FAYETTE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005

Auditor of State
Betty Montgomery

FAYETTE COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental 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, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Fayette County General Hospital for the year ended December 31, 2005. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions on the accompanying financial statements, insofar as it relates to the amounts included for the Fayette County General Hospital, are based on the reports of the other auditors.

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

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 1, with the exception of the Fayette County General Hospital, the accompanying financial statements and notes follow the cash basis of accounting. 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 Fayette County General Hospital financial statements are presented as stand alone statements. In our opinion, based on the report of the other auditors, the Fayette County General Hospital's stand alone financial statements present fairly, in all material respects, its financial position as of December 31, 2005, and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United Statements of America.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

The County omitted Business-type Activities from the entity–wide statements, and the proprietary fund statements for the Fayette County Memorial Hospital in its cash basis statements. In addition, the financial statements do not include financial data for the County's legally separate component unit, Fayette Progressive Industries. Accounting principles generally accepted in the United States of America 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 include the component unit's financial data. The County has not issued reporting entity financial statements. We cannot determine the amount of assets, net assets, revenues and expenses that the accompanying statements should present for the component units. Therefore in our opinion, the County's financial statements do not present fairly the financial position of the business-type activities, proprietary funds, and the discretely presented component unit of the County as of December 31, 2005 or the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 2.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects the respective cash basis financial position of the governmental activities, each major governmental fund, and the aggregate remaining fund information of Fayette County, Ohio, as of December 31, 2005, and the respective changes in cash basis financial position thereof and the respective budgetary comparison for the General, Board of Mental Retardation and Developmental Disabilities, Job and Family Services, and Auto and Gas Tax Funds, thereof for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2006, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards.* You should read it in conjunction with this report in assessing the results of our audit.

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, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery

Betty Montgomery
Auditor of State

September 25, 2006

FAYETTE COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(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, 2005. 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 financial statements to enhance their understanding of the County's performance.

- In total, net cash assets decreased $266,065.

- Net cash assets of governmental activities decreased $36,143 which represents a 1.85% decrease from 2004. Net cash assets of business-type activities decreased $138,862 which represents a 23.47% decrease from 2004. Net cash assets of fiduciary funds increased $373,632 which represents a 12.30% increase from 2004.

- At the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of $6,764,579. Approximately 93.37%, $6,310,146, is available for spending at the government's discretion. Business-type Funds reported a combined ending fund balance of $452,886. Approximately 82.76%, $374,829, is available for spending.

- There were no additions to the County's total long-term debt during the current fiscal year. Reductions in long-term debt during 2005 amounted to $356,753.

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 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 2005, within the limitations of cash basis 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 report the County's governmental activities. Both of the government-wide financial statements identify functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the County include general government, judicial, public safety, public works, health, human services, economic development and assistance, miscellaneous, and debt service.

Both of the government-wide financial statements distinguishes functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include executive/legislative, judicial, public safety, public works, health, human services, conservation and recreation, economic development and assistance, and urban redevelopment and housing. The business-type activities of the County include a sanitary sewer, sanitary waste, and water district.

The government-wide financial statements can be found on pages 13-15 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, Auto and Gas Fund, the Mental Retardation/Developmental Disabilities Fund and the Capital Improvement Bond Retirement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

The County adopts an annual appropriated budget for its general fund and the other major funds as well as all other governmental funds. A budgetary comparison statement has been provided for the general and the other major special revenue funds to demonstrate compliance with this budget.

The cash basis governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary funds - The County maintains one type of proprietary fund. *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 funds are combined into a single presentation.

The cash basis proprietary fund financial statements can be found on pages 20-21 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 cash basis fiduciary fund financial statements can be found on pages 22-23 of this report.

Budgetary Comparison Schedules. 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.

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 29-46 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 *Other Comprehensive 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 2004	Governmental Activities 2005
Cash	$6,891,782	$6,764,579
Total Assets	6,891,782	6,764,579
Restricted for:		
Special Revenue	5,027,116	5,009,301
Capital Projects	422,138	105,637
Debt Service	735,879	964,830
Unrestricted	706,649	684,811
Total Net Assets	$6,891,782	$6,764,579

	Business-type Activities 2004	Business-type Activities 2005
Cash	$591,748	$452,886
Total Assets	591,748	452,886
Unrestricted	591,748	452,886
Total Net Assets	$591,748	$452,886

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 decreased $127,203 or 1.85%. The primary decrease in cash balances is due to an increase in disbursements for capital outlay due to various Ohio Department of Transportation projects and ditch maintenance projects. Also disbursements for conservation and recreation increased due to improvements at the County Airport. For business-type activities, total assets decreased $138,862 or 23.47%. The primary decrease in cash balances is due to an increase in disbursements for Sanitary Sewer Revenue and Sanitary Revenue Waste.

FAYETTE COUNTY'S CHANGES IN NET ASSETS-

	Governmental Activities 2004	Governmental Activities 2005
Receipts:		
Program Receipts:		
Charges for Services	$4,388,323	$4,834,478
Operating grants and contributions	6,514,070	7,020,251
Capital grants and contributions	1,619,314	1,914,160
General receipts:		
Property Taxes	3,073,846	3,195,529
Sales and other taxes	4,281,585	4,418,765
State Local Government	3,540,452	3,778,442
Unrestricted investment earnings	271,447	349,942
Grants and contributions not		
Restricted to specific programs	525,554	424,328
Other	342,392	489,706
Total receipts	24,556,983	26,425,601
Disbursements:		
General government	2,930,002	2,925,902
Judicial	1,954,095	2,192,379
Public Safety	2,606,689	2,970,737
Public Works	4,685,939	5,206,517
Health	3,312,833	3,525,792
Human Services	5,255,444	5,993,441
Conservation and Recreation	802,820	670,570
Economic Development & Assis.	52,412	52,247
Urban Redevelopment & Housing	879,009	652,270
Capital Outlay	1,798,582	1,956,533
Debt Service	442,123	425,233
Total Disbursements	24,719,948	26,571,621
Increase/Decrease in net assets	(162,965)	(146,020)
Transfers	19,095	18,817
Advances	(7,870)	0
Change in net assets	(151,740)	(127,303)
Net assets End of Prior Year	7,043,522	6,891,782
Net assets End of Current Year	$6,891,782	$6,764,579

The County's governmental receipts are mainly from property and sales tax and operating grants and contributions. These receipts comprise 55.38% of the County's receipts for governmental activities. These revenue sources remained fairly consistent from 2004. Charges for services comprise 18.29% of total governmental revenue. These receipts increased due to the implementation of Global Information System (GIS) fees being collected in the Real Estate Assessment fund. State and local government receipts comprise 14.30% of total governmental activities revenue. These receipts increased due to additional funding received in 2005. Grants and contributions not restricted to specific programs comprise 1.61% of revenue from governmental activities. These receipts decreased due to a decrease in donations received and special assessments. Unrestricted Investment Earnings increased due to higher interest rates in 2005.

The majority of the County's disbursements for governmental activities changed from 2004. Judicial disbursements which comprise 8.25% of the disbursements increased due to more cases being tried in Common Pleas Court in 2005. Public safety which comprises 11.18% of disbursements increased due to an increase in equipment purchase. Public Works comprise 19.60% of disbursements also increased due to equipment purchase and contract projects. Human Services comprise 22.56% of disbursements increased due to an increase in state funding for displaced workers and other programs. Conservation and Recreation disbursements decreased due to fewer improvements at the County airport. These disbursements represent 2.52% of total government activities disbursements. Urban Redevelopment & Housing decreased due to less Federal Grants being received in 2005. These disbursements represent 2.45% of total government activities disbursements. Capital Outlay which comprises 7.36% of total disbursements of governmental activities, increased due to increased funding for voting machines and federal highway projects.

FAYETTE COUNTY'S CHANGES IN NET ASSETS-

	Business-Type Activities 2004	Business-Type Activities 2005
Receipts:		
Program Receipts:		
Charges for Services	$1,303,052	$1,434,180
Total receipts	$1,303,052	$1,434,180
Disbursements:		
Sanitary Sewer Revenue	368,524	383,783
Sanitary Revenue Waste	869,794	1,054,707
Water District Revenue	99,276	115,735
Total Disbursements	1,337,594	1,554,225
Increase/Decrease in net assets	(34,542)	(120,045)
Transfers	(19,095)	(18,817)
Advances	7,870	0
Change in net assets	(45,767)	(138,862)
Net assets 12-31-04	637,515	591,748
Net assets 12-31-05	$591,748	$452,886

Business-type activities derive their receipts from charges for services. These revenue sources remained fairly consistent from 2004. Disbursements for business-type activities derive from three activities: sanitary sewer, sanitary waste, and water. Disbursements from sanitary waste accounts for 67.86% of total enterprise fund disbursements. This fund increased disbursements because of a payment of funds to the county General Fund. The water fund comprises 7.45% of the total enterprise fund disbursements. Activities in this fund increased due to repairs.

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 $6,764,579, a decrease of $127,303 in comparison with the prior year. Approximately $6,310,146 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 decreased due to normal increases in disbursements and very small 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 $508,082, with receipts of $9,243,318 and disbursements of $8,804,373.

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 $452,886, a decrease of $138,862 in comparison with the prior year. Approximately $374,829 constitutes unreserved fund balance, which is available for spending at the government'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 decreased due to a payment to the General Fund for operating expenses.

Governmental Activities

If you look at the Statement of Activities on pages 14 and 15, 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 19.60 and 22.56 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 19.26 percent. 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.

Governmental Activities

	Total Cost Of Services 2005	Total Cost Of Services 2004	Net Cost of Services 2005	Net Cost of Services 2004
General Government	$5,118,281	$ 4,884,097	$3,478,167	$ 3,320,242
Public Safety	2,970,737	2,606,689	2,053,220	1,858,878
Public Works	5,206,517	4,685,939	2,134,573	1,462,995
Health	3,525,792	3,312,833	1,305,454	1,341,396
Human Services	5,993,441	5,255,444	2,324,129	2,196,927
Conservation and Recreation	670,570	802,820	494,708	491,688
Economic Development and Assistance	52,247	52,412	18,807	20,756
Urban Redevelopment and Housing	652,270	879,009	389,912	473,028
Capital Outlay	1,956,533	1,798,582	308,655	728,731
Debt Service	425,233	442,123	295,107	303,600
Total Expenses	$26,571,621	$ 24,719,948	$12,802,732	$ 12,198,241

The dependence upon property and sales tax receipts is apparent as over 48.18 percent of governmental activities are supported through these general receipts.

Business-type Activities

The water, sewer and waste district operation of the County is relatively small and routinely reports receipts and cash disbursements that are relatively equal.

The Government's Funds

Total governmental funds had receipts of $26,425,601 and disbursements of $26,571,621. The greatest change within governmental funds occurred within the CBMR/DD Fund. The fund balance of this fund increased $187,187 as the result of increased charges for services and intergovernmental revenue.

General Fund receipts were less than disbursements by $21,838 indicating that the General Fund is in a deficit spending situation**.** It was the recommendation of the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in property and sales taxes remains stagnant.

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 an increase of $182,959. The program differences are as follows:

. Legislative and Executive decreased by $20,991
. Judicial increased by $99,177
. Public Safety increased by $114,636
. Conservation and Recreation increased by $5,581
. Public Works decreased by $18,412
. Public Health increased by $9,519
. Human Services increased by $20,856
. Urban Redevelopment increased by $18,341

All programs spent less than budget.

Capital Assets and Debt Administration

Capital Assets

The County does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2005, the County's outstanding debt included $2,655,000 in general obligation bonds issued for improvements to buildings, structures and roads; $1,940,000 in enterprise general obligation bonds for improvements in water and sewer facilities and landfill; $322,000 in special assessment bonds for improvements in water systems and storm sewers; and $81,653 in capital leases for equipment. 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, 2005 was 5.3%, compared to 5.8% a year earlier.

. 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. Unfortunately, the past two years has seen an increase in vacancies, particularly at the mall on State Route 41 with approximately 75% vacancy. The other mall on Old Route 35 is staying steadily in the 95% occupancy range. The change in sales tax revenue during the past two years has had a negative impact on county receipts. The Home Depot Home Improvement Center being built was nearly complete as of December 31, 2005, the movie theater is still pending, a new Dakota's Restaurant is to be in operation by autumn of 2006 and continued retail growth in the New Route 35 area is expected which gives some hope of future receipts.

Each of these factors was considered in preparing the County's budget for the 2006 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 Penny S. Johnson, Fayette County Auditor, 133 S. Main Street, Suite 303, Washington C.H., Ohio 43160.

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FAYETTE COUNTY, OHIO
Statement of Net Assets-Cash Basis
December 31, 2005

	Governmental Activities	Business-Type Activities
ASSETS		
Cash	$6,754,997	$452,886
Cash with Fiscal Agent	9,582	
TOTAL ASSETS	$6,764,579	$452,886
NET ASSETS		
Restricted for:		
Special Revenue	$5,009,301	
Capital Projects	105,637	
Debt Service	964,830	
Unrestricted	684,811	452,886
TOTAL NET ASSETS	$6,764,579	$452,886

See accompanying notes to the financial statements.

FAYETTE COUNTY, OHIO
Statement of Activities - Cash Basis
for the Year Ending December 31, 2005

	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants, Contributions, and Interest
Governmental activities:				
Executive and Legislative	$ (2,925,902)	$ 684,417	$ 176,303	7,867
Judicial	(2,192,379)	491,133	268,416	11,978
Public Safety	(2,970,737)	688,500	219,234	9,783
Public Works	(5,206,517)	943,444	2,037,577	90,923
Health	(3,525,792)	613,448	1,538,248	68,642
Human Services	(5,993,441)	1,062,111	2,495,829	111,372
Conservation and Recreation	(670,570)	161,030	14,198	634
Economic Development and Assistance	(52,247)	8,997	23,399	1,044
Urban Redevelopment and Housing	(652,270)	140,220	116,921	5,217
Capital Outlay	(1,956,533)	41,178		1,606,700
Debt Service	(425,233)	-	130,126	
Total Governmental Activities	($26,571,621)	$4,834,478	$7,020,251	$1,914,160
Business Type Activities				
Sanitary Sewer Revenue	($383,783)	$371,235		
Sanitary Revenue Waste	(1,054,707)	947,746		
Water District Revenue	(115,735)	115,199		
Total Business Type Activities	($1,554,225)	$1,434,180		

General Receipts:
Taxes
Property
Sales
State Local Government
Unrestricted investment earnings
Grants and contributions
not restricted to specific programs
Miscellaneous
Net Advances
Net Transfers
Other

Total General Receipts

Increase (Decrease) in net assets

Net assets - beginning of year

Net assets - end of year

See accompanying notes to the financial statements.

Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities	Net (Disbursements) Receipts and Changes in Net Assets Business-type Activities	Total (Memorandum Only)
$ (2,057,315)		$ (2,057,315)
(1,420,852)		(1,420,852)
(2,053,220)		(2,053,220)
(2,134,573)		(2,134,573)
(1,305,454)		(1,305,454)
(2,324,129)		(2,324,129)
(494,708)		(494,708)
(18,807)		(18,807)
(389,912)		(389,912)
(308,655)		(308,655)
(295,107)		(295,107)
($12,802,732)		($12,802,732)
	($12,548)	($12,548)
	(106,961)	(106,961)
	(536)	(536)
	($120,045)	($120,045)
3,195,529		3,195,529
4,418,765		4,418,765
3,778,442		3,778,442
349,942		349,942
424,328		424,328
489,706		489,706
-	-	-
18,817	(18,817)	-
12,675,529	(18,817)	12,656,712
(127,203)	(138,862)	(266,065)
6,891,782	591,748	7,483,530
$6,764,579	$452,886	$7,217,465

FAYETTE COUNTY
Statement of Assets and Liabilities Arising From Cash Transactions - Government Funds
December 31, 2005

ASSETS	General Fund	CBMR/DD Fund	Job & Family Svs. Fund	MVGT Fund	Capital Improvement Bond Retirement	Other Governmental Funds	Total Governmental Funds
Equity in Pooled Cash	675,229	2,524,466	64,094	682,899	741,297	2,067,012	6,754,997
Cash with Fiscal Agent	9,582						9,582
TOTAL ASSETS	684,811	2,524,466	64,094	682,899	741,297	2,067,012	6,764,579
FUND BALANCE							
Reserved for Encumbrances	167,147	-	6,155	186,640	-	84,909	444,851
Designated for EPA	9,582						9,582
Unreserved, Undesignated	508,082	2,524,466	57,939	496,259	741,297	1,982,103	6,310,146
TOTAL FUND BALANCE	684,811	2,524,466	64,094	682,899	741,297	2,067,012	6,764,579

See accompanying notes to the financial statements.

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FAYETTE COUNTY, OHIO
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds
As of and For the Year Ended December 31, 2005

	General Fund	CBMR/DD Fund	Job & Family Svs. Fund	MVGT Fund
RECEIPTS				
Taxes				
Property	$1,295,609	$1,557,632		
Sales	4,096,498			322,267
Charges for Services	2,022,452	86,405	120,385	482,750
Fees				
Intergovernmental	923,350	834,227	3,089,666	3,267,438
Fines and Forfeitures	118,689			22,167
Licences and Permits	2,810			
Miscellaneous	433,968			37,033
Special Assessments	0			1,922
Interest	349,942			25,785
Donations				
TOTAL RECEIPTS	9,243,318	2,478,264	3,210,051	4,159,362
DISBURSEMENTS				
Legislativeand Executive	($2,532,245)			
Judicial	(1,593,048)			
Public Safety	(2,481,222)			
Public Works	(656,923)			(4,402,159)
Health	(90,222)	(2,297,427)		
Human Services	(420,641)		(3,310,673)	
Conservation and Recreation	(638,868)			
Economic Development and Assistance				
Urban Redevelopment and Housing	(391,204)			
Capital Outlay	-			
Debt Service				
Principal Retirement				
Interest and Fiscal Charges				
TOTAL DISBURSEMENTS	(8,804,373)	(2,297,427)	(3,310,673)	(4,402,159)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	438,945	180,837	(100,622)	(242,797)
OTHER FINANCING SOURCES (USES)				
Operating Transfers - In	140,000			59,000
Advances - In	27,762	60,924		185,941
Operating Transfers - Out	(611,918)	-		
Advances - Out	(16,627)	(54,574)		-
TOTAL OTHER FINANCING SOURCES (USES)	(460,783)	6,350	-	244,941
NET CHANGE IN FUND BALANCE	(21,838)	187,187	(100,622)	2,144
CASH BASIS FUND BALANCE - Beginning of year	706,649	2,337,279	164,716	680,755
CASH BASIS FUND BALANCE - End of year	$684,811	$2,524,466	$64,094	$682,899
CASH BASIS ASSETS - End of year				
Cash	$675,229	$2,524,466	$64,094	$682,899
Cash with Fiscal Agent	9,582			
	$684,811	$2,524,466	$64,094	$682,899
CASH BASIS FUND BALANCE - End of year				
Reserved for encumbrances	$167,147	$0	$6,155	$186,640
Unreserved:				
Designated for EPA	9,582			
Designated for capital asset replacement				
Undesignated	508,082	2,524,466	57,939	496,259
	$684,811	$2,524,466	$64,094	$682,899

See accompanying notes to the financial statements.

Capital Improvement Bond Retirement	Other Governmental Funds	Total Governmental Funds
		-
92,379	$168,603	$3,114,223
	0	4,418,765
	1,870,745	4,582,737
	8,514	8,514
11,982	4,479,141	12,605,804
	99,561	240,417
	0	2,810
	237,843	708,844
	161,715	163,637
	1,418	377,145
	202,705	202,705
104,361	7,230,245	26,425,601
	($393,657)	($2,925,902)
	(599,331)	(2,192,379)
	(489,515)	(2,970,737)
	(147,435)	(5,206,517)
	(1,138,143)	(3,525,792)
	(2,262,127)	(5,993,441)
	(31,702)	(670,570)
	(52,247)	(52,247)
	(261,066)	(652,270)
	(1,956,533)	(1,956,533)
		-
	(246,753)	(246,753)
	(178,480)	(178,480)
		-
-	(7,756,989)	(26,571,621)
104,361	(526,744)	(146,020)
	573,393	772,393
	71,201	345,828
	(141,658)	(753,576)
	(274,627)	(345,828)
-	228,309	18,817
104,361	(298,435)	(127,203)
636,936	2,365,447	6,891,782
$741,297	$2,067,012	$6,764,579
$741,297	$2,067,012	$6,754,997
		9,582
$741,297	$2,067,012	$6,764,579
$0	$84,909	$444,851
		9,582
741,297	1,982,103	6,310,146
$741,297	$2,067,012	6,764,579

FAYETTE COUNTY
Balance Sheet-Enterprise Funds-Cash Basis
December 31, 2005

ASSETS		
Equity in Pooled Cash	$	452,886
TOTAL ASSETS		452,886
FUND BALANCE		
Reserved for encumbrances		78,057
Unreserved, Undesignated		374,829
TOTAL FUND BALANCE	$	452,886

See accompanying notes to the financial statements.

FAYETTE COUNTY, OHIO
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Enterprise Funds
As of and For the Year Ended December 31, 2005

RECEIPTS		
Charges for Services		$1,416,704
Other Operating Receipts		17,476
	TOTAL RECEIPTS	1,434,180
EXPENSES		
Personal Services		300,582
Contract Services		667,912
Materials & Supplies		94,714
Other Operating Exp.		266,350
Debt Service		
Principal Retirement		110,000
	TOTAL EXPENSES	1,439,558
EXCESS (DEFICIENCY) OF RECEIPTS OVER EXPENSES		(5,378)
NON-OPERATING RECEIPTS AND EXPENSES		
Interest and Fiscal Charges		(114,667)
Transfers - In		224,667
Transfers - Out		(243,484)
TOTAL NON-OPERATING RECEIPTS AND EXPENSES		(133,484)
CASH BASIS FUND BALANCE-Beginning of Year		591,748
CASH BASIS FUND BALANCE-End of Year		$452,886
CASH BASIS FUND BALANCE - End of year		
Reserved for encumbrances		$78,057
Unreserved:		
Undesignated		374,829
		$452,886

See accompanying notes to the financial statements.

FAYETTE COUNTY, OHIO
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2005

	Agency Funds
Assets:	
Equity in Pooled Cash and Investments	2,755,449
Equity in Cash in Segregated Accounts	656,094
Total Assets	3,411,543
Net Assets:	
Total Net Assets	3,411,543

See accompanying notes to the financial statements.

FAYETTE COUNTY, OHIO
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2005

	AGENCY
Additions:	
Other Non-operating	$ 25,278,156
Total Additions	25,278,156
Deductions:	
Segregated Accounts	25,580
Other Non-operating	24,878,944
Total Deductions	24,904,524
Change In Net Assets	373,632
Net Assets Beginning of Year	3,037,911
Net Assets End of Year	$ 3,411,543

See accompanying notes to the financial statements.

Fayette County
General Fund
Budgetary Comparison Schedule - Cash Basis
For the Year Ended December 31, 2005

	Budgeted Amount Original	Budgeted Amount Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Beginning Budgetary Fund Balance	$ 697,244	$ 697,244	$ 697,244	$ -
Resources (Inflows):				
Property Tax	1,255,050	1,300,073	1,295,609	(4,464)
Sales Tax	3,900,000	4,096,498	4,096,498	-
Charges for services	2,205,668	2,029,709	2,022,452	(7,257)
Intergovernmental	786,937	895,495	923,350	27,855
Licenses	3,650	2,685	2,810	125
Fines and Forfeitures	152,000	118,689	118,689	-
Other Income	200,000	413,512	433,968	20,456
Interest	250,000	349,718	349,765	47
Other Financing Sources:				
Transfers from other funds	150,000	140,000	140,000	-
Advances from other funds	25,000	25,218	27,762	2,544
Amounts available for appropriation	9,625,549	10,068,841	10,108,147	39,306
Charges to Appropriations (Outflows):				
Executive/Legislative	2,633,398	2,612,407	2,532,245	80,162
Judicial	1,541,836	1,641,013	1,592,928	48,085
Public Safety	2,463,798	2,578,434	2,481,222	97,212
Public Health	103,306	112,825	90,222	22,603
Conservation and Recreation	651,164	656,745	638,868	17,877
Public Works	703,101	684,689	656,923	27,766
Human Services	419,357	440,213	420,641	19,572
Urban Redevelopment	377,024	395,365	391,204	4,161
Other Financing Uses:				
Transfers to other funds	650,000	604,132	611,918	(7,786)
Advances to other funds	-	-	16,627	(16,627)
Miscellaneous	-	120	120	-
Total Charges to Appropriations	9,542,984	9,725,943	9,432,918	293,025
Ending budgetary Fund Balance	$ 82,565	$ 342,898	$ 675,229	$ 332,331

See accompanying notes to the financial statements.

Fayette County
County Board of Mental Retardation and Developmental Disabilities
Budgetary Comparison Schedule - Cash Basis
For the Year Ended December 31, 2005

	Budgeted Amount		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Beginning Budgetary Fund Balance	$ 2,337,279	$ 2,337,279	$ 2,337,279	$ -
Resources (Inflows):				
Property Tax	1,605,192	1,557,632	1,557,632	-
Charges for services	47,375	86,405	86,405	-
Intergovernmental	651,268	828,275	834,227	5,952
Other Financing Sources:				
Advances from other funds	-	60,924	60,924	-
Amounts available for appropriation	4,641,114	4,870,515	4,876,467	5,952
Charges to Appropriations (Outflows):				
Public Health	2,829,842	2,849,842	2,297,427	552,415
Other Financing Uses:				
Transfers to other funds	20,000	-	-	-
Advances to other funds	-	-	54,574	(54,574)
Total Charges to Appropriations	2,849,842	2,849,842	2,352,001	497,841
Ending budgetary Fund Balance	$ 1,791,272	$ 2,020,673	$ 2,524,466	$ 503,793

See accompanying notes to the financial statements.

Fayette County
Job and Family Services Fund
Budgetary Comparison Schedule - Cash Basis
For the Year Ended December 31, 2005

	Budgeted Amount		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Beginning Budgetary Fund Balance	$ 164,716	$ 164,716	$ 164,716	$ -
Resources (Inflows):				
Charges for services	101,054	120,385	120,385	-
Intergovernmental	3,219,616	3,089,667	3,089,666	(1)
Amounts available for appropriation	3,485,386	3,374,768	3,374,767	(1)
Charges to Appropriations (Outflows):				
Human Services	3,320,670	3,320,670	3,310,673	9,997
Total Charges to Appropriations	3,320,670	3,320,670	3,310,673	9,997
Ending budgetary Fund Balance	$ 164,716	$ 54,098	$ 64,094	$ 9,996

See accompanying notes to the financial statements.

Fayette County
Motor Vehicle Gas Tax Fund
Budgetary Comparison Schedule - Cash Basis
For the Year Ended December 31, 2005

	Budgeted Amount		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Beginning Budgetary Fund Balance	$ 680,755	$ 680,755	$ 680,755	$ -
Resources (Inflows):				
Sales Tax	365,000	322,267	322,267	-
Charges for services	24,200	555,278	482,750	(72,528)
Intergovernmental	3,395,866	3,158,072	3,267,438	109,366
Special Assessment	-	1,922	1,922	-
Fines and Forfeitures	30,000	22,167	22,167	-
Other Income	50,000	37,033	37,033	-
Interest	30,000	25,785	25,785	-
Other Financing Sources:				
Transfers from other funds	59,000	59,000	59,000	-
Advances from other funds	-	185,941	185,941	-
Amounts available for appropriation	4,634,821	5,048,220	5,085,058	36,838
Charges to Appropriations (Outflows):				
Public Works	4,005,920	4,493,920	4,402,159	91,761
Total Charges to Appropriations	4,005,920	4,493,920	4,402,159	91,761
Ending budgetary Fund Balance	$ 628,901	$ 554,300	$ 682,899	$ 128,599

See accompanying notes to the financial statements.

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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.

NOTE 1 - REPORTING ENTITY (Continued)

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.

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 $301,744 to Paint Valley ADAMHS in 2005.

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 2005, Fayette County contributed $145,508 to the Center.

NOTE 1 - REPORTING ENTITY (Continued)

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 2005. 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.

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 2005.

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 2005, 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.

NOTE 1 - REPORTING ENTITY (Continued)

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 2005 was $153,398. 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

County Board of Mental Retardation and Developmental Disabilities Fund – 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.

Motor Vehicle Gas Tax Fund – This fund accounts for monies received from state gasoline tax and motor vehicle registration fees designated for maintenance and repair of roads and bridges.

Capital Improvement Bond Retirement Fund – This fund accounts for money received as taxes and is designated for retirement of General Obligation Debt.

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's had no major enterprise fund in 2005.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 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. Inter-fund Receivables/Payables – The County reports advances-in and advances-out for inter-fund loans. These items are not reflected as assets and liabilities in the accompanying 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.

K. Long-term Obligations - Bonds and other long-term obligations are not recognized as a liability in the 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.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Inter-fund 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.

NOTE 3 - COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. 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.

The County did not properly encumber all funds as required by Ohio Rev. Code Section 5705.41(D).

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;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;

3. Written repurchase agreements in the securities listed above;

4. Bonds and other obligations of the State of Ohio or its political subdivisions;

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

6. No-load money market mutual funds;

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 simultaneously exchange either securities or cash, equal value for equal value;

NOTE 4 - EQUITY IN POOLED CASH (continued)

9. Commercial paper notes, corporate notes and bankers' acceptances; and

10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

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, $10,498,835 of the County's bank balance of $11,230,254 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.

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 2005.

NOTE 5 – LONG-TERM DEBT

Long-Term debt and other obligations of the County at December 31, 2005 were as follows:

Governmental Activities General Obligation Bonds:

Issue	Interest Rate	Maturity	Balance 12/31/2004	Additions	Reductions	Balance 12/31/2005
Water Systems Bonds YUSA	8.00%	2009	$65,000	$ 0	$10,000	$55,000
Co. Administration	4.75%	2019	256,000	0	12,000	244,000
SR 41/Carr Road	5.70%	2007	140,000	0	45,000	95,000
Co. Building Impr.	4.20%	2021	1,750,000	0	70,000	1,680,000
Commission on Aging	6.00%	2023	216,000	0	9,000	207,000
W. Lancaster Road	6.00%	2023	387,000	0	13,000	374,000
Total G.O. Bonds			2,814,000	0	159,000	2,655,000

Governmental Activities Special Assessment Bonds:

Issue	Interest Rate	Maturity	Balance 12/31/2004	Additions	Reductions	Balance 12/31/2005
Route 35/I 71 Water	5.90%	2013	$180,000	$0	$20,000	$160,000
Clinton Ave. Phase I	5.60%	2016	112,000	0	6,000	106,000
Clinton Ave. Phase II	4.75%	2019	59,000	0	3,000	56,000
Total Special Assmts.			351,000	0	29,000	322,000
Total General Long Term Obligations			$3,165,000	$0	$188,000	$2,977,000

Enterprise Bonds

Issue	Interest Rate	Maturity	Balance 12/31/2004	Additions	Reductions	Balance 12/31/2005
Rattlesnake Treatment Plant Sewer District	7.75%	2009	$90,000	$0	$15,000	$75,000
R.S. Sewer WWTP	4.75%	2024	1,920,000	0	55,000	1,865,000
Landfill Improvement	5.10%	2005	40,000	0	40,000	0
Total Enterprise			$2,050,000	0	$110,000	$1,940,000

The annual requirements to amortize all long term debt outstanding as of December 31, 2005, including interest payments of $2,540,142 are as follows:

NOTE 5 – LONG-TERM DEBT (Continued)

Year Ending December 31	General Obligation Bonds	Special Assessment Bonds	Totals (Memorandum Only)
2006	293,877	48,429	342,306
2007	296,260	46,711	342,971
2008	242,974	44,991	287,965
2009	247,648	45,267	292,915
2010	227,530	43,429	270,959
2011-2015	1,132,259	163,565	1,295,824
2016-2020	1,112,457	37,766	1,150,223
2021-2023	299,218	0	299,218
Total Requirement	3,852,223	430,158	4,282,381
Less Interest	1,197,223	108,158	1,305,381
Total Principal	$2,655,000	$ 322,000	$2,977,000

Enterprise Fund Obligations	General Obligation Bonds
2006	183,949
2007	184,683
2008	185,163
2009	185,330
2010	160,950
2011-2015	817,201
2016-2020	808,813
2021-2024	648,672
Total Requirement	3,174,761
Less Interest	1,234,761
Total Principal	$1,940,000

Note Transactions

A summary of the note transactions for the year ended December 31, 2005, follows:

	Interest Rate	Outstanding 12-31-04	Issued	Retired	Outstanding 12-31-05
Special Revenue Fund:	6.00%	$20,372	$ 0	$20,372	$0
Capital Project Funds:	4.00%	384,580	0	35,881	348,699
Ohio Public Works Commission Loans:	0%	100,000	0	2,500	97,500
Ohio Water and Sewer Rotary Commission Loans:	0%	433,784	0	0	433,784

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. The other three Capital Project notes are notes that are being extended until the project is completed. Also included are three loans from the Ohio Rotary Commission. The issued portion is interest which is added to the outstanding principal as renewal dates occur. The note being paid from the Special Revenue Fund is a five year note with ten level, semi-annual payments. The Special Revenue Note was paid in full in 2005. All of the notes are backed by the full faith and credit of Fayette County.

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, 2005 the County has outstanding capital lease payments of $86,740.

	Governmental Activities Capital Lease Obligations
2006	42,362
2007	35,143
2008	9,235
Total Principal and Interest	86,740
Less: Amount Representing Interest	(5,087)
Total Principal	$81,653

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 update was completed for tax year 2003 and the reappraisal was completed for tax year 2000.

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, 2005 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 $7.58 per $1,000 of assessed valuation of real property classified as residential/agricultural and $7.79 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.

NOTE 7 - PROPERTY TAX (Continued)

The tax rate applied to tangible personal property for the fiscal year ended December 31, 2005 was $9.75 per $1,000 of assessed valuation.

Real Property – 2005 Valuation	
Residential/Agricultural	$435,397,970
Commercial/Industrial	
Public Utilities	34,638,910
Tangible Personal Property – 2005 Valuation	
General	66,650,708
Total Valuation	$536,687,588

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.

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 2005, the County participated in the County Commissioner's Association of Ohio Workers' Compensation Group Rating Program (CCAO). A 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.

NOTE 8 - RISK MANAGEMENT (continued)

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.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The County's contribution rate for pension benefits for 2005 was 13.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 16.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were $1,281,081, $1,264,731, and $1,310,081, respectively. The full amount has been contributed for 2005, 2004, and 2003.

NOTE 9 – DEFINED BENEFIT RETIREMENT PLANS (Continued)

State Teachers Retirement System

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit Plan (DB), a Defined Contribution Plan (DC), and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DC Plan allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The Combined Plan offers features of both the DB Plan and DC Plan. In the Combined Plan, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the 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.

For the year ended December 31, 2005, plan members were required to contribute 10 percent of their annual covered salary and the County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The County's required contributions for pension obligations for the DB Plan for the years ended December 31, 2005, 2004, and 2003 were $23,124.39, $25,576, and $26,220, respectively. 100 percent has been contributed for 2005, 2004, and 2003.

NOTE 10– POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. 1. The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan. 2. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employers contributions vest over five years at 20% per year). Under the

Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings. 3. The Combined Plan – a cost sharing, multiple-employer defined benefit pension plan. Under the combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

NOTE 10– POSTEMPLOYMENT BENEFITS (Continued)

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

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

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

The number of active contributing participants in the traditional and combined plans was 376,109 active contributing participants as of December 31, 2005. The number of active contributing participants for both plans used in the December 31, 2004, actuarial valuation was 355,287. Actual employer contributions for 2005 which were used to fund postemployment benefits were $365,025. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were $10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $29.5 billion and $18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to Improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

State Teachers Retirement System

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended December 31, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled $1,652 for 2005.

NOTE 10– POSTEMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2005, the balance in the Fund was $3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS were $254,780,000 and STRS had 115,395 eligible benefit recipients.

NOTE 11 - COUNTY SALES TAX

The County Commissioners, by resolution, imposed a one 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 2005 amounted to $4,418,765.

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 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 TRANSFERS

Inter-fund cash transfers for the year ended December 31, 2005, were as follows:

	Transfers In	Transfers Out
MAJOR FUNDS:		
General	$ 140,000	$ 611,918
MVGT	59,000	-
NONMAJOR FUNDS:		
Special Revenue	296,003	140,000
Debt Service	272,090	0
Capital Projects	5,300	1,658
Enterprise	224,667	243,484
Total	$997,060	$997,060

FAYETTE COUNTY

SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Grantor/Pass Through Grantor Program Title:	Federal CFDA Number	Program Number	Expenditures
U.S. Department of Housing and Urban Development			
Passed Through Ohio Department of Development			
Community Development Block Grant			
Small Cities Program Grant (Formula)	14.228	BF-04-023-1	65,000
Small Cities Program Grant (Formula)	14.228	BF-03-023-1	27,616
Small Cities Program Grant (Formula)	14.228	BF-02-023-1	8,584
Small Cities Emergency Shelter	14.228	BL-04-023-1	76,000
Small Cities Emergency Shelter	14.228	BL-03-023-1	33
Small Cities Community Development Block Grant - CHIP	14.228	BC-02-023-1	27,397
Small Cities Community Development Block Grant - CHIP	14.228	BC-97-023-1	11,810
Small Cities Community Development Block Grant - CHIP-HOME	14.239	BC-03-023-1	24,865
Total U.S. Department of Housing and Urban Development			**241,305**
U.S. Department of Justice			
Passed Through Ohio Office of Criminal Justice Services			
Truancy Prevention Through Mediation	16.540	2004-JJ-D11-0063	5,257
Byrne Formula Grant Program	16.579	2004-DG-D02-7360	31,028
Victim -Witness/VOCA	16.588	2006VAGENE24D	68,468
Victim -Witness/VAWA	16.588	2004-WF-VA5-8411	22,931
Victim -Witness/VAWA	16.588	2003-WF-VA5-8411A	2,831
Total U.S. Department of Justice			**130,515**
U.S. Department of Labor			
Passed Through Area Agency 7			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult			42,416
Workforce Investment Act - Adult Total	17.258	n/a	42,416
Workforce Investment Act - Youth			61,804
Workforce Investment Act - Youth Total	17.259	n/a	61,804
Workforce Investment Act - Dislocated Workers			33,472
Workforce Investment Act - Rapid Response			150,000
Workforce Investment Act - Dislocated Workers Total	17.260	n/a	183,472
Workforce Investment Act - VSTP	17.802	n/a	6,188
Total Workforce Investment Act Cluster			293,880
Unemployment Insurance - Reed Act	17.225	n/a	51,512
Total U. S. Deparment of Labor			**345,392**

(Continued)

FAYETTE COUNTY

SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)

Federal Highway Administration			
Passed Through Ohio Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	n/a	794,907
Total Federal Highway Administration			**794,907**
U.S. Department of Federal Emergency Management Agency			
Passed Through Ohio Adjutant General's Emergency Management Agency			
Emergency Management Assistance Performance Grants	97.042	n/a	12,034
Emergency Management Assistance - Special Project	97.042	OH-04-001C	30,000
Disaster Assistance	97.036	047-UFTDI-00	205,556
State Domestic Preparedness Equipment Support Program	97.004	S04-SHSP-24-0382 S03-HE03-24-0435	222,104
Total U. S. Department of Federal Emergency Management			**469,694**
U.S. Department of Education			
Passed Through Ohio Department of Education			
Special Education - Grants to States-Title VI B - 04	84.027	71100-6B-SF-2004	253
Special Education - Grants to States-Title VI B - 05	84.027	71100-6B-SF-2005	8,156
Special Education - Preschool Grant - 03	84.173	71100-PG-S1-2005	3,971
Special Education - Preschool Grant - 04	84.173	71100-PG-S1-2006	8,145
Total Special Education Cluster			20,525
Total U. S. Deparment of Education			**20,525**
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	39,389
Special Programs for the Aging - Nutrition - Title III-C	93.045	n/a	65,345
Total Aging Cluster			104,734
Nutrition Services Incentive Program	93.058	n/a	37,903
Low-Income Home Energy Assistance Program (LIHEAP) - '02-03	93.568	n/a	1,900
Passed Through Ohio Department of Mental Retardation and Develpmental Disabilities			
Medical Assistance Program (CAFS) - Title XIX	93.778	n/a	207,246
Targeted Case Management	93.778	n/a	116,473
Waiver	93.778	n/a	4,327
State Children's Insurance Program	93.767	n/a	2,471
Social Service Block Grant - Title XX	93.667	n/a	23,447
Total U.S. Department of Health and Human Services			**498,501**
The General Services Administration on behalf of the Election Assistance Commission			
Passed Through Ohio Secretary of State			
The Help America Vote Act of 2002	90.401	E06-0020-24	220,410
Total General Services Administration			**220,410**
U.S. Department of Transportation			
Passed Through Federal Aviation Administration			
Airport Improvement Project - Layout	20.106	3-39-0086-0204	120,616
Total U.S. Department of Transportation			**120,616**
Total Federal Financial Award Expenditures			**$2,841,865**

The Notes to the Schedule of Federal Award Expenditures are an integral part of this schedule.

FAYETTE COUNTY

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005

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 – MATCHING REQUIREMENTS

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

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Auditor of State
Betty Montgomery

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

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

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fayette County, Ohio (the County), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 25, 2006, wherein we noted the County uses 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. Accordingly, the County's financial statements do no present fairly the financial position of the proprietary funds or business type activities for the County as of December 31, 2005 or the changes in its cash basis financial position for the year then ended. We also noted that the County financial statements do not include financial position for the year then ended. We also noted that the County financial statements do not include financial data from the legally separate component unit, Fayette Progressive Industries, Inc. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-001 and 2005-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the County's management dated September 25, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

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 2005-001 and 2005-002. In a separate letter to the County's management dated September 25, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

Betty Montgomery

Betty Montgomery
Auditor of State

September 25, 2006

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

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

To the Board of County Commissioners:

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 apply to each of its major federal programs for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2005-004. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated September 25, 2006.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. In a separate letter to the County's management dated September 25, 2006, we reported another matter related to federal noncompliance that not requiring inclusion in this report.

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

Betty Montgomery
Auditor of State

September 25, 2006

FAYETTE COUNTY

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Qualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	Yes
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	WIA – Workforce Investment Act CFDA #17.258, 17.259, 17.260 Medicaid – CFDA #93.778 Highway Planning and Construction CFDA#20.205 Small Cities CDBG Program CFDA #14.228
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

FINDING NUMBER 2005-001

NonCompliance Citation/Reportable Condition

Ohio Rev. 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" certificate **–** 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 appropriated 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 $750 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 Certificate **–** 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 Certificate – 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.

Fifty-two percent (52%) of the purchases tested were initiated without obtaining the prior certification of the County Auditor and were not subsequently approved by the County Commissioners within the aforementioned 30 day time period.

FINDING NUMBER 2005-001
(Continued)

During our search for unrecorded liabilities, we found that the County had not always obtained purchase orders and encumbered for services provided at the end of the year audited. Failure to properly encumber could result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the County's fund exceeding budgetary spending limitations, we recommend that the Auditor certify that the funds are or will be available prior to obligation by the County. When prior certification is not possible, "then and now" certification should be used.

We recommend the County certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41 (D) requires to authorize disbursements. The Auditor should sign the certification at the time the County incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Auditor should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-002

NonCompliance Citation

Ohio Revised Code, Section 117.38, provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe 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 §117-2-03 further clarifies the requirements of Ohio Revised Code §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 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 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 reasonable determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

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

Officials Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-003

Reportable Condition

Fayette County operates a Senior Citizen Center for the benefit of citizens of the County over the age of 55. The Senior Citizen 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 Citizen Center. During 2005, the County received $240,446 in grants used exclusively for the Senior Citizen Center. For 2005, the County recorded a portion of the financial activity of the Senior Citizen Center activity in two separate special revenue funds, and the remainder of the financial activity in separate checking and savings accounts that were reported on the County financial statements as agency funds (see description of accounts in the following paragraph).

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

- Commissioner board members are self appointed.
- The Commission operates out of the Senior Citizen 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 Citizen Center financial activity is accounted for through a savings account, a checking account, a “foundation account”, a “van fund”, a “trip account”, and a “senior nutrition” checking account. These accounts are separate checking accounts and are not subject to the budgetary and control procedures of County funds. The account balances are reported as agency funds in the County financial report.

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

We recommend that the County Commissioners, the Commission on Aging, and the County’s legal counsel review the financial activity in each account related to the Senior Citizen 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. We also recommend that each entity’s responsibilities 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, we recommend that the County execute a written contract with the Commission.

Officials Response

We did not receive a response from Officials to this finding.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2005-004

NonCompliance Citation

OMB Circular A-133 paragraph .320(a), states in part, the audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. Unless restricted by law or regulation, the auditee shall make copies available for public inspection.

The County did not send the completed data collection form within the required time period and did not receive an extension from the oversight agency.

We recommend the County submit the data collection form and reporting package within the earlier of 30 days after the receipt of the auditor’s report(s), or nine months after the end of the audit period. If the County is unable to submit the required documents within this time frame, they should request an extension, in advance, from the cognizant or oversight agency for audit.

Officials Response

We did not receive a response from Officials to this finding.

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FAYETTE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2004-001	Failure to certify the availability of funds.	No	Repeated as finding 2005-001.
2004-002	Failure to prepare annual report in accordance with generally accepted accounting principles.	No	Repeated as finding 2005-002.
2004-003	Determine responsibility for activities and financial information of the Senior Citizen Center	No	Repeated as finding 2005-003.

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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 9, 2006