

Fayette County Financial Condition

Fayette County, Ohio

Single Audit

January 1, 2007 through December 31, 2007

Year Audited Under GAGAS: 2007



Balestra, Harr & Scherer, CPAs, Inc.

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Fayette County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 21, 2009

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BALESTRA, HARR & SCHERER, CPAs, INC.
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fayette County, Ohio (the County), as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

In our opinion, because of the omission of the discretely-presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with the County's cash basis of accounting, the cash financial position of the aggregate discretely-presented component units of Fayette County, Ohio, as of December 31, 2007, and the changes in its cash basis financial position for the year the ended.

Additionally, the County did not include proprietary fund statements for the Fayette County Memorial Hospital in its cash basis statements or business-type activities. Therefore, in our opinion, the County's financial statements do not present fairly the cash financial position of the business-type activities and proprietary funds of the County as of December 31, 2007 or the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting Note 2 describes.

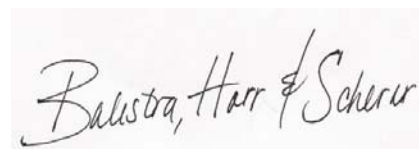
Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, and each major governmental fund and the aggregate remaining fund information of Fayette County, Ohio, as of December 31, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General, County Board of Mental Retardation and Developmental Disabilities, Job and Family Services, and Motor Vehicle Gas Tax Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2008, 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 accompanying schedule of federal awards expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We have subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 18, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues."



Balestra, Harr & Scherer, CPAs, Inc.
September 19, 2008

FAYETTE COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2007
(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, 2007. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the County's performance.

- In total, net cash assets increased \$1,143,842.
- Net cash assets of governmental activities increased \$1,142,438 which represents a 14.98% increase from 2006. Net cash assets of business-type activities increased \$1,404 which represents a .64% increase from 2006. Net cash assets of fiduciary funds decreased \$316,344 which represents a 6.89% decrease from 2006.
- At the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$8,768,574. Approximately 95.42%, \$8,366,555, is available for spending at the County's discretion. Business-type Funds reported a combined ending fund balance of \$219,132.
- The County issued \$5,001,579 in notes and loans in 2007. Reductions in long-term debt, including capital lease payments, during 2007 amounted to \$756,644.

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 determines 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.

FAYETTE COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2007
(Unaudited)

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the County did financially during 2007, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the County at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the County's general receipts.

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

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

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

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

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

Reporting the County's Most Significant Funds

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

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

FAYETTE COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2007
(Unaudited)

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

Proprietary funds - The County maintains one proprietary fund type. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its sanitary sewer, sanitary waste, and water districts.

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

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

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

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

Budgetary Comparison 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 24 through 41 of this report.

Government-Wide Financial Analysis

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

	Net Assets	
	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Equity in Pooled Cash and Cash Equivalents	\$8,753,271	\$7,616,306
Cash and Cash Equivalents with Fiscal Agent	15,303	9,830
Total Assets	<u>8,768,574</u>	<u>7,626,136</u>
Restricted for:		
Other Purposes	5,690,088	5,520,417
Capital Projects	862,662	552,141
Debt Service	1,349,895	1,041,077
Unrestricted	865,929	512,501
Total Net Assets	<u>\$8,768,574</u>	<u>\$7,626,136</u>

FAYETTE COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2007
(Unaudited)

	Business-type Activities	
	2007	2006
Cash	\$219,132	\$217,728
Total Assets	219,132	217,728
Unrestricted	219,132	217,728
Total Net Assets	\$219,132	\$217,728

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

For governmental activities, total assets increased \$1,142,438 or 14.98%. The primary increase in cash balances is due to an increase in sales tax receipts by 7.51% over 2006 and increased activity in Capital Project Funds. The Madison Mills Water Capital Project Fund received proceeds of loans from a bank as well as OWDA loans which have not all been expended thereby increasing the fund balance at year-end. For business-type activities, total assets increased \$1,404 or .64%. The primary increase in cash balances is due to a slight increase in revenue in all enterprise funds as well as a slight decrease in expenses.

Change in Net Assets

	Governmental Activities	
	2007	2006
Receipts:		
Program receipts:		
Charges for services	\$4,519,344	\$4,519,485
Operating grants and contributions	8,625,571	8,422,133
Capital grants and contributions	1,600,902	1,314,415
General receipts:		
Property taxes	3,097,041	3,116,033
Sales and other taxes	4,972,894	4,625,547
State and local government	4,203,867	4,177,537
Unrestricted investment earnings	672,742	560,300
Grants and contributions not		
Restricted to specific programs	341,077	357,929
Other	1,428,708	825,874
Total receipts	29,462,146	27,919,253
Disbursements:		
Executive & Legislative	2,926,596	3,285,425
Judicial	2,235,237	2,413,278
Public safety	2,669,255	2,822,130
Public works	5,118,643	5,279,741
Health	3,805,535	3,492,472
Human services	7,915,069	6,611,548
Conservation and recreation	792,409	1,013,783
Economic development and assist.	70,435	61,049
Urban redevelopment and housing	769,759	825,253
Other expenditures	636,388	155,649
Capital outlay	5,759,118	1,298,134
Principal retirement	460,744	442,405
Interest and fiscal charges	162,642	165,806
Total disbursements	33,321,830	27,866,673

FAYETTE COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2007
(Unaudited)

Increase/decrease in net assets	(\$3,859,684)	\$52,580
Advances	543	102,671
Proceeds of loans	5,001,579	736,007
Change in net assets	1,142,438	891,258
Net assets – beginning of year	7,626,136	6,734,878
Net assets – end of year	\$8,768,574	\$7,626,136

The County's governmental receipts are mainly from property and sales taxes, charges for services, unrestricted grants, and operating and capital grants and contributions. Property and sales taxes and operating grants receipts comprise 23.42% and 25.03%, respectively, of the County's receipts for governmental activities. These revenue sources remained fairly consistent with modest increases from 2006. Charges for services comprise 13.11% of total governmental revenue. These receipts were very consistent with 2006. State and local government receipts comprise 12.20% of total governmental activities revenue. These receipts increased due to additional funding received in 2007. Grants and contributions not restricted to specific programs comprise 0.99% 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 2007. Capital grants and contributions and other receipts comprise 4.65% and 4.15%, respectively.

The majority of the County's disbursements for governmental activities changed from 2006. Judicial disbursements which comprise 6.71% of the disbursements decreased slightly due to fewer cases being tried in Common Pleas Court in 2007. Public safety which comprises 8.01% of disbursements decreased. Public works comprise 15.36% of disbursements and decreased a small amount. Human services comprise 23.75% of disbursements increased due to an increase in state funding for displaced workers and other programs. Conservation and recreation disbursements decreased substantially due to completion of improvements at the County airport in 2006. These disbursements represent 2.38% of total government activities disbursements. Urban redevelopment & housing decreased slightly. These disbursements represent 2.31% of total government activities disbursements. Capital outlay which comprises 17.28% of total disbursements of governmental activities, increased considerably due to the Madison Mills Water System Project which will supply water for the Ethanol Plant being constructed.

	Business-type Activities 2007	Business-type Activities 2006
Receipts:		
Program Receipts:		
Charges for Services	\$1,712,387	\$1,607,851
Total receipts	1,712,387	1,607,851
Disbursements:		
Sanitary Sewer Revenue	\$544,287	\$512,476
Sanitary Waste Revenue	1,062,069	1,128,949
Water District Revenue	104,084	98,913
Total Disbursements	1,710,440	1,740,338
Increase/Decrease in net assets	1,947	(132,487)
Advances	(543)	(102,671)
Change in net assets	1,404	(235,158)
Net assets – Beginning of Year	217,728	452,886
Net assets – End of Year	\$219,132	\$217,728

FAYETTE COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2007
(Unaudited)

Business-type activities derive their receipts from charges for services. These revenue sources increased slightly from 2006. Disbursements for business-type activities derive from three activities: sanitary sewer, sanitary waste, and water. Disbursements from sanitary waste accounts for 62.09% of total enterprise fund disbursements. This fund decreased disbursements. The water fund comprises 6.09% of the total enterprise fund disbursements.

Activities in this fund increased. The sanitary sewer fund comprises 31.82% of the total enterprise fund disbursements. The activities in this fund increased due to debt service payments.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund cash balances of \$8,768,574 an increase of \$1,142,438 in comparison with the prior year. \$8,366,555 constitutes unreserved, undesignated fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed.

Ending fund cash balances increased due to increases in receipts.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$794,598, with receipts and other financing sources of \$10,333,011 and disbursements and other financing uses of \$9,979,583.

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 \$219,132, an increase of \$1,404 in comparison with the prior year.

Ending fund cash balances increased slightly.

Governmental Activities

If you look at the Statement of Activities on pages 13 through 14, you will see that the first column lists the major services provided by the County. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public works and human services which account for 15.36 and 23.75 percent of all governmental disbursements, respectively. Executive and legislative, judicial, public health, and capital outlay also represent significant costs, about 8.78 percent, 6.71 percent, 11.42 percent, and 17.28 percent, respectively. The next three columns of the statement entitled Program Receipts identify amounts paid by people who are directly charged for the services and grants received by the County that must be used to provide a specific service. The Net Receipt (Disbursement) columns compare 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.

FAYETTE COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2007
(Unaudited)

	Governmental Activities			
	Total Cost Of Services	Total Cost Of Services	Net Cost of Services	Net Cost of Services
	2007	2006	2007	2006
Executive and Legislative	\$2,926,596	\$3,285,425	\$2,138,573	\$2,243,863
Judicial	2,235,237	2,413,278	1,525,381	1,606,855
Public Safety	2,669,255	2,822,130	1,982,623	2,008,699
Public Works	5,118,643	5,279,741	2,141,991	2,076,671
Health	3,805,535	3,492,472	1,390,084	1,266,951
Human Services	7,915,069	6,611,548	3,044,722	2,369,516
Conservation and Recreation	792,409	1,013,783	528,143	612,485
Economic Development and Assistance	70,435	61,049	25,062	20,241
Urban Redevelopment and Housing	769,759	825,253	440,673	450,453
Other	636,388	155,649	636,388	155,649
Capital Outlay	5,759,118	1,298,134	4,207,248	219,026
Principal Retirement	460,744	442,405	380,631	422,053
Interest and Fiscal Charges	162,642	165,806	134,494	158,178
Total Expenses	\$33,321,830	\$27,866,673	\$18,576,013	\$13,610,640

The dependence upon property and sales tax receipts is apparent as over 24.22 percent of governmental activities are supported through these general receipts.

Business-type Activities

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

The Government's Funds

Total governmental funds had receipts and other financing sources of \$36,359,870 and disbursements and other financing uses of \$35,217,432. The greatest change within governmental funds occurred within the Madison Mills Water System Capital Projects Fund. The fund balance of this fund increased \$379,217 due to the fund having received the monies for the project, but not finishing the project as of year end. The Real Estate Assessment Fund increased by \$298,592 due in part to Geographic Information System (GIS) fees received and very little spent on GIS in 2007.

General Fund receipts were more than disbursements by \$353,428 indicating that the General Fund is in a positive spending situation.

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.

FAYETTE COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2007
(Unaudited)

The difference between the original budgeted expenditures and final amended budgeted expenditures was an increase of \$327,448. The program differences are as follows:

- Legislative and Executive increased by \$63,055
- Judicial increased by \$73,569
- Public Safety increased by \$8,121
- Conservation and Recreation increased by \$19,900
- Public Works increased by \$87,963
- Public Health decreased by \$10,753
- Human Services increased by \$26,995
- Urban Redevelopment increased by \$2,013
- Transfers out increased by \$56,585

Most programs spent less than budget.

Capital Assets and Debt Administration

Capital Assets

The County does not currently report its capital assets and infrastructure under its cash basis of accounting.

Debt

At December 31, 2007, the County's outstanding debt included \$2,498,100 in general obligation bonds issued for improvements to buildings, structures and roads; \$1,785,000 in enterprise general obligation bonds for improvements in water and sewer facilities and landfill; \$262,000 in special assessment bonds for improvements in water systems and storm sewers; and \$9,123 in capital leases for equipment. The County also had notes and loans outstanding in the amount of \$6,335,463. For further information regarding the County'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, 2007 was 5.6%, compared to 4.8% 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 80% vacancy. The other mall on Old State Route 35 is showing a small increase with a 100% occupancy rate. The change in sales tax revenue during the past two years has actually had a positive impact on County receipts. New stores have opened in the Wal-mart Area as well as a bank next to Dakota's Roadhouse Restaurant. Continued retail growth in the New State Route 35 area is expected which gives some hope of increasing future receipts.
- The Fayette County YMCA opened in 2007 which is an asset to the community. Both county school districts are in the process of building new facilities which should open during the 2008-2009 school year.
- A major Ethanol Plant, owned by the Vera Sun Corporation, is under construction in Fayette County and will be operational in 2008. A distribution center for Stage Stores will be opening in the old Advance Auto building during 2008 which will add approximately 150 jobs to the economy. Also, the economic office is constantly working to bring new retail and commercial business to the area.

FAYETTE COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2007
(Unaudited)

- In 2007 the Fayette County Commissioners voted to increase the County portion of sales tax by .5%. This decision was made in part due to the Emergency Medical Services Fund needing more funding from the County. Their receipts had fallen short of expenses in 2007 and the County needed to supplement their income to meet expenses. Also other increases in spending are anticipated such as the Senior Nutrition Fund and the Court House renovation project. The Commissioners felt that these factors as well as others justified the decision. The increase is to take place in January 2008.

Each of these factors was considered in preparing the County's budget for the 2008 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 County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Michael D. Smith, Fayette County Auditor, 133 S. Main Street, Suite 303, Washington C.H., Ohio 43160.

FAYETTE COUNTY, OHIO
Statement of Net Assets - Cash Basis
December 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$8,753,271	\$219,132	\$8,972,403
Cash and Cash Equivalents with Fiscal Agent	15,303	0	15,303
Total Assets	<u>\$8,768,574</u>	<u>\$219,132</u>	<u>\$8,987,706</u>
Net Assets:			
Restricted for:			
Other Purposes	\$5,690,088	\$0	\$5,690,088
Capital Projects	862,662	0	862,662
Debt Service	1,349,895	0	1,349,895
Unrestricted	<u>865,929</u>	<u>219,132</u>	<u>1,085,061</u>
Total Net Assets	<u>\$8,768,574</u>	<u>\$219,132</u>	<u>\$8,987,706</u>

See accompanying notes to the financial statements.

FAYETTE COUNTY, OHIO
Statement of Activities - Cash Basis
For the Year Ending December 31, 2007

	Cash Disbursements	Program Receipts		
		Charges for Sales and Services	Operating Grants and Contributions	Capital Grants, Contributions, and Interest
Governmental Activities:				
General Government:				
Executive and Legislative	\$2,926,596	\$642,045	\$145,154	\$824
Judicial	2,235,237	461,819	246,637	1,400
Public Safety	2,669,255	583,295	102,754	583
Public Works	5,118,643	790,747	2,173,570	12,335
Health	3,805,535	547,922	1,856,990	10,539
Human Services	7,915,069	1,179,952	3,668,879	21,516
Conservation and Recreation	792,409	161,227	102,458	581
Economic Development and Assistance	70,435	10,010	35,163	200
Urban Redevelopment and Housing	769,759	142,327	185,705	1,054
Other Expenditures	636,388	0	0	0
Capital Outlay	5,759,118	0	0	1,551,870
Debt Service				
Principal Retirement	460,744	0	80,113	0
Interest and Fiscal Charges	162,642	0	28,148	0
Total Governmental Activities	33,321,830	4,519,344	8,625,571	1,600,902
Business Type Activities:				
Sanitary Sewer Revenue	544,287	523,982	0	0
Sanitary Revenue Waste	1,062,069	1,078,623	0	0
Water District Revenue	104,084	109,782	0	0
Total Business Type Activities	1,710,440	1,712,387	0	0
Total Primary Government	\$35,032,270	\$6,231,731	\$8,625,571	\$1,600,902

General Receipts:
 Taxes
 Property
 Sales
 State Local Government
 Unrestricted investment earnings
 Grants and contributions
 not restricted to specific programs
 Miscellaneous
 Proceeds of Loans

Total General Receipts

Advances

Total General Receipts and Advances

Change 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)
(\$2,138,573)	\$0	(\$2,138,573)
(1,525,381)	0	(1,525,381)
(1,982,623)	0	(1,982,623)
(2,141,991)	0	(2,141,991)
(1,390,084)	0	(1,390,084)
(3,044,722)	0	(3,044,722)
(528,143)	0	(528,143)
(25,062)	0	(25,062)
(440,673)	0	(440,673)
(636,388)	0	(636,388)
(4,207,248)	0	(4,207,248)
(380,631)	0	(380,631)
(134,494)	0	(134,494)
(18,576,013)	0	(18,576,013)
0	(20,305)	(20,305)
0	16,554	16,554
0	5,698	5,698
0	1,947	1,947
3,097,041	0	3,097,041
4,972,894	0	4,972,894
4,203,867	0	4,203,867
672,742	0	672,742
341,077	0	341,077
1,428,708	0	1,428,708
5,001,579	0	5,001,579
19,717,908	0	19,717,908
543	(543)	0
19,718,451	(543)	19,717,908
1,142,438	1,404	1,143,842
7,626,136	217,728	7,843,864
<u>\$8,768,574</u>	<u>\$219,132</u>	<u>\$8,987,706</u>

FAYETTE COUNTY, OHIO
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	General Fund	CBMR/DD Fund	Job & Family Svs. Fund	MVGT Fund	Madison Mills Water System CP	Other Governmental Funds	Total Governmental Funds
Assets:							
Equity in Pooled Cash and Cash Equivalents	\$855,604	\$2,759,931	\$277,411	\$908,003	\$735,099	\$3,217,223	\$8,753,271
Cash and Cash Equivalents with Fiscal Agent	10,325	4,978	0	0	0	0	15,303
Total Assets	865,929	2,764,909	277,411	908,003	735,099	3,217,223	8,768,574
Fund Balance:							
Reserved for Encumbrances	61,006	0	0	299,482	0	26,228	386,716
Designated for EPA	10,325	0	0	0	0	0	10,325
Designated for Retainage	0	4,978	0	0	0	0	4,978
Unreserved:							
Undesignated, Reported In:							
General Fund	794,598	0	0	0	0	0	794,598
Special Revenue Funds	0	2,759,931	277,411	608,521	0	1,713,537	5,359,400
Capital Projects Funds	0	0	0	0	735,099	127,563	862,662
Debt Service Funds	0	0	0	0	0	1,349,895	1,349,895
Total Fund Balance	\$865,929	\$2,764,909	\$277,411	\$908,003	\$735,099	\$3,217,223	\$8,768,574

See accompanying notes to the financial statements.

FAYETTE COUNTY, OHIO
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General Fund	CBMR/DD Fund	Job & Family Svs. Fund	MVGTT Fund	Madison Mills Water System CP	Other Governmental Funds	Total Governmental Funds
Cash Receipts:							
Taxes							
Property	\$1,398,970	\$1,432,461	\$0	\$0	\$0	\$265,610	\$3,097,041
Sales	4,649,642	0	0	323,252	0	0	4,972,894
Charges for Services	1,882,000	68,269	170,897	16,674	0	2,026,239	4,164,079
Fees	0	0	0	0	0	14,175	14,175
Intergovernmental	927,172	1,059,564	4,115,403	3,617,773	0	4,741,776	14,461,688
Fines and Forfeitures	175,673	0	0	29,526	0	133,718	338,917
Licences and Permits	2,173	0	0	0	0	0	2,173
Miscellaneous	423,189	8,241	0	376,230	0	621,048	1,428,708
Special Assessments	0	0	0	1,945	0	151,210	153,155
Interest	672,742	0	0	48,220	0	812	721,774
Donations	0	0	0	0	0	107,542	107,542
Total Cash Receipts	10,131,561	2,568,535	4,286,300	4,413,620	0	8,062,130	29,462,146
Cash Disbursements:							
Legislative and Executive	2,635,836	0	0	0	0	290,760	2,926,596
Judicial	1,741,194	0	0	0	0	494,043	2,235,237
Public Safety	2,463,427	0	0	0	0	205,828	2,669,255
Public Works	764,737	0	0	4,143,631	0	210,275	5,118,643
Health	85,772	2,584,862	0	0	0	1,134,901	3,805,535
Human Services	447,568	0	4,487,179	0	0	2,980,322	7,915,069
Conservation and Recreation	587,174	0	0	0	0	205,235	792,409
Economic Development and Assistance	0	0	0	0	0	70,435	70,435
Urban Redevelopment and Housing	397,771	0	0	0	0	371,988	769,759
Other Expenses	0	0	0	0	538,120	98,268	636,388
Capital Outlay	0	0	0	0	3,937,714	1,821,404	5,759,118
Debt Service:							
Principal Retirement	33,713	0	0	0	138,951	288,080	460,744
Interest and Fiscal Charges	1,430	0	0	0	0	161,212	162,642
Total Cash Disbursements	9,158,622	2,584,862	4,487,179	4,143,631	4,614,785	8,332,751	33,321,830
Excess (Deficiency) of Cash Receipts Over Cash Disbursements	972,939	(16,327)	(200,879)	269,989	(4,614,785)	(270,621)	(3,859,684)
Other Financing Sources (Uses):							
Operating Transfers - In	138,140	0	0	59,000	0	692,725	889,865
Proceeds of Loans	0	0	0	0	4,994,002	7,577	5,001,579
Advances - In	63,310	55,181	0	318,751	0	569,038	1,006,280
Operating Transfers - Out	(751,725)	0	0	0	0	(138,140)	(889,865)
Advances - Out	(69,236)	(40,588)	0	(400,000)	0	(495,913)	(1,005,737)
Total Other Financing Sources (Uses)	(619,511)	14,593	0	(22,249)	4,994,002	635,287	5,002,122
Excess (Deficiency) of Cash Receipts and Other Financing Sources Over Cash Disbursements and Other Financing Use	353,428	(1,734)	(200,879)	247,740	379,217	364,666	1,142,438
Cash Basis Fund Balance - Beginning of Year	512,501	2,766,643	478,290	660,263	355,882	2,852,557	7,626,136
Cash Basis Fund Balance - End of Year	\$865,929	\$2,764,909	\$277,411	\$908,003	\$735,099	\$3,217,223	\$8,768,574

See accompanying notes to the financial statements.

FAYETTE COUNTY, OHIO
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Receipts</u>				
Property tax	\$1,270,410	\$1,396,809	\$1,398,970	\$2,161
Sales tax	4,200,000	4,649,642	4,649,642	0
Charges for services	1,966,689	1,874,781	1,882,000	7,219
Intergovernmental	887,318	900,090	927,172	27,082
Licenses	2,650	2,173	2,173	0
Fines and forfeitures	130,600	175,673	175,673	0
Other income	414,000	423,189	423,189	0
Interest	500,000	672,246	672,742	496
Total receipts	9,371,667	10,094,603	10,131,561	36,958
<u>Disbursements</u>				
General government:				
Legislative and executive	2,629,358	2,692,413	2,635,836	56,577
Judicial	1,733,164	1,806,733	1,741,194	65,539
Public safety	2,430,485	2,438,606	2,524,433	(85,827)
Public health	110,202	99,449	85,772	13,677
Conservation and recreation	748,819	768,719	587,174	181,545
Public works	727,451	815,414	764,737	50,677
Human services	463,201	490,196	447,568	42,628
Urban redevelopment	401,272	403,285	397,771	5,514
Debt Service:				
Principal retirement	33,713	33,713	33,713	0
Interest and fiscal charges	1,430	1,430	1,430	0
Total disbursements	9,279,095	9,549,958	9,219,628	330,330
Excess of receipts over (under) disbursements	92,572	544,645	911,933	367,288
<u>Other financing sources (uses)</u>				
Operating transfers - in	120,000	138,140	138,140	0
Advances - in	50,000	36,043	63,310	27,267
Operating transfers - out	(695,165)	(751,750)	(751,725)	25
Advances - out	0	0	(69,236)	(69,236)
Total other financing sources (uses)	(525,165)	(577,567)	(619,511)	(41,944)
Excess of receipts and other financing sources over (under) disbursements and other financing uses	(432,593)	(32,922)	292,422	325,344
Fund cash balance - beginning of year	345,354	345,354	345,354	0
Unexpended prior year encumbrances	167,147	167,147	167,147	0
Fund cash balance - end of year	\$79,908	\$479,579	\$804,923	\$325,344

See accompanying notes to the financial statements

FAYETTE COUNTY, OHIO
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual - Budget Basis
County Board of Mental Retardation and Developmental Disabilities Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Receipts</u>				
Property tax	\$1,476,449	\$1,432,461	\$1,432,461	\$0
Charges for services	71,900	68,269	68,269	0
Intergovernmental	803,477	1,059,564	1,059,564	0
Other income	0	3,263	8,241	4,978
Total receipts	<u>2,351,826</u>	<u>2,563,557</u>	<u>2,568,535</u>	<u>4,978</u>
<u>Disbursements</u>				
Public health	<u>3,121,615</u>	<u>2,977,533</u>	<u>2,584,862</u>	<u>392,671</u>
Total disbursements	<u>3,121,615</u>	<u>2,977,533</u>	<u>2,584,862</u>	<u>392,671</u>
Excess of receipts over (under) disbursements	<u>(769,789)</u>	<u>(413,976)</u>	<u>(16,327)</u>	<u>397,649</u>
<u>Other financing sources (uses)</u>				
Advances - in	55,181	55,181	55,181	0
Operating transfers - out	(5,675)	(5,675)	0	5,675
Advances - out	0	0	(40,588)	(40,588)
Total other financing sources (uses)	<u>49,506</u>	<u>49,506</u>	<u>14,593</u>	<u>(34,913)</u>
Excess of receipts and other financing sources over (under) disbursements and other financing uses	<u>(720,283)</u>	<u>(364,470)</u>	<u>(1,734)</u>	<u>362,736</u>
Fund cash balance - beginning of year	<u>2,766,643</u>	<u>2,766,643</u>	<u>2,766,643</u>	<u>0</u>
Fund cash balance - end of year	<u><u>\$2,046,360</u></u>	<u><u>\$2,402,173</u></u>	<u><u>\$2,764,909</u></u>	<u><u>\$362,736</u></u>

See accompanying notes to the financial statements

FAYETTE COUNTY, OHIO
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual - Budget Basis
Job and Family Services Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts</u>				
Charges for services	\$122,276	\$170,897	\$170,897	\$0
Intergovernmental	3,986,840	4,115,403	4,115,403	0
Total receipts	4,109,116	4,286,300	4,286,300	0
<u>Disbursements</u>				
Human services	4,109,166	4,587,406	4,487,179	100,227
Total disbursements	4,109,166	4,587,406	4,487,179	100,227
Excess of receipts over (under) disbursements	(50)	(301,106)	(200,879)	100,227
Fund cash balance - beginning of year	478,290	478,290	478,290	0
Fund cash balance - end of year	\$478,240	\$177,184	\$277,411	\$100,227

See accompanying notes to the financial statements

FAYETTE COUNTY, OHIO
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual - Budget Basis
Motor Vehicle and Gas Tax Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Receipts</u>				
Sales tax	\$325,000	\$323,252	\$323,252	\$0
Charges for services	350,000	16,674	16,674	0
Intergovernmental	3,711,176	3,617,773	3,617,773	0
Special assessments	0	1,945	1,945	0
Fines and forfeitures	28,000	29,526	29,526	0
Other income	106,650	376,230	376,230	0
Other	30,000	48,220	48,220	0
Total receipts	<u>4,550,826</u>	<u>4,413,620</u>	<u>4,413,620</u>	<u>0</u>
<u>Disbursements</u>				
Public works	<u>4,482,779</u>	<u>4,482,779</u>	<u>4,443,113</u>	<u>39,666</u>
Total disbursements	<u>4,482,779</u>	<u>4,482,779</u>	<u>4,443,113</u>	<u>39,666</u>
Excess of receipts over (under) disbursements	<u>68,047</u>	<u>(69,159)</u>	<u>(29,493)</u>	<u>39,666</u>
<u>Other financing sources (uses)</u>				
Operating transfers - in	59,000	59,000	59,000	0
Advances - in	0	318,751	318,751	0
Advances - out	<u>0</u>	<u>0</u>	<u>(400,000)</u>	<u>(400,000)</u>
Total other financing sources (uses)	<u>59,000</u>	<u>377,751</u>	<u>(22,249)</u>	<u>(400,000)</u>
Excess of receipts and other financing sources over (under) disbursements and other financing uses	127,047	308,592	(51,742)	(360,334)
Fund cash balance - beginning of year	473,623	473,623	473,623	0
Unexpended prior year encumbrances	<u>186,640</u>	<u>186,640</u>	<u>186,640</u>	<u>0</u>
Fund cash balance - end of year	<u><u>\$787,310</u></u>	<u><u>\$968,855</u></u>	<u><u>\$608,521</u></u>	<u><u>(\$360,334)</u></u>

See accompanying notes to the financial statements

FAYETTE COUNTY, OHIO
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2007

	<u>Other Enterprise Funds</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$219,132</u>
Total Assets	<u><u>219,132</u></u>
Net Assets:	
Unrestricted	<u>219,132</u>
Total Net Assets	<u><u>\$219,132</u></u>

See accompanying notes to the financial statements.

FAYETTE COUNTY, OHIO
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2007

	Other Enterprise Funds
Operating Cash Receipts:	
Charges for Services	\$1,712,387
Total Operating Cash Receipts	1,712,387
Operating Cash Disbursements:	
Personal Services	374,117
Contract Services	736,825
Materials & Supplies	59,674
Other Operating Exp.	355,141
Debt Service:	
Principal Retirement	80,000
Total Operating Cash Disbursements:	1,605,757
Operating Income	106,630
Non-Operating Receipts and Disbursements:	
Advances - In	82,670
Interest and Fiscal Charges	(104,683)
Advances - Out	(83,213)
Total Non-Operating Receipts and Disbursements	(105,226)
Change in Net Assets	1,404
Cash Basis Net Assets - Beginning of Year	217,728
Cash Basis Net Assets - End of Year	\$219,132

See accompanying notes to the financial statements.

FAYETTE COUNTY, OHIO
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2007

	<u>Agency Funds</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$3,790,490
Equity in Cash in Segregated Accounts	<u>482,165</u>
Total Assets	<u>4,272,655</u>
Net Assets:	
Unrestricted	<u><u>\$4,272,655</u></u>

See accompanying notes to the financial statements.

FAYETTE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2007

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 Job 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 on the County in that the County approves the organization's budget, the issuance of its debt or the levying of its taxes.

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

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

FAYETTE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2007

NOTE 1 - REPORTING ENTITY (Continued)

The Fayette County Memorial Hospital (the Hospital) operates under the authority of Section 339, Ohio Revised Code. It is governed by a Board of Directors appointed by the County Commissioners, the Probate Judge, and the Common Pleas Court Judge of Fayette County. The Hospital is not considered legally separate from the County and for financial reporting purposes is treated as an enterprise fund of the County. The Hospital prepares its financial statements in accordance with a basis of accounting that is different from that used by the County to report its other activities. The Hospital is not presented as a component unit within these financial statements.

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 \$288,887 to Paint Valley ADAMHS in 2007.

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 2007, Fayette County contributed \$160,904 to the Center.

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

FAYETTE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2007

NOTE 1 - REPORTING ENTITY (Continued)

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 contributions during 2007. 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) – The 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’s Board of Governors. The consortium has no outstanding debt. No contributions were made by the County in 2007.

Travel and Tourism Bureau – The Travel and Tourism Bureau (The Bureau) is a jointly governed organization among the County, two townships, 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 2007, the County did not contribute any money to the Authority.

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

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

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member Counties’ obligations to make coverage payments to CORSA. The participating Counties have no responsibility for the payment of the certificates. The certificates were retired on May 1, 1997. The County has no equity interest in CORSA. The County’s payment for insurance to CORSA in 2007 was \$157,811. Financial statements may be obtained by contacting the County Commissioners’ Association of Ohio in Columbus, Ohio. See Note 8 for more information.

FAYETTE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2007

NOTE 1 - REPORTING ENTITY (Continued)

County Commissioners' Association of Workers' Compensation Group Rating Program – The County is participating in the County Commissioners' Association 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 the 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. See Note 8 for more information.

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 County Memorial Hospital.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Accounting

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

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

B. Basis of Presentation

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

FAYETTE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the cash basis or draws from the general receipts of the County.

Fund Financial Statements

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

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

C. Fund Accounting

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

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

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

FAYETTE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Proprietary: Certain County funds operate similar to business enterprises, where user charges (i.e. charges for services) provide significant resources for the activity. The County classifies these as enterprise funds. The County had no major enterprise fund in 2007.

Fiduciary Funds: Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the County's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The County's only fiduciary funds are agency funds.

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 certificate of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

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

FAYETTE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Of the County's \$7,902,645 of restricted net assets, none is restricted by enabling legislation.

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

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 inter-fund 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. Inter-fund transfers within governmental-activities and within business-type activities are eliminated from the government-wide statement of net assets.

FAYETTE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2007

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.

Ohio Revised Code Section 5705.41(B) requires that expenditures cannot exceed appropriations. The County had instances of expenditures in excess of appropriation limits.

Ohio Revised Code Section 5705.41(D) requires that appropriations are encumbered prior to commitment. The County had instances of expenditures or commitments without prior certification of the availability of funds.

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 United 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;
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.

FAYETTE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2007

NOTE 4 - EQUITY IN POOLED CASH (continued)

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, \$13,421,901 of the County's bank balance of \$14,049,486 was secured by collateral as described in the following paragraph. The remaining balance was covered by federal deposit insurance.

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 2007.

NOTE 5 – LONG-TERM DEBT

Long-term debt and other obligations of the County at December 31, 2007 were as follows:

Governmental Activities General Obligation Bonds:

Issue	Interest Rate	Maturity	Balance 12/31/2006	Additions	Reductions	Balance 12/31/2007	Due Within One Year
Water Systems							
Bonds YUSA	8.00%	2009	\$45,000	\$0	\$15,000	\$30,000	\$15,000
Co. Administration	4.75%	2019	232,000	0	12,000	220,000	12,000
SR 41/Carr Road	5.70%	2007	50,000	0	50,000	0	0
Co. Building Impr.	4.20%	2021	1,605,000	0	75,000	1,530,000	80,000
Commission on Aging	6.00%	2023	198,000	0	7,000	191,000	9,000
W. Lancaster Road	6.00%	2023	361,000	0	16,000	345,000	15,000
USDA Sheriff Vehicles	4.375%	2011	223,000	0	40,900	182,100	42,600
Total G.O. Bonds			\$2,714,000	\$0	\$215,900	\$2,498,100	\$173,600

FAYETTE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2007

NOTE 5 – LONG-TERM DEBT (continued)

Governmental Activities Special Assessment Bonds:

Issue	Interest Rate	Maturity	Balance 12/31/2006	Additions	Reductions	Balance 12/31/2007	Due Within One Year
Route 35/I 71 Water	5.90%	2013	\$140,000	\$0	\$20,000	\$120,000	\$20,000
Clinton Ave. Phase I	5.60%	2016	99,000	0	7,000	92,000	7,000
Clinton Ave. Phase II	4.75%	2019	53,000	0	3,000	50,000	3,000
Total Special Assts.			292,000	0	30,000	262,000	30,000
Total General Long Term Obligations			\$3,006,000	\$0	\$245,900	\$2,760,100	\$203,600

Enterprise Bonds

Issue	Interest Rate	Maturity	Balance 12/31/2006	Additions	Reductions	Balance 12/31/2007	Due Within One Year
Rattlesnake Treatment Plant Sewer District	7.75%	2009	\$60,000	\$0	\$20,000	\$40,000	\$20,000
R.S. Sewer WWTP	4.75%	2024	1,805,000	0	60,000	1,745,000	65,000
Total Enterprise			\$1,865,000	\$0	\$80,000	\$1,785,000	\$85,000

Principal and interest requirements for all long term debt outstanding for governmental activities as of December 31, 2007 are as follows:

Year	General Obligations Bonds		Special Assessments Bonds	
	Principal	Interest	Principal	Interest
2008	\$173,600	\$119,963	\$30,000	\$14,991
2009	186,500	111,749	32,000	13,267
2010	174,500	103,684	32,000	11,429
2011	180,500	95,948	33,000	9,587
2012	138,000	87,759	34,000	7,689
2013-2017	802,000	330,615	90,000	15,098
2018-2022	796,000	114,497	11,000	957
2023-2027	47,000	2,233	0	0
Totals	\$2,498,100	\$966,448	\$262,000	\$73,018

Principal and interest requirements for all long term debt outstanding for enterprise activities as of December 31, 2007 are as follows:

Year	Various Purpose Bonds	
	Principal	Interest
2008	\$85,000	\$100,163
2009	90,000	95,330
2010	70,000	90,950
2011	75,000	87,275
2012	80,000	83,263
2013-2017	475,000	347,189
2018-2022	610,000	194,788
2023-2027	300,000	26,163
Totals	\$1,785,000	\$1,025,121

FAYETTE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2007

NOTE 5 – LONG-TERM DEBT (Continued)

Notes and Loans Transactions

A summary of the notes and loans transactions for the year ended December 31, 2007 follows:

Issue	Interest Rate	Balance 12/31/2006	Additions	Reductions	Balance 12/31/2007	Due Within One Year
Capital Projects Funds	4.00%	\$904,965	\$1,238,951	\$176,131	\$1,967,785	\$1,862,473
OPWC Loans	0%	92,500	0	5,000	87,500	5,000
Ohio Water and Sewer						
Rotary Commission Loans	0%	387,603	0	0	387,603	0
OWDA Loans	3.00-4.75%	129,947	3,762,628	0	3,892,575	0
Term Obligations		<u>\$1,515,015</u>	<u>\$5,001,579</u>	<u>\$181,131</u>	<u>\$6,335,463</u>	<u>\$1,867,473</u>

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

In connection with the Ohio Water Development Authority loans, the County has pledged future customer service revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The loans are payable, through their final maturities, solely from net revenues applicable to the funds from which they are paid. Principal remaining to be paid on these loans as of December 31, 2007 was \$3,892,575. The County had not yet fully drawn the entire balances of these loans as of year-end, so a payment schedule has not yet been made available. Total interest payable on this loan is estimated to be \$1,081,823. The net pledged revenues and coverage ratio are not presented for 2007 because the County was not required to make principal or interest payments during the year for these loans.

Principal and interest requirements for notes and loans outstanding for governmental activities as of December 31, 2007 are as follows:

Year	Capital Projects Notes/Loans		OPWC
	Principal	Interest	Principal
2008	\$1,862,473	\$101,877	\$5,000
2009	23,838	6,133	5,000
2010	8,967	4,860	5,000
2011	8,967	4,334	5,000
2012	8,967	3,820	5,000
2013-2017	25,551	13,011	25,000
2018-2022	20,730	6,241	25,000
2023-2027	8,292	658	12,500
Totals	<u>\$1,967,785</u>	<u>\$140,934</u>	<u>\$87,500</u>

Amortization schedules have not been disclosed for OWDA loans because the County had not yet drawn all monies as of December 31, 2007 and therefore a final amortization was not available.

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

FAYETTE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2007

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. Capital lease payments are reflected as debt service disbursements in the financial statements. The County made principal payments of \$33,713 in 2007. The remaining principal and interest obligations for future years are as follows:

	Governmental Activities Capital Lease Obligations
2008	\$9,235
Total Principal and Interest	9,235
Less: Amount Representing Interest	(112)
Total Principal	\$9,123

NOTE 7 - PROPERTY TAX

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

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

The full tax rate applied to real property for the fiscal year ended December 31, 2007 was \$9.75 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$7.09 per \$1,000 of assessed valuation of real property classified as residential/agricultural and \$7.43 per \$1,000 of assessed valuation for all other real property. Real property owners’ tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2007 was \$9.75 per \$1,000 of assessed valuation.

Real Property – 2007 Valuation	
Residential/Agricultural	\$498,470,470
Commercial/Industrial	
Public Utilities	31,865,210
Tangible Personal Property – 2007 Valuation	
General	35,481,671
Total Valuation	\$565,817,351

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.

FAYETTE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2007

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, errors and omissions 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 errors and omissions for public officials and general liability on products and completed operations limit, which both have the same per occurrence and annual aggregate limits. 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.

Workers' Compensation benefits are provided through the Ohio Bureau of Workers' Compensation. In 2007, the County participated in the County Commissioners' 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.

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.

FAYETTE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2007

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, 2007, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.50 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 2007 was 13.85 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 17.17 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, 2007, 2006, and 2005 were \$1,352,804, \$1,330,103, and \$1,281,081, respectively. The full amount has been contributed for 2007, 2006, and 2005.

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.

FAYETTE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2007

NOTE 9 – DEFINED BENEFIT RETIREMENT PLANS (Continued)

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, 2007, 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, 2007, 2006, and 2005 were \$26,914, \$24,678, and \$23,124, respectively. 100 percent has been contributed for 2007, 2006, and 2005.

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.

The Ohio Public Employees Retirement System (OPERS) provides post-retirement 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 on 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 2007 local government employer contribution rate was 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement); the portions used to fund health care for 5.00 percent of covered payroll for January through June 2007 and 6.00 percent for July through December 2007.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 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, not to exceed a 12% corridor.

FAYETTE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2007

NOTE 10– POSTEMPLOYMENT BENEFITS (Continued)

The number of active contributing participants in the traditional and combined plans was 374,979 as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2007, actuarial valuation was 362,130. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$537,198. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively, at December 31, 2006.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004 was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

State Teachers Retirement System

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, 2007, 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 \$1,922 for 2007.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2007, the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000 and STRS had 122,934 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 2007 amounted to \$4,972,894.

NOTE 12 - CONTINGENT LIABILITIES

Grants – 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.

Litigation – The County is currently party to legal proceedings. However, it is in the opinion of management that any adverse results from such litigation would be immaterial to the financial statements.

FAYETTE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2007

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 limitations, 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 this requirement by issuing a \$400,000 Landfill Improvement bond in May of 1996 to construct certain landfill improvements associated with post-closure activity. These proceeds have been receipted into the Sanitary Revenue Waste Enterprise Fund.

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

NOTE 15 – INTERFUND TRANSACTIONS

Inter-fund cash transfers and advances for the year ended December 31, 2007 were as follows:

	Transfers In	Transfers Out	Advances In	Advances Out
Major Funds:				
General Fund	\$138,140	\$751,725	\$63,310	\$69,236
CBMR/DD	0	0	55,181	40,588
MVGTT	59,000	0	318,751	400,000
Total Major Funds	197,140	751,725	437,242	509,824
Nonmajor Funds:				
Governmental	692,725	138,140	569,038	495,913
Enterprise	0	0	82,670	83,213
Total Nonmajor Funds	692,725	138,140	651,708	579,126
Total All Funds	\$889,865	\$889,865	\$1,088,950	\$1,088,950

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

Advances were made from the General Fund to various funds to subsidize operations until anticipated revenues were received. Advances were also made from the MVGTT Fund to a nonmajor capital projects fund to support a bridge repair project until federal funds were received. Advances were also made between related nonmajor special revenue funds, capital projects funds, and enterprise funds to support projects or operations until anticipated funding was received.

FAYETTE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2007

NOTE 16 – SUBSEQUENT EVENTS

In January 2008, the County issued two loans in the amounts of \$1,100,000 and \$600,000. These loans mature in January 2009 and bear interest rates of 5.1%.

In May 2008, the County issued a bond anticipation note in the amount of \$1,900,000. This note matures in May 2009 and bears an interest rate of 2.4%.

NOTE 17 – BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the cash basis of accounting (cash), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statements of receipts, disbursements and changes in fund balance – budget and actual (budget basis) for the General and major Special Revenue Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and cash basis are as follows:

1. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (cash basis).

The adjustments necessary to reconcile the cash basis statements to the budgetary basis statements for the General and major Special Revenue Funds are as follows:

	Net Changes in Fund Balances			
	General Fund	CBMR/DD Fund	Job & Family Svs. Fund	MVGT Fund
Cash Basis	\$353,428	(\$1,734)	(\$200,879)	\$247,740
<u>Decreases Due To</u>				
Encumbrances Outstanding				
At Year-End (Budget Basis)	(61,006)	0	0	(299,482)
Budget Basis	<u>\$292,422</u>	<u>(\$1,734)</u>	<u>(\$200,879)</u>	<u>(\$51,742)</u>

NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2007, the County implemented Governmental Accounting Standards Board Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.” This statement establishes criteria that governments use to ascertain whether certain transactions should be regarded as sales or collateralized borrowings, and disclosure requirements for future revenues that are pledged or sold. The implementation of this statement had no effect on previously reported net assets or fund balances.

FAYETTE COUNTY, OHIO
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2007

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Program Number	Expenditures
<u>U.S. Department of Agriculture</u>			
<i>Passed through Ohio Rural Development</i>			
Community Facilities Loans and Grants	10.766	n/a	\$25,000
Total U.S. Department of Agriculture			<u>25,000</u>
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grants			
Small Cities Program Grant (Formula)	14.228	BF-05-023-1	95,579
Small Cities Program Grant (Formula)	14.228	BF-05-023-1	15,000
Small Cities Program Grant (Formula)	14.228	BF-02-023-1	50,000
Small Cities Program Grant (Formula)	14.228	BX-01-023-1	54,000
Total Community Development Block Grants			<u>214,579</u>
HOME Investment Partnerships Program			
Small Cities Community Development Block Grant (C.H.I.P.-HOME)	14.239	BC-05-23-2	12,000
Small Cities Community Development Block Grant (C.H.I.P.-HOME)	14.239	BC-05-23-2	114,121
Total HOME Investment Partnerships Program			<u>126,121</u>
Total U.S. Department of Housing and Urban Development			<u>340,700</u>
<u>U.S. Department of Justice</u>			
<i>Passed Through Ohio Office of Criminal Justice Services</i>			
Violence Against Women Formula Grants			
Victim-Witness/VOCA '06-'07	16.588	2007VAGENE240T	36,759
Victim-Witness/SVAA	16.588	2007SAGENE240T	5,847
Victim -Witness/VAWA '07	16.588	2005-WF-VA5-8411	14,607
JAG	16.588	2005-JG-LLE-5216	20,000
JAG	16.588	2005-JG-DO1-6300	25,559
Total U.S. Department of Justice			<u>102,772</u>
<u>U.S. Department of Labor</u>			
<i>Passed Through Area Agency 7</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult	17.258	n/a	106,019
Workforce Investment Act - Adult Total			<u>106,019</u>
Workforce Investment Act - Youth	17.259	n/a	46,442
Workforce Investment Act - Youth Administrative	17.259	n/a	32,997
Workforce Investment Act - Youth Total			<u>79,439</u>
Workforce Investment Act - Dislocated Workers	17.260	n/a	57,072
Workforce Investment Act - Dislocated Workers - Rapid Response	17.260	n/a	715,000
Workforce Investment Act - Dislocated Workers Administrative	17.260	n/a	1,376
Workforce Investment Act - Dislocated Workers Total			<u>773,448</u>
Total Workforce Investment Act Cluster			<u>958,906</u>
Total U. S. Department of Labor			<u>958,906</u>

(continued)

FAYETTE COUNTY, OHIO
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2007

U.S. Department of Homeland Security

*Passed Through Ohio Department of Public Safety
Management Agency*

Emergency Management Performance Grant	97.042	N225	\$2,263
Learn and Serve America - School and Community Based Programs	97.004	S04-SHSP-24-0382	79,518
Total U. S. Department of Homeland Security			<u>81,781</u>

U.S. Department of Education

Passed Through Ohio Department of Education

Special Education - Grants to States	84.027	6B-SF	15,303
Special Education - Preschool Grant	84.173	PG-S1	11,430
Total Special Education Cluster			<u>26,733</u>

State Grants for Innovative Programs	84.298	C2-S1	86
Total U. S. Department of Education			<u>26,819</u>

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	34,419
Special Programs for the Aging - Nutrition - Title III-C	93.045	n/a	98,166
Total Aging Cluster			<u>132,585</u>

Low-Income Home Energy Assistance Program	93.568	n/a	1,900
Nutrition Services Incentive Program	93.053	n/a	93,111

*Passed Through Ohio Department of Mental Retardation and Developmental
Disabilities*

Medical Assistance Program:			
Targeted Case Management	93.778	n/a	144,061
Waiver	93.778	n/a	231,546
Total Medical Assistance Program - Title XIX			<u>375,607</u>

Social Services Block Grant	93.667	n/a	23,527
State Children's Health Insurance Program	93.767	n/a	3,166
Total U.S. Department of Health and Human Services			<u>629,896</u>

U.S. Department of Transportation

Passed Through Federal Highway Administration

Recreational Trails Program	20.219	n/a	92,858
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Federal Highway Administration:

Passed Through Ohio Department of Transportation

Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	24833	45,026
Highway Planning and Construction	20.205	24834	16,810
Highway Planning and Construction	20.205	78589	351,954
Total Highway Planning and Construction Cluster			<u>413,790</u>

Passed Through Federal Aviation Administration

Airport Improvement Program- Adm. Bldg/Ramp Expansion	20.106	n/a	479,310
Airport Improvement Program- Runway Taxiway Connector, Ramp Exp, Beacon 1	20.106	n/a	11,495
Airport Improvement Program- Airport Layout	20.106	n/a	444
Total Airport Improvement Program			<u>491,249</u>

Total U.S. Department of Transportation			<u>997,897</u>
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Total Federal Financial Award Expenditures			<u><u>\$3,163,771</u></u>
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n/a - pass-through entity number not available.

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

FAYETTE COUNTY, OHIO
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2007

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.

BALESTRA, HARR & SCHERER, CPAs, INC.
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the primary government of Fayette County, Ohio (the County) as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 19, 2008, wherein we noted that the County implemented GASB Statement No. 48, that the County reports on the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, and wherein we noted the County's cash basis financial statements do not include amounts related to the Fayette County Memorial Hospital in its fund statements or its entity wide statements or include Fayette Progressive Industries, Inc. as a discretely presented component unit. Accordingly, the County's financial statements do not present fairly the financial position of the proprietary funds or business-type activities or aggregate discretely presented component units for the County as of December 31, 2007 or the changes in its cash basis financial position for the year then ended. Except as described in the previous two sentences, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-4 and 2007-5.

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the County's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated September 19, 2008.

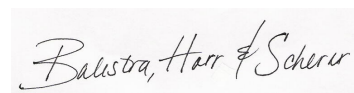
Compliance and Other Matters

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 2007-1, 2007-2, and 2007-3.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 19, 2008.

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

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


Balestra, Harr & Scherer, CPAs, Inc.
September 19, 2008

BALESTRA, HARR & SCHERER, CPAs, INC.
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

Compliance

We have audited the compliance of Fayette County, Ohio (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2007. 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, 2007.

In a separate letter to the County's management dated September 19, 2008, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

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

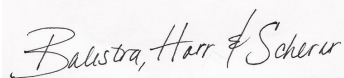
Internal Control Over Compliance (Continued)

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

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.

September 19, 2008

Fayette County Financial Condition
Schedule of Findings
OMB Circular A-133 Section .505
For the Year Ended December 31, 2007

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #20.205, Highway Planning and Construction CFDA #20.106, Airport Improvement Programs
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

Fayette County Financial Condition
Schedule of Findings
OMB Circular A-133 Section .505
For the Year Ended December 31, 2007
(Continued)

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

Finding 2007-1 – Noncompliance Finding – Failure to Properly Encumber Funds Prior to Commitment for Expenditure

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

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

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

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

2. Blanket Certificates – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificates – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

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

Fayette County Financial Condition
Schedule of Findings
OMB Circular A-133 Section .505
For the Year Ended December 31, 2007
(Continued)

Finding 2007-1 – Noncompliance Finding – Failure to Properly Encumber Funds Prior to Commitment for Expenditure (Continued)

Client Response:

After review of prior year findings, the percentage has improved dramatically from a high 45% to the current 15%. Efforts by our employees in the book keeping department have lowered the occurrences to this level. The nine warrants in question involve seven departments, three of those warrants were inter-departmental invoices for reimbursements. It is my intention to meet with each department head involved to stress the required method of obtaining purchase orders, PRIOR to expenditures. We will also review our Then and Now certificate and the procedure to complete the proper certification.

Finding 2007-2 – Noncompliance Finding – Failure to Filing Annual Financial Report in Compliance with Required Accounting Principles

Ohio Revised Code Section 117.38(B) provides that each public office shall file a financial report for each fiscal year. The Auditor of State may 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 Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

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

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

Client Response:

For 2007, I was not the County Auditor at the end of the 60 day filing period and am not aware if the report was filed. Fayette County has chosen for economic reasons, to continue on a cash basis of accounting for the immediate future, due to the high cost of converting to GAAP and the \$30,000 to \$50,000 increase in the cost of auditing the GAAP basis of accounting. Fayette County revisits this process, cash basis vs. GAAP, yearly to determine the costs and feasibility of changing. For 2007, I was not the County Auditor at the time publication was required. (Change of Auditor, March 12th, 2007)

Fayette County Financial Condition
Schedule of Findings
OMB Circular A-133 Section .505
For the Year Ended December 31, 2007
(Continued)

Finding 2007-3 – Noncompliance Finding – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Instances were identified where expenditures exceeded appropriations at the County’s legal level of control. Failure to properly monitoring budget to actual activity results in spending in excess of authorized limits and could result in overspending. The County should implement procedures to ensure that expenditures are limited to authorized appropriation levels.

Client Response:

The funds in question involved the County Engineer’s Office, the County Sewer & Waste Dept., and an Ohio Department of Development Roadwork Project. In the fall of 2007, major projects were being undertaken by the Engineer’s Office in conjunction with the County Commissioners to construct a major waterline improvement project to serve the new ethanol plant here in Fayette County. It is my opinion, incoming grant funds were counted as being already in place and the appropriations were not adjusted accordingly. I intend to review the actual audit work papers, review the indicated funds with the department heads involved and adjust any procedures as needed.

Finding 2007-4 – Significant Deficiency – Commission on Aging Activity

Fayette County operates a Senior Citizens Center for the benefit of citizens of the County over the age of 55. The Senior Citizens Center is housed in a County-owned building and is operated by County employees. The Fayette County Commissioners are named as the “grantee” on all grant funds received by the Senior Citizens Center. During 2007, the County received \$227,596 in grants used exclusively for the Senior Citizens Center. For 2007, the County recorded a portion of the financial activity of the Senior Citizens Center activity in two separate special revenue funds, and the remainder of the financial activity in separate checking and savings accounts totaling \$50,167 which were not reported in the County’s financial statements, but should have been reported as agency funds. See the following paragraph for a description of accounts.

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

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

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

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

Fayette County Financial Condition
Schedule of Findings
OMB Circular A-133 Section .505
For the Year Ended December 31, 2007
(Continued)

Finding 2007-4 – Significant Deficiency – Commission on Aging Activity (Continued)

Client Response:

The Senior Center is now under the direction of a newly appointed director in 2008. I anticipate the Commissioners will work with the new director to resolve many concerns. Once the use of each account has been fully researched as you recommend, the appropriate funds can either be established or existing funds will be utilized. If the findings indicate these accounts should not be handled at the Senior Center, nor by the County, the Board can canvas individuals or groups who may appropriately volunteer to manage these funds. Since the COA has its own board that oversees a portion of these funds, it will be important to co-operate with the COA Board to discuss these issues.

2007-5 – Significant Deficiency – Clerk of Courts Financial Reporting Activity

The Clerk of Courts implemented a new computer accounting system in January 2006. Accurate and timely accounting and reconciliation procedures, and segregation of duties, are key components of an effective accounting system and internal controls required to enable the Clerk of Courts to properly classify transactions, maintain accountability for funds, distribute funds accurately, and detect fraud and errors in a timely manner.

We noted the following deficiencies for year ended December 31, 2007 over the Clerk of Courts:

- Monthly reconciliations were not performed for the Clerk of Courts' accounts for all of 2007. Without reconciling monthly, the controls over the Court are greatly diminished and the controls over the accuracy of the accounting records are weakened.
- The Court did not utilize a cashbook; however, they did maintain receipt records and a check register. The Clerk of Courts provided receipt and disbursement reports which were used to test individual transactions and to provide summaries of activity. However, without utilizing a cashbook, it is difficult to summarize the Court's accounting activity and makes centralizing all activity into one report difficult. The Clerk of Courts should contact the Court's IT technical support to determine if the system can create and maintain a cashbook.
- Several manual checks were issued during the audit period. Furthermore, the Clerk of Courts used a rubber stamp to sign checks, and was not always the person who "signed" the checks (both manual and computer generated), and checks were not reviewed before they were disbursed. This creates an increased fraud risk and possible misappropriation of funds. The Court should ensure that all checks are processed through the Court's computer system and that the Clerk of Courts signs (either manually or with a check signer) and reviews all checks prior to disbursement.
- The Clerk of Courts does not currently receive images of the back sides of its cancelled checks each month. Failure to receive images of the backs of the cancelled checks results in the Court not being able to adequately monitor the proper cashing of its checks. The Clerk of Courts should contact the Court's bank to have the bank to have copies of both the front and back sides of each electronically imaged cancelled check provided with the monthly bank statements.
- The outstanding check list as of December 31, 2007 contained outstanding checks which were more than one year old, which creates cumbersome reconciliations. The Court should remove these outstanding checks from its books, following proper procedures defined by Ohio law and reissue the money back into the appropriate fund.
- The open items list contains several cases that are nearly fifteen years old and several expungements. The open items list should be used as part of the reconciling process of the Clerk of Courts. An inaccurate open items list prevents the Court from reconciling accurately. The Clerk of Courts should reconcile its accounting records and review and monitor its open items list for accuracy.

Fayette County Financial Condition
Schedule of Findings
OMB Circular A-133 Section .505
For the Year Ended December 31, 2007
(Continued)

2007-5 – Significant Deficiency – Clerk of Courts Financial Reporting Activity (Continued)

- The deputy clerk is the only one who balances the cash drawer. When only one individual performs an accounting function and there is no review, the controls are weakened. Segregation of duties over the accounting functions of the Court should be reviewed and monitoring controls should be established so that one person is not completing incompatible accounting functions.
- Several errors were noted during testing and several requested reports could not be provided until the Clerk of Courts contacted IT technical support.

Without adequate reconciliations and accounting procedures, the Court may not maintain accurate records, may make unintentional errors, and may not know what pertinent reports are available. These factors increase the risk that theft, fraud, or errors may occur and not be detected in a timely manner. The Clerk of Courts should seek additional training to ensure that the appropriate controls and procedures are implemented.

Client Response:

The County did not provide a response.

3. Findings and Questioned Costs for Federal Awards
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None

Fayette County Financial Condition
Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(b)
For the Year Ended December 31, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2006-001	Noncompliance Finding/Significant Deficiency – Failure to Properly Encumber Funds	No	Reissued as Finding 2007-1
2006-002	Noncompliance Finding – Failure to Filing Annual Financial Report on Required Accounting Basis	No	Reissued as Finding 2007-2
2006-003	Significant Deficiency – Financial Activity of Outside Accounts of the Senior Citizens Center	No	Reissued as Finding 2007-4
2006-004	Significant Deficiency – Financial Activity of the Clerk of Courts	No	Reissued as Finding 2007-5
2006-005	Noncompliance Finding – Failure to File Data Collection Forms	Yes	



Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

FAYETTE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 3, 2009**