Fayette County, Ohio

Single Audit

January 1, 2008 through December 31, 2008

Year Audited Under GAGAS: 2008

bhs

Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

Board of Commissioners
Fayette County
133 South Main Street, Ste 303
Washington Court House, Ohio 43160

We have reviewed the *Independent Auditor's Report* of Fayette County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Fayette County is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 13, 2009

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Independent Auditor's Report

Board of County Commissioners
Fayette County
133 South Main Street
Washington Court House, Ohio 43160

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 Fayette County, Ohio (the County), as of and for the year ended December 31, 2008, 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.

Except as discussed in the following paragraphs, 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 that our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

The financial statements do not include financial data for the County's legally separate component unit, Fayette Progressive Industries, Inc. Governmental Accounting Standards Board statements require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the reporting entity that includes the component unit's financial data. The County has not issued reporting entity financial statements. We cannot determine the amounts of assets, net assets, receipts and disbursements that the accompanying statements should present for the omitted discretely-presented component unit in order to comply with accounting principles generally accepted in the United States of America.

In our opinion, because of the omission of the discretely-presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with the County's cash basis of accounting, the cash financial position of the aggregate discretely-presented component units of Fayette County, Ohio, as of December 31, 2008, and the changes in its cash basis financial position for the year then ended.

Additionally, the County did not include proprietary fund statements for the Fayette County Memorial Hospital in its cash basis statements or business-type activities. Therefore, in our opinion, the County's financial statements do not present fairly the cash financial position of the business-type activities and proprietary funds of the County as of December 31, 2008 or the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting Note 2 describes.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, and each major governmental fund and the aggregate remaining fund information of Fayette County, Ohio, as of December 31, 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund and the Mental Retardation/Developmental Disabilities Fund, Job and Family Services Fund, and Motor Vehicle and Gas Tax Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of federal awards expenditures 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 have subjected the schedule of federal awards expenditures 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.

As described in Note 16, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Statement No. 50, *Pension Disclosures – an Amendment of GASB Statements No. 25 and No. 27*.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
August 21, 2009

FAYETTE COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

As Management of Fayette County (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2008. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review notes to the basic financial statements to enhance their understanding of the County's performance.

- In total, net cash assets increased $3,415,928.
- Net cash assets of governmental activities increased $2,846,150 which represents a 32.46% increase from 2007. Net cash assets of business-type activities increased $569,778 which represents a 260.02% increase from 2007. Net cash assets of fiduciary funds increased $675,671 which represents a 15.81% increase from 2007.
- At the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of $11,614,724. Approximately 90.98%, $10,566,919 is available for spending at the government's discretion. Business-type Funds reported a combined ending fund balance of $788,910.
- The County issued $3,380,685 in notes in 2008. Principal payments on long-term debt during 2008 amounted to $2,156,075.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the County's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the County as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the County as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The County has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the County's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the County did financially during 2008, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the County at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the County's general receipts.

These statements report the County's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the County's financial health. Over time, increases or decreases in the County's cash position is one indicator of whether the County's financial health is improving or deteriorating. When evaluating the County's financial condition, you should also consider other nonfinancial factors as well such as the County's property tax base, the condition of the County's capital assets and infrastructure, the extent of the County's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we divide the County into two types of activities:

Governmental Activities: Most of the County's basic services are reported here, including executive and legislative (general government), judicial, public safety, public works, health, human services, conservation and recreation, economic development and assistance, urban development and housing, miscellaneous and debt service. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type Activities: The County has three business-type activities, the provision of water, sanitary sewer, and sanitary waste services. Business-type activities are financed by a fee charged to the customers receiving the service.

The government-wide financial statements can be found on pages 12-14 of the report.

Reporting the County's Most Significant Funds

Fund financial statements provide detailed information about the County's major funds – not the County as a whole. The County establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the County are split into three categories: governmental, proprietary, and fiduciary.

Governmental Funds - Most of the County's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the County's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the County's programs. The County's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The County's major governmental funds include the General Fund, Job and Family Services Fund, Motor Vehicle and Gas Tax Fund (MVGT), the Mental Retardation/Developmental Disabilities Fund (CBMR/DD), the Madison Mills Water System Capital Project Fund and the Court House Capital Improvement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The cash basis governmental fund financial statements can be found on pages 15-16 of this report.

Proprietary funds – The County maintains one proprietary fund type. *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 sanitary sewer, sanitary waste, and water districts.

Proprietary funds provide the same type of information as the government-wide financial statements. All enterprise funds are nonmajor and are combined into a single presentation.

The cash basis proprietary fund financial statements can be found on pages 21-22 of this report.

Fiduciary fund – Fiduciary funds account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not available to support The County's own programs. The County's only fiduciary funds are agency funds, which account for monies held for outside agencies in a fiscal agent capacity. Because agency funds are custodial in nature, the County does not include a financial statement on change in net assets.

The cash basis fiduciary fund financial statement can be found on page 23 of this report.

Budgetary Comparison Statements. The County's budgetary process accounts for certain transactions on a cash basis. The budgetary statements for the General fund and all annually budgeted major Special Revenue funds are presented to demonstrate the County's compliance with annually adopted budgets. The budgetary comparison statements can be found on pages 17-20 of this report.

Notes to the 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. The notes to the financial statements can be found on pages 24-40 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets-cash basis may serve over time as a useful indicator of a government's financial position. The County has chosen to report on the cash basis of accounting in a format similar to that required by Government Accounting Statement No. 34. This statement requires a comparative analysis of government-wide data in the Management Discussion and Analysis (MD&A) section.

The Government as a Whole

	Governmental Activities 2008	Governmental Activities 2007
Cash	$11,614,724	$8,768,574
Total Assets	11,614,724	8,768,574
Restricted for:		
Other Purposes	6,452,032	5,690,088
Capital Projects	2,622,983	862,662
Debt Service	959,566	1,349,895
Unrestricted	1,580,144	865,929
Total Net Assets	$11,614,724	$8,768,574

	Business-type Activities 2008	Business-type Activities 2007
Cash	$788,910	$219,132
Total Assets	788,910	219,132
Unrestricted	788,910	219,132
Total Net Assets	$788,910	$219,132

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net cash assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

For governmental activities, total assets increased $2,846,150 or 32.46%. The primary increase in cash balances is due to an increase in sales tax receipts by 32.79% over 2007 and increased activity for capital improvements. The Madison Mills Water project and The Court House Capital Improvement Project have received proceeds of loans from a bank which has not all been expended thereby increasing the cash balance at year-end. For business-type activities, total assets increased $569,778 or 260.02%. The primary increase in cash balances is due to an increase in revenue in the Water activities. This increase was the result of the opening of the new ethanol plant which is a major purchaser of water.

CHANGES IN NET ASSETS

	Governmental Activities 2008	Governmental Activities 2007
Receipts:		
Program Receipts:		
Charges for Services	$5,513,627	$4,519,344
Operating grants and contributions	6,747,845	8,625,571
Capital grants and contributions	2,481,644	1,600,902
General receipts:		
Property Taxes	2,854,336	3,097,041
Sales and other taxes	6,603,591	4,972,894
State Local Government	4,505,483	4,203,867
Unrestricted investment earnings	494,074	672,742
Grants and contributions not Restricted to specific programs	371,326	341,077
Other	765,948	1,428,708
Total receipts	30,337,874	29,462,146
Disbursements:		
General government	3,266,455	2,926,596
Judicial	2,189,017	2,235,237
Public Safety	2,624,585	2,669,255
Public Works	5,120,395	5,118,643
Health	4,466,783	3,805,535
Human Services	7,597,239	7,915,069
Conservation and Recreation	716,576	792,409
Economic Development & Assist	69,290	70,435
Urban Redevelopment & Housing	548,137	769,759
Other Expenditures	68,486	636,388
Capital Outlay	1,846,393	5,759,118
Principal	2,071,075	460,744
Interest	302,361	162,642
Total Disbursements	30,886,792	33,321,830
Increase/Decrease in net assets	(548,918)	(3,859,684)
Advances	14,383	543
Proceeds of Loans	3,380,685	5,001,579
Change in net assets	2,846,150	1,142,438
Net assets End of Prior Year	8,768,574	7,626,136
Net assets End of Current Year	$11,614,724	$8,768,574

The County's governmental receipts are mainly from property and sales tax and operating grants and contributions. These receipts comprise 53.42% of the County's receipts for governmental activities. These revenue sources remained fairly consistent with modest decreases from 2007 in property tax and operating grants and contributions and a large increase in sales tax. Charges for services comprise 18.17% of total governmental receipts. These receipts had large increases from 2007. State and local government receipts comprise 14.85% of total governmental activities receipts. These receipts increased due to additional funding received in 2008. Grants and contributions not restricted to specific programs comprise 1.22% of receipts from governmental activities. These receipts were consistent with 2007 percentages.

The majority of the County's disbursements for governmental activities changed from 2007. Judicial disbursements which comprise 7.09% of the disbursements decreased slightly due to fewer cases being tried in Common Pleas Court in 2008. Public safety which comprises 8.50% of disbursements decreased slightly. Public Works comprise

16.58% of disbursements and have increased a small amount. Health has increased due to continued higher costs and represents 14.46%. Human Services comprise 24.60% of disbursements decreased due to a decrease in state funding for displaced workers and other programs. Conservation and Recreation disbursements decreased somewhat. These disbursements represent 2.32% of total government activities disbursements. Urban Redevelopment & Housing decreased slightly. These disbursements represent 1.77% of total government activities disbursements. Capital Outlay which comprises 5.98% of total disbursements of governmental activities, decreased considerably due to completion of the Madison Mills Water Project which supplies water for the Ethanol Plant.

CHANGES IN NET ASSETS-

	Business-Type Activities 2008	Business-Type Activities 2007
Receipts:		
Program Receipts:		
Charges for Services	$2,429,476	$1,712,387
Total receipts	$2,429,476	$1,712,387
Disbursements:		
Sanitary Sewer	537,783	544,287
Sanitary Waste	1,055,173	1,062,069
Water District	252,359	104,084
Total Disbursements	1,845,315	1,710,440
Increase/Decrease in net assets	584,161	1,947
Advances	(14,383)	(543)
Change in net assets	569,778	1,404
Net assets End of Prior Year	219,132	217,728
Net assets End of Current Year	$788,910	$219,132

Business-type activities derive their receipts from charges for services. These revenue sources increased significantly from 2007. The increase was due to revenue from the operations of the new ethanol plant. Disbursements for business-type activities derive from three activities: sanitary sewer, sanitary waste, and water. Disbursements from sanitary waste accounts for 57.18% of total enterprise fund disbursements. This fund decreased disbursements. The water fund comprises 13.68% of the total enterprise fund disbursements. Activities in this fund increased. The sanitary sewer fund comprises 29.14% of the total enterprise fund disbursements. The activities in this fund increased due to debt service payments.

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 cash basis inflows, outflows and balances. 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 cash basis resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund cash balances of $11,614,724 an increase of $2,846,150 in comparison with the prior year. Approximately $10,427,188 constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

Ending fund cash balances increased due to increases in receipts.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was $1,550,733, with receipts of $11,303,369 and disbursements of $9,597,411.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements.

At the end of the current fiscal year, the County's proprietary funds reported combined ending fund cash balances of $788,910, an increase of $569,778 in comparison with the prior year. $788,910 constitutes unreserved fund balance, which is available for spending at the government's discretion.

Ending fund cash balances increased significantly.

Governmental Activities

If you look at the Statement of Activities on pages 13 and 14, you will see that the first column lists the major services provided by the County. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public works and human services which account for 16.58 and 24.60 percent of all governmental disbursements, respectively. General government and public health also represent a significant cost, about 10.57 percent and 14.46 percent respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in the table below.

	Total Cost Of Services 2008	Total Cost Of Services 2007	Net Cost of Services 2008	Net Cost of Services 2007
General Government	$ 3,266,455	$ 2,926,596	$ 2,457,307	$ 2,138,573
Judicial	2,189,017	2,235,237	1,648,442	1,525,381
Public Safety	2,624,585	2,669,255	2,052,065	1,982,623
Public Works	5,120,395	5,118,643	2,394,488	2,141,991
Health	4,466,783	3,805,535	1,834,146	1,390,084
Human Services	7,597,239	7,915,069	3,043,497	3,044,722
Conservation and Recreation	716,576	792,409	538,332	528,143
Economic Development and Assistance	69,290	70,435	27,883	25,062
Urban Redevelopment and Housing	548,137	769,759	382,095	440,673
Other	68,486	636,388	68,486	636,388
Capital Outlay	1,846,393	5,759,118	(637,333)	4,207,248
Principal Retirement	2,071,075	460,744	2,031,907	380,631
Interest and Fiscal Charges	302,361	162,642	302,361	134,494
Total Expenses	$ 30,886,792	$ 33,321,830	$ 16,143,676	$ 18,576,013

The dependence upon property and sales tax receipts is apparent as over 29 percent of governmental activities are supported through these general receipts.

Business-type Activities

The water, sewer and waste district operations of the County are relatively small and routinely reports receipts and cash disbursements that are relatively consistent between years.

The Government's Funds

Total governmental funds had receipts and other financing sources of $37,110,415 and disbursements of $34,264,265. The greatest changes within governmental funds occurred within the Court House Capital Improvement Fund and the Madison Mills Water System Capital Projects. The fund balance of these funds increased $1,798,792 and $26,367, respectively due to the fund having received the monies for projects, but not finishing the projects as of year end.

General Fund receipts were more than disbursements by $1,705,958 indicating that the General Fund is in a positive spending situation**.** The General Fund also saw a significant increase of $924,186 due to the increase of sales tax revenue. An additional .5% sales tax was imposed as of January 2008, accounting for the increase.

General Fund Budgetary Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The difference between the original budget and final amended budget was a decrease of $54,236. The program differences are as follows:

. Legislative and Executive increased by $139,543
. Judicial increased by $35,479
. Public Safety increased by $4,628
. Public Health had no changes
. Conservation and Recreation increased by $53,034
. Public Works decreased by $390,626
. Public Health had no changes
. Human Services had no changes
. Urban Redevelopment had no changes
. Capital Projects increased by $278,206

All programs spent less than budgeted.

Capital Assets and Debt Administration

Capital Assets

The County currently keeps track of its capital assets through an inventory system maintained at the department level, any tracking of infrastructure would be through the Engineers department. However, neither is reported on this cash basis report.

Debt

At December 31, 2008 the County's outstanding debt included $2,324,500 in general obligation bonds issued for improvements to buildings, structures and roads; $1,700,000 in enterprise general obligation bonds for improvements in water and sewer facilities and landfill; $232,000 in special assessment bonds for improvements in water systems and storm sewers; and $9,123 in capital leases for equipment. The County also had notes and loans outstanding in the amount of $7,848,673. For further information regarding the Government's debt, refer to Notes 5 and 6 to the basic financial statements.

Economic Factors and Next Year's Budget and Rates

The Unemployment rate for the County at December 31, 2008 was 6.9%, compared to 5.6% a year earlier. Employment of Fayette County residents was negatively impacted by the loss of DHL in Clinton County and the problems in the auto industry as some of our major employers in Fayette County and in nearby counties are suppliers for the auto industry. Another negative occurrence is the apparent closing of the new ethanol plant. It is currently for sale and is not operating. While it is a new state-of-the-art facility, economic and industry specific problems have affected it adversely. We are hopeful a buyer will take advantage of the alternative fuel possibilities in today's market and the facility will be revitalized.

On the positive side Heartland Steel has purchased a site for new business with plans to open in May of 2009. They hope to employ 10 the first year and add 10 employees per year for the next several years. There is also continued growth in the area of I-71 and US 35, a new Chipotle Restaurant has opened and other businesses are expressing interest in the area. Closer to Washington Court House, there are plans for a new Cross Roads Hotel to be built in the area of State Route 62 and Us Route 35. Groundbreaking should occur later in 2009.

The vacancy rate of the County's central business district is not tracked, however, much of the district is utilized by service entities such as government offices, banks, insurance offices, restaurants, etc. The County also has two outlet malls which have the potential to generate sales tax income for the county. The outlet mall on State Route 41 continues to struggle with approximately 80% vacancy. The other mall on Old Route 35 is showing 100% occupancy with a waiting - list. The change in sales tax revenue during the past two years has actually had a positive impact on county receipts. The County Sales tax was increased by .5% in 2008 and has greatly improved cash flow for County Government Services Continued retail growth in the New Route 35 area is expected which gives some hope of increasing future receipts.

Washington City School district is in process of building new facilities which should open during the 2009-2010 school year. The new Miami Trace Elementary School opened for the school year 2008-2009 and a New Middle School was approved for construction, it should be ready for school year 2010-2011.

Each of these factors was considered in preparing the County's budget for the 2009 year.

Request for information

This financial report is designed to provide a general overview of The County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Michael D. Smith, Fayette County Auditor, 133 S. Main Street, Suite 303, Washington C.H., Ohio 43160.

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FAYETTE COUNTY
Statement of Net Assets-Cash Basis
December 31, 2008

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	$ 11,590,126	$ 788,910	$ 12,379,036
Cash and Cash Equivalents with Fiscal Agent	24,598	-	24,598
Total Assets	$ 11,614,724	$ 788,910	$ 12,403,634
Net Assets:			
Restricted for:			
Other Purposes	$ 6,452,032	$ -	$ 6,452,032
Capital Projects	2,622,982	-	2,622,982
Debt Service	959,566	-	959,566
Unrestricted	1,580,144	788,910	2,369,054
Total Net Assets	$ 11,614,724	$ 788,910	$ 12,403,634

See accompanying notes to the basic financial statements.

FAYETTE COUNTY
Statement of Activities - Cash Basis
For the Year Ended December 31, 2008

	Cash Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants and Contributions	Program Receipts: Capital Grants, Contributions, and Interest
Governmental activities:				
Executive and Legislative	$ 3,266,455	$ 640,957	$ 167,422	$ 769
Judicial	2,189,017	389,709	150,176	690
Public Safety	2,624,585	549,873	22,429	218
Public Works	5,120,395	1,168,644	1,548,547	8,716
Health	4,466,783	683,674	1,940,047	8,916
Human Services	7,597,239	1,789,238	2,749,745	14,759
Conservation and Recreation	716,576	140,516	37,555	173
Economic Development and Assistance	69,290	10,533	30,733	141
Urban Redevelopment and Housing	548,137	103,734	62,023	285
Other	68,486	-	-	-
Capital Outlay	1,846,393	36,749	-	2,446,977
Debt Service				
Principal	2,071,075	-	39,168	-
Interest	302,361	-	-	-
Total Governmental Activities	30,886,792	5,513,627	6,747,845	2,481,644
Business Type Activities				
Sanitary Sewer	537,783	473,537	-	-
Sanitary Waste	1,055,173	1,179,628	-	-
Water District	252,359	776,311	-	-
Total Business Type Activities	1,845,315	2,429,476	-	-
Total Primary Government	$ 32,732,107	$ 7,943,103	$ 6,747,845	$ 2,481,644

General Receipts and Advances:
Taxes
Property
Sales
State Local Government
Unrestricted Investment earnings
Grants and Contributions
Not Restricted to Specific Programs
Miscellaneous
Proceeds of Notes and Loans
Net Advances

Total General Receipts and Advances

Increase (Decrease) in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities	Net (Disbursements) Receipts and Changes in Net Assets Business-type Activities	Total
$ (2,457,307)	$ -	$ (2,457,307)
(1,648,442)	-	(1,648,442)
(2,052,065)	-	(2,052,065)
(2,394,488)	-	(2,394,488)
(1,834,146)	-	(1,834,146)
(3,043,497)	-	(3,043,497)
(538,332)	-	(538,332)
(27,883)	-	(27,883)
(382,095)	-	(382,095)
(68,486)	-	(68,486)
637,333	-	637,333
(2,031,907)	-	(2,031,907)
(302,361)	-	(302,361)
(16,143,676)	-	(16,143,676)
-	(64,246)	(64,246)
-	124,455	124,455
-	523,952	523,952
-	584,161	584,161
2,854,336	-	2,854,336
6,603,591	-	6,603,591
4,505,483	-	4,505,483
494,074	-	494,074
371,326	-	371,326
765,948	-	765,948
3,380,685	-	3,380,685
14,383	(14,383)	-
18,989,826	(14,383)	18,975,443
2,846,150	569,778	3,415,928
8,768,574	219,132	8,987,706
$ 11,614,724	$ 788,910	$ 12,403,634

FAYETTE COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008

Assets:	General Fund	CBMR/DD Fund	Job & Family Svs. Fund	MVGT Fund	Madison Mills Water System CP	Court House CP	Other Governmental Funds	Total Governmental Funds
Equity in Pooled Cash and Cash Equivalents	$ 1,765,517	$ 2,101,588	$ 53,790	$ 1,261,702	$ 761,466	$ 1,798,825	$ 3,847,238	$ 11,590,126
Cash and Cash Equivalents with Fiscal Agent	24,598	-	-	-	-	-	-	24,598
Total Assets	$ 1,790,115	$ 2,101,588	$ 53,790	$ 1,261,702	$ 761,466	$ 1,798,825	$ 3,847,238	$ 11,614,724
Fund Balance:								
Reserved for Encumbrances	$ 214,784	$ -	$ -	$ 506,044	$ 24,570	$ 48,362	$ 369,178	$ 1,162,938
Designated for EPA	10,423	-	-	-	-	-	-	10,423
Designated for Retainage	14,175	-	-	-	-	-	-	14,175
Unreserved, Undesignated, Reported In:								
General Fund	1,550,733	-	-	-	-	-	-	1,550,733
Special Revenue Funds	-	2,101,588	53,790	755,658			2,382,871	5,293,907
Capital Projects Funds	-	-	-	-	736,896	1,750,463	135,623	2,622,982
Debt Services Funds	-	-	-	-	-	-	959,566	959,566
Total Fund Balance	$ 1,790,115	$ 2,101,588	$ 53,790	$ 1,261,702	$ 761,466	$ 1,798,825	$ 3,847,238	$ 11,614,724

See accompanying notes to the basic financial statements.

FAYETTE COUNTY
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
As of and For the Year Ended December 31, 2008

	General Fund	CBMR/DD Fund	Job & Family Svs. Fund	MVGT Fund	Madison Mills Water System CP	Court House CP	Other Governmental Funds	Total Governmental Funds
Cash Receipts:								
Taxes								
Property	$ 1,390,581	$ 1,367,031	$ -	$ -	$ -	$ -	$ 96,724	$ 2,854,336
Sales	6,285,974	-	-	317,617	-	-	-	6,603,591
Charges for Services	1,756,325	132,585	736,455	356,981	-	-	2,162,895	5,145,241
Fees	-	-	-	-	-	-	19,534	19,534
Intergovernmental	983,923	937,275	3,518,885	3,545,050	1,703,401	-	3,111,944	13,800,478
Fines and Forfeitures	180,235	-	-	27,896	-	-	138,600	346,731
Licences and Permits	2,121	-	-	-	-	-	-	2,121
Miscellaneous	210,137	32	-	1,327	33,320	-	521,132	765,948
Special Assessments	-	-	-	1,774	-	-	174,479	176,253
Interest	494,073	-	-	34,145	-	-	523	528,741
Donations	-	340	-	-	-	-	94,560	94,900
Total Cash Receipts	11,303,369	2,437,263	4,255,340	4,284,790	1,736,721	-	6,320,391	30,337,874
Cash Disbursements:								
Executive and Legislative	2,888,991	-	-	-	-	-	377,464	3,266,455
Judicial	1,674,449	-	-	-	-	-	514,568	2,189,017
Public Safety	2,517,528	-	-	-	-	-	107,057	2,624,585
Public Works	844,380	-	-	4,071,340	-	-	204,675	5,120,395
Health	92,895	3,110,727	-	-	-	-	1,263,161	4,466,783
Human Services	357,033	-	4,478,961	-	-	-	2,761,245	7,597,239
Conservation and Recreation	631,907	-	-	-	-	-	84,669	716,576
Economic Development and Assistance	-	-	-	-	-	-	69,290	69,290
Urban Redevelopment and Housing	408,302	-	-	-	-	-	139,835	548,137
Other	-	-	-	-	68,486	-	-	68,486
Capital Outlay	181,926	-	-	-	1,033,190	222,766	408,511	1,846,393
Debt Service								
Principal Retirement	-	-	-	-	-	-	2,071,075	2,071,075
Interest and Fiscal Charges	-	-	-	-	-	-	302,361	302,361
Total Cash Disbursements	9,597,411	3,110,727	4,478,961	4,071,340	1,101,676	222,766	8,303,911	30,886,792
Excess (Deficiency) of Cash Receipts Over Cash Disbursements	1,705,958	(673,464)	(223,621)	213,450	635,045	(222,766)	(1,983,520)	(548,918)
Other Financing sources (Uses):								
Transfers - In	65,000	-	-	59,000	-	-	2,863,098	2,987,098
Proceeds of Notes and Loans	-	-	-	-	1,243,869	2,021,558	115,258	3,380,685
Advances - In	38,092	40,588	-	81,249	-	-	244,829	404,758
Transfers - Out	(855,582)	-	-	-	(1,852,547)	-	(278,969)	(2,987,098)
Advances - Out	(29,282)	(30,445)	-	-	-	-	(330,648)	(390,375)
Total Other Financing Sources (Uses)	(781,772)	10,143	-	140,249	(608,678)	2,021,558	2,613,568	3,395,068
Excess (Deficiency) of Cash Receipts and Other Financing Sources Over Cash Disbursements and Other Financing Uses	924,186	(663,321)	(223,621)	353,699	26,367	1,798,792	630,048	2,846,150
Cash Basis Fund Balances - Beginning of Year	865,929	2,764,909	277,411	908,003	735,099	33	3,217,190	8,768,574
Cash Basis Fund Balances - End of Year	$ 1,790,115	$ 2,101,588	$ 53,790	$ 1,261,702	$ 761,466	$ 1,798,825	$ 3,847,238	$ 11,614,724

See accompanying notes to the basic financial statements.

FAYETTE COUNTY
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2008

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Receipts				
Property Tax	$ 1,323,200	$ 1,390,581	$ 1,390,581	$ -
Sales Tax	6,000,000	6,285,974	6,285,974	-
Charges for Services	1,731,886	1,748,245	1,756,325	8,080
Intergovernmental	976,098	983,923	983,923	-
Licenses	2,650	2,121	2,121	-
Fines and Forfeitures	134,500	180,235	180,235	-
Miscellaneous	381,000	183,530	210,137	26,607
Interest	600,000	476,702	494,073	17,371
Total Receipts	11,149,334	11,251,311	11,303,369	52,058
Disbursements				
Executive and Legislative	2,902,859	3,042,402	2,928,297	114,105
Judicial	1,822,471	1,857,950	1,682,413	175,537
Public Safety	2,537,002	2,541,630	2,527,408	14,222
Health	123,756	123,756	109,054	14,702
Conservation and Recreation	575,258	628,292	631,907	(3,615)
Public Works	1,333,729	943,103	884,762	58,341
Human Services	393,234	393,234	357,033	36,201
Urban Redevelopment and Housing	413,155	413,155	408,302	4,853
Capital Outlay	-	278,206	278,206	-
Total Disbursements	10,101,464	10,221,728	9,807,382	414,346
Excess of Receipts Over (Under) Disbursements	1,047,870	1,029,583	1,495,987	466,404
Other Financing Sources (Uses)				
Transfers - In	120,000	65,000	65,000	-
Advances - In	50,000	34,092	38,092	4,000
Transfers - Out	(919,823)	(855,582)	(855,582)	-
Advances - Out	-	(29,282)	(29,282)	-
Total Other Financing Sources (Uses)	(749,823)	(785,772)	(781,772)	4,000
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	298,047	243,811	714,215	470,404
Fund Cash Balance - Beginning of Year	804,923	804,923	804,923	-
Unexpended Prior Year Encumbrances	31,595	31,595	31,595	-
Fund Cash Balance - End of Year	$ 1,134,565	$ 1,080,329	$ 1,550,733	$ 470,404

See accompanying notes to the basic financial statements.

FAYETTE COUNTY
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual - Budget Basis
County Board of Mental Retardation and Developmental Disabilities Fund
For the Year Ended December 31, 2008

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Receipts				
Property Tax	$ 1,398,866	$ 1,367,029	$ 1,367,031	$ 2
Charges for services	67,000	132,586	132,585	(1)
Intergovernmental	910,290	930,124	937,275	7,151
Miscellaneous	-	372	372	-
Total Receipts	2,376,156	2,430,111	2,437,263	7,152
Disbursements				
Health	3,042,054	3,239,454	3,110,727	128,727
Total Disbursements	3,042,054	3,239,454	3,110,727	128,727
Excess of Receipts Over (Under) Disbursements	(665,898)	(809,343)	(673,464)	135,879
Other Financing Sources (Uses)				
Advances - In	40,588	40,588	40,588	-
Transfers - Out	(25,000)	-	-	-
Advances - Out	-	-	(30,445)	(30,445)
Total Other Financing Sources (Uses)	15,588	40,588	10,143	(30,445)
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(650,310)	(768,755)	(663,321)	105,434
Fund Cash Balance - Beginning of Year	2,764,909	2,764,909	2,764,909	-
Fund Cash Balance - End of Year	$ 2,114,599	$ 1,996,154	$ 2,101,588	$ 105,434

See accompanying notes to the basic financial statements.

FAYETTE COUNTY
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual - Budget Basis
Job and Family Services Fund
For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
Receipts				
Charges for Services	$ 259,902	$ 736,455	$ 736,455	$ -
Intergovernmental	4,725,462	3,518,885	3,518,885	-
Total Receipts	4,985,364	4,255,340	4,255,340	-
Disbursements				
Human Services	4,985,364	4,532,751	4,478,961	53,790
Total Disbursements	4,985,364	4,532,751	4,478,961	53,790
Excess of Receipts Over (Under) Disbursements	-	(277,411)	(223,621)	53,790
Fund Cash Balance - Beginning of Year	277,411	277,411	277,411	-
Fund Cash Balance - End of Year	$ 277,411	$ -	$ 53,790	$ 53,790

See accompanying notes to the basic financial statements.

FAYETTE COUNTY
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual - Budget Basis
Motor Vehicle and Gas Tax Fund
For the Year Ended December 31, 2008

	Budgeted Amount Original	Budgeted Amount Final	Actual	Variance with Final Budget Over (Under)
Receipts				
Sales Tax	$ 325,000	$ 317,617	$ 317,617	$ -
Charges for services	130,000	8,922	356,981	348,059
Intergovernmental	3,587,414	3,406,351	3,545,050	138,699
Special Assessment	-	1,774	1,774	-
Fines and Forfeitures	25,000	27,896	27,896	-
Miscellaneous	302,586	344,161	1,327	(342,834)
Interest	30,000	34,145	34,145	-
Total Receipts	4,400,000	4,140,866	4,284,790	143,924
Disbursements				
Public Works	4,407,722	4,557,722	4,442,466	115,256
Total Disbursements	4,407,722	4,557,722	4,442,466	115,256
Excess of Receipts Over (Under) Disbursements	(7,722)	(416,856)	(157,676)	259,180
Other Financing Sources (Uses)				
Operating Transfers - In	59,000	59,000	59,000	-
Advances - In	81,249	81,249	81,249	-
Total Other Financing Sources (Uses)	140,249	140,249	140,249	-
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	132,527	(276,607)	(17,427)	259,180
Fund Cash Balance - Beginning of Year	608,521	608,521	608,521	-
Unexpended Prior Year Encumbrances	164,564	164,564	164,564	-
Fund Cash Balance - End of Year	$ 905,612	$ 496,478	$ 755,658	$ 259,180

See accompanying notes to the basic financial statements.

FAYETTE COUNTY
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2008

	Other Enterprise Funds
Assets:	
Equity in Pooled Cash and Cash Equivalents	$ 788,910
Total Assets	788,910
Net Assets:	
Unrestricted	788,910
Total Net Assets	$ 788,910

See accompanying notes to the basic financial statements.

FAYETTE COUNTY
Statement of Cash Receipts, Cash Disbursements, and Changes in
Fund Net Assets - Cash Basis - Proprietary Funds
For the Year Ended December 31, 2008

	Other Enterprise Funds
Operating Cash Receipts:	
Charges for Services	$ 2,276,548
Other Operating Receipts	152,928
Total Operating Cash Receipts	2,429,476
Operating Cash Disbursements:	
Personal Services	387,178
Contract Services	821,164
Materials & Supplies	56,533
Other Operating	395,277
Debt Service	
Principal Retirement	85,000
Total Operating Cash Disbursements	1,745,152
Operating Cash Receipts Over Operating Cash Disbursements	684,324
Non-Operating Cash Receipts and Cash Disbursements:	
Advances - In	194,513
Interest and Fiscal Charges	(100,163)
Advances - Out	(208,896)
Total Non-Operating Cash Receipts and Cash Disbursements	(114,546)
Change in Net Assets	569,778
Cash Basis Net Assets - Beginning of Year	219,132
Cash Basis Net Assets - End of Year	$ 788,910

See accompanying notes to the basic financial statements.

FAYETTE COUNTY
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2008

		Agency Funds
Assets:		
Equity in Pooled Cash and Cash Equivalents	$	4,497,816
Equity in Cash in Segregated Accounts		450,510
Total Assets		4,948,326
Net Assets:		
Net Cash Assets	$	4,948,326

See accompanying notes to the basic financial statements.

NOTE 1 - REPORTING ENTITY

Fayette County, Ohio (the County), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The county operates under the direction of a three-member Board of County Commissioners. The County Auditor is responsible for the fiscal controls of the resources of the County which are maintained in the funds described herein. The County Treasurer is the custodian of funds and the investment officer. The voters of the County elect all of these officials. Other elected officials of the County that manage various segments of county operations are the Recorder, Clerk of Courts, Coroner, Engineer, Prosecutor, Sheriff, a Common Pleas Court Judge, and a Probate/Juvenile Judge. Services provided by the County include general government, public safety, health, public works, human services, conservation-recreation services, maintenance of highways and roads, economic development, and urban redevelopment and housing.

Although elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the entire County.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards and agencies that are not legally separate from the County. For Fayette County, this includes the Fayette County Board of Mental Retardation and Developmental Disabilities, Fayette County Department of Jobs and Family Services, Fayette County Children Services Board, Fayette County Veterans' Services, Fayette County Commission On Aging, Fayette County Senior Nutrition, Fayette County Memorial Hospital, and all departments and activities that are directly operated by the elected County officials.

Fayette County provides services and/or subsidies to the District Board of Health, and Soil and Water Conservation District. These are separate reporting entities. The County Auditor is the fiscal agent for the District Board of Health and the Soil and Water Conservation District, and the receipts and disbursements of these entities are accounted for in the Agency Funds of the County.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the County is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent of the County in that the County approved the organization's budget, the issuance of its debt or the levying of its taxes.

Fayette Progressive Industries, Inc. is a legally separate, not-for-profit corporation, served by a self-appointed board of trustees. The workshop, under contractual agreement with the Fayette County Board of Mental Retardation and Developmental Disabilities (MR/DD), provides sheltered employment for mentally and/or physically handicapped adults in Fayette County.

The Fayette County Board of MR/DD provided the workshop with staff salaries, transportation, equipment, staff to administer and supervise training programs and other funds necessary for the operation of the workshop. Based on the significant services and resources provided by the County to the workshop and the workshop's sole purpose of providing assistance to the mentally and/or physically handicapped adults of Fayette County, the workshop is considered a component unit of Fayette County; however, Fayette Progressive Industries is not presented as a component unit in these financial statements. Separately issued financial statements can be obtained from Fayette Progressive Industries, Inc., 1330 Robinson Road SE, Washington C.H., Ohio 43160.

NOTE 1 - REPORTING ENTITY (Continued)

The County is associated with certain organizations which are defined as jointly governed organizations, joint ventures, or Risk Sharing Pools. These organizations are:

Paint Valley Board of Alcohol, Drug Addiction and Mental Health Services (ADAMHS)
South Central Regional Juvenile Detention Center
Fayette County Emergency Management Agency
RPHF Joint Solid Waste District
Fayette-Clinton-Fairfield-Ross-Pickaway Job Training Partnership Act (JTPA)
Travel and Tourism Bureau
West Central Ohio Port Authority
County Risk Sharing Authority, Inc.
County Commissioners' Association of Ohio Workers' Compensation Group Rating Program

Paint Valley ADAMHS – The Paint Valley Board of Alcohol, Drug Addition and Mental Health Services (ADAMHS) of Pike, Fayette, Highland, Pickaway and Ross Counties is a jointly governed organization that is responsible for developing, coordinating, modernizing, funding, monitoring and evaluating a community-based mental health and substance abuse program. The Board consists of eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health and four members are appointed by Director of the Ohio Department of Alcohol and Drug Addiction Services. The remaining members are appointed by the County Commissioners of Pike, Fayette, Highland, Pickaway and Ross Counties in the same proportion as each County's population bears to the total population of the five counties combined. The Board received revenue from the participating counties and received federal and state funding through grant monies which are applied for and received by the Board of Trustees. Fayette County contributed $268,098 to Paint Valley ADAMHS in 2008.

Fayette County cannot significantly influence operations of the Board, who has sole budgetary authority and controls surpluses and deficits. Fayette County has no ongoing financial interest or responsibility. Complete financial statements can be obtained from the Paint Valley ADAMHS Board, June Frey who serves as Finance Director, 1394 Chestnut Street, Chillicothe, Ohio 45601.

South Central Regional Juvenile Detention Center – The South Central Regional Juvenile Detention Center is a jointly governed organization. It was created as a holding place for juvenile offenders waiting for disposition by the respective Juvenile Courts of the member counties. The current members include Fayette, Pike, Pickaway, Ross, Jackson, Hocking, Athens, Vinton and Highland Counties. The Center's Board consists of one member from each participating county that is appointed by the Juvenile Court Judge or a County Commissioner from each county. The joint Board selects the superintendent as the Center's administrator.

The Center's revenue is from per diem charges for inmates to the respective counties and a percent of the county tax base to the total base. Ross County is the fiscal officer of the Center. Fayette County does not have any financial interest or responsibility. During 2008, Fayette County contributed $158,458 to the Center.

Fayette County Emergency Management Agency – Fayette County Emergency Management Agency (EMA) is a joint venture between the County, Townships and Villages. The executive committee consists of a county commissioner, seven chief executives from municipalities and ten townships, with money provided by the members which is reimbursed by the State. The degree of control is limited to the individual representation on the board.

RPHF Joint Solid Waste District – The RPHF Joint Solid Waste District is a jointly governed organization among Pickaway, Ross, Highland and Fayette Counties. Each of these governments supports the District. The County made no contribution during 2008. The degree of control exercised by any participating County is limited to its representation on the Board. The Board of Directors consists of twelve members, the three County Commissioners of each of the four counties. The District does not have any outstanding debt. The District is self-sufficient, operating entirely on collected fees.

NOTE 1 - REPORTING ENTITY (Continued)

Fayette-Clinton-Fairfield-Ross-Pickaway Job Training Partnership Act (JTPA) – JTPA is a jointly governed organization among five counties in Ohio. The consortium conducts an employment and training administration program under the provisions of JTPA of 1982 and the Job Training Reform Amendments of 1992. The three County Commissioners from each of the four counties comprise the Consortium Board of Governors. The consortium has no outstanding debt. No contributions were made by the County in 2008.

Travel and Tourism Bureau – The Travel and Tourism Bureau (The Bureau) is a jointly governed organization among the County, two townships and two villages and one city. The Board is made up of six trustees, one from each of the following entities: Fayette County, Village of Jeffersonville, Jefferson Township, City of Washington Court House, Union Township and Octa Village. Trustees are elected on a self-nomination basis. Revenues to operate the Bureau are derived solely from the hotel/motel tax. There is currently no outstanding debt.

West Central Ohio Port Authority – The West Central Ohio Port Authority is a jointly governed organization. It was established under Section 4582.21 of the Ohio Revised Code. Under the Revised Code, the Port Authority is a legally separate entity. The Board of the authority is comprised of seven members: two members from Champaign County, three from Clark County, and two from Fayette County. The members are appointed by the County Commissioners of each respective county. Fayette County does not approve its budget, nor is it responsible for the Authority's debt. During 2008, the County did not contribute any money to the Authority.

County Risk Sharing Authority, Inc. – The County Risk Sharing Authority, Inc., is a shared risk pool among fifty-seven 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 official's 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 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 of Trustees. No county may have more than one representative on the Board at any 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.

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The Certificates were retired on May 1, 1997. The County has no equity interest in CORSA. The County's payment for insurance to CORSA in 2008 was $165,512. Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus. Ohio.

County Commissioners' Association of Workers' Compensation Group Rating Program – The County is participating in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners' Association of Ohio (CCAO) is a group purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates; approving the selection of a third party administrator; reviewing and approving proposed third party fees; fees for risk management services, and general management fees; determining ongoing responsibility of each participant; and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and the treasurer of the CCAOSC; the remaining five members are elected for ensuing year by the participants at a meeting held in the month of December each year.

No participant can have more than one member on the group executive committee in any year, and each elected member shall be a county commissioner.

NOTE 1 - REPORTING ENTITY (Continued)

Management believes the financial statements included in this report represent all of the funds and activities for which the County is financially accountable, except for Fayette Progressive Industries, Inc and Fayette Memorial Hospital.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2A, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The County does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the County's accounting policies.

A. Basis of Accounting -- Although required by Ohio Administrative Code, Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the County chooses to prepare its financial statements and notes on the basis of cash receipts and disbursements. The cash receipts and disbursements basis is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Basis of Presentation

The County's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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 statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance, of the governmental and business-type activities of the County at year end. The statement of activities compares disbursements and program receipts for each program or function of the County's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the County is responsible. Program receipts 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, and receipts of interest earned on grants that are required to be used to support a particular program.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receipts which are not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

C. Fund Accounting

The County uses funds to maintain its financial records during the year. Fund accounting is a concept development to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts. The County classifies each fund as either governmental, proprietary, or fiduciary.

Governmental: The County classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the County's major governmental funds:

General Fund – The General Fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purposes provided it is expended or transferred according to Ohio law.

CBMR/DD – This fund accounts for various federal and state grants used to provide assistance and training to mentally retarded and developmentally disabled individuals.

Jobs and Family Services Fund – This fund accounts for various federal and state grants as well as transfers from the General Fund used to provide public assistance to general relief recipients, pay their providers of medical assistance, and for certain public social services.

MVGT – This fund accounts for monies received from state gasoline tax and motor vehicle registration fees designated for maintenance and repair of roads and bridges.

Madison Mills Water Systems Capital Improvement Fund – This fund is for the construction of water service primarily for the Ethanol Plant being built on State Route 238, Bloomingburg, Ohio in Fayette County.

Court House Capital Project Fund – This fund is for the renovation of the Fayette County Courthouse.

Proprietary: Certain County funds operate similar to business enterprises, where user charges (i.e. charges for services) provide significant resources for the activity. The County classifies these as enterprise funds. The County had no major enterprise fund in 2008.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds: Fiduciary funds account for cash and investments where the County is acting as trustee or fiscal agent for other entities. The following is the County's significant fiduciary fund:

Agency Funds – Agency funds are used to account for assets held by a governmental unit as an agent for individuals, other governmental units, and/or other funds.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

E. Equity in Pooled Cash - Cash balances of the County's funds, except cash held by an escrow or fiscal agent and cash in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management.

Various departments and officials of the County have monies held separate from the County treasury.

Interest is distributed to the General Fund and Special Revenue Funds based upon the Ohio Revised Code.

F. Inventory and Prepaid Items – The County reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying basic financial statements.

G. Capital Assets - Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying basic financial statements.

H. Accumulated Leave - In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the County's cash basis of accounting.

I. Interfund Receivables/Payables – The County reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying basic financial statements.

J. Employer Contributions to Cost-Sharing Pension Plans – The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-term Obligations - Bonds and other long-term obligations are not recognized as a liability in the basic financial statements under the cash-basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

L. Net Assets - Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

The County has no net assets restricted by enabling legislation.

M. Fund Balance Designations and Reserves - The County reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Fund balance designations have been established for EPA projects and retainage. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

N. Interfund Activity - Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements. Interfund transfers within governmental-activities and within business-type activities are eliminated from the government-wide statement of net assets.

NOTE 3 - COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the County to prepare its annual financial report in accordance with accounting principles accepted in the United States of America. However, the County prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

NOTE 4 - EQUITY IN POOLED CASH

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

Monies held by the County which are not considered active are classified as inactive. Beginning June 15, 2004, inactive monies could be deposited or invested with certain limitations in the following securities provided the County has filed a written investment policy with the Ohio Auditor of State:

1. United States Treasury bills, bonds, notes, 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, or any book entry, zero coupon Unites States treasury security that is a direct obligation of the United States;

NOTE 4 - EQUITY IN POOLED CASH (Continued)

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 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 securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to marked daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or its political subdivisions provided that such political subdivisions are located wholly and partly within the County;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (A) or (B) of this section and repurchase agreements secured by such obligations, provided that investment in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio);

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (A) or (B) or cash or both securities and cash, equal value for equal value;

9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio;

10. Bankers' acceptance and commercial paper notes for a period not to exceed two hundred and seventy days and in an amount not to exceed ten percent of the County's total average portfolio; and

11. Under limited circumstances, corporate debt interests rated in any of the three highest rating classifications by at least two nationally recognized rating agencies.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the County had $5,000 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $16,223,700 of the County's bank balance of $17,361,256 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

NOTE 4 - EQUITY IN POOLED CASH (Continued)

The County has no deposit policy for custodial 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 one hundred five percent of the deposits being secured.

Investments

The County had no investments during 2008.

NOTE 5 – LONG-TERM DEBT

Long-Term debt and other obligations of the County at December 31, 2008 were as follows:

Governmental Activities General Obligation Bonds:

Issue	Interest Rate	Maturity	Balance 12/31/2007	Additions	Reductions	Balance 12/31/2008	Due Within One Year
Water Systems							
Bonds YUSA	8.00%	2009	$30,000	$0	$15,000	$15,000	$15,000
Co. Administration	4.75%	2019	220,000	0	12,000	208,000	17,000
Co. Building Impr.	4.20%	2021	1,530,000	0	80,000	1,450,000	85,000
Commission on Aging	6.00%	2023	191,000	0	9,000	182,000	7,000
W. Lancaster Road	6.00%	2023	345,000	0	15,000	330,000	18,000
USDA Sheriff Vehicles	4.375%	2011	182,100	0	42,600	139,500	44,500
Total G.O. Bonds			$2,498,100	$0	$173,600	$2,324,500	$186,500

Governmental Activities Special Assessment Bonds:

Issue	Interest Rate	Maturity	Balance 12/31/2007	Additions	Reductions	Balance 12/31/2008	Due Within One Year
Route 35/I 71 Water	5.90%	2013	$120,000	$0	$20,000	$100,000	$20,000
Clinton Ave. Phase I	5.60%	2016	92,000	0	7,000	85,000	9,000
Clinton Ave. Phase II	4.75%	2019	50,000	0	3,000	47,000	3,000
Total Special Assmts.			262,000	0	30,000	232,000	32,000
Total General Long Term Obligations			$2,760,100	0	$203,600	$2,556,500	$218,500

Enterprise Bonds

Issue	Interest Rate	Maturity	Balance 12/31/2007	Additions	Reductions	Balance 12/31/2008	Due Within One Year
Rattlesnake Treatment Plant Sewer District	7.75%	2009	$40,000	$0	$20,000	$20,000	$20,000
R.S. Sewer WWTP	4.75%	2024	1,745,000	0	65,000	1,680,000	70,000
Total Enterprise			$1,785,000	0	$85,000	$1,700,000	$90,000

NOTE 5 – LONG-TERM DEBT (Continued)

The annual requirements to amortize all long term debt outstanding as of December 31, 2008, are as follows:

Year Ending December 31	G.O. Bonds Principal	G.O. Bonds Interest	G.O. Bonds Total	Year Ending December 31	S.A. Bonds Principal	S.A. Bonds Interest	S.A. Bonds Total
2009	186,500	111,749	298,249	2009	32,000	13,267	45,267
2010	174,500	103,684	278,184	2010	32,000	11,429	43,429
2011	180,500	95,948	276,448	2011	33,000	9,587	42,587
2012	138,000	87,759	225,759	2012	34,000	7,689	41,689
2013	146,000	81,083	227,083	2013	35,000	5,724	40,724
2014-2018	842,000	291,193	1,133,193	2014-2018	60,000	9,993	69,993
2019-2023	657,000	75,069	732,069	2019-2023	6,000	338	6,338
Total	$2,324,500	$846,485	$3,170,985	Total	$232,000	$58,027	$290,027

Year Ending December 31	Enterprise Bonds Principal	Enterprise Bonds Interest	Enterprise Bonds Total
2009	90,000	95,330	185,330
2010	70,000	90,950	160,950
2011	75,000	87,275	162,275
2012	80,000	83,263	163,263
2013	85,000	78,763	163,763
2014-2018	500,000	316,469	816,469
2019-2023	645,000	159,994	804,994
2024	155,000	8,913	163,913
Total	$1,700,000	$920,957	$2,620,957

Notes and Loan Transactions

A summary of the note transactions for the year ended December 31, 2008, follows:

	Interest Rate	Outstanding 12/31/2007	Issued	Retired	Outstanding 12/31/2008	Due Within One Year
Capital Projects Funds	4.00%	$1,967,785	$2,136,816	$1,862,475	$2,242,126	$2,161,290
OPWC Loans	0%	87,500	0	5,000	82,500	5,000
Ohio Water & Sewer Rotary						0
Commission Loans	0%	387,603	0	0	387,603	
OWDA Loans	3.00-4.75%	3,892,575	1,243,869	0	5,136,444	0
Total		$6,335,463	$3,380,685	$1,867,475	$7,848,673	$2,166,290

NOTE 5 - LONG TERM DEBT (Continued)

Three of the Capital Project notes are eight year notes with sixteen level, semi-annual payments, one is a ten year note with twenty level, semi-annual payments, one is a twenty year note with forty semi-annual payments with level principal and decreasing interest. The other five Capital Project notes are notes that are being extended until the project is completed. The issued portion is interest which is added to the outstanding principal as renewal dates occur and two new notes for the construction of the Madison Mills Water System project. Also included are two loans from the Ohio Rotary Commission. All of the notes are backed by the full faith and credit of Fayette County.

In connection with the Ohio Water Development Authority loans, the County has pledged future customer service revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The loans are payable, through their final maturities solely from net revenues applicable to the funds from which they are paid. Principal remaining to be paid on these loans as of December 31, 2008 was $5,136,444. The County had not yet fully drawn the entire balances for one of these loans as of year-end, so a payment schedule has not yet been made available. Total interest payable on this loan is estimated to be $21,375. The net pledged revenues and coverage ratio are not presented for 2008 because the County was not required to make principal or interest payments during the year for these loans.

Principal and interest requirements for notes and loans outstanding for governmental activities as of December 31, 2008 are as follows:

	Capital Projects Notes/Loans		OPWC	OWDA	
Year	Principal	Interest	Principal	Principal	Interest
2009	$2,161,290	$64,010	$5,000	$0	$74,984
2010	8,968	4,860	5,000	0	149,968
2011	8,967	4,334	5,000	0	149,968
2012	8,967	3,820	5,000	0	149,968
2013	8,967	3,284	5,000	0	149,968
2014-2018	20,730	11,500	25,000	2,066,555	1,220,921
2019-2023	20,730	4,928	25,000	2,645,502	266,156
2024	3,507	198	7,500	286,863	4,303
Total	$2,242,126	$96,934	$82,500	$4,998,920	$2,166,234

Amortization schedules have not been disclosed for one of the OWDA loans because the County had not yet drawn all monies as of December 31, 2008 and therefore a final amortization was not available.

The County's two loans with the Rotary Commission were used to purchase land. The respective balances will be paid back to the Rotary Commission when the properties are taken out of agricultural district status. Therefore, no payment schedule has been established for these loans.

NOTE 6 – CAPITAL LEASES

During the year, and in prior years, the County has entered into capitalized leases for photocopiers and emergency medical services equipment. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13 "Accounting for Leases,"* which defines a capital lease as one which transfers benefits and risks of ownership to the lessee.

As of December 31, 2008 the County has outstanding capital lease obligation of $9,123.

Governmental Activities Capital Lease Obligations	
2009	$9,235
Total Principal and Interest	9,235
Less: Amount Representing Interest	(112)
Total Principal	$9,123

NOTE 7 - PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last reappraisal was completed for tax year 2006.

Real property taxes become a lien on all non-exempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the fiscal year ended December 31, 2008 was $9.75 per $1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was $7.09 per $1,000 of assessed valuation of real property classified as residential/agricultural and $7.43 per $1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2008 was $9.75 per $1,000 of assessed valuation.

Real Property – 2008 Valuation	
Residential/Agricultural	$515,145,340
Commercial/Industrial	
Public Utilities	10,433,800
Tangible Personal Property – 2008 Valuation	
General	21,505,841
Total Valuation	$547,084,981

The Fayette County Treasurer collects property tax on behalf of all taxing districts within the County. The Fayette 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.

NOTE 8 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft, damage to, or destruction of assets; errors or omissions; injuries to employees; and natural disasters. By participating in the County Risk Sharing Authority (CORSA), a risk sharing pool for liability, property, auto, and crime insurance, the County has addressed these various types of risk.

CORSA, a non-profit corporation sponsored by the County Commissioners Association of Ohio, was created to provide affordable liability, property, casualty and crime insurance coverage for its members. CORSA was established May 12, 1987, and has grown to fifty-seven members.

Under the CORSA program for general liability, auto liability, error and omission for public officials, and law enforcement liability, the County has $5,000,000 of total liability coverage. The limit applies to any one occurrence of loss, with no annual aggregate except for the Error and Omissions for Public Officials and General Liability on Products and Completed Operations Limit, which both have the same per occurrence and annual aggregate limit. For the General Liability (coverage other than products and completed operations limit), Law Enforcement and Auto Liability, there is no annual aggregate. Property damage is on a replacement cost basis.

NOTE 8 - RISK MANAGEMENT (Continued)

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in coverage from last year.

Employee, dishonesty, money and securities inside and out, money orders and counterfeit, and depositor's forgery are covered in the amount of $1,000,000 aggregate.

Worker's Compensation benefits are provided through the Ohio Bureau of Workers' Compensation. In 2008, the County participated in the County Commissioner's Association of Ohio Workers' Compensation Group Rating Program (CCAO), workers' compensation group purchasing pool (See Note 1). The intent of the CCAO is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the CCAO. Each participant pays its workers' compensation premium to the State based on the rate for the CCAO rather than its individual rate.

In order to allocate the savings derived by formation of the CCAO and to maximize the number of participants in the CCAO, annually the CCAO's executive committee calculates the total savings which accrued to the CCAO through its formation. This savings is then compared to the overall savings percentage of the CCAO. The CCAO's executive committee then collects rate contributions from, or pays equalization rebates to the various participants. Participation in the CCAO is limited to counties that can meet the CCAO's selection criteria. The firm of CompManagement Inc. provides administrative cost control and actuarial services to the CCAO. Each year, the County pays an enrollment fee to the CCAO to cover the cost of administering the CCAO.

The County may withdraw from the CCAO if written notice is provided sixty days prior to the prescribed applicant deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the CCAO prior to withdrawal, and any participant leaving the CCAO allows representatives of the CCAO to access loss experience for four years following the last year of participation.

NOTE 9 – DEFINED BENEFIT RETIREMENT PLANS

Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers 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 provides 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.

The 2008, 2007, and 2006 member contribution rates were 10.0%, 9.5%, and 9.0%, respectively, for members in state, and local classifications. Public safety and law enforcement members contributed at a rate of 10.1%, 9.75%, and 10.1%, respectively. The 2008, 2007 and 2006 employer contribution rate for state and local government employers was 14.0%, 13.85%, and 13.70%, respectively, of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rates were 17.4%, 17.17%, and 16.93% respectively.

NOTE 9 – DEFINED BENEFIT RETIREMENT PLANS (Continued)

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were $1,459,440, $1,352,804, and $1,330,103, respectively. The full amount has been contributed for 2008, 2007, and 2006.

State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

NOTE 9 – DEFINED BENEFIT RETIREMENT PLANS (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent. The County's required contributions for pension obligations to STRS Ohio for the fiscal years ended 2008, 2007, and 2006 were $29,675, $26,914, and $24,678, respectively; which were equal to the required amounts for those years.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

NOTE 10– POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

   In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

NOTE 10– POSTEMPLOYMENT BENEFITS (Continued)

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interest parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

   Employer's contributions are expressed as a percentage of the covered payroll of active members. In 2008, the County contributed at 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14.0% of covered payroll. Active members do not make contributions to the OPEB Plan.

   OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008, the employer contributions allocated to the health care plan was 7.0% of covered payroll. For 2007, these percentages were 5.0% for January through June 2007 and 6.0% for July through December 2007. For 2006, this percentage was 4.5%. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

C. The employer contributions that were used to fund post-employment benefits were $717,034 for 2008, $537,198 for 2007, and $379,038 for 2006.
D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. For the County, these amounts equaled $2,120, $1,922, $1,873, respectively, for fiscal years 2008, 2007, and 2006, respectively.

NOTE 11 - COUNTY SALES TAX

The County Commissioners, by resolution, imposed a two percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. 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 each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited to the General Fund and the Motor Vehicle and Gas Tax Special Revenue Fund. Permissive Sales and Use tax revenue for 2008 amounted to $6,603,591.

NOTE 12 - CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, the County Commissioners believe such refunds, if any, would not be material.

NOTE 13 - ACCUMULATED UNPAID VACATION, PERSONAL, COMPENSATORY TIME AND SICK LEAVE

Accumulated unpaid vacation, personal, compensatory time and sick leave are not accrued under the cash basis of accounting described in Note 2. All leave will either be absorbed by time off from work, or within certain limitation, be paid to the employees. The liability is not recorded on the basic financial statements under the basis of accounting the County uses.

NOTE 14 - LANDFILL CLOSURE AND POST CLOSURE CARE

During 1993, the County stopped receiving refuse in its public landfill. State and federal laws and regulations require the County to perform certain maintenance and monitoring functions at the site for thirty years after closure. The Ohio Environmental Protection Agency officially certified the closure of the landfill in 1993. Any remaining costs associated with the closure of the landfill were paid during 1995.

State and Federal laws and regulations require the County to provide financial assurance for the landfill closure and post closure care costs. The County has complied with requirement by issuing a $400,000 Landfill Improvement bond in May of 1996 to construct certain landfill improvements associated with post-closure activity. These proceeds have been receipted into the Sanitary Revenue Waste Enterprise Fund.

Currently, the County contracts with a private collection service to handle the solid waste collection and disposal activities for the County at another landfill site.

NOTE 15 – INTERFUND TRANSACTIONS

Interfund cash transfers and advances for the year ended December 31, 2008, were as follows:

	Transfers In	Transfers Out	Advances In	Advances Out
MAJOR FUNDS:				
General	$65,000	$855,582	$38,092	$29,282
MVGT	59,000	0	81,249	0
CBMR/DD	0	0	40,588	30,445
MMWS CP	0	1,852,547	0	0
NON-MAJOR FUNDS:				
Special Revenue	796,582	65,000	79,247	91,341
Debt Service	2,066,516	0	29,182	36,759
Capital Projects	0	213,969	136,400	202,548
Enterprise	0	0	194,513	208,896
Total	$2,987,098	$2,987,098	$599,271	$599,271

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization. Monies were also transferred from other governmental funds into the General Fund as required by a court order, and from capital projects funds to debt service funds.

Advances were made from the General Fund to various funds to subsidize operations until anticipated revenues were received. Advances were also made from a nonmajor capital projects fund to the MVGT Fund to repay advances from 2007. Advances were also made between related nonmajor special revenue funds, capital projects funds, and enterprise funds to support projects or operations until anticipated funding was received.

NOTE 16 – CHANGES IN ACCOUNTING PRINCPLES

For the year ended December 31, 2008, the County implemented Governmental Accounting Standards Board Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," and No. 50, "Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27." GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in the notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The application of these new standards had no effect on the financial statements, nor did their implementation require a restatement of prior year balances.

FAYETTE COUNTY
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2008

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity's Number	Expenditures
U.S. Department of Housing and Urban Development			
Passed Through Ohio Department of Development			
Community Development Block Grants			
Small Cities Program Grant (Formula)	14.228	BC-07-023-1	$85,618
Total Community Development Block Grants			85,618
HOME Investment Partnerships Program			
Small Cities Community Deveopment Block Grant (C.H.I.P-HOME)	14.239	BC-07-23-2	53,870
Total HOME Investment Partnerships Program			53,870
Total U.S. Department of Housing and Urban Development			**139,488**
U.S. Department of Justice			
Passed Through Ohio Office of Criminal Justice Services			
Violence Against Women Formula Grants			
Victim-Witness/VOCA '07-'08	16.588	2008VAGENE240T	38,095
Victim-Witness/SVAA	16.588	2008SAGENE240T	5,357
Victim -Witness/VAWA '08	16.588	2008-WF-VA5-8411	14,173
JAG	16.588	2008-JG-DO1-6300	24,113
Total U.S. Department of Justice			**81,738**
U.S. Department of Labor			
Passed Through Area Agency 7			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult	17.258	n/a	70,667
Workforce Investment Act - Adult Total			70,667
Workforce Investment Act - Youth	17.259	n/a	54,504
Workforce Investment Act - Youth Administrative	17.259	n/a	35,369
Workforce Investment Act - Youth Total			89,873
Workforce Investment Act - Dislocated Workers	17.260	n/a	158,759
Workforce Investment Act - Dislocated Workers - Rapid Response	17.260	n/a	175,000
Workforce Investment Act - Dislocated Workers Administrative	17.260	n/a	950
Workforce Investment Act - Dislocated Workers Total			334,709
Total Workforce Investment Act Cluster			495,249
Total U. S. Deparment of Labor			**495,249**

(continued)

FAYETTE COUNTY
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2008

U.S. Department of Homeland Security			
Passed Through Ohio Department of Public Safety			
Management Agency			
Emergency Management Performance Grant	97.042	N225	$15,923
Learn and Serve America - School and Community Based Programs	97.004	S04-SHSP-24-0382	9,264
Total U. S. Deparment of Homeland Security			**25,187**
U.S. Department of Education			
Passed Through Ohio Department of Education			
Special Education - Preschool Grant	84.173	PG-S1	11,687
Total Special Education Cluster			11,687
State Grants for Innovative Programs	84.298	C2-S1	77
Total U. S. Department of Education			**11,764**
U.S. Department of Health and Human Services			
Passed Through Ohio Department of Aging			
Special Programs for the Aging - Nutrition - Title III-B	93.044	n/a	35,957
Special Programs for the Aging - Nutrition - Title III-C	93.045	n/a	100,244
Total Aging Cluster			136,201
Low-Income Home Energy Assistance Program	93.568	n/a	1,900
Nutrition Services Incentive Program	93.053	n/a	71,523
Passed Through Ohio Department of Mental Retardation and Developmental Disabilities			
Medical Assistance Program:			
Targeted Case Management	93.778	n/a	141,917
Waiver	93.778	n/a	
Total Medical Assistance Program - Title XIX			141,917
Social Services Block Grant	93.667	n/a	23,531
State Children's Health Insurance Program	93.767	n/a	1,213
Passed Through the Ohio Secretary of State			
Polling Place Accessibility Grant	93.617	06-SOS-HHHH-24	3,837
Total U.S. Department of Health and Human Services			**380,122**
U.S. Department of Transportation			
Passed Through Ohio Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	24834	22,414
Total Highway Planning and Construction Cluster			22,414
Passed Through Federal Aviation Administration			
Airport Improvement Program- Runway Taxiway Connector, Ramp Exp, Beacon Reloc.	20.106	n/a	93,711
Total Airport Improvement Program			93,711
Total U.S. Department of Transportation			**116,125**
U.S. Department of Commerce			
Passed Through the Economic Development Administration			
Investments for Public Works and Economic Development Facilities	11.300	n/a	1,703,401
Total U.S. Department of Commerce			**1,703,401**
Total Federal Financial Award Expenditures			**$2,953,074**

n/a - pass-through entity number not available.

See the accompanying notes to the schedule of federal awards expenditures.

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures (the schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

The Fayette County Department of Job and Family Services, Children Services Board and Child Support Enforcement Agency received federal financial assistance from the Ohio Department of Job and Family Services for the following programs (which are audited at the state level and reported in the State Single Audit Report):

CFDA# 10.551/561	Food Stamps Cluster
CFDA# 93.558	Temporary Assistance for Needy Families
CFDA# 93.563	Child Support Enforcement
CFDA# 93.575/596	Child Care Cluster
CFDA# 93.658	Foster Care Adoption Assistance
CFDA# 93.667	Social Services Block Grant Title XX
CFDA# 93.767	State Children's Insurance Fund
CFDA# 93.775/.777/.778	Medicaid Cluster

NOTE C – OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES

The Fayette County Department of Mental Retardation and Developmental Disabilities received federal financial assistance from the Ohio Department of Mental Retardation and Developmental Disabilities for the following program (which is audited at the state level and reported in the State Single Audit Report):

CFDA# 93.778	Medicaid Cluster (Individual Options and Level I Waiver Programs)

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of County Commissioners
Fayette County
133 South Main Street
Washington Court House, Ohio 43160

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the primary government of Fayette County, Ohio (the County) as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 21, 2009, wherein we noted that the County implemented GASB Statements No. 45, and No. 50, and that the County reports on the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, and wherein we noted the County's cash basis financial statements do not include amounts related to the Fayette County Memorial Hospital in its fund statements or its entity wide statements or include Fayette Progressive Industries, Inc. as a discretely presented component unit. Accordingly, the County's financial statements do not present fairly the financial position of the proprietary funds or business-type activities or aggregate discretely presented component units for the County as of December 31, 2008 or the changes in its cash basis financial position for the year then ended. Except as described in the previous two sentences, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting, a comprehensive basis of accounting other than generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2008-3.

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above to be a material weakness.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated August 21, 2009.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards,* which are described in the accompanying schedule of findings as items 2008-1 and 2008-2.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated August 21, 2009.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
August 21, 2009

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Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of County Commissioners
Fayette County
133 South Main Street
Washington Court House, Ohio 43160

Compliance

We have audited the compliance of Fayette County, Ohio (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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 Comptroller General of the United States' *Government Auditing Standards*; 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, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Internal Control Over Compliance (Continued)

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that the County's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
August 21, 2009

Fayette County
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2008

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies 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 section .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #11.300, Investments for Public Works and Economic Development Facilities CFDA #17.258, 17.259, & 17.260, WIA Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

Finding 2008-1 – Noncompliance Finding – Failure to Properly Encumber Funds Prior to Commitment for Expenditure

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificates – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriate and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

   Amounts of less than $100 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

2. Blanket Certificates – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificates – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Several instances were identified where purchases were initiated prior to obtaining certification of the County Auditor and were not subsequently approved by the County Commissioners within the required 30-day time period. The County should implement procedures to ensure that prior certification is obtained for purchasing commitments or that procedures outlined in the exceptions listed above are followed.

Finding 2008-1 – Noncompliance Finding – Failure to Properly Encumber Funds Prior to Commitment for Expenditure (Continued)

Client Response:

Then and Now certificate format presented to Auditor for review and comment.

Finding 2008-2 – Noncompliance Finding – Failure to File Annual Financial Report in Compliance with Required Accounting Principles

Ohio Revised Code Section 117.38(B) provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribed forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form of the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. The County, with the exception of the Fayette County Memorial Hospital, prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. Pursuant to Ohio Revised Code Section 117.38, the County can be fined and various other administrative remedies may be taken against the County for failure to timely file a financial report.

The County should take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

Client Response:

Fayette County continues to remain on a cash basis for the immediate future due to the high cost of conversion and additional auditing costs.

Finding 2008-3 – Significant Deficiency – Commission on Aging Activity

Fayette County operates a Senior Citizens Center for the benefit of citizens of the County over the age of 55. The Senior Citizens Center is housed in a County-owned building and is operated by County employees. The Fayette County Commissioners are named as the "grantee" on all grant funds received by the Senior Citizens Center. During 2008, the financial activity in separate checking and savings accounts totaling $57,738 were not reported in the County's financial statements, but should have been reported as agency funds. See the following paragraph for a description of accounts.

The Fayette County Commission on Aging (Commission) was incorporated as a not-for-profit corporation on December 30, 1976. The Commission is structured as follows:

- Commission board members are self-appointed.
- The Commission operates out of the Senior Citizens Center.
- As the Commission does not have any of its own employees, all Commission functions are carried out by County employees.
- A portion of the Commission's Senior Citizens Center financial activity is accounted for through a savings account, a checking account, an "activity" account, a "trip" account, and a "senior nutrition" account. These accounts are separate checking accounts and are not subject to the budgetary and control procedures of County funds. The account balances are not, but should be, reported as agency funds in the County's financial report.

Because the Commission operates as a department of the County through the Senior Citizens Center, certain financial resources of the Commission related to the Senior Citizens Center should be accounted for through the County financial and budgetary systems.

The County Commissioners and the Commission on Aging should consult with the County's legal counsel and review the financial activity in each account related to the Senior Citizens Center activity to determine which entity is responsible for the activity and financially responsible for the related funds. All public funds should be accounted for by the County. Each entity responsibilities should be documented in written agreements. Special attention should be placed on the administration of the Passport Services Grants. If it is determined that the Commission on Aging is to administer the grants, the County should execute a written contract with the Commission.

Client Response:

Accounts under County control are being monitored. The outside accounts are still pending review by the County and Director.

3. Findings and Questioned Costs for Federal Awards

None

Fayette County Financial Condition
Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(b)
For the Year Ended December 31, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain:***
2007-1	Noncompliance Finding/Significant Deficiency – Failure to Properly Encumber Funds	No	Reissued as Finding 2008-1
2007-2	Noncompliance Finding – Failure to File Annual Financial Report on Required Accounting Basis	No	Reissued as Finding 2008-2
2007-3	Noncompliance Finding – Expenditures in Excess of Appropriations	No	Reissued as Management Letter comment
2007-4	Significant Deficiency – Commission on Aging Activity	No	Reissued as Finding 2008-3
2007-5	Significant Deficiency – Clerk of Courts Financial Reporting Activity	Yes	N/A

Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

FAYETTE 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
NOVEMBER 5, 2009

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