Fayette County, Ohio

Single Audit

January 1, 2009 through December 31, 2009

Year Audited Under GAGAS: 2009

Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

Board of County Commissioners
Fayette County
133 South Main Street
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, 2009 through December 31, 2009. 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

December 13, 2010

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fayette County, Ohio (the County), as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 the component unit 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.

Management has not included the Fayette County Memorial Hospital Fund in the County's financial statements. The Fayette County Memorial Hospital Fund should be presented as a major enterprise fund and financial information about the Fayette County Memorial Hospital Fund should be part of the business-type activities, thus increasing the business-type activities' assets, liabilities, net assets, revenues and expenses and changing its net assets. We cannot reasonably determine the amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the business-type activities and the omitted major fund.

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In our opinion, because of the omission of the Fayette County Memorial Hospital Fund, as discussed above, the financial statements referred to above do not present fairly, in conformity with the basis of accounting Note 2 describes, the financial position of the Fayette County Memorial Hospital Fund of Fayette County, Ohio, as of December 31, 2009, or its changes in financial position or cash flow thereof for the year then ended. Further in our opinion, except for the effects of not including financial statements of the Fayette County Memorial Hospital Fund, as part of the business-type activities, as discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Fayette County, Ohio, as of December 31, 2009, and the changes in financial position thereof for the year then ended conformity with the basis of accounting Note 2 describes.

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 unit of Fayette County, Ohio, as of December 31, 2009, and the changes in its cash basis financial position for the year then ended.

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, 2009, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund and the Developmental Disabilities Fund, Job and Family Services Fund, and Motor Vehicle and Gas Tax Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2010, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
August 19, 2010

FAYETTE COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(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, 2009. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review notes to the basic financial statements to enhance their understanding of the County's performance.

- In total, net cash assets increased $797,198.

- Net cash assets of governmental activities decreased $489,492 which represents a 4.21% decrease from 2008. Net cash assets of business-type activities increased $1,286,691 which represents a 163.1% increase from 2008. Net cash assets of fiduciary funds decreased $320,657 which represents a 12.71% decrease from 2008.

- At the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of $11,125,232. Approximately 91.54%, $10,184,032 is available for spending at the government's discretion. Business-type Funds reported a combined ending fund balance of $2,075,600.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the County did financially during 2009, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the County at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the County's general receipts.

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

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

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

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

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

Reporting the County's Most Significant Funds

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-40 of this report.

Government-Wide Financial Analysis

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

The Government as a Whole

	Governmental Activities 2009	Governmental Activities 2008
Cash	$11,125,232	$11,614,724
Total Assets	11,125,232	11,614,724
Restricted for:		
Other Purposes	6,673,746	6,452,032
Capital Projects	895,904	2,622,983
Debt Service	988,709	959,566
Unrestricted	2,566,873	1,580,144
Total Net Assets	$11,125,232	$11,614,724

	Business-type Activities 2008	Business-type Activities 2008
Cash	$2,075,601	$788,910
Total Assets	2,075,601	788,910
Unrestricted	2,075,601	788,910
Total Net Assets	$2,075,601	$788,910

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

For governmental activities, total assets decreased $489,492 or 4.21%. There was a very minimal change form 2008 to 2009 in total assets. A small amount of decrease was due to the transfer of assets from a capital project fund which was accounted for as a governmental fund to a debt service which is accounted for as a business type. For business-type activities, total assets increased $1,286,691 or 163.10%. The primary increase in cash balances is due to a combination of slight increases in revenues in the sewer and water funds, debt restructuring and the transfer of assets from the capital project fund to a debt service fund as mentioned above.

FAYETTE COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

CHANGES IN NET ASSETS

	Governmental Activities 2009	Governmental Activities 2008
Receipts:		
Program Receipts:		
Charges for Services	$4,385,378	$5,513,627
Operating grants and contributions	8,060,006	6,747,845
Capital grants and contributions	2,025,674	2,481,644
General receipts:		
Property Taxes	2,845,468	2,854,336
Sales and other taxes	6,731,226	6,603,591
State Local Government	4,085,660	4,505,483
Unrestricted investment earnings	314,292	494,074
Grants and contributions not		
Restricted to specific programs	330,161	371,326
Other	1,099,671	765,948
Total receipts	29,877,536	30,337,874
Disbursements:		
General government	3,450,050	3,266,455
Judicial	2,156,758	2,189,017
Public Safety	2,668,500	2,624,585
Public Works	5,157,526	5,120,395
Health	3,164,358	4,466,783
Human Services	7,668,309	7,597,239
Conservation and Recreation	589,653	716,576
Economic Development & Assistance	72,947	69,290
Urban Redevelopment & Housing	869,091	548,137
Other	303,723	68,486
Capital Outlay	3,640,929	1,846,393
Principal	2,384,150	2,071,075
Interest	205,625	302,361
Total Disbursements	32,331,619	30,886,792
Increase/Decrease in net assets	(2,092,665)	(548,918)
Transfers	(735,024)	0
Payment to Refunding Escrow Agent	(214,525)	0
Advances	(117,597)	14,383
Proceeds of Refunding Bonds	225,000	0
Proceeds of Notes and Loans	2,806,737	3,380,685
Change in net assets	(489,492)	2,846,150
Net assets End of Prior Year	11,614,724	8,768,574
Net assets End of Current Year	$11,125,232	$11,614,724

The County's governmental receipts are mainly from property and sales tax and operating grants and contributions. These receipts comprise 59.03% of the County's receipts for governmental activities. These revenue sources remained fairly consistent with modest decreases from 2008 in property tax and operating grants and contributions and a large increase in sales tax. Charges for services comprise 14.68% of total governmental receipts. These receipts had large increases from 2008. State and local government receipts comprise 13.67% of total governmental activities receipts. These receipts increased due to additional funding received in 2008. Grants and contributions not restricted to specific programs comprise 1.11% of receipts from governmental activities. These receipts were consistent with 2008 percentages.

The majority of the County's disbursements for governmental activities changed from 2008. Judicial disbursements which comprise 6.75% of the disbursements decreased slightly due to fewer cases being tried in Common Pleas Court in 2009. Public safety which comprises 8.35% of disbursements decreased slightly. Public Works comprise 16.13% of disbursements and have increased a small amount. Health has increased due to continued higher costs and represents 9.90%. Human Services comprise 23.99% of disbursements decreased due to a decrease in state funding for displaced workers and other programs. Conservation and Recreation disbursements decreased somewhat. These disbursements represent 1.84% of total government activities disbursements. Urban Redevelopment & Housing decreased slightly. These disbursements represent 2.72% of total government activities disbursements. Capital Outlay which comprises 11.5% of total disbursements of governmental activities, decreased considerably due to completion of the Madison Mills Water Project which supplies water for the Ethanol Plant.

CHANGES IN NET ASSETS-

	Business-Type Activities 2009	Business-Type Activities 2008
Receipts:		
Program Receipts:		
Charges for Services	$2,437,382	$2,429,476
Other Operating Receipts	11,238	0
Total receipts	$2,448,620	$2,429,476
Disbursements:		
Sanitary Sewer	245,347	537,783
Sanitary Waste	1,304,179	1,055,173
Water District	465,024	252,359
Total Disbursements	2,014,550	1,845,315
Increase/Decrease in net assets	434,070	584,161
Transfers	735,024	0
Advances	117,597	(14,383)
Proceeds of Refunding bonds	1,645,000	0
Bond Issuance Cost	(76,816)	0
Refunding Escrow Agent	(1,568,184)	0
Change in net assets	1,286,691	569,778
Net assets End of Prior Year	788,910	219,132
Net assets End of Current Year	$2,075,601	$788,910

Business-type activities derive their receipts from charges for services. These revenue sources increased significantly from 2008. The increase was due to revenue from the operations of the new ethanol plant. Disbursements for business-type activities derive from three activities: sanitary sewer, sanitary waste, and water. Disbursements from sanitary waste accounts for 56.26% of total enterprise fund disbursements. This fund decreased disbursements. The water fund comprises 30.53% of the total enterprise fund disbursements. Activities in this fund increased. The sanitary sewer fund comprises 13.21% of the total enterprise fund disbursements. The activities in this fund increased due to debt service payments.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund cash balances of $11,125,232 which was a decrease of $489,492 in comparison with the prior year. Approximately $10,184,032 constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

Ending fund cash balances increased due to increases in receipts.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was $2,425,310, with receipts of $11,159,297 and disbursements of $9,599,988.

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 $2,075,600, an increase of $1,286,691 in comparison with the prior year. Approximately $1,961,458 constitutes unreserved fund balance, which is available for spending at the government's discretion.

Ending fund cash balances increased significantly.

Governmental Activities

If you look at the Statement of Activities on pages 13 and 14, you will see that the first column lists the major services provided by the County. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public works and human services which account for 16.06 and 23.87 percent of all governmental disbursements, respectively. General government and public health also represent a significant cost, about 10.74 percent and 9.85 percent respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in the table below.

	Total Cost Of Services 2009	Total Cost Of Services 2008	Net Cost of Services 2009	Net Cost of Services 2008
General Government	$ 3,450,050	$ 3,266,455	$ 2,528,397	$ 2,457,307
Judicial	2,156,758	2,189,017	1,497,459	1,648,442
Public Safety	2,668,500	2,624,585	2,089,527	2,052,065
Public Works	5,157,526	5,120,395	2,179,107	2,394,488
Health	3,164,358	4,466,783	1,165,023	1,834,146
Human Services	7,668,309	7,597,239	2,897,058	3,043,497
Conservation and Recreation	589,653	716,576	468,163	538,332
Economic Development and Assistance	72,947	69,290	25,976	27,883
Urban Redevelopment and Housing	869,091	548,137	500,096	382,095
Other	303,723	68,486	303,723	68,486
Capital Outlay	3,640,929	1,846,393	1,616,257	(637,333)
Principal Retirement	2,384,150	2,071,075	2,384,150	2,031,907
Interest and Fiscal Charges	205,625	302,361	205,625	302,361
Total Expenses	$ 32,331,619	$ 30,886,792	$ 17,860,561	$ 16,143,676

The dependence upon property and sales tax receipts is apparent as over 53.90 percent of governmental activities are supported through these general receipts.

Business-type Activities

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

The Government's Funds

Total governmental funds had receipts and other financing sources of $34,313,813 and disbursements of $34,806,305.

General Fund receipts were more than disbursements by $1,559,309 indicating that the General Fund is in a positive spending situation**.** The General Fund also saw a net increase in cash basis fund balance of $776,657 due to the increase of sales tax revenue. An additional .5% sales tax was imposed as of January 2008, accounting for the increase.

The CB DD Fund had a slight increase of cash basis fund balance of $20,162. The Job & Family Services Fund had an increase in cash basis fund balance of $352,081 primarily due to a decrease in disbursements from 2008. The MVGT Fund has a slight decrease in cash basis fund balance of $29,718.

General Fund Budgetary Highlights

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

The difference between the original budget and final amended budget was an increase of $23,037. The program differences are as follows:

- Legislative and Executive increased by $76,397
- Judicial increased by $11
- Public Safety increased by $34,514
- Public Health had no changes
- Conservation and Recreation had no changes
- Public Works decreased by $87,885
- Public Health had no changes
- Human Services had no changes
- Urban Redevelopment had no changes
- Capital Projects increased had no changes

All programs spent less than budgeted.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2009 the County's outstanding debt included $2,160,000 in general obligation bonds issued for improvements to buildings, structures and roads; $1,790,000 in enterprise general obligation bonds for improvements in water and sewer facilities and landfill; $208,000 in special assessment and related bonds for improvements in water systems and storm sewers, and $8,489,760 in notes and other loans. For further information regarding the County's debt, refer to Note 5 to the basic financial statements.

Economic Factors and Next Year's Budget and Rates

The Unemployment rate for the County at December 31, 2009 was 13.1%, compared to 6.9% a year earlier. Employment of Fayette county residents was negatively impacted by the loss of DHL in Clinton County and the problems in the auto industry as some of our major employers in Fayette county and in nearby counties are suppliers for the auto industry. The Ethanol Plant was not operating at the end of 2009, but has now been sold and had employment of about 50 with the possibility of 12 more to be hired.

On the positive side Heartland Steel has opened. They hope to employ 10 the first year and add 10 employees per year for the next several years. Closer to Washington Court House, a new Cross Roads Hotel is under construction in the area of State Route 62 and US Route 35 and is expected to open in June of 2010. Cox Paving is opening a new facility in early 2010 with 12 employees. Also two new small businesses, Obsidian Corp. (Ohio Truck Parts) and O'Reilly Auto Parts are preparing to open.

The vacancy rate of the County's central business district is not tracked, however, much of the district is utilized by service entities such as government offices, banks, insurance offices, restaurants, etc. The County also has two outlet malls which have the potential to generate sales tax income for the county. The outlet mall on State Route 41 continues to struggle and will be sold at auction in May of 2010. The other mall on Old Route 35 is showing 100% occupancy with a waiting - list. The change in sales tax revenue during the past two years has actually had a positive impact on county receipts. The County Sales tax was increased by 1.97% in 2009 and has greatly improved cash flow for County Government Services Continued retail growth in the New Route 35 area is expected which gives some hope of increasing future receipts.

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

Each of these factors was considered in preparing the County's budget for the 2010 year.

Request for information

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

FAYETTE COUNTY
Statement of Net Assets-Cash Basis
December 31, 2009

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	$ 11,114,806	$ 2,075,601	$ 13,190,407
Cash and Cash Equivalents with Fiscal Agent	10,426	-	10,426
Total Assets	$ 11,125,232	$ 2,075,601	$ 13,200,833
Net Assets:			
Restricted for:			
Other Purposes	$ 6,673,746	$ -	$ 6,673,746
Capital Projects	895,904	-	895,904
Debt Service	988,709	-	988,709
Unrestricted	2,566,873	2,075,601	4,642,474
Total Net Assets	$ 11,125,232	$ 2,075,601	$ 13,200,833

See accompanying notes to the basic financial statements.

FAYETTE COUNTY
Statement of Activities - Cash Basis
For the Year Ended December 31, 2009

	Cash Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants and Contributions	Program Receipts: Capital Grants, Contributions, and Interest
Governmental activities				
Executive and Legislative	$ 3,450,050	$ 676,621	$ 244,190	$ 842
Judicial	2,156,758	412,494	245,957	848
Public Safety	2,668,500	540,235	38,605	133
Public Works	5,157,526	809,570	2,161,391	7,458
Health	3,164,358	475,013	1,519,082	5,240
Human Services	7,668,309	1,160,430	3,598,408	12,413
Conservation and Recreation	589,653	120,188	1,298	4
Economic Development and Assistance	72,947	10,839	36,008	124
Urban Redevelopment and Housing	869,091	153,186	215,067	742
Other	303,723	-	-	-
Capital Outlay	3,640,929	26,802	-	1,997,870
Debt Service				
Principal	2,384,150	-	-	-
Interest	205,625	-	-	-
Total Governmental Activities	32,331,619	4,385,378	8,060,006	2,025,674
Business Type Activities				
Sanitary Sewer	245,347	380,238	-	-
Sanitary Waste	1,304,179	1,172,109	-	-
Water District	465,024	896,273	-	-
Total Business Type Activities	2,014,550	2,448,620	-	-
Total Primary Government	$ 34,346,169	$ 6,833,998	$ 8,060,006	$ 2,025,674

General Receipts, Transfers and Advances:
- Taxes
  - Property
  - Sales
- Unrestricted State and Local Government
- Unrestricted Interest
- Grants and Contributions
  - Not Restricted to Specific Programs
- Miscellaneous
- Proceeds of Notes and Loans
- Proceeds of Refunding Bonds
- Net Advances
- Net Transfers
- Bond Issuance Cost
- Payment to Refunding Escrow Agent

Total General Receipts, Transfers and Advances

Increase (Decrease) in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities	Net (Disbursements) Receipts and Changes in Net Assets Business-type Activities	Total
$ (2,528,397)	$ -	$ (2,528,397)
(1,497,459)	-	(1,497,459)
(2,089,527)	-	(2,089,527)
(2,179,107)	-	(2,179,107)
(1,165,023)	-	(1,165,023)
(2,897,058)	-	(2,897,058)
(468,163)	-	(468,163)
(25,976)	-	(25,976)
(500,096)	-	(500,096)
(303,723)	-	(303,723)
(1,616,257)	-	(1,616,257)
(2,384,150)	-	(2,384,150)
(205,625)	-	(205,625)
(17,860,561)	-	(17,860,561)
-	134,891	134,891
-	(132,070)	(132,070)
-	431,249	431,249
-	434,070	434,070
2,845,468	-	2,845,468
6,731,226	-	6,731,226
4,085,660	-	4,085,660
314,292	-	314,292
330,161	-	330,161
1,099,671	-	1,099,671
2,806,737	-	2,806,737
225,000	1,645,000	1,870,000
(117,597)	117,597	-
(735,024)	735,024	-
-	(76,816)	(76,816)
(214,525)	(1,568,184)	(1,782,709)
17,371,069	852,621	18,223,690
(489,492)	1,286,691	797,199
11,614,724	788,910	12,403,634
$ 11,125,232	$ 2,075,601	$ 13,200,833

FAYETTE COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2009

Assets:	General Fund	CBDD Fund	Job & Family Svs. Fund	MVGT Fund	Other Governmental Funds	Total Governmental Funds
Equity in Pooled Cash and Cash Equivalents	$ 2,556,345	$ 2,121,750	$ 405,871	$ 1,231,984	$ 4,798,856	$ 11,114,806
Cash and Cash Equivalents with Fiscal Agent	10,426	-	-	-	-	10,426
Total Assets	$ 2,566,771	$ 2,121,750	$ 405,871	$ 1,231,984	$ 4,798,856	$ 11,125,232
Fund Balance:						
Reserved for Encumbrances	$ 131,035	$ -	$ -	$ 274,145	$ 525,594	$ 930,774
Designated for EPA	10,426	-	-	-	-	10,426
Designated for Retainage	-	-	-	-	-	-
Unreserved, Undesignated, Reported In:						
General Fund	2,425,310	-	-	-	-	2,425,310
Special Revenue Funds	-	2,121,750	405,871	957,839	4,273,262	7,758,722
Capital Projects Funds	-	-	-	-		-
Debt Services Funds	-	-	-	-		-
Total Fund Balance	$ 2,566,771	$ 2,121,750	$ 405,871	$ 1,231,984	$ 4,798,856	$ 11,125,232

See accompanying notes to the basic financial statements.

FAYETTE COUNTY
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
As of and For the Year Ended December 31, 2009

	General Fund	CBDD Fund	Job & Family Svs. Fund	MVGT Fund	Other Governmental Funds	Total Governmental Funds
Cash Receipts:						
Taxes						
Property	$ 1,295,713	$ 1,457,887	$ -	$ -	$ 91,868	$ 2,845,468
Sales	6,409,944	-	-	321,282	-	6,731,226
Charges for Services	1,789,353	107,986	888,752	5,505	1,288,119	4,079,715
Fees	-	-	-	-	25,728	25,728
Intergovernmental	922,765	1,232,047	3,396,743	3,430,423	5,398,753	14,380,731
Fines and Forfeitures	167,877	-	-	23,032	87,136	278,045
Licences and Permits	1,890	-	-	-	-	1,890
Miscellaneous	257,463	6,852	-	327,949	147,304	739,568
Special Assessments	-	-	-	189	346,503	346,692
Interest	314,292	-	-	27,423	378	342,093
Donations	-	8,000	-	-	98,380	106,380
Total Cash Receipts	11,159,297	2,812,772	4,285,495	4,135,803	7,484,169	29,877,536
Cash Disbursements:						
Executive and Legislative	2,955,353	-	-	-	494,697	3,450,050
Judicial	1,658,481	-	-	-	498,277	2,156,758
Public Safety	2,590,291	-	-	-	78,209	2,668,500
Public Works	778,827	-	-	4,224,521	154,178	5,157,526
Health	86,891	2,823,055	-	-	254,412	3,164,358
Human Services	378,396	-	3,933,414	-	3,356,499	7,668,309
Conservation and Recreation	587,024	-	-	-	2,629	589,653
Economic Development and Assistance	-	-	-	-	72,947	72,947
Urban Redevelopment and Housing	433,392	-	-	-	435,699	869,091
Other	-	-	-	-	303,723	303,723
Capital Outlay	131,333	-	-	-	3,509,596	3,640,929
Debt Service						
Principal Retirement	-	-	-	-	2,384,150	2,384,150
Interest and Fiscal Charges	-	-	-	-	205,625	205,625
Total Cash Disbursements	9,599,988	2,823,055	3,933,414	4,224,521	11,750,641	32,331,619
Excess (Deficiency) of Cash Receipts Over Cash Disbursements	1,559,309	(10,283)	352,081	(88,718)	(4,266,472)	(2,454,083)
Other Financing sources (Uses):						
Transfers - In	70,000	-	-	59,000	1,106,247	1,235,247
Proceeds of Notes and Loans	-	-	-	-	2,806,737	2,806,737
Proceeds of Refunding Bonds	-	-	-	-	225,000	225,000
Payment to Refunding Escrow Agent	-	-	-	-	(214,525)	(214,525)
Advances - In	51,171	39,402	-	-	81,720	172,293
Transfers - Out	(850,204)	-	-	-	(1,120,067)	(1,970,271)
Advances - Out	(53,620)	(8,957)	-	-	(227,313)	(289,890)
Total Other Financing Sources (Uses)	(782,653)	30,445	-	59,000	2,657,799	1,964,591
Excess (Deficiency) of Cash Receipts and Other Financing Sources Over Cash Disbursements and Other Financing Uses	776,656	20,162	352,081	(29,718)	(1,608,673)	(489,492)
Cash Basis Fund Balances - Beginning of Year	1,790,115	2,101,588	53,790	1,261,702	6,407,529	11,614,724
Cash Basis Fund Balances - End of Year	$ 2,566,771	$ 2,121,750	$ 405,871	$ 1,231,984	$ 4,798,856	$ 11,125,232

See accompanying notes to the basic financial statements.

FAYETTE COUNTY
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2009

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Receipts				
Property Tax	$ 1,110,500	$ 1,295,713	$ 1,295,713	$ -
Sales Tax	5,450,000	6,409,944	6,409,944	-
Charges for Services	1,742,838	1,773,919	1,789,353	15,434
Intergovernmental	942,765	922,765	922,765	-
Licenses	2,650	1,865	1,890	25
Fines and Forfeitures	140,000	167,877	167,877	-
Miscellaneous	191,000	242,754	257,463	14,709
Interest	300,000	314,292	314,292	-
Total Receipts	9,879,753	11,129,129	11,159,297	30,168
Disbursements				
Executive and Legislative	3,177,128	3,253,525	2,984,051	269,474
Judicial	1,883,957	1,883,968	1,665,971	217,997
Public Safety	2,635,037	2,669,551	2,628,241	41,310
Health	131,195	131,195	95,794	35,401
Conservation and Recreation	648,837	648,837	589,504	59,333
Public Works	1,336,982	1,249,097	822,066	427,031
Human Services	387,744	387,744	378,396	9,348
Urban Redevelopment and Housing	452,975	452,975	433,392	19,583
Capital Outlay	218,122	218,122	133,610	84,512
Total Disbursements	10,871,977	10,895,014	9,731,025	1,163,989
Excess of Receipts Over (Under) Disbursements	(992,224)	234,115	1,428,272	1,194,157
Other Financing Sources (Uses)				
Transfers - In	60,000	70,000	70,000	-
Advances - In	50,000	51,171	51,171	-
Transfers - Out	(900,000)	(900,000)	(850,204)	(49,796)
Advances - Out	-	-	(53,620)	53,620
Total Other Financing Sources (Uses)	(790,000)	(778,829)	(782,653)	3,824
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(1,782,224)	(544,714)	645,619	1,197,981
Fund Cash Balance - Beginning of Year	1,779,790	1,779,790	1,779,790	-
Unexpended Prior Year Encumbrances	10,327	10,327	10,327	-
Fund Cash Balance - End of Year	$ 7,893	$ 1,245,403	$ 2,435,736	$ 1,197,981

See accompanying notes to the basic financial statements.

FAYETTE COUNTY
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual - Budget Basis
County Board of Developmental Disabilities Fund
For the Year Ended December 31, 2009

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Receipts				
Property Tax	$ 1,404,910	$ 1,457,531	$ 1,457,887	$ 356
Charges for services	64,500	100,596	107,986	7,390
Intergovernmental	858,913	1,224,285	1,232,047	7,762
Miscellaneous	-	14,852	14,852	-
Total Receipts	2,328,323	2,797,264	2,812,772	15,508
Disbursements				
Health	3,123,080	3,123,080	2,823,055	300,025
Total Disbursements	3,123,080	3,123,080	2,823,055	300,025
Excess of Receipts Over (Under) Disbursements	(794,757)	(325,816)	(10,283)	315,533
Other Financing Sources (Uses)				
Advances - In	-	39,402	39,402	-
Transfers - Out	-	-	-	-
Advances - Out	-	-	(8,957)	(8,957)
Total Other Financing Sources (Uses)	-	39,402	30,445	(8,957)
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(794,757)	(286,414)	20,162	306,576
Fund Cash Balance - Beginning of Year	2,101,588	2,101,588	2,101,588	-
Fund Cash Balance - End of Year	$ 1,306,831	$ 1,815,174	$ 2,121,750	$ 306,576

See accompanying notes to the basic financial statements.

FAYETTE COUNTY
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual - Budget Basis
Job and Family Services Fund
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
Receipts				
Charges for Services	$ 704,964	$ 886,381	$ 888,752	$ 2,371
Intergovernmental	4,432,786	3,137,528	3,396,743	259,215
Total Receipts	5,137,750	4,023,909	4,285,495	261,586
Disbursements				
Human Services	5,140,935	4,076,970	3,933,414	143,556
Total Disbursements	5,140,935	4,076,970	3,933,414	143,556
Excess of Receipts Over (Under) Disbursements	(3,185)	(53,061)	352,081	405,142
Fund Cash Balance - Beginning of Year	53,790	53,790	53,790	-
Fund Cash Balance - End of Year	$ 50,605	$ 729	$ 405,871	$ 405,142

See accompanying notes to the basic financial statements.

FAYETTE COUNTY
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget and Actual - Budget Basis
Motor Vehicle and Gas Tax Fund
For the Year Ended December 31, 2009

	Budgeted Amount			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Receipts				
Sales Tax	$ 310,000	$ 321,282	$ 321,282	$ -
Charges for services	5,000	5,505	5,505	-
Intergovernmental	3,575,000	3,297,023	3,430,422	133,399
Special Assessment	-	189	189	-
Fines and Forfeitures	25,000	23,032	23,032	-
Miscellaneous	325,000	325,774	327,949	2,175
Interest	30,000	27,423	27,423	-
Total Receipts	4,270,000	4,000,228	4,135,802	135,574
Disbursements				
Public Works	4,905,741	4,905,741	4,498,667	407,074
Total Disbursements	4,905,741	4,905,741	4,498,667	407,074
Excess of Receipts Over (Under) Disbursements	(635,741)	(905,513)	(362,865)	542,648
Other Financing Sources (Uses)				
Operating Transfers - In	59,000	59,000	59,000	-
Advances - In	71,000	-	-	-
Total Other Financing Sources (Uses)	130,000	59,000	59,000	-
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(505,741)	(846,513)	(303,865)	542,648
Fund Cash Balance - Beginning of Year	755,658	755,658	755,658	-
Unexpended Prior Year Encumbrances	506,044	506,044	506,044	-
Fund Cash Balance - End of Year	$ 755,961	$ 415,189	$ 957,837	$ 542,648

See accompanying notes to the basic financial statements.

FAYETTE COUNTY
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2009

	Sanitary Sewer	Water	Nonmajor Enterprise Funds	Total
Assets:				
Equity in Pooled Cash and Cash Equivalents	$ 103,098	$ 978,820	$ 993,683	$ 2,075,601
Total Assets	103,098	978,820	993,683	2,075,601
Net Assets:				
Unrestricted	103,098	978,820	993,683	2,075,601
Total Net Assets	$ 103,098	$ 978,820	$ 993,683	$ 2,075,601

See accompanying notes to the basic financial statements.

FAYETTE COUNTY
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Net Assets - Cash Basis - Proprietary Funds
For the Year Ended December 31, 2009

	Sanitary Sewer	Water	Nonmajor Enterprise Funds	Totals
Operating Cash Receipts:				
Charges for Services	$ 369,877	$ 895,396	$ 1,172,109	$ 2,437,382
Other Operating Receipts	10,361	877	-	11,238
Total Operating Cash Receipts	380,238	896,273	1,172,109	2,448,620
Operating Cash Disbursements:				
Personal Services	57,363	128,463	262,797	448,623
Contract Services	47,462	306,786	644,542	998,790
Materials & Supplies	10,008	18,760	56,934	85,702
Other Operating	3,337	11,015	169,164	183,516
Debt Service				
Principal Retirement	70,000		20,000	90,000
Total Operating Cash Disbursements	188,170	465,024	1,153,437	1,806,631
Operating Cash Receipts Over Operating Cash Disbursements	192,068	431,249	18,672	641,989
Non-Operating Cash Receipts and Cash Disbursements:				
Advances - In	2,497	50,100	100,000	152,597
Interest and Fiscal Charges	(57,177)		(150,742)	(207,919)
Bond Issuance Cost	(76,816)		-	(76,816)
Proceeds of Refunding Bonds	1,645,000		-	1,645,000
Payment to Refunding Escrow Agent	(1,568,184)		-	(1,568,184)
Advances - Out	(35,000)		-	(35,000)
Transfers - In	116,816		777,842	894,658
Transfers - Out	(148,089)	(11,545)	-	(159,634)
Total Non-Operating Cash Receipts and Cash Disbursements	(120,953)	38,555	727,100	644,702
Change in Net Assets	71,115	469,804	745,772	1,286,691
Cash Basis Net Assets - Beginning of Year	31,983	509,016	247,911	788,910
Cash Basis Net Assets - End of Year	$ 103,098	$ 978,820	$ 993,683	$ 2,075,601

See accompanying notes to the basic financial statements.

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

	Agency Funds
Assets:	
Equity in Pooled Cash and Cash Equivalents	$ 4,280,695
Equity in Cash in Segregated Accounts	565,062
Total Assets	4,845,757
Net Assets:	
Net Cash Assets	$ 4,845,757

See accompanying notes to the basic financial statements.

NOTE 1 - REPORTING ENTITY

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

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

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

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

Fayette Progressive Industries, Inc. is a legally separate, not-for-profit corporation, served by a self-appointed board of trustees. The workshop, under contractual agreement with the Fayette County Board of Mental Retardation and Developmental Disabilities (MR/DD), provides sheltered employment for mentally and/or physically handicapped adults in Fayette County. The Fayette County Board of MR/DD provided the workshop with staff salaries, transportation, equipment, staff to administer and supervise training programs and other funds necessary for the operation of the workshop. Based on the significant services and resources provided by the County to the workshop and the workshop's sole purpose of providing assistance to the mentally and/or physically handicapped adults of Fayette County, the workshop is considered a component unit of Fayette County; however, Fayette Progressive Industries is not presented as a component unit in these financial statements. Separately issued financial statements can be obtained from Fayette Progressive Industries, Inc., 1330 Robinson Road SE, Washington C.H., Ohio 43160.

Fayette County Memorial Hospital (the Hospital) operates under Ohio Revised Code Section 339. The Hospital is served by a board of trustees appointed by the Fayette County Commissioners and Fayette County judges. The Hospital is not considered legally separate from the County. The Hospital prepares its financial statements in accordance with a basis of accounting which is different from that used by the County, and consequently, the Hospital's financial activity is not presented on the County's financial statement. Separately-issued financial statements can be obtained from Fayette County Memorial Hospital, 1430 Columbus Ave, Washington Courthouse, Ohio 453160.

NOTE 1 - REPORTING ENTITY (Continued)

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

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

Paint Valley ADAMHS – The Paint Valley Board of Alcohol, Drug Addition and Mental Health Services (ADAMHS) of Pike, Fayette, Highland, Pickaway and Ross Counties is a jointly governed organization that is responsible for developing, coordinating, modernizing, funding, monitoring and evaluating a community-based mental health and substance abuse program. The Board consists of eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health and four members are appointed by Director of the Ohio Department of Alcohol and Drug Addiction Services. The remaining members are appointed by the County Commissioners of Pike, Fayette, Highland, Pickaway and Ross Counties in the same proportion as each County's population bears to the total population of the five counties combined. The Board received revenue from the participating counties and received federal and state funding through grant monies which are applied for and received by the Board of Trustees. Fayette County contributed $241,958 to Paint Valley ADAMHS in 2009.

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 2009, Fayette County contributed $149,881 to the Center.

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

RPHF Joint Solid Waste District – The RPHF Joint Solid Waste District is a jointly governed organization among Pickaway, Ross, Highland and Fayette Counties. Each of these governments supports the District. The County made no contribution during 2009. The degree of control exercised by any participating County is limited to its representation on the Board. The Board of Directors consists of twelve members, the three County Commissioners of each of the four counties. The District does not have any outstanding debt. The District is self-sufficient, operating entirely on collected fees.

NOTE 1 - REPORTING ENTITY (Continued)

Fayette-Clinton-Fairfield-Ross-Pickaway Job Training Partnership Act (JTPA) – JTPA is a jointly governed organization among five counties in Ohio. The consortium conducts an employment and training administration program under the provisions of JTPA of 1982 and the Job Training Reform Amendments of 1992. The three County Commissioners from each of the four counties comprise the Consortium Board of Governors. The consortium has no outstanding debt. No contributions were made by the County in 2009.

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

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

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

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

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The Certificates were retired on May 1, 1997. The County has no equity interest in CORSA. The County's payment for insurance to CORSA in 2009 was $165,820. Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus. Ohio.

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

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

NOTE 1 - REPORTING ENTITY (Continued)

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

B. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receipts which are not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the County.

Fund Financial Statements

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

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

C. Fund Accounting

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

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

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

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

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

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

Proprietary - The County classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified ad either enterprise funds or internal service funds.

Enterprise Funds – Enterprise Funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the County's Major Enterprise Funds.

Sanitary Sewer Fund - This fund accounts for monies used to provide wastewater treatment services to customers in the County.

Water Fund – This fund accounts for monies used to provide water services to customer in the County.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Budgetary Process

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The County has no net assets restricted by enabling legislation.

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

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

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

NOTE 3 - COMPLIANCE

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

NOTE 4 - EQUITY IN POOLED CASH

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon Unites States treasury security that is a direct obligation of the United States;

NOTE 4 - EQUITY IN POOLED CASH (Continued)

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

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

9. Commercial paper notes, corporate notes and banker's 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 by denominated and payable in United State government. All interest and principal shall be denominated and payable in United States funds.

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $17,289,531 of the County's bank balance of $18,115,019 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

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

Investments

The County had no investments during 2009.

NOTE 5 – LONG-TERM DEBT

Long-Term debt and other obligations of the County at December 31, 2009 were as follows:

Governmental Activities General Obligation Bonds:

Issue	Interest Rate	Maturity	Balance 12/31/2008	Additions	Reductions	Balance 12/31/2009	Due Within One Year
Water Systems Bonds YUSA	8.00%	2009	$15,000	$0	$15,000	$0	$0
Co. Administration	4.75%	2011	208,000	0	175,000	33,000	17,000
Various Purpose Refunding Bonds-2009	2.90 - 3.45%	2019	0	180,000	0	180,000	0
Co. Building Impr.	4.20%	2021	1,450,000	0	85,000	1,365,000	85,000
Commission on Aging	6.00%	2023	182,000	0	7,000	175,000	9,000
W. Lancaster Road	6.00%	2023	330,000	0	18,000	312,000	17,000
USDA Sheriff Vehicles	4.375%	2011	139,500	0	44,500	95,000	46,500
Total G.O. Bonds			$2,324,500	$180,000	$344,500	$2,160,000	$174,500

Governmental Activities Special Assessment & Related Bonds:

Issue	Interest Rate	Maturity	Balance 12/31/2008	Additions	Reductions	Balance 12/31/2009	Due Within One Year
Route 35/I 71 Water	5.90%	2013	$100,000	$0	$20,000	$80,000	$20,000
Clinton Ave. Phase I	5.60%	2016	85,000	0	9,000	76,000	9,000
Various Purpose Refunding Bonds-2009	2.87 - 3.45%	2019	0	45,000	0	45,000	0
Clinton Ave. Phase II	4.75%	2011	47,000	0	40,000	7,000	3,000
Total Special Assmt. & Related Bonds			232,000	45,000	69,000	208,000	32,000
Total General Long Term Obligations			$2,556,500	$225,000	$413,500	$2,368,000	$206,500

Enterprise Bonds

Issue	Interest Rate	Maturity	Balance 12/31/2008	Additions	Reductions	Balance 12/31/2009	Due Within One Year
Rattlesnake Treatment Plant Sewer District	7.75%	2009	$20,000	$0	$20,000	0	0
Various Purpose Refunding Bonds-2009	3.38 - 4.2%	2024	0	1,645,000	0	1,645,000	0
R.S. Sewer WWTP	4.75%	2024	1,680,000	0	1,535,000	145,000	70,000
Total Enterprise			$1,700,000	$1,645,000	$1,555,000	$1,790,000	$70,000

The County issued $1,870,000 in Various Purpose Refunding Bonds in February of 2009 to refund $158,000 of the 1999 County Building Bonds, $37,000 of the 1999 Special Assessment Clinton Avenue Bonds, $1,465,000 of the 1999 Sanitary Sewer Rattlesnake Bonds and to pay a redemption premium of 102% on all of these bonds. The County placed $1,782,709 in trust with a refunding escrow agent until the refunded debt could be called in December of 2009. $214,525 of the payment to the refunding escrow agent was paid on the general obligation and special assessment related bonds and $1,568,184 was paid on the Enterprise Fund related bonds. The difference between the amount shown as debt service principal in the above tables and the amount paid to the refunding escrow agent is due to redemption premiums and the effect of interest earnings from monies held by the refunding escrow agent. There were no monies held by the refunding escrow agent at December 31, 2009 as the refunded debt was fully paid off.

NOTE 5 – LONG-TERM DEBT (Continued)

The annual requirements to amortize all long term debt outstanding as of December 31, 2009, are as follows:

Year Ending December 31	G.O. Bonds Principal	G.O. Bonds Interest	G.O. Bonds Total	Year Ending December 31	S.A. & Related Bonds Principal	S.A. & Related Bonds Interest	S.A. & Related Bonds Total
2010	174,500	99,959	274,459	2010	32,000	10,655	42,655
2011	180,500	92,224	272,724	2011	33,000	8,814	41,814
2012	142,000	84,034	226,034	2012	35,000	6,916	41,916
2013	150,000	77,809	227,809	2013	36,000	5,063	41,063
2014	155,000	71,109	226,109	2014	16,000	3,142	19,142
2015-2020	898,000	241,929	1,139,929	2015-2019	56,000	5,448	61,448
2021-2024	460,000	42,720	502,720	2015-2018	0	0	0
Total	$2,160,000	$709,784	$2,869,784	Total	$208,000	40,038	$248,038

Year Ending December 31	Enterprise Bonds Principal	Enterprise Bonds Interest	Enterprise Bonds Total
2010	70,000	63,305	133,305
2011	75,000	59,630	134,630
2012	105,000	55,618	160,618
2013	110,000	53,255	163,255
2014	120,000	50,505	170,505
2015-2019	610,000	203,375	813,375
2020-2024	710,000	90,791	800,791
Total	$1,790,000	$576,479	$2,366,479

Notes and Loan Transactions

A summary of the note transactions for the year ended December 31, 2009, follows:

	Interest Rate	Outstanding 12/31/2008	Issued	Retired	Outstanding 12/31/2009	Due Within One Year
Capital Projects Funds	4.00%	$2,242,126	$2,585,266	$2,160,650	$2,666,742	$2,161,290
OPWC Loans	0%	82,500	0	5,000	77,500	5,000
Ohio Water & Sewer Rotary Commission Loans	0%	387,603	0	0	387,603	0
OWDA Loans	3.00-4.75%	5,136,444	221,471	0	5,357,915	0
Total		$7,848,673	$2,806,737	$2,165,650	$8,489,760	$2,166,290

NOTE 5 - LONG TERM DEBT (Continued)

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

In connection with the Ohio Water Development Authority loans, the County has pledged future customer service revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The loans are payable, through their final maturities solely from net revenues applicable to the funds from which they are paid. Principal remaining to be paid on these loans as of December 31, 2009 was $5,357,915. The County had not yet fully drawn the entire balances for one of these loans as of year-end, so a payment schedule has not yet been made available. Total interest payable on this loan is estimated to be $21,375. The net pledged revenues and coverage ratio are not presented for 2009 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, 2009 are as follows:

	Capital Projects Notes/Loans		OPWC
Year	Principal	Interest	Principal
2010	$2,594,235	$72,638	$5,000
2011	8,967	4,334	5,000
2012	8,967	3,820	5,000
2013	8,967	3,284	5,000
2014	4,146	2,824	5,000
2015-2019	20,730	10,186	25,000
2020-2024	20,730	3,616	27,500
Total	$2,666,742	$100,702	$77,500

Amortization schedules have not been disclosed the OWDA loans because final amortization schedules were not available as of December 31, 2009.

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

NOTE 6 - PROPERTY TAX

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

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

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

NOTE 6 - PROPERTY TAX (Continued)

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, 2009 was $9.75 per $1,000 of assessed valuation.

Real Property – 2009 Valuation	
Residential/Agricultural	$551,819,880
Commercial/Industrial	
Public Utilities	30,031,830
Tangible Personal Property – 2008 Valuation	
General	1,541,010
Total Valuation	$583,392,720

The Fayette County Treasurer collects property tax on behalf of all taxing districts within the County. The Fayette County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

NOTE 7 - RISK MANAGEMENT

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

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

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

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

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

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

NOTE 7 - RISK MANAGEMENT (Continued)

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

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

NOTE 8 – 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, 2009, the members of all three plans, except those in law enforcement of public safety participating in the traditional plan, were required to contribute 10.00 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of the annual covered salary. The County's contribution rate for pension benefits for 2009 was 14.00 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 17.63 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

NOTE 8 – DEFINED BENEFIT RETIREMENT PLANS (Continued)

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were $1,458,210, $1,459,440, and $1,352,804, respectively. The full amount has been contributed for 2009, 2008, and 2007.

State Teachers Retirement System

Certified teachers, employed by the school for 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 (DP), and 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 transfers to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the year ended December 31, 2009, 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, 2009, 2008, and 2007 were $29,946, $29,675, and $26,914, respectively. 100 percent has been contributed for 2009, 2008, and 2007.

NOTE 9 – POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

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

NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, 2008, and 2007, local government employer units contributed at 14.0%, 14.0%, and 13.85%, respectively, of covered payroll, and public safety and law enforcement employer units contributed at 17.63%, 17.4%, and 17.17%, respectively. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units, and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2009, the employer contribution allocated to the health care plan was 7.0% for January through March and 5.5% for April through December. For 2008, the percentage was 7.0% of covered payroll. For 2007, these percentages were 5.0% for January through June and 6.0% for July through December. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

C. The employer contributions that were used to fund post-employment benefits were $897,514, $717,304, and $537,198 for 2009, 2008, and 2007, respectively; 100 percent has been contributed for 2009, 2008, and 2007.

D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1, of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

State Teachers Retirement System

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

NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the fiscal years ended December 31, 2009, 2008 and 2007. For the County, these amounts equaled $2,139, $2,120, and $1,922, respectively, for fiscal years 2009, 2008, and 2007, respectively; 100 percent has been contributed for 2009, 2008, and 2007.

NOTE 10 - COUNTY SALES TAX

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

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

NOTE 11 - CONTINGENT LIABILITIES

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

NOTE 12 - ACCUMULATED UNPAID VACATION, PERSONAL, COMPENSATORY TIME AND SICK LEAVE

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

NOTE 13 - LANDFILL CLOSURE AND POST CLOSURE CARE

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

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

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

NOTE 14 – INTERFUND TRANSACTIONS

Interfund cash transfers and advances for the year ended December 31, 2009, were as follows:

	Transfers In	Transfers Out	Advances In	Advances Out
MAJOR FUNDS:				
General	$70,000	$850,204	$51,171	$53,620
MVGT	59,000	0	0	0
CBDD	0	0	39,402	8,957
MMWS CP	0	0		0
NON-MAJOR FUNDS:				
Special Revenue	790,323	76,253	40,928	71,373
Debt Service	311,229	257,942	0	3,905
Capital Projects	4,695	785,872	40,792	152,035
Enterprise	894,658	159,634	152,597	35,000
Total	$2,129,905	$2,129,905	$324,890	$324,890

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization. Monies were also transferred from other governmental funds into the General Fund as required by a court order, and from capital projects funds to debt service funds. The County made a transfer of $70,000 from Special Revenue Funds to the General Fund via a court order. Transfers between non-major funds were for the purpose of supporting like kind activities as well as to cover debt payments made from debt service funds. All transfers were deemed to be legal transfers.

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

FAYETTE COUNTY
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2009

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity's Number	Expenditures
United States Department of Agriculture			
Passed Through Ohio Department of Job and Family Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - ARRA	10.561	N/A	$ 17,074
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	225,822
Total United States Department of Agriculture			**242,896**
U.S. Department of Housing and Urban Development			
Passed Through Ohio Department of Development			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii:			
Community Housing Improvement Program	14.228	B-C-07-023-1	94,074
Community Development Program	14.228	B-F-08-023-1	53,000
Total Community Development Block Grants/State's Program			147,074
Neighborhood Stabilization Program - ARRA	14.256	N/A	35,352
HOME Investment Partnerships Program	14.239	B-C-07-023-2	228,000
Total U.S. Department of Housing and Urban Development			**410,426**
U.S. Department of Justice			
Passed Through Ohio Office of Criminal Justice Services			
Violence Against Women Formula Grants			
Victim-Witness/VOCA '07-'08	16.588	2008-VA-GENE-240T	172
Victim-Witness/SVAA	16.588	2008-SA-GENE-240T	5,023
Victim -Witness/VAWA '08	16.588	2008-WF-VA5-8411	15,405
JAG	16.588	2008-JG-DO1-6300	20,366
Total U.S. Department of Justice			**40,966**
U.S. Department of Labor			
Passed Through Area Agency 7			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult	17.258	n/a	55,288
Workforce Investment Act - Adult - ARRA	17.258	n/a	20,228
Workforce Investment Act - Adult Total			75,516
Workforce Investment Act - Youth	17.259	n/a	81,123
Workforce Investment Act - Youth - ARRA	17.259	n/a	79,567
Workforce Investment Act - Youth Total			160,690
Workforce Investment Act - Dislocated Workers	17.260	n/a	195,375
Workforce Investment Act - Dislocated Workers - ARRA	17.260	n/a	60,806
Workforce Investment Act - Dislocated Workers - Rapid Response	17.260	n/a	127,019
Workforce Investment Act - Dislocated Workers - Rapid Response - ARRA	17.260	n/a	16,030
Workforce Investment Act - Disclocated Workers - NEG Ohio Auto	17.260	n/a	11,852
Workforce Investment Act - Disclocated Workers - NEG	17.260	n/a	252,763
Workforce Investment Act - Dislocated Workers - VSTP	17.802	n/a	2,845
Workforce Investment Act - Dislocated Workers Total			666,690
Total Workforce Investment Act Cluster			902,896
Total U. S. Deparment of Labor			**902,896**

(continued)

FAYETTE COUNTY
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2009

Federal Highway Administration			
Passed through the Ohio Department of Transportation			
Highway Planning and Construction	20.205	n/a	**349,323**
United States Department of Transportation			
Direct from the United State Federal Aviation Administration:			
Airport improvement Program	20.106	n/a	**44,808**
U.S. Department of Homeland Security			
Passed Through Ohio Department of Public Safety Management Agency			
Emergency Management Performance Grant	97.042	N225	**$17,222**
U.S. Department of Education			
Passed Through Ohio Department of Education			
Special Education - Preschool Grant	84.173	PG-S1	8,875
State Grants for Innovative Programs	84.298	C2-S1	82
Total U. S. Department of Education			**8,957**
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	36,784
Special Programs for the Aging - Nutrition - Title III-C	93.045	n/a	102,259
Total Aging Cluster			139,043
Low-Income Home Energy Assistance Program	93.568	n/a	1,900
Nutrition Services Incentive Program	93.053	n/a	51,153
Passed Through Ohio Department of Job and Family Services:			
Promoting Safe and Stable Family	93.556		22,936
Temporary Assistance for Needy Families	93.558		1,267,861
Child Support Enforcement	93.563		556,197
Child Support Enforcement - ARRA	93.563		66,000
Child Welfare Services_State Grants	93.645		27,137
Foster Care_Title IV-E	93.658		60,121
Adoption Assistance	93.659		59,173
Social Services Block Grant	93.667		344,459
Child Abuse and neglect State Grants	93.669		1,846
Chafee Foster Care Independent Living	93.674		3,160
Child Care Development Fund Cluster:			
Child Care and Development Block Grant	93.575		139,950
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		375,337
Chafee Foster Care Independence Program - ARRA	93.713		125,000
Total child Care Development Fund Cluster			640,287
Passed Through Ohio Department of Developmental Disabilities			
Medical Assistance Program:			
CAFS (1)	93.778	n/a	14,361
Medical Assistance Program	93.778	n/a	250,666
Total Medical Assistance Program - Title XIX			265,027
Social Services Block Grant	93.667	n/a	23,841
Total U.S. Department of Health and Human Services			**3,530,141**
U. S. Election Assistance Commission			
Passed through Ohio Secretary of State			
Help America Vote Act	90.401	n/a	1,423
Total U.S. Department of Commerce			**1,423**
Total Federal Financial Award Expenditures			**$5,549,058**

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

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2009, the County made allowable transfers of $237,792 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed.

Balestra, Harr & Scherer, CPAs, Inc.

Members American Institute of Certified Public Accountants

Members Ohio Society of Certified Public Accountants

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fayette County, Ohio (the County) as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 19, 2010, wherein we noted 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. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of 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 internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2009-3 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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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 2009-1 and 2009-2.

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 Commissioners, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
August 19, 2010

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

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

Compliance

We have audited the compliance of Fayette County, Ohio (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2009. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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, Fayette 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, 2009.

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 opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

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Internal Control Over Compliance (Continued)

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
August 19, 2010

Fayette County
Schedule of Findings
OMB Circular A-133 Section .505
For the Year Ended December 31, 2009

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #17.258, 17.259, & 17.260, WIA Cluster CFDA #93.558, Temporary Assistance for Needy Families CFDA #93.563 Child Support Enforcement CFDA #93.667 Social Services Block Grant CFDA # 93.536 ARRA Child Support Enforcement CFDA #93.575, 93.596, 93.713, Child Care Block Grant Cluster CFDA #93.778, Medicaid Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

Finding 2009-1 – 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.

Client Response:

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

Finding 2009-2 – Noncompliance Finding – Failure to File Annual Financial Report in Compliance with Required Accounting Principles

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

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

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

Client Response:

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

Finding 2009-3 – Significant Deficiency – Commission on Aging Activity

Fayette County operates a Senior Citizens Center for the benefit of citizens of the County over the age of 55. The Senior Citizens Center is housed in a County-owned building and is operated by County employees. The Fayette County Commissioners are named as the "grantee" on all grant funds received by the Senior Citizens Center. During 2009, the financial activity in separate checking and savings accounts totaling $102,850 were not reported in the County's financial statements, but should have been reported as agency funds. See the following paragraph for a description of accounts.

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

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

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

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

Client Response:

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

3. Findings and Questioned Costs for Federal Awards

None

Fayette County Financial Condition
Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(b)
For the Year Ended December 31, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain:***
2008-1	Noncompliance Finding/Significant Deficiency – Failure to Properly Encumber Funds	No	Reissued as Finding 2009-1
2008-2	Noncompliance Finding – Failure to File Annual Financial Report on Required Accounting Basis	No	Reissued as Finding 2009-2
2008-3	Significant Deficiency – Commission on Aging Activity	No	Reissued as Finding 2009-3

Mary Taylor, CPA
Auditor of State

FAYETTE COUNTY 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
DECEMBER 28, 2010

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