645)	(760,632)
Capital contributions	1,287,852		1,287,852
Operating transfers in	45,876		45,876
Operating transfers out	<u>(283,198)</u>		<u>(283,198)</u>
Net income (loss)	317,543	(27,645)	289,898
Retained earnings, January 1	<u>2,405,185</u>	<u>79,036</u>	<u>2,484,221</u>
Retained earnings, December 31	2,722,728	51,391	2,774,119
Contributed capital, December 31	<u>6,490,531</u>		<u>6,490,531</u>
Total fund equity, December 31	<u>\$9,213,259</u>	<u>\$51,391</u>	<u>\$9,264,650</u>

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

FULTON COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from sales/service charges	\$1,604,352	\$882	\$1,605,234
Cash received from tap-in fees	57,563		57,563
Cash received from other operations	187,713	98,252	285,965
Cash payments for personal services	(223,110)	(56,293)	(279,403)
Cash payments for contract services	(1,239,417)	(7,220)	(1,246,637)
Cash payments for materials and supplies	(2,269)	(3,396)	(5,665)
Cash payments for claims expense		(50,963)	(50,963)
Cash payments for administrative costs	(2,308)		(2,308)
Cash payments for other expenses	(322,144)	(271)	(322,415)
Net cash provided (used) by operating activities	60,380	(19,009)	41,371
Cash flows from noncapital financing activities:			
Cash received from interfund loans	304,885		304,885
Cash payments for interfund loans	(286,521)		(286,521)
Transfers in from other funds	45,876		45,876
Transfers out to other funds	(283,198)		(283,198)
Net cash used in noncapital financing activities	(218,958)		(218,958)
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(477,273)		(477,273)
Proceeds of loans	469,636		469,636
Principal retirement	(852,500)		(852,500)
Interest and fiscal charges	(508,032)		(508,032)
Capital contributions	1,287,852		1,287,852
Net cash used in capital and related financing activities	(80,317)		(80,317)
Net decrease in cash and cash equivalents	(238,895)	(19,009)	(257,904)
Cash and cash equivalents at beginning of year	1,260,680	79,036	1,339,716
Cash and cash equivalents at end of year	\$1,021,785	\$60,027	\$1,081,812

(Continued)

FULTON COUNTY

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)**

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating Loss	(\$222,194)	(\$27,645)	(\$249,839)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	418,217		418,217
Changes in assets and liabilities:			
Increase in accounts receivable	(18,611)	(6,065)	(24,676)
Increase in prepayments	(703)		(703)
Increase in special assessments receivable	(139,587)		(139,587)
Decrease in due from other governments	1,611		1,611
Decrease in due from other funds	21,268		21,268
Increase in accounts payable	3,488	5,732	9,220
Increase in accrued wages and benefits	470		470
Increase in compensated absences payable	2,124	8,969	11,093
Increase in due to other governments	15,565		15,565
Decrease in due to other funds	(21,268)		(21,268)
Net cash provided by (used in) operating activities	\$60,380	(\$19,009)	\$41,371

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

FULTON COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 1 - DESCRIPTION OF THE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements (GPFS) of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the county's accounting policies are described below.

A. Reporting Entity

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

DISCRETELY PRESENTED COMPONENT UNIT

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

EXCLUDED POTENTIAL COMPONENT UNITS

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

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

FULTON COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002 (Continued)

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

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

MVPO is governed by a Board consisting of fifteen members. The Board is made up of one County Commissioner from each member county as well as one township representative and one municipal representative for each of the five member counties. The main sources of revenue are fees charged by MVPO to administer CDBG grants and a per capita amount from each county. In 2002, the County paid per capita charges of \$2,946 to MVPO.

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

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

JOINT VENTURES WITHOUT EQUITY INTEREST

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

The CCNO is governed by a Commission Team made up of 18 members. These members consist of one judge, one chief law enforcement officer, and one county commissioner or administrative official from each entity. Sources of revenue include operating costs and capital costs contributed by Members and rental revenue. The County does not have explicit, measurable right to the net resources of the CCNO. Total expenditures made by the County to the CCNO in 2002 were

FULTON COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002 (Continued)

\$771,642. Complete financial statements for the CCNO can be obtained from the CCNO's administrative office on County Road 24 in Stryker, Ohio.

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

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

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

Quadco is governed by an eight member board composed of two appointees made by each of the four County Boards of Mental Retardation and Developmental Disabilities (County Boards of MR/DD). This board in conjunction with the County Boards of MR/DD assesses the need of the adult mentally retarded and developmentally disabled residents in each County and set priorities based on available funds. The County provides subsidies to the Board based on units of service provided to it. For the year ended December 31, 2002 the County remitted \$307,087 to Quadco to supplement its operations.

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

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

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

The County has an ongoing financial interest in the District. The County Commissioners are able to influence the Board of Director's to use the District's surplus resources to undertake special projects of interest of the County's citizens. In the event that a county withdraws from the District, this access to the net resources has not been explicitly defined, nor is it currently measurable. The County has no ongoing financial responsibility for the District. No contributions were made by the County to the District in 2002. Grant monies received by the County from the District are reported as a special revenue fund.

FULTON COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002 (Continued)

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

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

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

NWOJDD is governed and operated by a thirteen member board of trustees consisting of three trustees from each county and one at large member. Revenue sources are from member counties and rental revenue. The County has no ongoing financial responsibility for NWOJDD. The County remitted \$213,093 to NWOJDD in 2002.

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

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

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

B. Basis of Presentation - Fund Accounting

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

FULTON COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002 (Continued)

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

ACCOUNT GROUPS

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

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

COMPONENT UNITS

Component Units - Component units are either legally separate organizations for which the elected officials of the County are not financially accountable, or legally separate organizations

FULTON COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002 (Continued)

for which the nature and significance of its relationship with the County is such that exclusion would not cause the County's financial statement to be misleading or incomplete.

C. Basis of Accounting and Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

REVENUES - EXCHANGE AND NONEXCHANGE TRANSACTIONS

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax (see Note 7), interest, federal and state grants and

FULTON COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002 (Continued)

subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fines and forfeitures, licensed permits, and fees for services.

DEFERRED REVENUE

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance year 2003 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

EXPENSES/EXPENDITURES

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

D. Budgetary Data

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

1. Following submission of requests by various offices and departments, the Board of County Commissioners holds budget hearings during the fall with respective officeholders and department heads.
2. Shortly after the beginning of the fiscal year, the County Commissioners pass an Appropriation Resolution which legally authorizes the expenditure of funds for respective officeholders and department heads.
3. The County is accorded discretion in its method of appropriating federal funds. Appropriations are provided in the amounts of approved grants by the Board of County Commissioners.
4. The Revised budget figures reflected in the combined financial statements include the prior year appropriations carried over for liquidations against prior year encumbrances, and any amendments to the original Appropriation Resolution.
5. The Commissioners appropriate at the major account level within a division and fund. The appropriation level accounts for the County include personal services, materials and supplies, contractual services and interfund transfers. For funds which are directly appropriated by the Commissioners, transfers of appropriations at the major account level or between appropriation level require a resolution signed by at least two Commissioners.

FULTON COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002 (Continued)

6. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 2002.
7. Unencumbered appropriations lapse at year-end. Contracts and purchase type encumbrances outstanding at year-end carry their appropriations with them into the next year. Contract and purchase type encumbrances outstanding at year-end are recorded as expenditures on the budget basis of accounting.
8. The budgetary procedures described herein apply to all funds except the agency funds and the OWDA debt service fund for which budgetary information is not presented. The unbudgeted activity for the OWDA debt service fund included \$147,802 in revenue and \$147,802 in expenditures.

E. Encumbrances

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

F. Cash and Investments

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

During fiscal year 2002, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), nonnegotiable certificates of deposit, and federal agency securities.

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

The County has invested funds in STAR Ohio during fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2002.

Following Ohio statutes, the Commissioners have, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal 2002 amounted to \$1,201,406 which includes \$1,013,661 assigned from other County funds.

The County has segregated bank accounts for monies held separate from the County's central bank account. These interest bearing depository accounts are presented on the combined balance

FULTON COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002 (Continued)

sheet as "Cash with Fiscal and Escrow Agents" since they are not required to be deposited into the County treasury.

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

G. Health Care

The Comprehensive Omnibus Budget Reconciliation Act (COBRA) of 1986 required the County to offer and provide terminated or retired employees continued participation in the County's employee health care benefits program, provided that the employees pay the rate established by the plan administrator. In 2002, the County incurred no expenditures or revenues associated with providing these benefits. The participating former employees make premium payments directly to the County's insurance provider and the provider is responsible for all claims made.

H. Inventories of Materials and Supplies

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

I. Property, Plant, Equipment and Depreciation

1. GENERAL FIXED ASSETS ACCOUNT GROUP

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

2. ENTERPRISE FUNDS

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

FULTON COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002 (Continued)

<u>Description</u>	<u>Estimated Life (in years)</u>
Machinery	50
Buildings	40
Sewerlines and waterlines	50
Vehicles	5

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

J. Compensated Absences

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

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

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

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

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

K. Long-term Obligations

Long-term obligations for special assessment bonds, Ohio Water Development Authority (OWDA) loans, landfill closure/post closure costs, vested sick and vacation leave, capital lease obligations, and any claims or judgment that are expected to be paid from the governmental funds are shown in

FULTON COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002 (Continued)

the general long-term obligations account group, while those expected to be paid from proprietary funds are shown as a liability of those funds.

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

L. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund balances, related to changes for good and services rendered, are reflected as "due to/from other funds".
4. Short-term interfund loans, accrued interfund reimbursements, and accrued operating transfers are reflected as "interfund loans receivable/payable."
5. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

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

M. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds. The County reports amounts representing encumbrances, material and supply inventories, prepayments, debt service, loans, and advances as reservations of fund balance in the governmental funds.

Designation of fund balance represents an amount set aside by the County Commissioners for future use. The County reports amounts set aside by the County Commissioners for budget stabilization as a designation of fund balance in the governmental funds. Current state legislation provides that the amount for budget stabilization may not exceed 5 percent of the general fund's revenue for the preceding fiscal year and that the balance is not to be considered part of the

FULTON COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002 (Continued)

unencumbered balance when certifying available balances at year-end. The budget stabilization designation may be reduced or eliminated at any time.

N. Prepayments

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

O. Contributed Capital

Contributed capital represents donations from private enterprises to aid in the construction of waterlines and sewerlines constructed to support their operations. These assets are recorded at their fair market value on the date contributed and are not subject to repayment. Depreciation on those proprietary fund type assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. In accordance with GASB Statement No. 33, capital contributions received in 2002 are recorded as revenue and a component of retained earnings at year-end. A total of \$1,287,852 in capital contributions was received by the enterprise funds in 2002.

Contributed capital in the enterprise funds at December 31, 2002 is \$6,490,531.

P. Estimates

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

Q. Total Columns on General-Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustments

Due to errors and omissions in the amounts previously reported as fixed assets at December 31, 2001, the beginning balance of general fixed assets account group was restated as follows:

FULTON COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)**

	<u>General Fixed Assets Account Group</u>
Investment in general fixed assets as previously reported	\$24,494,114
Adjustment for errors and omissions	<u>(431,116)</u>
Restated investment in general fixed assets at January 1, 2002	<u><u>\$24,062,998</u></u>

A prior period adjustment is required in the capital projects administrative building fund to correct an overstatement of interest payable. The December 31, 2001 Capital Projects fund type balance of \$662,255 is increased in the amount of \$ 63,267 to a restated January 1, 2002 balance amount of \$725,522. The effect on the amount of (\$1,688,040) reported at December 31, 2001 in the Capital Projects fund type excess of revenues and other financing sources over (under) expenditures and other financing uses would be reduced by the same amount of the adjustment and the restated amount would be (\$1,624,773).

B. Deficit Fund Balances/Retained Earnings

The following funds had a deficit fund balance/retained earnings as of December 31, 2002:

<u>Capital Projects Funds:</u>	
Ditch Improvements	\$287,763
 <u>Internal Service Fund:</u>	
Geographic Information Systems	5,479

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

The deficit fund balance in the Ditch Improvements capital projects fund is the result of recording liabilities for long-term advances made to this fund in the current and prior years. These "advances in" from other funds are reported as a liability rather than as "other financing sources". This deficit fund balance will be eliminated as resources become available to repay the long-term advances.

The deficit retained earnings in the GIS Internal Service fund is due to the reporting of compensated absences payable. This deficit retained earnings will be eliminated as resources become available.

C. Agency Funds

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

FULTON COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002 (Continued)

ASSETS

Real and other taxes	\$26,581,680
Due from other governments	3,499,716
Special assessments receivable	<u>7,050,415</u>
Total assets	<u>\$37,131,811</u>

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States.
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio, or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County.
5. Time certificates of deposit of savings or deposit accounts, including, but not limited to, accounts.
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
7. The State Treasurer's investment pool (STAR Ohio).

FULTON COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002 (Continued)

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value.
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio.
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

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

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

Deposits: At December 31, 2002, the carrying amount of the County's demand deposits, including non-negotiable certificates of deposit and cash with fiscal and escrow agents, was \$14,245,581. The bank balance at that date, including non-negotiable certificates of deposit and cash with fiscal and escrow agents, was \$15,569,130. Of the bank balance:

1. \$1,243,855 was covered by the federal depository insurance.
2. \$14,325,275 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.181, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions and securities specifically pledged by the financial institution pursuant to § 135.18, Ohio Revised Code. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

FULTON COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)**

	Category 2	Fair Value
Federal agency securities	\$2,500,000	\$2,500,000
Investment in STAR Ohio		2,863,716
		2,863,716
Total investments		\$5,363,716

The federal agency securities have maturities ranging from January 2004 to November 2004.

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$19,609,297	
Investments of the cash management pool:		
State treasurer's investment pool	(2,863,716)	\$2,863,716
Federal agency securities	(2,500,000)	2,500,000
GASB Statement No. 3	\$14,245,581	\$5,363,716

NOTE 5 - INTERFUND TRANSACTIONS

A. The County had the following long-term advances outstanding at December 31, 2002:

	Advances To Other Funds	Advances From Other Funds
General Fund	\$433,364	
<u>Debt Service Fund</u>		
E.B. Assumption W.L. Bond		
<u>Capital Projects Fund</u>		
Ditch Improvements		\$335,278
<u>Enterprise Funds</u>		
Water District		49,043
Sewer District		49,043
	\$433,364	\$433,364
Total	\$433,364	\$433,364

FULTON COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)**

- B.** Interfund balances, related to items other than charges for goods and services rendered, at December 31, 2002, consist of the following individual fund receivable and payables:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
General Fund	\$124,782	
<u>Capital Projects Fund</u>		
Ditch Improvements		\$66,397
<u>Enterprise Funds</u>		
Water District		4,035
Sewer District		44,350
<u>Agency Fund</u>		
Payroll		10,000
	<u> </u>	<u> </u>
Total	<u>\$124,782</u>	<u>\$124,782</u>

- C.** Interfund balances, related to charges for goods and services rendered, at December 31, 2002, consist of the following amounts due to and due from other funds:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$7,533	
<u>Special Revenue Funds</u>		
Public Assistance		\$317
Child Support Enforcement Agency		7,216
Recycle Ohio		5,508
Four County Waste Management	5,508	
	<u> </u>	<u> </u>
Total	<u>\$13,041</u>	<u>\$13,041</u>

- D.** The following is a summarized breakdown of the County's operating transfers for 2002:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$240,340	\$1,366,091
Special Revenue Funds		
Senior Center	3,815	
Fulton County Economic Development	177,709	
Recycle Ohio	7,000	1,179
Public Assistance	30,000	2,000
Computerization		108,863
Certificate of Title Administration		109,294
Children Services		30,000

FULTON COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)**

Debt Service Fund		
Fulton County Administrative Building Note	675,000	
Capital Projects Funds		
Courthouse Security		18,000
Ditch Maintenance	191,847	3,662
Capital Improvement	371,198	
Eastern District Permanent Improvement	112,502	
Health Department	65,000	
Enterprise Funds		
Water	22,938	283,198
Sewer	22,938	
Expendable Trust Fund		
Public Assistance Trust	2,000	
Component Units		
Board of MRDD	18,300	
Residential Services		18,300
Total	\$1,940,587	\$1,940,587

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35 percent of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 88 percent of true value for taxable transmission and distribution property and 25 percent of true value for all other taxable property. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25 percent of true value. The assessed value upon which the 2002 taxes were collected was \$771,146,850. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2002, was \$10.65 per \$1,000 of assessed valuation.

The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

Real Property	
Agricultural/Residential	\$494,035,500
Commercial/Industrial	98,422,810
Tangible Personal Property	
Public Utility	132,629,990
Real	398,850
Personal	45,659,700
Total assessed value	\$771,146,850

FULTON COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002 (Continued)

Real property taxes for tax year 2002 are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is due December 31, and the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

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

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

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

Since the current levy is not intended to finance 2002 operations, the receivable is offset by a credit to "Deferred Revenue". The delinquent real, public utility and tangible personal property taxes that will become available to the County within the first 60 days of 2003 are shown as 2002 revenue; the remainder is shown as "Deferred Revenue".

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

NOTE 7 - PERMISSIVE SALES AND USE TAX

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

Proceeds of the sales tax are credited to the general fund and the Motor Vehicle and Gas Tax special revenue fund and amounts that have been collected by the state and are to be received within the available period are accrued as revenue to the extent they are intended to finance the fiscal 2002 operations. Sales tax revenue for 2002 amounted to \$4,406,409.

FULTON COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 8 - RECEIVABLES

Receivables at December 31, 2002, consisted of taxes, accrued interest, accounts (billings for user charged services), special assessments, short-term interfund loans, long-term interfund advances, interfund transactions related to charges for goods and services rendered and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "Due from Other Governments" on the combined balance sheet and all interfund transactions related to charges for goods and services rendered have been classified as "Due from Other Funds" on the combined balance sheet. Receivables have been recorded to the extent eligibility requirements have been met by year-end and the amounts are measurable. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

A summary of the principal items of receivables follows:

<u>Fund/Description</u>	<u>Amount</u>
<u>General Fund</u>	
Sales taxes	\$603,153
Real and other taxes	1,443,381
Accounts	72,028
Accrued interest	631,349
Interfund loans	124,782
Long-term advances	433,364
Due from other funds	7,533
Due from other governments	695,422
<u>Special Revenue Funds</u>	
Real and other taxes	2,970,082
Accounts	103,172
Accrued interest	354
Due from other funds	5,508
Due from other governments	1,985,810
<u>Debt Service Funds</u>	
Special assessments	145,000
<u>Capital Projects Funds</u>	
Accounts	3,304
Special assessments	636,650
<u>Enterprise Funds</u>	
Accounts	115,026
Special assessments	995,359
Due from other governments	3,574

FULTON COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)**

<u>Internal Service Funds</u>	
Accounts	6,065
<u>Component Units</u>	
Real and other taxes	2,624,953
Accounts	42,260
Due from other governments	143,180

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 2002 is as follows:

NOTE 10 - FIXED ASSETS

A. Proprietary Fund Fixed Assets

A summary of the proprietary fund fixed assets at December 31, 2002 is as follows:

Buildings	\$29,604
Machinery	34,506
Waterlines/sewerlines	20,741,579
Vehicles	20,989
Construction in progress	477,273
Total gross assets	21,303,951
Less: accumulated depreciation	(2,611,111)
Total net assets	\$18,692,840

B. General Fixed Assets

The December 31, 2001 balance of the general fixed asset account group has been restated (See Note 3.A.). A summary of the changes in the general fixed assets account group during the fiscal year follows:

	Restated Balance 12/31/01	Additions	Deletions	Balance 12/31/02
Land/improvements	\$1,611,178	\$692,351		\$2,303,529
Building/improvements	16,662,685	512,432	(\$60,506)	17,114,611
Computer equipment	262,054	12,910	(18,604)	256,360
Equipment	1,894,277	403,197	(102,330)	2,195,144
Furniture/fixtures	263,709	47,030		310,739
Vehicles	3,348,868	350,571	(168,387)	3,531,052
Construction in progress	20,227	12,871	(20,227)	12,871
Total	\$24,062,998	\$2,031,362	(\$370,054)	\$25,724,306

FULTON COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)**

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

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

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

C. Component Unit Fixed Assets

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

	Balance 12/31/01	Additions	Deletions	Balance 12/31/02
Land/improvements	\$41,595			\$41,595
Building/improvements	334,654			334,654
Equipment	67,447			67,447
Vehicles	267,231			267,231
Total	\$710,927			\$710,927

NOTE 11 - COMPENSATED ABSENCES LIABILITY

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

Upon termination of County service, a fully vested employee is entitled to a percentage of their accumulated sick leave based on their years of service not to exceed 25 percent of 120 days (or 30 days) and all accumulated vacation. At December 31, 2002 vested benefits for vacation leave for governmental fund type employees totaled \$391,930 and vested benefits for sick leave totaled \$36,212. These amounts represent the non-current portion of the vested benefits and are reported in the general long-term obligations account group. For proprietary fund types, vested benefits for vacation leave totaled \$8,715 and vested benefits for sick leave totaled \$10,655. For component units, vested benefits for vacation leave totaled \$46,113 and vested benefits for sick leave totaled \$358. Additionally, \$12,171 was paid using current available resources of the component unit. In accordance with GASB Statement No. 16, an additional liability of \$140,711 and \$15,258 was accrued to record termination (severance) payments expected to become eligible to retire in the future for the governmental fund type and component unit employees, respectively.

FULTON COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE

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

For the County, (primary government), a corresponding liability was recorded in the general long-term obligations account group. Principal payments in 2002 totaled \$1,084 in the special revenue funds. Capital lease payments in special revenue funds have been reclassified on the financial statements to reflect debt principal and interest payments. These payments are reported as program expenditures on the budgetary statement.

For MRDD (component unit), a corresponding liability was recorded in the fund. Principal and interest payments in 2002 totaled \$2,761 and \$597, respectively. Capital lease payments for the component unit have been reclassified on the financial statements to reflect debt principal and interest payments.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2002.

Year Ending December 31,	GLTOAG	Component Unit
2003	\$1,420	\$3,358
2004	1,420	3,078
2005	1,420	
2006	119	
Total future minimum lease payments	4,379	6,436
Less: amount representing interest	(479)	(488)
Present value of net minimum lease payments	<u>\$3,900</u>	<u>\$5,948</u>

NOTE 13 - LONG-TERM OBLIGATIONS

A. General Long-Term Obligations

	Issue Date	Maturity Date	Balance 12/31/01	Additions	Reductions	Balance 12/31/02
<u>Ohio Water Development Authority Loans</u>						
Delta/Worthington Steel						
Waterlines	1996	2012	\$681,244		(\$47,628)	\$633,616
Sewerlines	1996	2012	590,754		(51,067)	539,687
Total OWDA loans			<u>1,271,998</u>		<u>(98,695)</u>	<u>1,173,303</u>
<u>Special Assessment Bonds</u>						
Elmira & Assumption waterlines	12/31/92	12/01/11	155,000		(10,000)	145,000
Tiffin River improvements	09/01/97	12/01/02	30,000		(30,000)	-
Total special assessment bonds			<u>185,000</u>		<u>(40,000)</u>	<u>145,000</u>

FULTON COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)**

	Issue Date	Maturity Date	Balance 12/31/01	Additions	Reductions	Balance 12/31/02
(Continued)						
<u>General Obligation Bond Anticipation Notes</u>						
Fulton County						
Administration building - 3.65%	05/25/01	05/25/02	1,250,000		(1,250,000)	
Administration building - 3.12%	05/25/02	05/25/03		950,000		950,000
Total general obligation notes			<u>1,250,000</u>	<u>950,000</u>	<u>(1,250,000)</u>	<u>950,000</u>
Total financial obligation debt			<u>\$2,706,998</u>	<u>\$950,000</u>	<u>(\$1,388,695)</u>	<u>\$2,268,303</u>
<u>Other Long-Term Obligations</u>						
Landfill closure/postclosure costs			\$51,755	\$421,704	(\$970)	\$472,489
Capital lease obligations			4,984		(1,084)	3,900
Compensated absences			<u>478,752</u>	<u>90,101</u>		<u>568,853</u>
Total other long-term obligations			<u>535,491</u>	<u>511,805</u>	<u>(2,054)</u>	<u>1,045,242</u>
Total general long-term obligations			<u>\$3,242,489</u>	<u>\$1,461,805</u>	<u>(\$1,390,749)</u>	<u>\$3,313,545</u>

Compensated Absences

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

Capital Lease Obligation

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

Landfill Closure/Postclosure Costs

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

Ohio Water Development Authority (OWDA) Loans

Note 13.B. provides detail on the OWDA loans outstanding at December 31, 2002.

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.

FULTON COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)**

General Obligation Bond Anticipation Note

On May 25, 2001, the City issued a \$1,250,000 general obligation note in anticipation of the issuance of bonds for the purpose of constructing a new County administration building. This note had an annual interest rate of 3.65 percent and matured on May 24, 2002. On May 25, 2002, the County reissued this note in the amount of \$950,000. This note bears an annual interest rate of 3.12 percent and matures on May 24, 2003. In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected to Be Refinanced", the general obligation bond anticipation note is considered a long term obligation since, prior to the financial statements being issued; the City has entered into a financing agreement that insured that the note will be refinanced on a long-term basis.

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

Year Ending	Principal on Bonds	Interest on Bonds	Total	Principal on Loans	Interest on Loans	Total
2003	\$10,000	\$9,746	\$19,746	\$102,236	\$45,567	\$147,803
2004	15,000	9,104	24,104	105,975	41,827	147,802
2005	15,000	8,130	23,130	109,923	37,879	147,802
2006	15,000	7,140	22,140	114,095	33,706	147,801
2007	15,000	6,134	21,134	118,504	29,297	147,801
2008-2011	75,000	13,342	88,342	622,570	78,737	701,307
Total	<u>\$145,000</u>	<u>\$53,596</u>	<u>\$198,596</u>	<u>\$1,173,303</u>	<u>\$267,013</u>	<u>\$1,440,316</u>

B. Enterprise Obligations

	Issue Date	Maturity Date	Balance 12/31/01	Additions	Reductions	Balance 12/31/02
<u>Enterprise Funds:</u>						
<u>Other Loans Payable</u>						
Tedrow Waterline - City of Wauseon	2002			\$190,780		\$190,780
<u>Ohio Water Development Authority Loans</u>						
Waterline - Lucas County/North Star Steel	1996	2012	\$9,685,622		(\$710,634)	8,974,988
Waterline - Teleflex Extension	2000	2009	167,186		(18,801)	148,385
Sewerline - Worthington Steel/ North Star Steel	1996	2012	1,126,321		(88,065)	1,038,256
Infrastructure - Fulton County Processing	2002			278,856		278,856
Total OWDA Loans			<u>10,979,129</u>	<u>278,856</u>	<u>(817,500)</u>	<u>10,440,485</u>
<u>Special Assessment Bonds</u>						
Pettisville Waterline	09/01/97	12/01/14	255,000		(15,000)	240,000
Exit 3 Sewer Improvement	01/13/99	12/01/18	465,000		(20,000)	445,000
Total special assessment bonds			<u>720,000</u>		<u>(35,000)</u>	<u>685,000</u>
Total enterprise funds			<u>\$11,699,129</u>	<u>\$469,636</u>	<u>(\$852,500)</u>	<u>\$11,316,265</u>

FULTON COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)**

Ohio Water Development Authority Loans - 1996 Issues

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

Ohio Water Development Authority Loan - 2000 Issue

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

Ohio Water Development Authority Loan - 2002 Issue

During 2002, the County entered into a loan agreement with the OWDA for Fulton County Processing for Infrastructure. Repayment of this loan is funded through user charges in the Sewer enterprise fund. The amount of the loan that was disbursed during 2002 was \$278,856 which is recorded as a fund liability in the Sewer enterprise fund. The project was not completed during 2002 therefore an amortization schedule is not yet available.

Other Loans Payable - 2002 Issue

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. The City obtained the loan from OWDA during 2002 and \$190,780 in funds was disbursed. Repayment of this loan will be funded by user charges collected by the County. The project is not complete as of year-end, therefore no payments are due and a completed amortization schedule is not available.

Special Assessment Bonds

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

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

Year Ended	Principal on Bonds	Interest on Bonds	Total	Principal on Loans	Interest on Loans	Total
2003	\$40,000	\$36,010	\$76,010	\$850,048	\$437,803	\$1,287,851
2004	40,000	34,080	74,080	884,398	403,455	1,287,853
2005	40,000	32,130	72,130	920,657	367,196	1,287,853
2006	40,000	30,110	70,110	958,940	328,913	1,287,853
2007	45,000	28,070	73,070	999,372	288,482	1,287,854
2008-2012	230,000	105,388	335,388	5,548,214	801,021	6,349,235
2013-2017	210,000	42,391	252,391			
2018	40,000	2,180	42,180			
Total	<u>\$685,000</u>	<u>\$310,359</u>	<u>\$995,359</u>	<u>\$10,161,629</u>	<u>\$2,626,870</u>	<u>\$12,788,499</u>

FULTON COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)**

C. Component Unit Obligations

	Balance Outstanding at 12/31/01	Additions	Reductions	Balance Outstanding at 12/31/02
Compensated absences	\$65,547	\$8,353		\$73,900
Capital lease obligations	8,709		(2,761)	5,948
Total Component Unit	\$74,256	\$8,353	(\$2,761)	\$79,848

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

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

E. Legal Debt Margin

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

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to three percent of the first \$100,000,000, of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. Based on this evaluation, the County's legal debt margin was \$17,784,218 as of December 31, 2002, which includes \$690,547 available in debt service funds.

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains three enterprise funds to account for the operations of a sewer district, a water district and a solid waste incinerator. Financial information for the year ended December 31, 2002, is as follows:

FULTON COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)**

	Solid Waste Incinerator	Sewer District	Water District	Total
Operating revenues	\$ 117,033	\$ 328,433	\$ 1,539,481	\$ 1,984,947
Operating expenses before depreciation	147,968	287,340	1,353,616	1,788,924
Depreciation expense		77,968	340,249	418,217
Operating loss	(30,935)	(36,875)	(154,384)	(222,194)
Net loss before capital contributions and operating transfers	(30,935)	(107,109)	(594,943)	(732,987)
Capital contributions		132,688	1,155,164	1,287,852
Operating transfers in		22,938	22,938	45,876
Net income/(loss)	(30,935)	48,517	299,961	317,543
Property, plant and equipment (net of accumulated depreciation)		3,647,996	15,044,844	18,692,840
Net working capital	8,197	290,911	679,186	978,294
Total assets	15,983	4,612,910	16,200,394	20,829,287
Long-term liabilities	6,399	1,764,113	9,556,154	11,326,666
Contributed capital		2,295,292	4,195,239	6,490,531
Total equity	1,798	2,737,035	6,474,426	9,213,259
Encumbrances 12/31/02	720	22,515	130,520	153,755

NOTE 15 - RISK MANAGEMENT

A. County Risk Sharing Authority, Inc.

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

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

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

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

FULTON COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002 (Continued)

B. Fulton-Henry Counties Employee Insurance Benefits Program

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

Each member pays a monthly premium amount, which is established annually by the Board, to Reliance Financial Services (Reliance). Reliance is the fiscal agent for the Council and has a trust agreement with the Council to account for all Council finances and assets. The Program is governed by a Board consisting of one representative from each member County's Board of Commissioners. The degree of control exercised by any participating member is limited to its representation on the Board. Upon withdrawal from the Program, a program agreement shall govern the disposition of any contributions by the withdrawing member to each program of the Council in excess of that member's share of the costs of that program. In fiscal year 2002, the County contributed a total of \$1,958,499 for this plan.

NOTE 16 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2002 was 8.5 percent for employees other than law enforcement and public safety. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1 percent. Public safety division members contribute at 9 percent. The employer contribution rate for employees other than law enforcement and public safety division was 13.55 percent of covered payroll and 8.55 percent was the portion used to fund pension obligations for 2002. The employer contribution rate for law enforcement and public safety divisions was 16.70 percent of covered payroll and 11.70 percent was the portion used to fund pension obligations for 2002. Required employer contributions are equal to 100 percent of the dollar amount billed to each employer and must be extracted from the employer's records. The County's contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$776,177, \$704,509, and \$470,333, respectively; 61 percent has been contributed for 2002 and 100 percent for 2001 and 2000. \$305,724, representing the unpaid contribution for 2002, is recorded as a liability within the respective funds.

B. State Teachers Retirement System of Ohio

Certified teachers employed by the school for the Mental Retarded/Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits

FULTON COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002 (Continued)

based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2002 Comprehensive Annual Financial Report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the County is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's contributions for pension obligations to STRS Ohio for the years ended December 31, 2002, 2001, and 2000 were \$17,910, \$18,594, and \$11,371, respectively; 100 percent been contributed for 2002, 2001 and 2000.

NOTE 17 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

OPERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2002 employer contribution rate for local government employers was 13.55 percent of covered payroll and 5.00 percent was the portion that was used to fund health care. For both the public safety and law enforcement divisions the 2002 employer rate was 16.70 percent of covered payroll and 5.00 percent was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The County's contribution actually made to fund postemployment benefits was \$440,203.

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

As of December 31, 2001 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively, at December 31, 2001 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2001 (the latest information available) was 402,041.

FULTON COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002 (Continued)

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

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

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the OPERS December 31, 2002, Comprehensive Annual Financial Report.

B. State Teachers Retirement System of Ohio

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

All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to the Health Care Stabilization Fund equal to 4.5 percent of covered payroll for the fiscal year ended June 30, 2002. Effective July 1, 2002, 1 percent of covered payroll was allocated to the Health Care Stabilization Fund. For the County, this amount equaled \$8,666 during calendar year 2002. As of June 30, 2002, the balance in the Health Care Stabilization Fund was \$3.011 billion and eligible benefit recipients totaled 105,300 for STRS Ohio as a whole. For the fiscal year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354.697 million.

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

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

FULTON COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
(Continued)**

Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses				
	General	Special Revenue	Debt Service	Capital Project
Budget basis	(\$185,698)	(\$1,168,276)	\$330,146	(\$217,542)
Net adjustment for revenue accruals	194,033	654,347	147,171	(1,855)
Net adjustment for expenditure accruals	(84,650)	(241,344)	(138,476)	4,402
Net adjustment for other financing sources/(uses) accruals	(242,756)	5,190	6,453	259,476
Encumbrances (budget basis)	156,951	915,188		53,012
GAAP basis	(\$162,120)	\$165,105	\$345,294	\$97,493

NOTE 19 - CONTINGENCIES

A. Grants

The County receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2002.

B. Litigation

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

NOTE 20 - LANDFILL POSTCLOSURE COSTS

State laws and regulations require that the County perform certain maintenance and monitoring functions at the closed landfill site for thirty years after closure. The landfill was closed in 1983. The estimated liability for landfill postclosure care has a balance of \$472,489 as of December 31, 2002. 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, 2002. However, the actual cost of postclosure care may be higher due to inflation, changed in technology, or changes in landfill laws and regulations. The costs will be paid from current County revenues.

NOTE 21 - CONDUIT DEBT OBLIGATIONS

To provide for the financing of certain expenditures at the Fulton County Health Center, the Health Center has issued special facility revenue bonds. These consist of \$5,200,000 in 1995 and \$7,000,000 in 1999, Fulton County, Ohio, Tax-Exempt Variable Rate Demand Bonds, with final maturity in 2021. Also, in 1999 the County issued \$4,450,000 in industrial revenue bonds for the acquisition, construction and equipping of industrial and commercial facilities deemed to be in the public interest. These bonds do not

FULTON COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002 (Continued)

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, 2002, \$13,895,000 was still outstanding.

NOTE 22 - FEDERAL TRANSACTIONS

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

NOTE 23 - SIGNIFICANT SUBSEQUENT EVENTS

On May 25, 2003, the County reissued \$300,140 in general obligation notes. These notes bear an interest rate of 3.12 percent and mature on May 24, 2004. These proceeds were used to retire previously issued general obligation notes (see Note 13.A).

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FULTON COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JANUARY 1, 2002 THROUGH DECEMBER 31, 2002**

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			
Formula Grants-99	14.228	B-F-99-024-01	33,000
Formula Grants-00	14.228	B-F-00-024-01	125,661
Formula Grants-01	14.228	B-F-01-024-01	117,118
Community Housing Improvement Program (CHIP)	14.228	B-C-00-024-01	66,163
ED (R & R Plastics)- 01	14.228	B-E-01-024-01	117,000
Total Community Development Block Grants			<u>458,942</u>
Home Improvement programs	14.239	B-C-00-024-02	<u>88,268</u>
Total U.S. Department of Housing and Urban Development			<u>547,210</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through Ohio Department of Job and Family Services:</i>			
Special Programs for the Aging - Title III -B	93.044		21,960
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Community Alternative Funding System	93.778		330,052
Social Services Block Grant (Title XX)	93.667		33,153
Total Department of Health and Human Services			<u>385,165</u>
UNITED STATES DEPARTMENT OF LABOR			
<i>Passed through Ohio Department of Job and Family Services</i>			
<u>Workforce Investment Act Cluster</u>			
WIA Adult Programs	17.258		156,858
WIA Youth Activities	17.259		115,201
WIA Dislocated Worker	17.260		29,016
Total Workforce Investment Act Cluster			<u>301,075</u>
One-Stop Career Incentive	17.257		<u>20,891</u>
Total Department of Labor			<u>321,966</u>
UNITED STATES OF FEDERAL EMERGENCY MANAGEMENT DISASTER ASSISTANCE			
<i>Passed through Ohio Emergency Management Agency</i>			
Emergency Management Performance Grant	83.552		22,847
Terrorism Consequence Management Preparedness Assistance	83.552		2,355
Total Federal Emergency Management Disaster Assistance			<u>25,202</u>

(Continued)

FULTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
 JANUARY 1, 2002 THROUGH DECEMBER 31, 2002
 (Continued)

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Files	Federal CFDA Number	Project Number	Disburse- ments
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Passed through the Ohio Emergency Management Agency</i>			
Fiscal Year 2001 State Domestic Preparedness Equipment Program	16.007		41,044
Total Department of Justice			41,044
UNITED STATES DEPARTMENT OF TRANSPORTATION, FEDERAL AVIATION ADMINISTRATION			
Fulton County Airport Project, AIR 21 Funding - 01	20.106	3-39-0087-0101	41,474
Fulton County Airport Project, AIR 21 Funding - 02	20.106	3-39-0087-0202	135,035
Total Department of Transportation, Federal Aviation Administration			176,509
TOTAL FEDERAL AWARDS EXPENDITURES			\$1,497,096

The accompanying notes are a integral part of this schedule.

FULTON COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

These loans are collateralized by mortgages, personal guarantees, promissory notes, and/or security agreements. At December 31, 2002, the gross amount of loans outstanding under this program was \$477,498.

NOTE C - MATCHING REQUIREMENTS

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

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**Auditor of State
Betty Montgomery**

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

Fulton County
152 S. Fulton Street, Suite 270
Wauseon, Ohio 43567-3308

To the Board of Commissioners:

We have audited the financial statements of Fulton County as of and for the year ended December 31, 2002, and have issued our report thereon dated July 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the County in a separate letter dated July 17, 2003.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2002 -001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated July 17, 2003.

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

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

Betty Montgomery
Auditor of State

July 17, 2003



**Auditor of State
Betty Montgomery**

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

Fulton County
152 S. Fulton Street, Suite 270
Wauseon, Ohio 43567-3308

To the Board of Commissioners:

Compliance

We have audited the compliance of Fulton County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended July 17, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended July 17, 2003. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 2002-002. We also noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the County in a separate letter dated July 17, 2003.

Internal Control over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report that we have reported to management of the County in a separate letter dated July 17, 2003.

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



Betty Montgomery
Auditor of State

July 17, 2003

FULTON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Workforce Investment Act Cluster (WIA) CFDA 17.258 (Adult) CFDA 17.259 (Youth) CFDA 17.260 (Dislocated Worker) Medical Assistance Program (Medicaid: Title XIX) CFDA 93.778
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2002-001

Reportable Condition - Proprietary Fixed Assets

The County does not maintain fixed asset records detailing the make up of water and sewer lines in the proprietary funds. Ohio Administrative Code § 117-2-02(D)(4)(c) states that all local public offices should maintain fixed asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number.

**FINDING NUMBER 2002-001
 (Continued)**

Failure to properly maintain fixed asset records as described in Ohio Administrative Code § 117-2-02(D)(4)(c) could hinder accurate reporting of future additions, deletions, replacements and depreciation of water and sewer lines.

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

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2002-002
CFDA Title and Number	Workforce Investment Act (WIA) CFDA 17.258 (Adult) CFDA 17.259 (Youth) CFDA 17.260 (Dislocated Worker)
Federal Award Number / Year	January 1, 2002 to December 31, 2002
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Job and Family Services

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

Further, 20 CFR 667.300 (C) (3) states reported expenditures and program income earned, must be on the accrual basis of accounting and cumulative by fiscal year of appropriation. If the recipient's accounting records are not normally kept on the accrual basis of accounting, the recipient must develop accrual information through an analysis of the documentation on hand.

The method used to compile accrual information for expenditure accruals in 2002 did not comply with generally accepted accounting principles.

It is important that the accrual information reported to Ohio Department of Job and Family Services (ODJFS) be accurate because ODJFS aggregates this information with all Ohio Counties and uses this information to report to the federal awarding agency.

We recommend Fulton County Jobs and Family Services (FCJFS) takes steps to correctly report expenditure accrual information in accordance with generally accepted accounting principles. FCJFS should establish a policy that identifies the method for compiling accrual information to ensure consistency in application. Records used for compiling such information should be maintained in detail identifying the source of each accrual/obligation (i.e., voucher number, invoice, and individual training account).

FULTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 OMB CIRCULAR A -133 §.315(b)
 DECEMBER 31, 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-60126-001	ORC § 5705.41(B) Expenditures exceeded appropriations.	Yes	
2001-60126-002	Only accruing current portion of special assessments, not accruing special assessment receivable for the entire amount remaining to be collected on the original levy.	No	Partially corrected. Reported in the management letter.
2001-60126-003	Not maintaining fixed assets records detailing water and sewer lines in proprietary fund.	No	Not corrected. Reissued as finding 2002-001.
2001-60126-004	Workforce Investment Act of 1998 Section 185 (e) to identify program activity in accordance with GAAP.	No	Partially corrected. Reissued as finding 2002-002.



**Auditor of State
Betty Montgomery**

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FINANCIAL CONDITION

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 26, 2003**