



**Auditor of State
Betty Montgomery**

**FINANCIAL CONDITION
FULTON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Fulton County
152 South Fulton Street, Suite 265
Wauseon, Ohio 43567-3310

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fulton County, Ohio (the County), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fulton County, Ohio, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Motor Vehicle and Gas Tax, County Board of Developmental Disabilities (DD), Public Assistance, and EMS Advanced and Basic Life Services funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2006, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Betty Montgomery
Auditor of State

August 28, 2006

**FINANCIAL CONDITION
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

The management's discussion and analysis of Fulton County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- The total net assets of the County increased \$2,558,817. Net assets of governmental activities increased \$1,670,126, which represents a 2.98% increase from fiscal year 2004. Net assets of business-type activities increased \$888,691 or 6.91% from fiscal year 2004.
- General revenues accounted for \$15,097,541 or 48.12% of total governmental activities revenue. Program specific revenues accounted for \$16,273,989 or 51.88% of total governmental activities revenue of \$31,371,530.
- The County had \$29,663,404 in expenses related to governmental activities; \$16,273,989 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$15,097,541 were adequate to provide for these programs.
- The general fund, the County's largest major fund, had revenues and other financing sources of \$10,491,015 in 2005, an increase of \$174,894 or 1.70% from 2004 revenues. The expenditures and other financing uses of the general fund were \$9,833,117 in 2005, decreased \$743,986 or 7.03% from 2004. The increase in revenues and decrease in expenditures contributed to the general fund balance increase of \$657,898 from 2004 to 2005.
- The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,900,157 in 2005. The motor vehicle and gas tax fund had expenditures of \$4,670,717 in 2005. The motor vehicle and gas tax fund balance increased \$229,440 from 2004 to 2005.
- The County Board of Developmental Disabilities (the "County Board of DD"), a County major fund, had revenues of \$3,899,355 in 2005. The County Board of DD had expenditures and other financing uses of \$3,602,253 in 2005. The County Board of DD fund balance increased \$297,102 from 2004 to 2005.
- The Public Assistance fund, a County major fund, had revenues of \$3,505,083 in 2005. The public assistance fund, had expenditures of \$3,352,793 in 2005. The public assistance fund balance increased \$152,290 from 2004 to 2005.
- The Emergency Medical System Advanced and Basic (EMS A&B) Life Services fund, a County major fund, had revenues of \$2,189,915 in 2005. The EMS advanced and basic life services fund had expenditures of \$1,921,025 in 2005. The EMS advanced and basic life services fund balance increased \$268,890 from 2004 to 2005.
- The County had two major enterprise funds. The net assets for the Water enterprise fund increased in 2005 by \$570,207 or 6.27%. Net assets for the Sewer enterprise fund increased in 2005 by \$316,470 or 8.55%.
- In the general fund, the actual revenues came in \$1,787,379 higher than they were originally budgeted and actual expenditures were \$752,798 less than the amount in the original budget. These positive variances are a result of the County's conservative budgeting process.

**FINANCIAL CONDITION
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Using this Basic Financial Statements (BFS)

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

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

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities answer the question, "How did we do financially during 2005?" These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

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

**FINANCIAL CONDITION
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

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

Governmental Funds

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**FINANCIAL CONDITION
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

Government-Wide Financial Analysis

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

The table below provides a summary of the County's net assets for 2005 and 2004. Certain balances in 2004 have been restated due to the retroactive reporting of infrastructure in the governmental activities described in Note 3.B. of the notes to the financial statements.

			Net Assets		2005 Total	2004 Total
	Governmental Activities 2005	Business-type Activities 2005	Restated Governmental Activities 2004	Restated Business-type Activities 2004		
<u>Assets</u>						
Current and other assets	\$ 32,235,862	\$ 3,217,727	\$ 31,234,944	\$ 3,008,151	\$ 35,453,589	\$ 34,243,095
Capital assets, net	<u>37,283,324</u>	<u>20,162,256</u>	<u>36,751,801</u>	<u>20,377,379</u>	<u>57,445,580</u>	<u>57,129,180</u>
Total assets	<u>69,519,186</u>	<u>23,379,983</u>	<u>67,986,745</u>	<u>23,385,530</u>	<u>92,899,169</u>	<u>91,372,275</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	2,958,901	9,261,736	3,209,083	10,241,817	12,220,637	13,450,900
Other liabilities	<u>8,821,607</u>	<u>363,294</u>	<u>8,709,110</u>	<u>277,451</u>	<u>9,184,901</u>	<u>8,986,561</u>
Total liabilities	<u>11,780,508</u>	<u>9,625,030</u>	<u>11,918,193</u>	<u>10,519,268</u>	<u>21,405,538</u>	<u>22,437,461</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	36,810,688	12,313,490	36,244,395	11,156,241	49,124,178	47,400,636
Restricted	16,991,930		16,964,196		16,991,930	16,964,196
Unrestricted	<u>3,936,060</u>	<u>1,441,463</u>	<u>2,859,961</u>	<u>1,710,021</u>	<u>5,377,523</u>	<u>4,569,982</u>
Total net assets	<u>\$ 57,738,678</u>	<u>\$ 13,754,953</u>	<u>\$ 56,068,552</u>	<u>\$ 12,866,262</u>	<u>\$ 71,493,631</u>	<u>\$ 68,934,814</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2005, the County's assets exceeded liabilities by \$71,493,631. This amounts to \$57,738,678 in governmental activities and \$13,754,953 in business-type activities. The County's finances remained strong during 2005.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At year-end, capital assets represented 61.84% of total governmental and business-type assets. Capital assets include land, construction-in-progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2005, were \$49,124,178. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2005, the County is able to report positive balances in all three categories of net assets for the governmental activities and business-type activities.

**FINANCIAL CONDITION
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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A portion of the County's net assets, \$16,991,930 or 23.77%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net assets of \$3,936,060 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal years 2005 and 2004. Certain 2004 amounts have been restated in the governmental activities due to a prior period adjustment detailed in Note 3.B. of the notes to the financial statements and to correct an error that did not affect the net assets of the business-type funds which reclassified revenue as a program revenue to make the comparison consistent with current year reporting.

**FINANCIAL CONDITION
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

	Change in Net Assets						
	Governmental	Business-type	Restated	Restated	2005	2004	
	Activities	Activities	Governmental	Business-type			
2005	2005	Activities	Activities	2004	2004	Total	Total
Revenues							
Program revenues:							
Charges for services and sales	\$ 4,878,789	\$ 2,425,519	\$ 5,055,959	\$ 2,018,015	\$ 7,304,308	\$ 7,073,974	
Operating grants and contributions	10,461,688		11,585,169		10,461,688	11,585,169	
Capital grants and contributions	933,512	1,446,253	-	1,361,753	2,379,765	1,361,753	
Total program revenues	16,273,989	3,871,772	16,641,128	3,379,768	20,145,761	20,512,900	
General revenues:							
Property taxes	7,044,168		6,585,291		7,044,168	6,585,291	
Sales tax	4,370,230		4,626,194		4,370,230	4,626,194	
Unrestricted grants	1,947,136		2,759,507		1,947,136	2,759,507	
Investment earnings	542,904		493,808		542,904	493,808	
Other	1,193,103	-	1,274,179	-	1,193,103	1,274,179	
Total general revenues	15,097,541	-	15,738,979	-	15,097,541	15,738,979	
Total revenues	31,371,530	3,871,772	32,380,107	3,379,768	35,243,302	35,759,875	
Expenses:							
Program Expenses:							
General government	6,817,015		6,558,611		6,817,015	6,558,611	
Public safety	6,065,937		5,849,562		6,065,937	5,849,562	
Public works	4,095,957		3,304,418		4,095,957	3,304,418	
Health	4,776,754		4,564,443		4,776,754	4,564,443	
Human services	5,956,999		6,228,742		5,956,999	6,228,742	
Economic development	943,492		873,039		943,492	873,039	
Other	174,578		41,216		174,578	41,216	
Intergovernmental	749,678		1,075,158		749,678	1,075,158	
Interest and fiscal charges	82,994		75,787		82,994	75,787	
Water		2,496,433		2,296,267	2,496,433	2,296,267	
Sewer		332,430		397,029	332,430	397,029	
Solid waste incinerator	-	192,218	-	186,844	192,218	186,844	
Total expenses	29,663,404	3,021,081	28,570,976	2,880,140	32,684,485	31,451,116	
Transfers	(38,000)	38,000	(72,000)	72,000	-	-	
Change in net assets	1,670,126	888,691	3,737,131	571,628	2,558,817	4,308,759	
Net assets at beginning of year (restated)	56,068,552	12,866,262	52,331,421	12,294,634	68,934,814	64,626,055	
Net assets at end of year	\$ 57,738,678	\$ 13,754,953	\$ 56,068,552	\$ 12,866,262	\$ 71,493,631	\$ 68,934,814	

**FINANCIAL CONDITION
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

Governmental Activities

Governmental net assets increased by \$1,670,126 in 2005 from 2004.

General government represents activities related to the governing body as well as activities that directly support County programs. In 2005, general government expenses totaled \$6,817,015, or 22.98% of total governmental expenses. General government programs were supported by \$2,677,949 in direct charges to users, \$429,184 in operating grants and contributions, and \$604,015 in capital grants and contributions.

The County's largest program is public safety, which primarily supports the operations of the sheriff's department, E-911, Emergency Medical Services, and the EMS Advanced & Basic Life Services. The program accounted for \$6,065,937 of expenses, or 20.45% of total governmental expenses of the County during 2005. These expenses were funded in part by \$746,286 in charges to users of services and \$382,868 in operating grants and contributions in 2005.

The next largest program, human services, accounted for \$5,956,999 or 20.08% of total governmental expenses. Human services programs include the operations of the Public Assistance, County Board of DD, Public Assistance Trust, Child Support Enforcement Agency and the Children Services Board. Human services programs are primarily supported by revenues from charges to users of services, of \$731,834, and operating grants and contributions of \$4,216,191.

Operating grants and contributions were the largest type of program revenue. The state and federal government contributed revenues of \$10,461,688 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$4,216,191, or 40.30%, subsidized human services programs, \$4,415,535 or 42.21%, subsidized public works programs, and \$382,868, or 3.66%, subsidized public safety programs. Another type of program revenue is direct charges to users of governmental activities, made up \$4,878,789 or 15.55% of total governmental revenues. These charges for services and sales include fees for charges for services, licenses and permits, and fines and forfeitures related to judicial activities, and rental income.

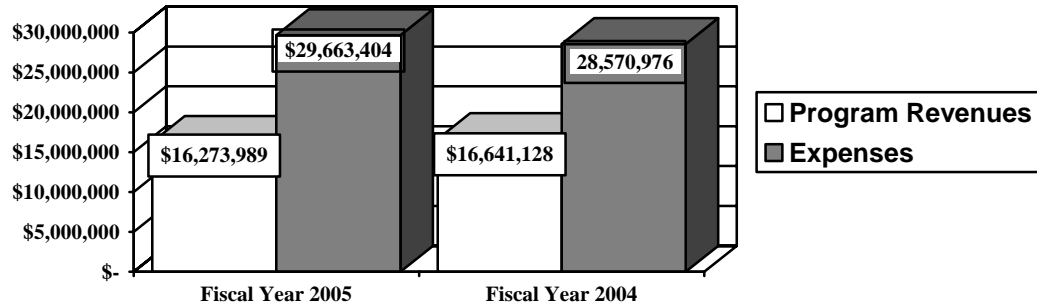
General revenues totaled \$15,097,541, and amounted to 48.12% of total revenues. These revenues primarily consist of property and sales tax revenue of \$11,414,398, or 75.60% of total general revenues in 2005. Property taxes increased by 6.97% during 2005. Sales tax decreased 5.53% in 2005. The other primary source of general revenues is grants and entitlements not restricted to specific programs which include local government revenue. Interest earnings, which were \$542,904, increased by \$49,096, or 9.94%, due to slight increases in interest rates from 2004 earned by the County.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2005. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

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

Governmental Activities – Program Revenues vs. Total Expenses



Governmental Activities

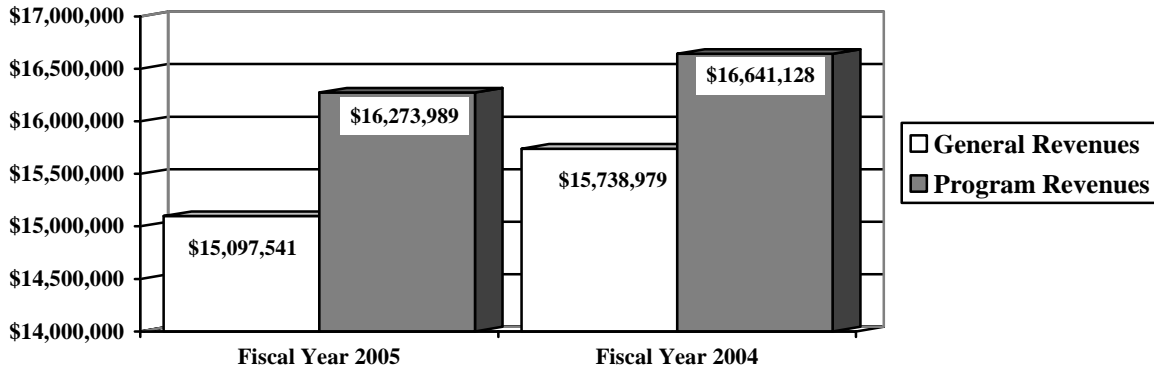
	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Program Expenses:				
General government	\$ 6,817,015	\$ 3,105,867	\$ 6,558,611	\$ 3,940,447
Public safety	6,065,937	4,936,783	5,849,562	4,572,035
Public works	4,095,957	(882,135)	3,304,418	(868,014)
Health	4,776,754	3,391,989	4,564,443	3,490,257
Human services	5,956,999	1,008,974	6,228,742	(158,578)
Economic development and assistance	943,492	821,240	873,039	(159,438)
Other	174,578	174,025	41,216	39,599
Intergovernmental	749,678	749,678	1,075,158	997,753
Interest and fiscal charges	82,994	82,994	75,787	75,787
Total	\$ 29,663,404	\$ 13,389,415	\$ 28,570,976	\$ 11,929,848

The dependence upon general revenues for governmental activities is apparent; with 45.14% expenses supported through taxes and other general revenues during 2005.

**FINANCIAL CONDITION
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

Governmental Activities - General and Program Revenues



Business-Type Activities

The Water and Sewer funds are the County's two major enterprise funds. These programs had revenues of \$3,715,540 and expenses of \$2,828,863 for fiscal year 2005. The net assets of these programs increased \$886,677 or 6.54% from 2004. During 2005, these funds received \$1,446,253 in capital contributions.

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The County's governmental funds reported a combined fund balance of \$17,903,881, which is \$1,491,768 above last year's total of \$16,412,113. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2005 and December 31, 2004, for all major and nonmajor governmental funds.

**FINANCIAL CONDITION
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

	<u>Fund Balance</u> <u>December 31, 2005</u>	<u>Fund Balance</u> <u>December 31, 2004</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 4,822,413	\$ 4,164,515	\$ 657,898
Motor Vehicle and Gas Tax	3,546,209	3,316,769	229,440
County Board of MRDD	1,232,899	935,797	297,102
Public Assistance	1,082,713	930,423	152,290
EMS A & B Life Services	1,665,455	1,396,565	268,890
Other Nonmajor Governmental Funds	<u>5,554,192</u>	<u>5,668,044</u>	<u>(113,852)</u>
Total	<u>\$ 17,903,881</u>	<u>\$ 16,412,113</u>	<u>\$ 1,491,768</u>

General Fund

The general fund is the operating fund of the County. At the end of the fiscal year, the fund balance of the general fund was \$4,822,413, a 15.80% increase from 2004.

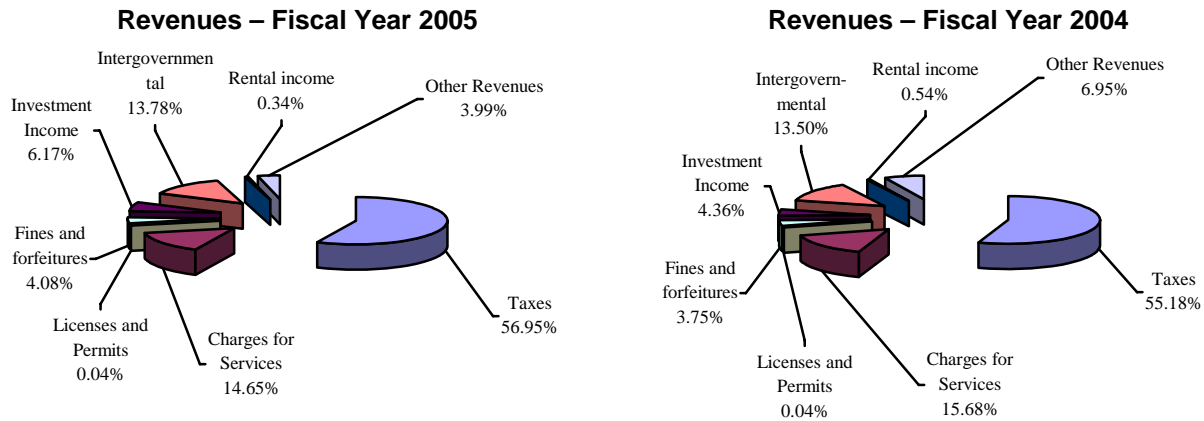
The table that follows assists in illustrating the revenues of the general fund.

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 5,646,448	\$ 5,532,379	2.06 %
Charges for services	1,453,129	1,571,364	(7.52) %
Licenses and permits	3,649	3,828	(4.68) %
Fines and forfeitures	404,603	375,480	7.76 %
Intergovernmental	1,366,257	1,353,765	0.92 %
Investment income	611,294	436,778	39.96 %
Rental income	33,907	54,607	(37.91) %
Other	<u>395,674</u>	<u>696,362</u>	(43.18) %
Total	<u>\$ 9,914,961</u>	<u>\$ 10,024,563</u>	(1.09) %

Tax revenue represents 56.95% of all general fund revenue. Tax revenue increased slightly by 2.06% above the prior year. The decrease in charges for services revenue is primarily due to less fees collected by the recorder's office. The decrease in rental income is due to the collection of delinquent rental payments in 2004. The decrease in other revenue is primarily due to an increase in reimbursements received during 2004 coupled with a decrease in activity related to segregated bank accounts of the following departments: recorder's office, prosecuting attorney, clerk of courts, probate court and juvenile court and probation. All other revenue remained comparable to 2004.

**FINANCIAL CONDITION
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**



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

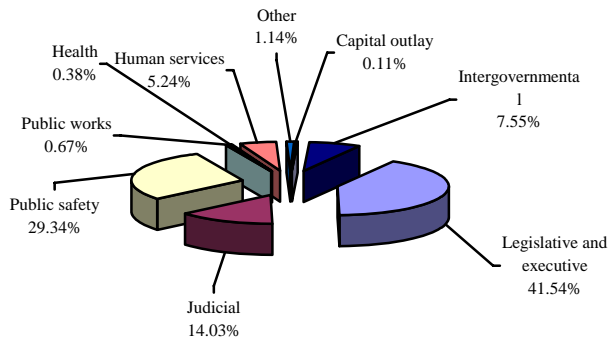
	<u>2005 Amount</u>	<u>2004 Amount</u>	<u>Percentage Change</u>
<u>Expenditures</u>			
General government			
Legislative and executive	\$ 3,978,783	\$ 3,945,493	0.84 %
Judicial	1,343,792	1,312,583	2.38 %
Public safety	2,811,383	3,038,143	(7.46) %
Public works	63,876	89,272	(28.45) %
Health	36,369	45,271	(19.66) %
Human services	502,434	687,459	(26.91) %
Other	109,685	3,683	2,878.14 %
Capital outlay	10,930	136,473	(91.99) %
Intergovernmental	723,831	1,027,852	(29.58) %
Total	<u>\$ 9,581,083</u>	<u>\$ 10,286,229</u>	(6.86) %

The most significant increases were in the area of other expenditures. Human services expenditures relate to the following services: county home, children services, soldier's relief, and veteran's services. These services saw an overall decrease in contractual services related expenditures in 2004. The decrease in intergovernmental expenditures is attributable to decreases in matching funds related to grants. The most significant decreases occurred in the public works, health, and capital outlay expenditures. These were primarily due to budget cuts by the County. All other expenditures remained comparable to 2004.

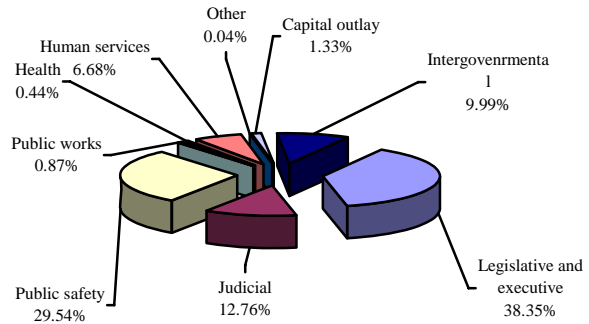
**FINANCIAL CONDITION
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Expenditures – Fiscal Year 2005



Expenditures – Fiscal Year 2004



Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,900,157 in 2005. The motor vehicle and gas tax fund had expenditures of \$4,670,717 in 2005. The motor vehicle and gas tax fund balance increased \$229,440 from 2004 to 2005. The increase is primarily due to the increase in revenues.

County Board of Developmental Disabilities (County Board of DD)

The County Board of DD, a County major fund, had revenues of \$3,899,355 in 2005. The County Board of DD had expenditures and other financing uses of \$3,602,253 in 2005. The County Board of DD fund balance increased \$297,102 from 2004 to 2005. The increase is primarily due to increasing revenues still being greater than increased expenditures.

Public Assistance Fund

The public assistance fund, a County major fund, had revenues of \$3,505,083 in 2005. The public assistance fund, had expenditures of \$3,352,793 in 2005. The public assistance fund balance increased \$152,290 from 2004 to 2005. The increase is primarily due to a decrease in expenditures.

EMS Advanced and Basic Life Services Fund

The EMS advanced and basic life services fund, a County major fund, had revenues of \$2,189,915 in 2005. The EMS advanced and basic life services fund had expenditures of \$1,921,025 in 2005. The EMS advanced and basic life services fund balance increased \$268,890 from 2004 to 2005. This increase is primarily due to decreasing revenues still being more than increased expenditures.

Budgeting Highlights

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

**FINANCIAL CONDITION
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Budgetary information is presented for the general fund, County Board of DD, motor vehicle and gas tax, public assistance and EMS advanced and basic life services. In the general fund, there were no significant changes between the original and final budget. Actual revenues and other financing sources of \$11,309,085 exceeded final budgeted revenues and other financing sources by \$1,787,379. This increase is due to the County's conservative approach to budgeting. The difference between the final budgeted appropriations and actual expenditures and other financing uses was \$769,918.

Actual revenues for the motor vehicle and gas tax were more than final budgeted revenues by \$539,821 while actual expenditures were \$1,264,279 lower than final budgeted expenditures. Actual revenues for the County Board of DD were more than final budgeted revenues by \$622,542 while actual expenditures were \$91,918 lower than final budgeted expenditures. Actual revenues for public assistance were lower than final budgeted revenues by \$811,318 while actual expenditures were \$449,881 lower than final budgeted expenditures. Actual revenues for EMS advanced and basic life services were more than final budgeted revenues by \$76,250 while actual expenditures were \$7,443 lower than final budgeted expenditures.

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

At the end of 2005, the County had \$57,445,580 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction-in-progress, and infrastructure. Of this total, \$37,283,324 was reported in governmental activities and \$20,162,256 was reported in business-type activities, see Note 10 to the basic financial statements for detail. The 2004 balances have been restated as described in Note 3.B. in the notes to the financial statements. The following table shows fiscal 2005 balances compared to 2004:

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

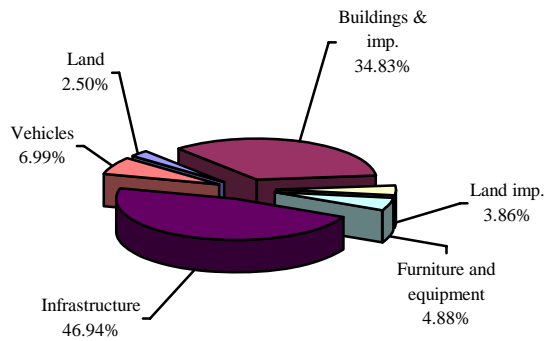
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2005	Restated 2004	2005	Restated 2004	2005	Restated 2004
Land	\$ 931,322	\$ 931,322	\$ -	\$ -	\$ 931,322	\$ 931,322
Construction-in-progress	-	182,571				182,571
Land improvements	1,440,667	1,306,960			1,440,667	1,306,960
Building and improvements	12,987,472	13,529,669	31,238	32,973	13,018,710	13,562,642
Furniture and equipment	1,818,640	1,566,728	29,659	6,728	1,848,299	1,573,456
Vehicles	2,605,016	2,519,002			2,605,016	2,519,002
Infrastructure	17,500,207	16,715,549			17,500,207	16,715,549
Water/sewer lines	-	-	20,101,359	20,337,678	20,101,359	20,337,678
Total	\$ 37,283,324	\$ 36,751,801	\$ 20,162,256	\$ 20,377,379	\$ 57,445,580	\$ 57,129,180

**FINANCIAL CONDITION
FULTON COUNTY**

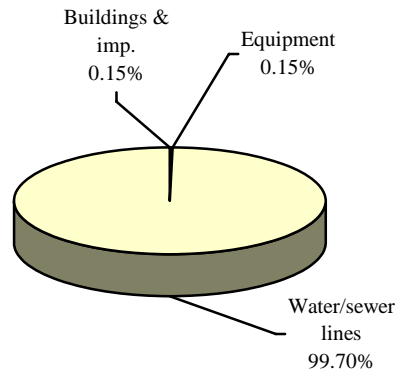
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The following graphs show the breakdown of governmental and business-type activities capital assets by category for 2005 and 2004.

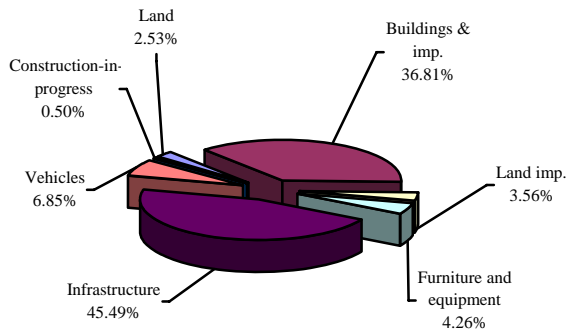
Capital Assets - Governmental Activities 2005



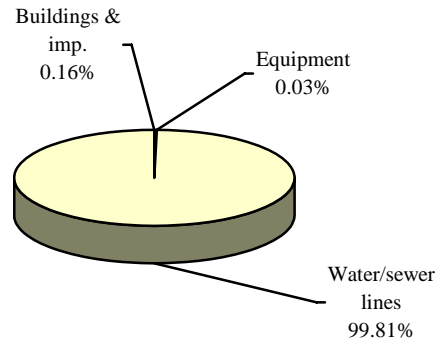
Capital Assets - Business-Type Activities 2005



Capital Assets - Governmental Activities 2004



Capital Assets - Business-Type Activities 2004



**FINANCIAL CONDITION
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Debt Administration

The County had the following long-term obligations outstanding at December 31, 2005 and 2004:

	Governmental Activities 2005	Governmental Activities 2004
	<u>2005</u>	<u>2004</u>
OWDA loans	\$ 911,080	\$ 1,018,975
Special assessment bonds	348,893	396,197
General obligation notes	297,766	315,932
General obligation bonds	174,753	190,000
Landfill closure/postclosure	450,188	506,692
Capital lease obligations	<u>118</u>	<u>1,474</u>
Total long-term obligations	<u>\$ 2,182,798</u>	<u>\$ 2,429,270</u>
	Business-Type Activities 2005	Business-Type Activities 2004
	<u>2005</u>	<u>2004</u>
OWDA loans	\$ 8,256,677	\$ 9,178,163
Special assessment bonds	700,766	745,000
Loan payable	<u>289,359</u>	<u>300,864</u>
Total long-term obligations	<u>\$ 9,246,802</u>	<u>\$10,224,027</u>

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

Economic Factors and Next Year's General Fund Budget Outlook

The County's Administration considered the impact of various economic factors when establishing the fiscal year 2006 budget. Despite the uncertainty surrounding the economy, the County continues to carefully monitor its primary sources of revenue—real estate taxes, local sales taxes, local government funds and interest income. In order to stabilize the impact of the fluctuations in these revenue sources, the County continues to pursue economic development and job creation; and adoption of a budget designed to promote long-term fiscal stability. In order to meet the objectives of the 2006 budget, the County emphasized various efforts to continue to contain costs while pursuing new sources of revenue.

Budgeted revenues and other financing sources in the general fund for fiscal year 2006 are \$10,061,442, an increase of \$700,517 or 7% from final 2005 budgeted revenues and other financing sources of \$9,521,706. The 2006 general fund budget is \$11,657,903 as compared with the 2005 general fund budget of \$11,064,601. The effort to reduce costs in 2005 resulted in an unencumbered carryover balance at December 31, 2005, of \$3,351,215 as compared to an unencumbered carryover balance at December 31, 2004, of \$2,282,584. The amount of carryover will be important in light of the state FY06-07 budget bill and proposed cuts in funding to local governments effective with fiscal year 2006. Another factor that is affecting the County budget across all funds is the rising health care cost issue. The County is estimating a 20% increase in health care costs for fiscal year 2007.

**FINANCIAL CONDITION
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The passage of the state budget bill, House Bill 66, in July of 2005, is predicted to have a significant impact on the 2006 and 2007 county budgets. The anticipated cuts in the Local Government Fund, the phase out of the tangible personal property tax, the uncertainty in the collection and application of the Commercial Activity Tax (CAT) and other changes in the taxing structure of the State, will cause an estimated 12% overall reduction in revenues for the General Fund.

The average unemployment rate for Fulton County in 2005 was 6.1%, which reflects a slight decrease from 2004. Fulton County ranks slightly higher than the state average of 5.9%. Efforts in the area of economic development are predicted to have positive results in 2006 with the addition of jobs in Fulton County. The strongest growth area in 2006 is predicted to be in the area of commercial/retail opportunities, while the manufacturing base is remaining steady. Also, new housing growth is remaining steady in the County. The overall economy of the County is anticipated to maintain the current level over the next year.

Contacting the County's Financial Management

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

**FINANCIAL CONDITION
FULTON COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents.	\$ 15,338,837	\$ 2,138,558	\$ 17,477,395
Cash in segregated accounts	337,861	14,024	351,885
Receivables (net of allowances for uncollectibles):			
Sales taxes	622,297		622,297
Real estate and other taxes	7,973,311		7,973,311
Accounts	105,630	149,053	254,683
Due from other governments	6,352,548		6,352,548
Special assessments.	599,067	985,573	1,584,640
Accrued interest.	64,235		64,235
Internal balances.	71,250	(71,250)	
Prepayments.	94,092	1,769	95,861
Materials and supplies inventory	217,373		217,373
Loans receivable.	459,361		459,361
Capital assets:			
Land	931,322		931,322
Depreciable capital assets, net	<u>36,352,002</u>	<u>20,162,256</u>	<u>56,514,258</u>
Total capital assets	<u>37,283,324</u>	<u>20,162,256</u>	<u>57,445,580</u>
 Total assets	 <u>69,519,186</u>	 <u>23,379,983</u>	 <u>92,899,169</u>
Liabilities:			
Accounts payable	501,823	18,003	519,826
Accrued wages and benefits	189,163	4,134	193,297
Due to other governments	119,372	131,702	251,074
Deferred revenue.	7,948,962		7,948,962
Accrued interest payable	20,991	191,341	212,332
Amount to be repaid to claimants	41,296		41,296
Bond anticipation notes payable		18,114	18,114
Long-term liabilities:			
Due within one year	780,412	1,039,439	1,819,851
Due in more than one year	<u>2,178,489</u>	<u>8,222,297</u>	<u>10,400,786</u>
 Total liabilities	 <u>11,780,508</u>	 <u>9,625,030</u>	 <u>21,405,538</u>
Net assets:			
Invested in capital assets, net of related debt	36,810,688	12,313,490	49,124,178
Restricted for:			
Capital projects	809,680		809,680
Public safety	2,837,900		2,837,900
Public works projects.	4,912,648		4,912,648
Human services programs	3,967,389		3,967,389
Health programs	1,771,755		1,771,755
Economic development	1,505,448		1,505,448
Other purposes	1,187,110		1,187,110
Unrestricted	<u>3,936,060</u>	<u>1,441,463</u>	<u>5,377,523</u>
 Total net assets	 <u>\$ 57,738,678</u>	 <u>\$ 13,754,953</u>	 <u>\$ 71,493,631</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Revenues			
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:				
General government:				
Legislative and executive	\$ 5,332,890	\$ 1,998,912	\$ 429,184	\$ 604,015
Judicial	1,484,125	679,037		
Public safety	6,065,937	746,286	382,868	
Public works	4,095,957	233,060	4,415,535	329,497
Health	4,776,754	413,119	971,646	
Human services	5,956,999	731,834	4,216,191	
Economic development and assistance	943,492	75,988	46,264	
Other	174,578	553		
Intergovernmental	749,678			
Interest and fiscal charges	82,994			
Total governmental activities	29,663,404	4,878,789	10,461,688	933,512
Business-Type Activities:				
Water	2,496,433	1,775,076		1,291,564
Sewer	332,430	494,211		154,689
Solid waste incinerator	192,218	156,232		
Total business-type activities	3,021,081	2,425,519		1,446,253
Total primary government	\$ 32,684,485	\$ 7,304,308	\$ 10,461,688	\$ 2,379,765

General Revenues:

Property taxes levied for:

- General fund
- Health - County Board of MRDD
- Health - Senior Center
- Public safety - EMS Advanced and Basic Life Services
- Public safety - EMS
- Public safety - 911
- Sales taxes
- Grants and entitlements not restricted to specific programs
- Investment earnings
- Miscellaneous

Total general revenues

Transfers

Change in net assets

Net assets at beginning of year (restated)

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Primary Government		
Governmental Activities	Business-Type Activity	Total
\$ (2,300,779)	\$ -	\$ (2,300,779)
(805,088)		(805,088)
(4,936,783)		(4,936,783)
882,135		882,135
(3,391,989)		(3,391,989)
(1,008,974)		(1,008,974)
(821,240)		(821,240)
(174,025)		(174,025)
(749,678)		(749,678)
(82,994)		(82,994)
<u>(13,389,415)</u>		<u>(13,389,415)</u>
	570,207	570,207
	316,470	316,470
	(35,986)	(35,986)
	<u>850,691</u>	<u>850,691</u>
<u>(13,389,415)</u>	<u>850,691</u>	<u>(12,538,724)</u>
1,587,762		1,587,762
2,431,041		2,431,041
873,846		873,846
1,451,797		1,451,797
341,142		341,142
358,580		358,580
4,370,230		4,370,230
1,947,136		1,947,136
542,904		542,904
1,193,103		1,193,103
<u>15,097,541</u>		<u>15,097,541</u>
<u>(38,000)</u>	<u>38,000</u>	
1,670,126	888,691	2,558,817
<u>56,068,552</u>	<u>12,866,262</u>	<u>68,934,814</u>
<u>\$ 57,738,678</u>	<u>\$ 13,754,953</u>	<u>\$ 71,493,631</u>

**FINANCIAL CONDITION
FULTON COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of DD</u>	<u>Public Assistance</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 3,516,571	\$ 2,682,620	\$ 1,350,191	\$ 1,090,302
Cash in segregated accounts	68,362			
Receivables (net of allowance for uncollectibles):				
Sales taxes	622,297			
Property taxes	1,583,280		3,059,343	
Accounts	58,664	52	1,237	
Special assessments				
Due from other funds	79,847			18,920
Due from other governments	654,435	2,279,272	294,058	1,639,144
Accrued interest	64,235			
Interfund loan receivable	71,883			
Advances to other funds	192,851			
Prepayments	53,829	9,209	5,058	5,273
Materials and supplies inventory	66,650	109,160	3,111	22,755
Loans receivable				
Total assets	<u>\$ 7,032,904</u>	<u>\$ 5,080,313</u>	<u>\$ 4,712,998</u>	<u>\$ 2,776,394</u>
Liabilities:				
Accounts payable	\$ 90,722	\$ 49,420	\$ 66,659	\$ 108,450
Accrued wages and benefits	68,380	19,641	41,578	23,340
Due to other funds				17,553
Due to other governments	36,356	11,330	18,461	35,795
Interfund loan payable				
Advances from other funds				
Deferred revenue	1,973,737	1,453,713	3,353,401	1,508,543
Amount to be repaid to claimants	41,296			
Total liabilities	<u>2,210,491</u>	<u>1,534,104</u>	<u>3,480,099</u>	<u>1,693,681</u>
Fund Balances:				
Reserved for encumbrances	66,917	96,048	25,226	167,856
Reserved for prepayments	53,829	9,209	5,058	5,273
Reserved for materials and supplies inventory	66,650	109,160	3,111	22,755
Reserved for advances	192,851			
Reserved for loans				
Reserved for unclaimed monies	33,322			
Unreserved:				
Designated for budget stabilization	500,000			
Undesignated, reported in:				
General fund	3,908,844			
Special revenue funds		3,331,792	1,199,504	886,829
Debt service fund				
Capital projects funds				
Total fund balances	<u>4,822,413</u>	<u>3,546,209</u>	<u>1,232,899</u>	<u>1,082,713</u>
Total liabilities and fund balances	<u>\$ 7,032,904</u>	<u>\$ 5,080,313</u>	<u>\$ 4,712,998</u>	<u>\$ 2,776,394</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EMS A & B Life Services	Other Governmental Funds	Total Governmental Funds
\$ 1,656,186	\$ 5,019,313 269,499	\$ 15,315,183 337,861
		622,297
1,583,353	1,747,335	7,973,311
12,183	33,494	105,630
	599,067	599,067
	2,953	101,720
66,623	1,419,016	6,352,548
		64,235
		71,883
		192,851
	20,723	94,092
	15,373	217,049
	459,361	459,361
<u>\$ 3,318,345</u>	<u>\$ 9,586,134</u>	<u>\$ 32,507,088</u>
\$ 2,914	\$ 183,248	\$ 501,413
	34,831	187,770
	84,167	101,720
	16,831	118,773
	633	633
	192,851	192,851
1,649,976	3,519,381	13,458,751
		41,296
<u>1,652,890</u>	<u>4,031,942</u>	<u>14,603,207</u>
		892,524
20,000	516,477	94,092
	20,723	217,049
	15,373	192,851
	459,361	459,361
		33,322
		500,000
		3,908,844
1,645,455	4,060,153	11,123,733
	36,198	36,198
	445,907	445,907
<u>1,665,455</u>	<u>5,554,192</u>	<u>17,903,881</u>
<u>\$ 3,318,345</u>	<u>\$ 9,586,134</u>	<u>\$ 32,507,088</u>

**FINANCIAL CONDITION
FULTON COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2005

Total governmental fund balances \$ 17,903,881

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 37,280,212

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Property taxes	\$ 24,349
Special assessments	599,067
Interest revenue	13,684
Intergovernmental revenues	<u>4,872,689</u>

Total 5,509,789

In the statement of activities interest is accrued on outstanding loans, notes and bonds whereas in governmental funds, interest expenditures are reported when due. (20,991)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

OWDA loans	(911,080)
Special assessment bonds	(348,893)
General obligation notes	(297,766)
General obligation bonds	(174,753)
Compensated absences	(766,578)
Capital leases payable	(118)
Landfill closure/postclosure	<u>(450,188)</u>

Total (2,949,376)

The internal service fund is used by management to charge the costs of the geographic information systems services to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.

15,163

Net assets of governmental activities \$ 57,738,678

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**FINANCIAL CONDITION
FULTON COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Motor Vehicle and Gas Tax	County Board of DD	Public Assistance
Revenues:				
Property taxes	\$ 1,589,996		\$ 2,436,905	
Sales taxes	4,056,452	\$ 514,213		
Charges for services.	1,453,129	146,076	213,620	
Licenses and permits	3,649			
Fines and forfeitures.	404,603	82,504		
Intergovernmental	1,366,257	4,094,503	1,114,227	\$ 3,325,953
Special assessments				
Investment income.	611,294	32,229		
Rental income	33,907			
Other.	395,674	30,632	134,603	179,130
Total revenues	9,914,961	4,900,157	3,899,355	3,505,083
Expenditures:				
Current:				
General government:				
Legislative and executive	3,978,783			
Judicial	1,343,792			
Public safety.	2,811,383			
Public works.	63,876	4,670,717		
Health	36,369			
Human services	502,434		3,577,733	3,352,793
Economic development and assistance				
Other	109,685			
Capital outlay	10,930			
Intergovernmental	723,831			
Debt service:				
Principal retirement				
Interest and fiscal charges				
Total expenditures	9,581,083	4,670,717	3,577,733	3,352,793
Excess of revenues over expenditures	333,878	229,440	321,622	152,290
Other financing sources (uses):				
Sale of capital assets	20,951			
Issuance of bonds				
Transfers in	555,103			
Transfers out.	(252,034)		(24,520)	
Total other financing sources (uses).	324,020		(24,520)	
Net change in fund balances.	657,898	229,440	297,102	152,290
Fund balances at beginning of year	4,164,515	3,316,769	935,797	930,423
Fund balances at end of year	\$ 4,822,413	\$ 3,546,209	\$ 1,232,899	\$ 1,082,713

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>EMS A & B Life Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,448,858	\$ 1,575,167	\$ 7,050,926
542,228	1,952,619	4,570,665
	2,919	4,307,672
	32,222	6,568
152,225	3,267,438	519,329
	303,881	13,320,603
	14,963	303,881
		658,486
		33,907
46,604	417,773	1,204,416
<u>2,189,915</u>	<u>7,566,982</u>	<u>31,976,453</u>
	1,016,729	4,995,512
	75,902	1,419,694
1,921,025	1,267,442	5,999,850
	173,958	4,908,551
	1,056,839	1,093,208
	1,940,386	9,373,346
	947,258	947,258
	715	110,400
	610,940	621,870
		723,831
	208,948	208,948
	84,148	84,148
<u>1,921,025</u>	<u>7,383,265</u>	<u>30,486,616</u>
<u>268,890</u>	<u>183,717</u>	<u>1,489,837</u>
		20,951
	18,980	18,980
	283,408	838,511
	(599,957)	(876,511)
	<u>(297,569)</u>	<u>1,931</u>
268,890	(113,852)	1,491,768
1,396,565	5,668,044	16,412,113
<u>\$ 1,665,455</u>	<u>\$ 5,554,192</u>	<u>\$ 17,903,881</u>

**FINANCIAL CONDITION
FULTON COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Net change in fund balances - total governmental funds \$ 1,491,768

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

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

Capital asset additions	\$	2,982,656	
Current year depreciation		<u>(2,408,710)</u>	
Total			573,946

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (38,124)

Proceeds of bonds are other financing sources in the governmental funds, but increase liabilities in governmental activities. (18,980)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (604,923)

Repayment of bond, loan, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 208,948

Governmental funds report revenue for grants and capital outlay expense for improvements related to the landfill. However, on the statement of net assets these revenues increase and the capital outlays decrease the long-term liability for the closure and postclosure cost. 56,504

In the statement of activities, interest is accrued on outstanding outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due. 1,154

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (440)

The internal service fund used by management to charge the costs of geographic information systems services to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 273

Change in net assets of governmental activities \$ 1,670,126

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 1,411,000	\$ 1,411,000	\$ 1,604,755	\$ 193,755
Sales taxes	3,900,000	3,900,000	4,075,902	175,902
Charges for services	1,384,300	1,384,300	1,497,595	113,295
Licenses and permits	2,500	2,500	3,649	1,149
Fines and forfeitures	300,000	300,000	435,847	135,847
Intergovernmental	1,475,000	1,475,000	1,361,537	(113,463)
Investment income	326,075	326,075	646,119	320,044
Rental income	50,000	50,000	33,907	(16,093)
Other	557,017	557,017	580,543	23,526
Total revenues	<u>9,405,892</u>	<u>9,405,892</u>	<u>10,239,854</u>	<u>833,962</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	4,056,849	4,373,256	4,124,012	249,244
Judicial	1,358,938	1,444,033	1,359,746	84,287
Public safety	3,205,270	3,043,407	2,871,234	172,173
Public works	60,376	68,376	62,778	5,598
Health	94,699	53,665	36,740	16,925
Human services	846,532	831,532	694,687	136,845
Other	490,517	100,423	41,584	58,839
Capital outlay	100,000	28,750	10,930	17,820
Intergovernmental	922,018	752,018	723,831	28,187
Total expenditures	<u>11,135,199</u>	<u>10,695,460</u>	<u>9,925,542</u>	<u>769,918</u>
Excess of revenues over (under) expenditures	<u>(1,729,307)</u>	<u>(1,289,568)</u>	<u>314,312</u>	<u>1,603,880</u>
Other financing sources (uses):				
Sale of capital assets	4,000	4,000	20,951	16,951
Transfers in	111,814	111,814	376,070	264,256
Advances in			672,210	672,210
Transfers out		(369,141)	(369,141)	
Advances out		(87,718)	(87,718)	
Total other financing sources (uses)	<u>115,814</u>	<u>(341,045)</u>	<u>612,372</u>	<u>953,417</u>
Net change in fund balance	(1,613,493)	(1,630,613)	926,684	2,557,297
Fund balance at beginning of year	2,282,584	2,282,584	2,282,584	
Prior year encumbrances appropriated	141,947	141,947	141,947	
Fund balance at end of year	<u>\$ 811,038</u>	<u>\$ 793,918</u>	<u>\$ 3,351,215</u>	<u>\$ 2,557,297</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MOTOR VEHICLE AND GAS TAX
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Revenues:				
Sales taxes	\$ 500,000	\$ 500,000	\$ 514,213	\$ 14,213
Charges for services.	3,728	3,728	146,096	142,368
Fines and forfeitures	60,000	60,000	88,275	28,275
Intergovernmental.	3,200,000	3,200,000	3,751,653	551,653
Investment income			32,229	32,229
Other	100,000	100,000	31,184	(68,816)
Total revenues.	3,863,728	3,863,728	4,563,650	699,922
Expenditures:				
Current:				
Public works	6,200,294	6,200,294	4,936,015	1,264,279
Total expenditures.	6,200,294	6,200,294	4,936,015	1,264,279
Excess of revenues over (under) expenditures.	(2,336,566)	(2,336,566)	(372,365)	1,964,201
Other financing sources:				
Transfers in	300,000	300,000	139,899	(160,101)
Total other financing sources	300,000	300,000	139,899	(160,101)
Net change in fund balance	(2,036,566)	(2,036,566)	(232,466)	1,804,100
Fund balance at beginning of year	2,662,074	2,662,074	2,662,074	
Prior year encumbrances appropriated	113,488	113,488	113,488	
Fund balance at end of year	\$ 738,996	\$ 738,996	\$ 2,543,096	\$ 1,804,100

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
COUNTY BOARD OF DEVELOPMENTAL DISABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes.	\$ 2,270,000	\$ 2,270,000	\$ 2,439,042	\$ 169,042
Charges for services.	177,000	177,000	213,620	36,620
Intergovernmental.	764,771	764,771	1,114,227	349,456
Other	71,400	71,400	138,824	67,424
Total revenues.	<u>3,283,171</u>	<u>3,283,171</u>	<u>3,905,713</u>	<u>622,542</u>
Expenditures:				
Current:				
Human services.	3,768,022	3,741,502	3,649,584	91,918
Total expenditures.	<u>3,768,022</u>	<u>3,741,502</u>	<u>3,649,584</u>	<u>91,918</u>
Excess of revenues over (under) expenditures	<u>(484,851)</u>	<u>(458,331)</u>	<u>256,129</u>	<u>714,460</u>
Other financing uses:				
Transfers out.		(24,520)	(24,520)	
Total other financing uses		<u>(24,520)</u>	<u>(24,520)</u>	
Net change in fund balance.	(484,851)	(482,851)	231,609	714,460
Fund balance at beginning of year	862,429	862,429	862,429	
Prior year encumbrances appropriated	<u>75,761</u>	<u>75,761</u>	<u>75,761</u>	
Fund balance at end of year	<u>\$ 453,339</u>	<u>\$ 455,339</u>	<u>\$ 1,169,799</u>	<u>\$ 714,460</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PUBLIC ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ 4,117,211	\$ 4,117,211	\$ 3,357,486	\$ (759,725)
Other.	190,104	190,104	138,511	(51,593)
Total revenues	<u>4,307,315</u>	<u>4,307,315</u>	<u>3,495,997</u>	<u>(811,318)</u>
Expenditures:				
Current:				
Human services	3,869,045	3,995,234	3,545,353	449,881
Total expenditures	<u>3,869,045</u>	<u>3,995,234</u>	<u>3,545,353</u>	<u>449,881</u>
Net change in fund balance.	438,270	312,081	(49,356)	(361,437)
Fund balance at beginning of year	663,065	663,065	663,065	
Prior year encumbrances appropriated . . .	<u>166,876</u>	<u>166,876</u>	<u>166,876</u>	
Fund balance at end of year	<u><u>\$ 1,268,211</u></u>	<u><u>\$ 1,142,022</u></u>	<u><u>\$ 780,585</u></u>	<u><u>\$ (361,437)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
EMS ADVANCED AND BASIC LIFE SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 1,467,500	\$ 1,467,500	\$ 1,457,686	\$ (9,814)
Charges for services	561,500	561,500	618,694	57,194
Intergovernmental	136,500	136,500	152,225	15,725
Other	34,500	34,500	47,645	13,145
Total revenues	<u>2,200,000</u>	<u>2,200,000</u>	<u>2,276,250</u>	<u>76,250</u>
Expenditures:				
Current:				
Public safety	1,904,702	2,010,016	2,002,573	7,443
Total expenditures	<u>1,904,702</u>	<u>2,010,016</u>	<u>2,002,573</u>	<u>7,443</u>
Net change in fund balance	295,298	189,984	273,677	83,693
Fund balance at beginning of year	1,078,608	1,078,608	1,078,608	
Prior year encumbrances appropriated	<u>233,773</u>	<u>233,773</u>	<u>233,773</u>	
Fund balance at end of year	<u>\$ 1,607,679</u>	<u>\$ 1,502,365</u>	<u>\$ 1,586,058</u>	<u>\$ 83,693</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2005**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Nonmajor Fund	Total	
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 1,739,766	\$ 371,931	\$ 26,861	\$ 2,138,558	\$ 23,654
Cash in segregated accounts	5,267	5,267	3,490	14,024	
Receivables (net of allowance for uncollectibles):					
Accounts	131,372	16,243	1,438	149,053	
Special assessments	230,350	755,223		985,573	
Prepayments	483	536	750	1,769	
Materials and supplies inventory					324
Total current assets	2,107,238	1,149,200	32,539	3,288,977	23,978
Noncurrent assets:					
Capital assets:					
Depreciable capital assets, net	15,526,896	4,574,463	60,897	20,162,256	3,112
Total capital assets	15,526,896	4,574,463	60,897	20,162,256	3,112
Total noncurrent assets	15,526,896	4,574,463	60,897	20,162,256	3,112
Total assets	17,634,134	5,723,663	93,436	23,451,233	27,090
Liabilities:					
Current liabilities:					
Accounts payable	1,989	4,713	11,301	18,003	410
Accrued wages and benefits	1,276	1,275	1,583	4,134	1,393
Compensated absences	3,200	3,199	1,017	7,416	4,113
Interfund loans payable		71,250		71,250	
Due to other governments	130,306	618	778	131,702	599
Accrued interest payable	168,884	22,457		191,341	
Current portion of loan payable	11,898			11,898	
Current portion of special assessment bonds payable	20,000	24,446		44,446	
Current portion of OWDA loans payable	834,943	140,736		975,679	
Bond anticipation notes	18,114			18,114	
Total current liabilities	1,190,610	268,694	14,679	1,473,983	6,515
Long-term liabilities:					
Compensated absences	1,258	1,258	5,002	7,518	5,412
Loan payable	277,461			277,461	
Special assessment bonds payable	160,000	496,320		656,320	
OWDA loans payable	6,341,037	939,961		7,280,998	
Total long-term liabilities	6,779,756	1,437,539	5,002	8,222,297	5,412
Total liabilities	7,970,366	1,706,233	19,681	9,696,280	11,927
Net assets:					
Invested in capital assets	8,941,593	3,311,000	60,897	12,313,490	3,112
Unrestricted	722,175	706,430	12,858	1,441,463	12,051
Total net assets	\$ 9,663,768	\$ 4,017,430	\$ 73,755	\$ 13,754,953	\$ 15,163

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Fund
	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor Fund</u>	<u>Total</u>	
Operating revenues:					
Charges for services	\$ 1,766,113	\$ 485,248	\$ 156,232	\$ 2,407,593	\$ 80,356
Tap-in fees.	8,963	8,963		17,926	
Total operating revenues	<u>1,775,076</u>	<u>494,211</u>	<u>156,232</u>	<u>2,425,519</u>	<u>80,356</u>
Operating expenses:					
Personal services	88,235	88,233	76,637	253,105	72,489
Contract services	1,513,237	26,016	82,803	1,622,056	
Materials and supplies	902	3,787	26,302	30,991	2,616
Depreciation	389,412	138,307	3,954	531,673	4,299
Administrative costs.	1,545	1,545		3,090	512
Other	145,388	5,863	2,522	153,773	167
Total operating expenses.	<u>2,138,719</u>	<u>263,751</u>	<u>192,218</u>	<u>2,594,688</u>	<u>80,083</u>
Operating income (loss)	<u>(363,643)</u>	<u>230,460</u>	<u>(35,986)</u>	<u>(169,169)</u>	<u>273</u>
Nonoperating expenses:					
Interest expense and fiscal charges	<u>(357,714)</u>	<u>(68,679)</u>		<u>(426,393)</u>	
Total nonoperating expenses	<u>(357,714)</u>	<u>(68,679)</u>		<u>(426,393)</u>	
Income (loss) before capital contributions and transfers	(721,357)	161,781	(35,986)	(595,562)	273
Capital contributions	1,291,564	154,689		1,446,253	
Transfers in.			38,000	38,000	
Change in net assets	570,207	316,470	2,014	888,691	273
Net assets at beginning of year (restated).	<u>9,093,561</u>	<u>3,700,960</u>	<u>71,741</u>	<u>12,866,262</u>	<u>14,890</u>
Net assets at end of year.	<u>\$ 9,663,768</u>	<u>\$ 4,017,430</u>	<u>\$ 73,755</u>	<u>\$ 13,754,953</u>	<u>\$ 15,163</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service</u>
	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor Fund</u>	<u>Total</u>	
Cash flows from operating activities:					
Cash received from sales/service charges	\$ 1,777,686	\$ 297,869	\$ 154,987	\$ 2,230,542	\$ 80,426
Cash received from tap-in fees	8,963	8,963		17,926	
Cash payments for personal services	(87,900)	(87,900)	(80,271)	(256,071)	(71,431)
Cash payments for contract services	(1,396,207)	(24,884)	(95,299)	(1,516,390)	
Cash payments for materials and supplies	(643)	(3,535)	(26,302)	(30,480)	(2,940)
Cash payments for administrative costs	(1,516)	(1,516)		(3,032)	(512)
Cash payments for other expenses	(151,367)	(6,067)	(2,622)	(160,056)	(167)
Net cash provided by (used in) operating activities . . .	<u>149,016</u>	<u>182,930</u>	<u>(49,507)</u>	<u>282,439</u>	<u>5,376</u>
Cash flows from noncapital financing activities:					
Cash received from interfund loans		71,250		71,250	
Repayments of interfund loans	(24,043)	(24,043)		(48,086)	
Transfers in			38,000	38,000	
Net cash provided by (used in) noncapital financing activities	<u>(24,043)</u>	<u>47,207</u>	<u>38,000</u>	<u>61,164</u>	
Cash flows from capital and related financing activities:					
Acquisition of capital assets		(155,000)	(25,150)	(180,150)	
Capital contributions	1,155,164	154,689		1,309,853	
Principal retirement on bonds	(20,000)	(24,234)		(44,234)	
Principal retirement on loans	(816,382)	(116,609)		(932,991)	
Principal retirement on notes	(20,000)			(20,000)	
Proceeds of notes	18,114			18,114	
Interest and fiscal charges	(374,283)	(65,992)		(440,275)	
Net cash used in capital and related financing activities	<u>(57,387)</u>	<u>(207,146)</u>	<u>(25,150)</u>	<u>(289,683)</u>	
Net increase (decrease) in cash and cash equivalents	67,586	22,991	(36,657)	53,920	5,376
Cash and cash equivalents at beginning of year	<u>1,677,447</u>	<u>354,207</u>	<u>67,008</u>	<u>2,098,662</u>	<u>18,278</u>
Cash and cash equivalents at end of year	<u>\$ 1,745,033</u>	<u>\$ 377,198</u>	<u>\$ 30,351</u>	<u>\$ 2,152,582</u>	<u>\$ 23,654</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (363,643)	\$ 230,460	\$ (35,986)	\$ (169,169)	\$ 273
Adjustments:					
Depreciation	389,412	138,307	3,954	531,673	4,299
Changes in assets and liabilities:					
Increase in accounts receivable	(19,477)	(16,025)	(1,245)	(36,747)	
Increase in materials and supplies inventory					(324)
Decrease in due from other governments					70
(Increase) decrease in special assessments receivable	31,050	(171,354)		(140,304)	
Increase in prepayments	(483)	(536)	(750)	(1,769)	
Increase (decrease) in accounts payable	(18,203)	1,407	(11,846)	(28,642)	140
Increase in accrued wages and benefits	38	37	86	161	505
Increase in due to other governments	129,802	115	175	130,092	210
Increase (decrease) in compensated absences payable	520	519	(3,895)	(2,856)	203
Net cash provided by (used in) operating activities	<u>\$ 149,016</u>	<u>\$ 182,930</u>	<u>\$ (49,507)</u>	<u>\$ 282,439</u>	<u>\$ 5,376</u>
Non-cash transactions:					
Contributions from developers	\$ 136,400			\$ 136,400	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
FULTON COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2005

		<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$	4,623,737
Cash in segregated accounts		290,201
Receivables:		
Real estate and other taxes.		41,076,593
Due from other governments		2,134,481
Special assessments		9,113,854
Deferred assessments receivable.		1,287,664
		<hr/>
Total assets	\$	<u>58,526,530</u>
 Liabilities:		
Deposits held and due to others.	\$	55,345,800
Due to other governments.		1,893,066
Deferred loan payments.		1,287,664
		<hr/>
Total liabilities	\$	<u>58,526,530</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 1 - DESCRIPTION OF THE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the County have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The County has the option to also apply FASB Statements and Interpretations issued after November 30, 1989, to its business-type activities and enterprise funds, subject to this same limitation. The County has elected not to apply these FASB Statements and Interpretations.

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

A. Reporting Entity

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

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

EXCLUDED POTENTIAL COMPONENT UNITS

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

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

MVPO is governed by a Board consisting of fifteen members. The Board is made up of one County Commissioner from each member county as well as one township representative and one municipal representative for each of the five member counties. The main sources of revenue are fees charged by MVPO to administer CDBG grants and a per capita amount from each county. In 2005, the County paid per capita charges of \$66,207 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.

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

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 2005 were \$738,625. Complete financial statements for the CCNO can be obtained from the CCNO's administrative office on County Road 24 in Stryker, Ohio.

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

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

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, 2005, the County remitted \$226,884 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's 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.

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

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 2005. Grant monies received by the County from the District are reported as a special revenue fund.

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

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

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

NWOJDD is governed and operated by a thirteen member board of trustees consisting of three trustees from each county and one at large member. Revenue sources are from member counties and rental revenue. The County has no ongoing financial responsibility for NWOJDD. The County remitted \$264,484 to NWOJDD in 2005.

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

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

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

B. Basis of Presentation

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

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

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

C. Fund Accounting

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

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

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

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

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

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

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

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

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

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

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

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

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

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

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

D. Measurement Focus

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

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

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

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

E. Basis of Accounting

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

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

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

On a modified accrual basis, revenue from all other nonexchange transactions must also be available before it can be recognized.

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

Deferred 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, 2005, but which were levied to finance 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met also are recorded as deferred revenue.

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

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

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

F. Budgetary Data

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

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

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

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

On or about January 1, the Certificate of Estimated Resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the Budget Commission find the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the original and final amended certificate issued during 2005.

Appropriations - A temporary appropriation resolution to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual Appropriation Resolution must be passed by April 1 of each year for the period January 1 to December 31. The Appropriation Resolution may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The County legally adopted several supplemental appropriations during the year. The original budget and all budgetary amendments and supplemental appropriations necessary during 2005 are included in the original and final budget amounts in the budget-to-actual comparisons.

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

G. Cash and Investments

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

During fiscal year 2005, investments were limited to federal agency securities, nonnegotiable certificates of deposit, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

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

The County has invested funds in STAR Ohio during fiscal year 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission (SEC) as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2005.

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$611,294 which includes \$521,680 assigned from other County funds.

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

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

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

H. Inventories of Materials and Supplies

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

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

I. Capital Assets

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

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

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

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

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

Capitalized interest is amortized on the straight-line method over the estimated useful life of the asset. For 2005, the net interest expense incurred on proprietary fund construction projects was not material.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2005, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the "Vesting" method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at December 31, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

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

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

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

L. Accrued Liabilities and Long-term Obligations

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

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

M. Interfund Transactions

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

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

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

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

N. Fund Balance Reserves and Designations

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

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

O. Operating Revenues and Expenses

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

P. Contributions of Capital

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

Q. Net Assets

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

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

R. Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2005, the County has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the County, however additional note disclosure can be found in Note 4.

B. Prior Period Adjustments

The County has presented a prior period adjustment in order to report the infrastructure in the capital assets of the governmental activities retroactively.

Governmental activities net assets, December 31, 2004	\$ 42,510,653
Retroactive infrastructure adjustment	<u>13,557,899</u>
Governmental activities net assets, December 31, 2004, restated	<u>\$ 56,068,552</u>

The County has presented a prior period adjustment in order to remove infrastructure in the capital assets of the business-type activities no longer owned by the County. This adjustment had the following effect on the Sewer fund's net assets as well as the beginning net assets of the business-type funds.

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

	Sewer Fund	Business-Type Activities
Net assets, December 31, 2004	\$ 4,472,584	\$ 13,637,886
Infrastructure adjustment	(771,624)	(771,624)
Net assets, December 31, 2004, restated	\$ 3,700,960	\$ 12,866,262

C. Deficit Fund Balance

	Deficit
<u>Nonmajor Governmental Funds</u>	
Ditch	\$ 55,913

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

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the County into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the County Commissioners have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.
9. High grade commercial paper for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio.

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

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

A. Cash in Segregated Accounts

At year-end, the County had \$642,086 cash and cash equivalents deposited separate from the County's internal investment pool. This amount is included in the amount of deposits with fiscal institutions below.

B. Deposits with Financial Institutions

At December 31, 2005, the carrying amount of all County deposits was \$14,124,942. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2005, \$13,492,624 of the County's bank balance of \$14,736,095 was exposed to custodial risk as discussed below, while \$1,243,471 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the County's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the County.

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

C. Investments

As of December 31, 2005, the County had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>					
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>25 to 30 months</u>	<u>31 to 36 months</u>
STAR Ohio	\$ 1,694,490	\$ 1,694,490	\$ -	\$ -	\$ -	\$ -	\$ -
FHLMC	2,952,843	2,952,843					
FHLB	3,970,943	1,992,373	978,570	-	-	-	1,000,000
	<u>\$ 8,618,276</u>	<u>\$ 6,639,706</u>	<u>\$ 978,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>

The weighted average maturity of investments is .58 years.

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

Credit Risk: The County's investments except STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

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

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLMC	\$ 2,952,843	42.65%
FHLB	3,970,943	57.35%
	<u>\$ 6,923,786</u>	<u>100.00%</u>

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2005:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 14,124,942
Investments	<u>8,618,276</u>
Total	<u>\$ 22,743,218</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 15,676,698
Business-type activities	2,152,582
Agency funds	<u>4,913,938</u>
Total	<u>\$ 22,743,218</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended December 31, 2005, consisted of the following, as reported on the fund financial statements:

Transfers to General Fund from:	
Nonmajor Governmental Funds	\$ 555,103
Transfers to Nonmajor Governmental Funds from:	
General Fund	214,034
County Board of MRDD	24,520
Nonmajor Governmental Fund	<u>44,854</u>
Total Transfers to Nonmajor Governmental Funds	<u>283,408</u>
Transfers to Nonmajor Enterprise Fund from:	
General Fund	<u>38,000</u>
Total Transfers	<u>\$ 876,511</u>

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

- B.** Short-term interfund loans consisted of the following at December 31, 2005, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 633
General	Sewer fund	<u>71,250</u>
Total Interfund loans		<u>\$ 71,883</u>

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

- C.** Long-term advances to and from other funds at December 31, 2005, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	<u>\$ 192,851</u>
Total long-term advances		<u>\$ 192,851</u>

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

- D.** Due from/to other funds consisted of the following at December 31, 2005, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 65,022
General	Public Assistance	14,825
Public Assistance	Nonmajor governmental funds	18,920
Nonmajor Governmental Fund	Nonmajor governmental funds	225
Nonmajor Governmental Fund	Public Assistance	<u>2,728</u>
Total due to/from other funds		<u>\$ 101,720</u>

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2005 taxes were collected was \$899,132,813. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2005, was \$9.95 per \$1,000 of assessed valuation.

The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

<u>Real Property</u>	
Agricultural	\$ 93,493,680
Residential	492,698,610
Commercial/Industrial/Mineral	137,175,630
Tangible Personal Property	130,142,753
<u>Public Utility</u>	
Real	400,990
Personal	<u>45,221,150</u>
Total Assessed Value	<u>\$899,132,813</u>

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

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

Tangible personal property taxes for unincorporated and single county businesses are due semi-annually, with the first payment due May 10 and the remainder payable by September 20. Due dates are normally extended an additional 30 days. The due date for the entire tax for inter-county businesses is September 20 or the extended date. The first \$10,000 of taxable value is exempt from taxation for each business by state law.

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 6 - PROPERTY TAXES – (Continued)

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

Since the current levy is not intended to finance 2005 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 2006 are shown as 2005 revenue; the remainder is shown as "deferred revenue". The eventual collection of significantly all real and public utility property taxes (both current and delinquent) is reasonably assured due to the County's ability to force foreclosure of the properties on which the taxes are levied.

NOTE 7 - PERMISSIVE SALES AND USE TAX

In 1983, the County Commissioners by resolution imposed a 0.5% percent tax on all retail sales made in the County, including sales of motor vehicles, and on storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. In 1987, the County Commissioners by resolution increased this tax by 0.5% to provide a total tax of 1.0%. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The 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 2005 operations. Sales tax revenue for 2005 amounted to \$4,570,665.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2005, consisted of taxes, special assessments, accounts (billings for user charged services), interfund transactions, interest, and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the Basic Financial Statements. Receivables have been recorded to the extent that they are measurable at December 31, 2005, as well as intended to finance fiscal 2005 operations.

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 8 – RECEIVABLES – (Continued)

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

Governmental Activities:

Sales taxes	\$ 622,297
Taxes	7,973,311
Accounts	105,630
Due from other governments	6,352,548
Special assessments	599,067
Accrued interest	64,235

Business-Type Activities:

Accounts	149,053
Special assessments	985,573

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

NOTE 9 - LOANS RECEIVABLE

Loans receivable represents low interest loans made by the County for development projects and small businesses under the Federal Community Development Block Grant (CDBG) program. The loans bear interest at annual rates ranging between 3 and 5 percent. The loans are to be repaid over periods ranging from 5 to 10 years. A summary of the CDBG loan activity for 2005 is as follows:

	Balance at <u>12/31/04</u>	<u>Issued</u>	<u>Received</u>	Balance at <u>12/31/05</u>
Revolving Loans	<u>\$ 583,750</u>	<u>\$ 75,000</u>	<u>\$ (199,389)</u>	<u>\$ 459,361</u>

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 10 - CAPITAL ASSETS

A. Governmental activities capital assets have been restated in order to retroactively report infrastructure, see Note 3.A. for the restatement of net assets. Infrastructure reported as of December 31, 2004, was \$3,321,614, which has been restated to \$28,006,063, which is an increase of \$24,684,449 with an addition of \$11,126,550 to accumulated depreciation has a net affect of \$13,557,899. Capital asset activity for the fiscal year ended December 31, 2005, was as follows:

	Restated Balance 12/31/04	Additions	Deductions	Balance 12/31/05
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 931,322	\$ -	\$ -	\$ 931,322
Construction in progress	182,571	-	(182,571)	-
Total capital assets, not being depreciated	<u>1,113,893</u>	<u>-</u>	<u>(182,571)</u>	<u>931,322</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,673,175	216,275		1,889,450
Buildings and improvements	18,314,262			18,314,262
Furniture and equipment	3,420,419	536,983	(35,836)	3,921,566
Vehicles	4,117,795	392,206	(109,438)	4,400,563
Infrastructure	28,006,063	2,019,763	-	30,025,826
Total capital assets, being depreciated	<u>55,531,714</u>	<u>3,165,227</u>	<u>(145,274)</u>	<u>58,551,667</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(366,215)	(82,568)		(448,783)
Buildings and improvements	(4,784,593)	(542,197)		(5,326,790)
Furniture and equipment	(1,853,691)	(276,412)	27,177	(2,102,926)
Vehicles	(1,598,793)	(276,727)	79,973	(1,795,547)
Infrastructure	(11,290,514)	(1,235,105)	-	(12,525,619)
Total accumulated depreciation	<u>(19,893,806)</u>	<u>(2,413,009)</u>	<u>107,150</u>	<u>(22,199,665)</u>
Total capital assets being depreciated, net	<u>35,637,908</u>	<u>752,218</u>	<u>(38,124)</u>	<u>36,352,002</u>
Governmental activities capital assets, net	<u>\$ 36,751,801</u>	<u>\$ 752,218</u>	<u>\$ (220,695)</u>	<u>\$ 37,283,324</u>

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 10 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital assets have been restated in order to correctly report infrastructure, see Note 3.A. for the restatement of business-type net assets. Infrastructure reported as of December 31, 2004, was \$26,240,241, which has been restated to \$-25,321,641, which is a decrease of \$918,600 with a reduction of \$146,976 to accumulated depreciation has a net affect of \$771,624. Capital asset activity for the fiscal year ended December 31, 2005, was as follows:

Business-Type Activities:	Restated Balance <u>12/31/04</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/05</u>
Buildings/improvements	\$ 69,416	\$ -	\$ -	\$ 69,416
Machinery and equipment	14,417	25,150		39,567
Vehicles	20,989			20,989
Waterlines/Sewerlines	<u>25,321,641</u>	<u>291,400</u>	<u>-</u>	<u>25,613,041</u>
Total capital assets being depreciated	<u>25,426,463</u>	<u>316,550</u>	<u>-</u>	<u>25,743,013</u>
<i>Less: accumulated depreciation:</i>				
Buildings/improvements	(36,443)	(1,735)		(38,178)
Machinery and equipment	(7,689)	(2,219)		(9,908)
Vehicles	(20,989)			(20,989)
Waterlines/Sewerlines	<u>(4,983,963)</u>	<u>(527,719)</u>	<u>-</u>	<u>(5,511,682)</u>
Total accumulated depreciation	<u>(5,049,084)</u>	<u>(531,673)</u>	<u>-</u>	<u>(5,580,757)</u>
Business-type activities capital assets, net	<u>\$ 20,377,379</u>	<u>\$ (215,123)</u>	<u>\$ -</u>	<u>\$ 20,162,256</u>

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 10 - CAPITAL ASSETS – (Continued)

Governmental activities:

Legislative and executive	\$ 270,316
Judicial	82,635
Public safety	188,620
Public works	1,424,168
Health	149,815
Human services	182,963
Other	64,178
Economic development	1,660
Intergovernmental	<u>48,654</u>
Total depreciation expense - governmental activities	<u>\$2,413,009</u>

Business-type activities

Water	\$ 389,412
Sewer	138,307
Nonmajor	<u>3,954</u>
Total depreciation expense - business-type activities	<u>\$ 531,673</u>

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

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

For the County, a corresponding liability was recorded in the government-wide financial statements. Principal payments in 2005 totaled \$1,356 in the nonmajor governmental funds. Capital lease payments in special revenue funds have been reclassified on the financial statements to reflect debt principal and interest payments. These payments are reported as program expenditures on the budgetary statement.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2005.

<u>Year Ending December 31,</u>	<u>Nonmajor Governmenta</u>
2006	<u>\$ 119</u>
Total future minimum lease payments	119
Less: amount representing interest	<u>(1)</u>
Present value of net minimum lease payments	<u>\$ 118</u>

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 12 - COMPENSATED ABSENCES

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

Upon retirement, all employees are paid their accumulated, unused sick leave per Ohio Revised Code Section 124.39(B). Each employee of the County with ten or more years of service with any Ohio local government or the State of Ohio is paid 25% of his or her accumulated unused sick leave, up to a maximum of 30 days upon retirement from the County, with the exception of the County Engineer Department highway workers who are paid 33% of the accumulated unused sick leave, up to maximum of 30 days upon retirement from the County.

At December 31, 2005, vested benefits for vacation leave for governmental activities employees totaled \$542,564 and vested benefits for sick leave totaled \$71,117. These amounts represent the non-current portion of the vested benefits and are reported in the government-wide financial statements. For business-type activities, vested benefits for vacation leave totaled \$7,416 and vested benefits for sick leave totaled \$5,718. These amounts represent the current and non-current portion of the vested benefits and are reported as a liability of the fund from which the employee is paid. In accordance with GASB Statement No. 16, an additional liability of \$162,422 for governmental activities employees and \$1,800 for business-type activities employees was accrued to record termination (severance) payments for employees expected to become eligible to retire in the future.

NOTE 13 - NOTES PAYABLE

The County had the following bond anticipation notes outstanding at December 31, 2005:

	Issue	Balance at		Balance at		Amount
Business-Type Activities:	<u>Date</u>	<u>12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/05</u>	<u>Due in</u>
<u>Enterprise Fund</u>						
Waterline Extension	12/24/04	\$ 20,000	\$ -	\$ (20,000)	\$ -	\$ -
Waterline Extension	12/15/05	<u>-</u>	<u>18,114</u>	<u>-</u>	<u>18,114</u>	<u>18,114</u>
Total business-type activities		<u>\$ 20,000</u>	<u>\$ 18,114</u>	<u>\$ (20,000)</u>	<u>\$ 18,114</u>	<u>\$ 18,114</u>

Bond Anticipation Notes - Waterline Extension - On December 23, 2004, the County issued \$20,000 of notes bearing an interest rate of 5.50%. The notes matured on December 15, 2005, and were reissued for \$18,114 with a maturity date of June 15, 2006. The notes were issued to fund the Fulton/Lucas Waterline Extension project. The notes will be retired through the issuance of bonds.

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 14 - LONG-TERM OBLIGATIONS

A. Governmental Long-Term Obligations

During the fiscal year 2005, the following changes occurred in the County's governmental long-term obligations:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/05</u>	<u>Amount Due in One Year</u>
<u>Ohio Water Development Authority Loans</u>							
Delta/Worthington Steel Waterlines - 6.36%	1996	2012	\$ 461,999	\$ -	\$ (52,356)	\$ 409,643	\$ 52,881
Sewerlines - 1%	1996	2012	556,976	-	(55,539)	501,437	59,071
Total OWDA loans			<u>1,018,975</u>	<u>-</u>	<u>(107,895)</u>	<u>911,080</u>	<u>111,952</u>
<u>Special Assessment Bonds</u>							
Elmira & Assumption waterlines	12/31/92	12/01/11	120,000		(15,000)	105,000	15,000
Ditch #2093 - 4.95%	7/30/04	10/1/09	49,457		(8,959)	40,498	9,403
Ditch #2091 - 3.95%	7/30/04	10/1/09	203,455		(37,978)	165,477	39,289
Smith Kellogg Ditch - 3.45%	7/30/04	10/1/09	23,285		(4,347)	18,938	4,496
Ditch Bond, Ditch #2096	3/17/05	10/1/10	-	18,980	-	18,980	3,445
Total special assessment bonds			<u>396,197</u>	<u>18,980</u>	<u>(66,284)</u>	<u>348,893</u>	<u>71,633</u>
<u>General Obligation Notes</u>							
Fulton County solid waste building	01/10/03	12/01/17	315,932	-	(18,166)	297,766	18,966
Total general obligation notes			<u>315,932</u>	<u>-</u>	<u>(18,166)</u>	<u>297,766</u>	<u>18,966</u>
<u>General Obligation Bonds</u>							
County Board of DD Renovations	12/23/04	12/1/24	190,000	-	(15,247)	174,753	15,979
Total general obligation bonds			<u>190,000</u>	<u>-</u>	<u>(15,247)</u>	<u>174,753</u>	<u>15,979</u>
Total financial obligation debt			<u>1,921,104</u>	<u>18,980</u>	<u>(207,592)</u>	<u>1,732,492</u>	<u>218,530</u>
<u>Other Long-Term Obligations</u>							
Landfill closure/postclosure costs			506,692		(56,504)	450,188	10,000
Capital lease obligations			1,474	-	(1,356)	118	118
Compensated absences			779,813	591,164	(594,874)	776,103	551,764
Total other long-term obligations			<u>1,287,979</u>	<u>591,164</u>	<u>(652,734)</u>	<u>1,226,409</u>	<u>561,882</u>
Total governmental activities long-term liabilities			<u>\$ 3,209,083</u>	<u>\$ 610,144</u>	<u>\$ (860,326)</u>	<u>\$ 2,958,901</u>	<u>\$ 780,412</u>

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 14 - LONG-TERM OBLIGATIONS – (Continued)

Ohio Water Development Authority (OWDA) Loans: The OWDA loans reported governmental activities liabilities were issued in previous years by the County for waterline and sewer line projects. The loans are funded by tax increment financing. Loan payments will be made from nonmajor governmental funds. A portion of the waterline loan is reported in the water fund in Note 14.C.

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

Landfill Closure/Postclosure Costs: The County has recognized a liability for estimated closure and postclosure costs on the landfill. The liability is reduced as expenditures are made, which occur in a nonmajor governmental fund. The liability for landfill closure and postclosure costs is further described in Note 20.

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

General Obligation Bonds: On December 23, 2004, the County issued general obligation bonds for the additions and renovations of the County Board of DD building in the amount of \$190,000. These bonds are supported by the full faith and credit of the County. Repayment will be made with tax levy revenues in the nonmajor governmental funds.

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

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 14 - LONG-TERM OBLIGATIONS – (Continued)

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

Year Ending	Special Assessment Bonds			OWDA Loans		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 71,633	\$ 16,428	\$ 88,061	\$ 111,952	\$ 35,850	\$ 147,802
2007	73,776	13,278	87,054	116,240	31,563	147,803
2008	76,004	10,039	86,043	120,165	28,414	148,579
2009	83,316	6,715	90,031	124,740	24,617	149,357
2010	24,164	2,942	27,106	130,339	19,017	149,356
2011-2013	20,000	1,370	21,370	307,644	20,269	327,913
Total	<u>\$ 348,893</u>	<u>\$ 50,772</u>	<u>\$ 399,665</u>	<u>\$ 911,080</u>	<u>\$ 159,730</u>	<u>\$ 1,070,810</u>

Year Ending	General Obligation Bonds		
	Principal	Interest	Total
2006	\$ 15,979	\$ 8,528	\$ 24,507
2007	16,747	7,748	24,495
2008	17,550	6,945	24,495
2009	18,393	6,087	24,480
2010	19,275	5,198	24,473
2011 - 2014	86,809	10,931	97,740
Total	<u>\$ 174,753</u>	<u>\$ 45,437</u>	<u>\$ 220,190</u>

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

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. Based on this calculation, the County's legal debt margin was \$19,790,106 as of December 31, 2005.

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 14 - LONG-TERM OBLIGATIONS – (Continued)

C. Business-Type Activities

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

	Issue Date	Maturity Date	Balance 12/31/04	Additions	Reductions	Balance 12/31/05	Amount Due in One Year
<u>Ohio Water Development Authority Loan</u>							
Waterline - Lucas County/North Star Steel	1996	2012	\$ 7,851,837	\$ -	\$ (784,931)	\$ 7,066,906	\$ 814,398
Waterline - Teleflex Extension	2000	2009	129,020		(19,946)	109,074	20,545
Sewerline - Worthington Steel/ North Star Steel	1996	2012	899,374		(97,326)	802,048	101,298
Sewer Infrastructure - Fulton County	2002	2012	<u>297,932</u>	<u>-</u>	<u>(19,283)</u>	<u>278,649</u>	<u>39,438</u>
Total OWDA Loans			<u>9,178,163</u>	<u>-</u>	<u>(921,486)</u>	<u>8,256,677</u>	<u>975,679</u>
<u>Special Assessment Bonds</u>							
Pettisville Waterline	09/01/97	12/01/14	200,000		(20,000)	180,000	20,000
Exit 3 Sewer Improvement	01/13/99	12/01/18	405,000		(20,000)	385,000	20,000
Industrial Corridor Sewer District	12/23/04	12/01/24	<u>140,000</u>	<u>-</u>	<u>(4,234)</u>	<u>135,766</u>	<u>4,446</u>
Total special assessment bonds			<u>745,000</u>	<u>-</u>	<u>(44,234)</u>	<u>700,766</u>	<u>44,446</u>
<u>Other Long-Term Obligations</u>							
Loan payable			300,864		(11,505)	289,359	11,898
Compensated absences			<u>17,790</u>	<u>8,049</u>	<u>(10,905)</u>	<u>14,934</u>	<u>7,416</u>
Total other long-term obligations			<u>318,654</u>	<u>8,049</u>	<u>(22,410)</u>	<u>304,293</u>	<u>19,314</u>
Total business-type activities long-term liabilities			<u>\$ 10,241,817</u>	<u>\$ 8,049</u>	<u>\$ (988,130)</u>	<u>\$ 9,261,736</u>	<u>\$ 1,039,439</u>

Ohio Water Development Authority Loans - 1996 Issues: During 1996, Fulton County entered into various loan agreements with the Ohio Water Development Authority (OWDA) as incentives for the location of two steel mills. The loan agreements were for the construction of water and sewer lines. Repayments of these loans are 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.

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 14 - LONG-TERM OBLIGATIONS – (Continued)

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

Special Assessment Bonds: On December 23, 2004, the County issued special assessment bonds for the industrial corridor sewer project in the amount of \$140,000. Other special assessments issued in prior years include the Pettisville waterline and Exit 3 sewer improvement projects. These bonds are supported by the full faith and credit of the County. Special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners in the sewer fund.

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

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

<u>Year Ended</u>	<u>Special Assessment Bonds</u>			<u>OWDA Loans</u>		
	<u>Principal on Bonds</u>	<u>Interest on Bonds</u>	<u>Total</u>	<u>Principal on Loans</u>	<u>Interest on Loans</u>	<u>Total</u>
2006	\$ 44,446	\$ 36,735	\$ 81,181	\$ 978,903	\$ 356,453	\$ 1,335,356
2007	49,668	34,478	84,146	1,019,443	315,914	1,335,357
2008	49,901	31,970	81,871	1,058,514	281,620	1,340,134
2009	50,146	29,414	79,560	1,102,361	242,550	1,344,911
2010	50,404	26,844	77,248	1,153,334	191,576	1,344,910
2011 - 2015	266,352	91,865	358,217	2,944,122	244,765	3,188,887
2016 - 2020	150,015	28,399	178,414			
2021 - 2024	39,834	5,102	44,936	-	-	-
Total	<u>\$ 700,766</u>	<u>\$ 284,807</u>	<u>\$ 985,573</u>	<u>\$ 8,256,677</u>	<u>\$ 1,632,878</u>	<u>\$ 9,889,555</u>

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 14 - LONG-TERM OBLIGATIONS – (Continued)

<u>Year Ended</u>	<u>Loan Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 11,898	\$ 9,709	\$ 21,607
2007	12,305	9,303	21,608
2008	12,726	8,882	21,608
2009	13,161	8,447	21,608
2010	13,611	7,997	21,608
2011 - 2015	75,360	32,679	108,039
2016 - 2020	89,155	18,884	108,039
2021 - 2023	<u>61,143</u>	<u>3,677</u>	<u>64,820</u>
Total	<u>\$ 289,359</u>	<u>\$ 99,578</u>	<u>\$ 388,937</u>

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

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

NOTE 15 - RISK MANAGEMENT

A. County Risk Sharing Authority, Inc.

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

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

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 15 - RISK MANAGEMENT – (Continued)

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

B. Fulton-Henry Counties Employee Insurance Benefits Program

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

Each member pays a monthly premium amount, which is established annually by the Board, to Reliance Financial Services ("Reliance"). Reliance is the fiscal agent for the Council and has a trust agreement with the Council to account for all Council finances and assets. The Program is governed by a Board consisting of one representative from each member County's Board of Commissioners. The degree of control exercised by any participating member is limited to its representation on the Board. Upon withdrawal from the Program, a program agreement shall govern the disposition of any contributions by the withdrawing member to each program of the Council in excess of that member's share of the costs of that program. In fiscal year 2005, the County contributed a total of \$2,495,263 for this plan.

NOTE 16 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 16 - DEFINED BENEFIT PENSION PLANS – (Continued)

For the year ended December 31, 2005 the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The County's contribution rate for pension benefits for 2005 was 9.55%, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 12.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003, were \$797,189, \$784,868, and \$767,150, respectively; 100% has been contributed for 2005, 2004 and 2003.

B. State Teachers Retirement System

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

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

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 16 - DEFINED BENEFIT PENSION PLANS – (Continued)

For the year ended December 31, 2005, plan members were required to contribute 10 percent of their annual covered salary and the County was required to contribute 14 percent; 9.09 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, 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 required contribution for pension obligations for the DBP for the years ended December 31, 2005, 2004, and 2003, was \$27,986, \$26,125, and \$25,588, respectively; 100 percent has been contributed for fiscal years 2005, 2004 and 2003. There were no contributions for the DCP and CP for the fiscal year ended December 31, 2005.

NOTE 17 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 4.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPER's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 1% to 6.00% annually for the next eight years and 4.00% in subsequent years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109 as of December 31, 2005. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$361,810. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 17 - POSTEMPLOYMENT BENEFITS – (Continued)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

B. State Teachers Retirement System

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the STRS based on authority granted by State statute. STRS is funded on a pay-as-you-go basis.

The number of active contributing participants for both plans used in the December 31, 2004, actuarial valuation was 355,287.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended December 31, 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount was \$2,153.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254.780 million, and STRS had 115,395 eligible benefit recipients.

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

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

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

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

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

Net Change in Fund Balances

	Governmental Fund Types				
	General	Motor Vehicle Gas Tax	County Board of DD	Public Assistance	EMS A and BLS
	<u>General</u>	<u>Gas Tax</u>	<u>Board of DD</u>	<u>Assistance</u>	<u>A and BLS</u>
Budget basis	\$ 926,684	\$ (232,466)	\$ 231,609	\$ (49,356)	\$ 273,677
Net adjustment for revenue accruals	(324,893)	336,507	(6,358)	9,086	(86,335)
Net adjustment for expenditure accruals	237,091	125,774	(15,203)	(117,157)	59,734
Net adjustment for other financing sources/(uses) accruals	(288,352)	(139,899)			
Encumbrances (budget basis)	<u>107,368</u>	<u>139,524</u>	<u>87,054</u>	<u>309,717</u>	<u>21,814</u>
GAAP basis	<u>\$ 657,898</u>	<u>\$ 229,440</u>	<u>\$ 297,102</u>	<u>\$ 152,290</u>	<u>\$ 268,890</u>

NOTE 19 - CONTINGENT LIABILITIES

A. Grants

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

B. Litigation

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

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 20 - LANDFILL

State laws and regulations require that the County perform certain maintenance and monitoring functions at the closed landfill site for thirty years after closure. The landfill was closed in 1983. The estimated liability for landfill postclosure care has a balance of \$450,188 as of December 31, 2005. 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, 2005. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The costs will be paid from current County revenues.

NOTE 21 - CONDUIT DEBT OBLIGATIONS

To provide for the financing of certain expenditures at the Fulton County Health Center, the Health Center has issued special facility revenue bonds. These consist of \$5,200,000 in 1995 and \$7,000,000 in 1999, Fulton County, Ohio, Tax-Exempt Variable Rate Demand Bonds, with final maturity in 2021. Also, in 1999 the County issued \$4,450,000 in industrial revenue bonds for the acquisition, construction and equipping of industrial and commercial facilities deemed to be in the public interest. These bonds do not constitute a debt or pledge of the faith and credit of the County and have not been reported in the accompanying financial statements. As of December 31, 2005, \$11,291,000 was still outstanding.

NOTE 22 - FEDERAL TRANSACTIONS

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

**FINANCIAL CONDITION
FULTON COUNTY**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JANUARY 1, 2005 THROUGH DECEMBER 31, 2005

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Files	Federal CFDA Number	Award Amount	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-03	14.228	\$ 188,000	\$ 179,500
Formula Grants-04	14.228	187,000	165,168
Community Housing Improvement Program (CHIP)	14.228	130,000	<u>39,690</u>
Total Community Development Block Grants			384,358
Home Improvement programs	14.239	449,000	<u>146,312</u>
Total U.S. Department of Housing and Urban Development			<u>530,670</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through Ohio Department of Job and Family Services</i>			
Special Programs for the Aging - Title III -B	93.044	21,755	21,755
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities</i>			
CAFS Received by County	93.778		314,749
TCM Received by County	93.778		64,101
Waiver Administration	93.778		11,140
CAFS Settlement FY2000	93.778		<u>140,704</u>
Total Medicaid Assistance Programs			530,694
Social Services Block Grant (Title XX)	93.667		31,832
State Children Health Insurance Program (Title XXI)	93.767		<u>4,043</u>
Total U.S. Department of Health and Human Services			<u>588,324</u>
UNITED STATES DEPARTMENT OF LABOR			
<i>Passed through Area 7, Workforce Investment Board (Montgomery County)</i>			
<u>Workforce Investment Act Cluster</u>			
Workforce Investment Act - Adult	17.258		46,956
Workforce Investment Act - Youth	17.259		59,301
Workforce Investment Act - Dislocated Worker	17.260		<u>35,286</u>
Total Workforce Investment Act Cluster			141,543
Reed Act	17.225		<u>89,697</u>
Total U.S. Department of Labor			<u>231,240</u>

(Continued)

**FINANCIAL CONDITION
FULTON COUNTY**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JANUARY 1, 2005 THROUGH DECEMBER 31, 2005
(Continued)

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Files	Federal CFDA Number	Award Amount	Disburse- ments
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
<i>Pass-through the Ohio Emergency Management Agency</i>			
Emergency Management Performance Grant	97.067	28,786	28,786
<i>Pass-Through the Ohio Office of Domestic Preparedness</i>			
Fiscal Year 2004 State Homeland Security Grant Program	97.004	174,979	<u>76,721</u>
Total U.S. Department of Homeland Security			<u>105,507</u>
UNITED STATES GENERAL SERVICES ADMINISTRATION ON BEHALF OF THE ELECTION ASSISTANCE COMMISSION			
<i>Pass-through the Ohio Secretary of State</i>			
Voter Education and Pollworker Training	39.011	12,636	8,561
Certified Elections Registration Administrator Training	39.011	1,000	<u>1,000</u>
Total CFDA 39.011			9,561
Direct Recording Equipment Voting Systems	90.401	394,816	<u>394,816</u>
Total US General Services/EAC			<u>404,377</u>
UNITED STATES DEPARTMENT OF TRANSPORTATION, FEDERAL AVIATION ADMINISTRATION			
Fulton County Airport Project, AIR 21 Funding - 02	20.106	238,550	59,308
Fulton County Airport Project, AIR 21 Funding - 03	20.106	300,000	<u>2,578</u>
Total CFDA 20.106			61,886
<i>Pass-through the Ohio Department of Transportation</i>			
Highway Planning and Construction - 2004	20.205	80,492	<u>80,492</u>
Total U.S. Department of Transportation, Federal Aviation Administration			<u>142,378</u>
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY			
FY 2002 Special Projects Grant	66.606	482,100	<u>56,504</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 2,059,000</u>

THE ACCOMPANYING NOTES ARE A INTEGRAL PART OF THIS SCHEDULE

**FINANCIAL CONDITION
FULTON COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. 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, 2005, the gross amount of loans outstanding under this program was \$459,361.

NOTE C - MATCHING REQUIREMENTS

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

NOTE D – HIGHWAY PLANNING AND CONSTRUCTION GRANT

The audit of the December 31, 2005, federal expenditures for the Highway Planning and Construction Grant includes expenditures for 2004. The 2004 expenditures for this grant were excluded from the December 31, 2004 audit and therefore have been included in the audit of the current year expenditures.

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**Auditor of State
Betty Montgomery**

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

Fulton County
152 South Fulton Street, Suite 265
Wauseon, Ohio 43567-3310

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fulton County (the County) as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the County's management dated August 28, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the County's management dated August 28, 2006, we reported other matters related to noncompliance we deemed immaterial.

One Government Center / Room 1420 / Toledo, OH 43604-2246
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www.auditor.state.oh.us

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

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

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

Betty Montgomery
Auditor of State

August 28, 2006



**Auditor of State
Betty Montgomery**

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

Fulton County
152 South Fulton Street, Suite 265
Wauseon, Ohio 43567-3310

To the Board of Commissioners:

Compliance

We have audited the compliance of Fulton County (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Fulton County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2005. In a separate letter to the County's management dated August 28, 2006, we reported a matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

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

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

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



Betty Montgomery
Auditor of State

August 28, 2006

**FINANCIAL CONDITION
FULTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005**

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)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control 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?	No
(d)(1)(vii)	Major Programs (list):	Help America Vote Act of 2002 CFDA #90.401 Community Development Block Grants/States Program (A) CFDA #14.228
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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FINANCIAL CONDITION

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 26, 2006**