



Dave Yost • Auditor of State

PUTNAM COUNTY
TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis.....	11
Statement of Activities – Cash Basis	12
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis - Governmental Funds	14
Statement of Receipts, Disbursements, and Changes in Fund Balances – Cash Basis - Governmental Funds.....	15
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund.....	16
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Auto License and Gas Tax Fund.....	17
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Brookhill Center School Fund.....	18
Statement of Fund Net Position – Cash Basis – Proprietary Funds.....	19
Statement of Receipts, Disbursements, and Changes in Fund Net Position – Cash Basis – Proprietary Funds	20
Statement of Fiduciary Net Position – Cash Basis.....	21
Statement of Changes in Fiduciary Net Position – Cash Basis	22
Notes to the Financial Statements.....	23
Federal Awards Expenditures Schedule.....	45
Notes to the Federal Awards Expenditures Schedule	47
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	49
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	51
Schedule of Findings.....	55
Corrective Action Plan.....	59
Schedule of Prior Audit Findings.....	61

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Putnam County
245 East Main Street
Ottawa, Ohio 45875-1968

To the Board of County Commissioners:

Report on the Financial Statements

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 Putnam County, Ohio (the County), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Putnam County, Ohio, as of December 31, 2013, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Auto License and Gas Tax Fund, and the Brookhill Center School Fund, thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the County's financial statements that collectively comprise its basic financial statements.

Management's Discussion and Analysis includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

The Federal Awards Expenditures Schedule (the Schedule) also presents additional analysis as required by the 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 financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2014, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

September 9, 2014

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PUTNAM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED

The discussion and analysis of Putnam County's (the County) financial performance provides an overall review of the County's financial activities for the fiscal year ended December 31, 2013, within the limitations of the County's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the County's financial performance

Financial Highlights

Key financial highlights for 2013 are as follows:

Overall:

- Total net position increased \$1,206,455 with Governmental Activities increasing by \$952,184 and Business-Type Activities increasing by \$254,271
- Total cash receipts were \$32,735,044 in 2013.
- Total program cash disbursements were \$31,528,589 in 2013.

Governmental Activities:

- Total program cash receipts were \$17,310,372 in 2013, while program cash disbursements were \$28,783,289.
- Program cash disbursements were primarily composed of Public Safety and Public Works related cash disbursements which were \$9,705,162 in 2013.

Business-Type Activities:

- Total program cash receipts were \$2,482,938 for Business Activities, while corresponding cash disbursements were \$2,745,300. This is the primary reason for the increase in Net Position in the Business-type activities.

Using this Basic Financial Report

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

Report Components

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

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

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

PUTNAM COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

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 County as a Whole

The statement of net position and the statement of activities reflect how the County did financially during 2013, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental and business-type activities of the County at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity 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 and sales taxes.

In the statement of net position 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 public safety, public works, health, and human services. State and federal grants and sales 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 activity: The County has one major business-type activity, the Putnam County Emergency Medical Services Fund. Business-type activities are financed by a fee charged to the customers receiving the service.

PUTNAM COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

Reporting the County's Most Significant Funds

Fund Financial Statements

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 nonmajor 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 are the General Fund, Auto License and Gas Tax Fund, Capital Improvements Fund, Brookhill Center School Fund, and the Landfill Trust. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the County charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The County has one major enterprise fund, the Putnam County Emergency Medical Services Fund.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the County's programs.

The County as a Whole

Table 1 provides a summary of the County's Net Position for 2013 compared to the prior year on a cash basis.

Table 1
Net Cash Position

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>	
	2013	2012	2013	2012
<i>Assets</i>				
Cash and Cash Equivalents	<u>\$13,974,923</u>	<u>\$13,022,739</u>	<u>\$2,351,523</u>	<u>\$2,097,252</u>
<i>Net Cash Position</i>				
Restricted for:				
Debt Service	521,002	784,638		
Capital Projects	1,833,397	1,221,734		
Other Purposes	8,976,908	9,287,562		
Unrestricted	<u>2,643,616</u>	<u>1,728,805</u>	<u>2,351,523</u>	<u>2,097,252</u>
<i>Total Net Position</i>	<u>\$13,974,923</u>	<u>\$13,022,739</u>	<u>\$2,351,523</u>	<u>\$2,097,252</u>

Total assets increased by \$1,206,455.

PUTNAM COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

Table 2 reflects the changes in net position on a cash basis in 2013 and 2012 for governmental activities, and business-type activities.

Table 2
Changes In Net Cash Position

	2013		2012	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
<i>Cash Receipts</i>				
<i>Program Cash Receipts</i>				
Charges For Services and Sales	\$4,043,736	\$2,482,938	\$3,610,474	\$5,302,399
Operating Grants and Contributions	10,594,568		10,569,379	
Capital Grants and Contributions	2,672,068		3,127,023	
Total Program Cash Receipts	17,310,372	2,482,938	17,306,876	5,302,399
<i>General Cash Receipts and Transfers</i>				
Property Taxes	3,941,038		3,933,354	
Payment in Lieu of Taxes	22,717		25,976	
Sales Taxes	5,022,942		4,967,019	
Grants and Entitlements	898,663		666,746	
Interest Receipts	74,924		118,408	
Loan Proceeds			126,179	
Bond Proceeds				500,000
Sale of Fixed Assets			1,400,000	
Miscellaneous	2,576,966	405,336	1,475,424	229,545
Transfers/Advances In (Out)	(112,149)	111,297	(409,340)	409,827
Total General Cash Receipts, Transfers and Advances	12,425,101	516,633	12,303,766	1,139,372
Total Cash Receipts, Transfers and Advances	29,735,473	2,999,571	29,610,642	6,441,771
<i>Cash Disbursements</i>				
<i>Program Cash Disbursements</i>				
<i>General Government</i>				
Legislative and Executive	3,275,074		3,313,515	
Judicial	1,429,001		1,363,892	
Public Safety	4,762,881		3,976,345	
Public Works	4,942,281		8,020,713	
Health	4,353,740		4,293,719	
Human Services	3,761,530		2,643,905	
Economic Development	405,344		667,914	
Miscellaneous	1,765,804		2,611,574	
Capital Outlay	3,823,996		1,778,591	
<i>Debt Service:</i>				
Principal Retirement	245,000		260,774	
Interest and Fiscal Charges	18,638		29,470	
Water and Sewer		213,377		210,084
Sanitary Landfill		136,623		2,358,198
Emergency Medical Services		1,154,061		1,203,866
Airport Operations		101,579		84,141
Putnam Acres		1,139,660		3,482,834
Total Cash Disbursements	28,783,289	2,745,300	28,960,412	7,339,123
<i>Increase (Decrease) In Net Cash Position</i>	<i>952,184</i>	<i>254,271</i>	<i>650,230</i>	<i>(897,352)</i>
Net Cash Position at Beginning of Year	13,022,739	2,097,252	12,372,509	2,994,604
Net Cash Position at End of Year	\$13,974,923	\$2,351,523	\$13,022,739	\$2,097,252

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall monies generated by a voted levy do not increase solely as a result of inflation. Thus, County's dependence upon property taxes is hampered by a lack of tax growth and must return to the voters to maintain a constant level of service. Property taxes and sales taxes made up 13.3 percent and 16.9 percent, respectively, of cash receipts for governmental activities for Putnam County in fiscal year 2013. Operating grants and contributions made up 35.6 percent of cash receipts for governmental activities for the County.

Governmental Activities

If you look at the Statement of Activities, 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 safety, public works and health, which account for 16.5, 17.2, and 15.1 percent of all governmental disbursements, respectively. The next three columns of

PUTNAM COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the County 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 Table 3.

Table 3
Total Cost of Program Services
Governmental Activities

	2013		2012	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
General Government				
Legislative and Executive	\$3,275,074	\$1,948,879	\$3,313,515	\$1,904,124
Judicial	1,429,001	605,146	1,363,892	562,488
Public Safety	4,762,881	3,682,987	3,976,345	2,996,768
Public Works	4,942,281	232,407	8,020,713	567,418
Health	4,353,740	2,345,832	4,293,719	1,926,338
Human Services	3,761,530	349,079	2,643,905	172,955
Economic Development	405,344	(12,289)	667,914	166,206
Miscellaneous	1,765,804	1,533,155	2,611,574	2,273,490
Capital Outlay	3,823,996	524,083	1,778,591	793,505
Debt Service:				
Principal Retirement	245,000	245,000	260,774	260,774
Interest and Fiscal Charges	18,638	18,638	29,470	29,470
Total Cash Disbursements	<u>\$28,783,289</u>	<u>\$11,472,917</u>	<u>\$28,960,412</u>	<u>\$11,653,536</u>

Business-Type Activities

Business-type activities include providing emergency medical services to the residents of Putnam County, and activity for the closed landfill. Overall Net Position increased \$254,271 from 2012 to 2013 largely as a result of decreasing operating disbursements in the Putnam County Emergency Medical Services Fund. Program receipts did not support business-type activities. During 2013 program disbursements exceeded program receipts by \$262,362.

The County's Funds

Total governmental funds had receipts and other financing sources of \$31,604,380 and disbursements and other financing uses of \$30,652,196. The net change in fund balance for the year increased the most in the General Fund, where the cash balance went from \$1,728,805 in 2012 to \$2,643,618 for 2013, mostly as a result of increased intergovernmental receipts and decreasing expenditures.

PUTNAM COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

General Fund Budgeting 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. For the General Fund, final budget basis receipts and other financing sources were \$9,350,466. Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$10,091,982, \$806,883 above actual cash receipts and other financing sources, and \$499,558 more than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The County does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The County had capital outlay disbursements of \$3,823,996 during fiscal year 2013.

Debt

At December 31, 2013, the County's outstanding debt included \$500,000 in general obligation bonds and \$553,277 in loans payable from governmental activities, and \$44,660 in general obligation bonds and \$23,481 in loans payable from business-type activities. For further information regarding the County's debt, refer to Note 13 to the financial statements.

Current Financial Related Activities

As the preceding information shows, the County heavily depends on its property taxpayers as well as intergovernmental monies. Since the property tax receipts do not grow at the same level as inflation, and intergovernmental monies are decreasing, the County will be faced with significant challenges over the next several years to contain costs and ultimately determine what options are available to the County to increase financial resources.

All of the County's financial abilities will be needed to meet the challenges of the future.

Contacting the County's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the County's finances and to reflect the County's accountability for the monies it receives. If you have questions about this report or need additional financial information contact Robert Benroth, County Auditor at Putnam County, P.O. Box 345, Ottawa, Ohio 45875-0345 or email at bob.benroth@putnamcountyohio.gov

PUTNAM COUNTY

STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2013

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$13,974,923</u>	<u>\$2,351,523</u>	<u>\$16,326,446</u>
Net Position			
Restricted for:			
Debt Service	\$521,002		\$521,002
Capital Projects	1,833,397		1,833,397
Other Purposes	8,976,908		8,976,908
Unrestricted	<u>2,643,616</u>	<u>\$2,351,523</u>	<u>4,995,139</u>
<i>Total Net Position</i>	<u>\$13,974,923</u>	<u>\$2,351,523</u>	<u>\$16,326,446</u>

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Program Cash Receipts</u>			
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
General Government:				
Legislative and Executive	\$3,275,074	\$1,326,195		
Judicial	1,429,001	698,041	\$125,814	
Public Safety	4,762,881	583,778	496,116	
Public Works	4,942,281	62,691	4,512,276	\$134,907
Health	4,353,740	374,532	1,633,376	
Human Services	3,761,530	175,404	3,237,047	
Economic Development and Assistance	405,344	60,343	357,290	
Miscellaneous	1,765,804		232,649	
Capital Outlay	3,823,996	762,752		2,537,161
Debt Service:				
Principal Retirement	245,000			
Interest and Fiscal Charges	18,638			
<i>Total Governmental Activities</i>	<u>28,783,289</u>	<u>4,043,736</u>	<u>10,594,568</u>	<u>2,672,068</u>
Business Type Activities				
Water and Sewer	213,377	234,967		
Sanitary Landfill	136,623	108,135		
Emergency Medical Services	1,154,061	1,419,434		
Airport Operations	101,579	30,409		
Putnam Acres	1,139,660	689,993		
<i>Total Business-Type Activities</i>	<u>2,745,300</u>	<u>2,482,938</u>		
<i>Totals</i>	<u><u>\$31,528,589</u></u>	<u><u>\$6,526,674</u></u>	<u><u>\$10,594,568</u></u>	<u><u>\$2,672,068</u></u>

General Receipts

Property Taxes Levied for:
 General Purposes
 Brookhill Center School
 Mental Health
 911 Systems
 Payment in Lieu of Taxes
 Sales Taxes
 Grants and Entitlements not Restricted to Specific Programs
 Interest
 Transfers and Advances
 Miscellaneous

Total General Receipts and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$1,948,879)		(\$1,948,879)
(605,146)		(605,146)
(3,682,987)		(3,682,987)
(232,407)		(232,407)
(2,345,832)		(2,345,832)
(349,079)		(349,079)
12,289		12,289
(1,533,155)		(1,533,155)
(524,083)		(524,083)
(245,000)		(245,000)
(18,638)		(18,638)
<u>(11,472,917)</u>		<u>(11,472,917)</u>
	\$21,590	21,590
	(28,488)	(28,488)
	265,373	265,373
	(71,170)	(71,170)
	<u>(449,667)</u>	<u>(449,667)</u>
	<u>(262,362)</u>	<u>(262,362)</u>
<u>(11,472,917)</u>	<u>(262,362)</u>	<u>(11,735,279)</u>
1,669,236		1,669,236
1,383,066		1,383,066
161,846		161,846
726,890		726,890
22,717		22,717
5,022,942		5,022,942
898,663		898,663
74,924		74,924
(112,149)	111,297	(852)
<u>2,576,966</u>	<u>405,336</u>	<u>2,982,302</u>
<u>12,425,101</u>	<u>516,633</u>	<u>12,941,734</u>
952,184	254,271	1,206,455
<u>13,022,739</u>	<u>2,097,252</u>	<u>15,119,991</u>
<u>\$13,974,923</u>	<u>\$2,351,523</u>	<u>\$16,326,446</u>

PUTNAM COUNTY

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASES
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	<u>General</u>	<u>Auto License and Gas Tax</u>	<u>Capital Improvements</u>	<u>Brookhill Center School</u>	<u>Landfill Trust</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets							
Equity in Pooled Cash and Cash Equivalents	<u>\$2,643,618</u>	<u>\$1,678,225</u>	<u>\$18,803</u>	<u>\$1,341,034</u>	<u>\$1,600,000</u>	<u>\$6,693,243</u>	<u>\$13,974,923</u>
Fund Balances							
Nonspendable	18,309						18,309
Restricted		1,678,225	18,803	1,341,034	1,600,000	5,254,398	9,892,460
Committed						919,133	919,133
Assigned	124,150					519,712	643,862
Unassigned	<u>2,501,159</u>						<u>2,501,159</u>
Total Fund Balances	<u>\$2,643,618</u>	<u>\$1,678,225</u>	<u>\$18,803</u>	<u>\$1,341,034</u>	<u>\$1,600,000</u>	<u>\$6,693,243</u>	<u>\$13,974,923</u>

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Auto License and Gas Tax</u>	<u>Capital Improvements</u>	<u>Brookhill Center School</u>	<u>Landfill Trust</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts							
Property Taxes	\$1,669,236			\$1,383,066		\$888,736	\$3,941,038
Sales Taxes	4,855,471		\$167,471				5,022,942
Permissive License Tax		\$134,907					134,907
Charges for Services	1,885,763			262,403		853,458	3,001,624
Licenses and Permits	1,640					104,810	106,450
Fines and Forfeitures	65,861	44,514				62,535	172,910
Intergovernmental	936,785	4,512,276	\$2,233,837	916,488		5,431,006	14,030,392
Payments in Lieu of Taxes	22,717						22,717
Special Assessments						762,752	762,752
Interest	74,924						74,924
Rentals	187,064						187,064
Other	494,971	55,063		144,024	\$800,000	448,739	1,942,797
<i>Total Receipts</i>	<u>10,194,432</u>	<u>4,746,760</u>	<u>2,401,308</u>	<u>2,705,981</u>	<u>800,000</u>	<u>8,552,036</u>	<u>29,400,517</u>
Disbursements							
General Government:							
Legislative and Executive	2,778,387					496,687	3,275,074
Judicial	1,140,416					288,585	1,429,001
Public Safety	3,308,528					1,454,353	4,762,881
Public Works	67,382	4,668,053				206,846	4,942,281
Health	65,844			3,252,435		1,035,461	4,353,740
Human Services	299,771					3,461,759	3,761,530
Economic Development and Assistance						405,344	405,344
Miscellaneous	1,396,462					187,284	1,583,746
Capital Outlay			3,005,612			818,384	3,823,996
Debt Service:							
Principal Retirement						245,000	245,000
Interest and Fiscal Charges						18,638	18,638
<i>Total Disbursements</i>	<u>9,056,790</u>	<u>4,668,053</u>	<u>3,005,612</u>	<u>3,252,435</u>		<u>8,618,341</u>	<u>28,601,231</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>1,137,642</u>	<u>78,707</u>	<u>(604,304)</u>	<u>(546,454)</u>	<u>800,000</u>	<u>(66,305)</u>	<u>799,286</u>
Other Financing Sources (Uses)							
Transfers In			100,000			382,303	482,303
Transfers Out	(180,653)					(312,947)	(493,600)
Advances In	815,767		233,500			225,188	1,274,455
Advances Out	(755,145)		(88,500)			(531,662)	(1,375,307)
Other Financing Sources	65,324	228,962	68,686			84,133	447,105
Other Financing Uses	(168,122)					(13,936)	(182,058)
<i>Total Other Financing Sources (Uses)</i>	<u>(222,829)</u>	<u>228,962</u>	<u>313,686</u>			<u>(166,921)</u>	<u>152,898</u>
<i>Net Change in Fund Balances</i>	914,813	307,669	(290,618)	(546,454)	800,000	(233,226)	952,184
<i>Restated Fund Balances Beginning of Year</i>	<u>1,728,805</u>	<u>1,370,556</u>	<u>309,421</u>	<u>1,887,488</u>	<u>800,000</u>	<u>6,926,469</u>	<u>13,022,739</u>
<i>Fund Balances End of Year</i>	<u>\$2,643,618</u>	<u>\$1,678,225</u>	<u>\$18,803</u>	<u>\$1,341,034</u>	<u>\$1,600,000</u>	<u>\$6,693,243</u>	<u>\$13,974,923</u>

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property Taxes	\$1,668,371	\$1,668,371	\$1,669,236	\$865
Sales Taxes	4,059,818	4,059,818	4,855,471	795,653
Charges for Services	1,376,079	1,376,079	1,665,474	289,395
Licenses and Permits	1,540	1,540	1,640	100
Fines and Forfeitures	29,000	29,000	65,861	36,861
Intergovernmental	885,839	885,839	936,785	50,946
Payments in Lieu of Taxes	10,000	10,000	22,717	12,717
Interest	75,000	75,000	74,924	(76)
Other	626,348	626,348	670,566	44,218
<i>Total Receipts</i>	<u>8,731,995</u>	<u>8,731,995</u>	<u>9,962,674</u>	<u>1,230,679</u>
Disbursements				
General Government:				
Legislative and Executive	3,196,956	3,316,570	3,021,391	295,179
Judicial	1,107,008	1,108,048	1,017,372	90,676
Public Safety	3,218,584	3,292,320	3,366,601	(74,281)
Public Works	72,572	72,572	67,382	5,190
Health	64,980	84,779	65,844	18,935
Human Services	363,521	363,521	328,004	35,517
Miscellaneous	325,105	1,239,427	1,121,468	117,959
Debt Service:				
Principal Retirement	10,000	10,000		10,000
<i>Total Disbursements</i>	<u>8,358,726</u>	<u>9,487,237</u>	<u>8,988,062</u>	<u>499,175</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>373,269</u>	<u>(755,242)</u>	<u>974,612</u>	<u>1,729,854</u>
Other Financing Sources (Uses)				
Transfers In			55,100	55,100
Transfers Out	(200,000)	(180,658)	(180,653)	5
Advances In	595,471	595,471	815,767	220,296
Advances Out	(350,000)	(755,145)	(755,145)	
Other Sources	23,000	23,000	65,324	42,324
Other Uses	(168,500)	(168,500)	(168,122)	378
<i>Total Other Financing Sources (Uses)</i>	<u>(100,029)</u>	<u>(485,832)</u>	<u>(167,729)</u>	<u>318,103</u>
<i>Net Change in Fund Balance</i>	273,240	(1,241,074)	806,883	2,047,957
<i>Fund Balance Beginning of Year</i>	1,241,073	1,241,073	1,241,073	
Prior Year Encumbrances Appropriated	208,360	208,360	208,360	
<i>Fund Balance End of Year</i>	<u>\$1,722,673</u>	<u>\$208,359</u>	<u>\$2,256,316</u>	<u>\$2,047,957</u>

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
AUTO LICENSE AND GAS TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Permissive License Tax	\$131,091	\$131,091	\$134,907	\$3,816
Fines and Forfeitures	42,426	42,426	44,514	2,088
Intergovernmental	3,797,421	3,830,491	4,512,276	681,785
Other	38,924	172,046	55,063	(116,983)
<i>Total Receipts</i>	<u>4,009,862</u>	<u>4,176,054</u>	<u>4,746,760</u>	<u>570,706</u>
Disbursements				
Public Works	<u>5,749,465</u>	<u>5,822,443</u>	<u>4,995,056</u>	<u>827,387</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(1,739,603)</u>	<u>(1,646,389)</u>	<u>(248,296)</u>	<u>1,398,093</u>
Other Financing Sources				
Other Sources	<u>217,910</u>	<u>275,833</u>	<u>228,962</u>	<u>(46,871)</u>
<i>Net Change in Fund Balance</i>	(1,521,693)	(1,370,556)	(19,334)	1,351,222
<i>Fund Balance Beginning of Year</i>	991,091	991,091	991,091	
Prior Year Encumbrances Appropriated	<u>379,465</u>	<u>\$379,465</u>	<u>379,465</u>	
<i>Fund Balance End of Year</i>	<u>(\$151,137)</u>	<u> </u>	<u>\$1,351,222</u>	<u>\$1,351,222</u>

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
BROOKHILL CENTER SCHOOL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$1,377,161	\$1,377,161	\$1,383,066	\$5,905
Charges for Services	220,000	220,000	262,403	42,403
Intergovernmental	863,238	888,448	916,488	28,040
Other	70,500	70,500	144,024	73,524
<i>Total Receipts</i>	<u>2,530,899</u>	<u>2,556,109</u>	<u>2,705,981</u>	<u>149,872</u>
Disbursements				
Health	<u>2,783,860</u>	<u>3,571,458</u>	<u>3,333,606</u>	<u>237,852</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(252,961)</u>	<u>(1,015,349)</u>	<u>(627,625)</u>	<u>387,724</u>
Other Financing Sources				
Transfers In	<u>350,000</u>	<u>350,000</u>	<u> </u>	<u>(350,000)</u>
<i>Net Change in Fund Balance</i>	97,039	(665,349)	(627,625)	37,724
<i>Fund Balance Beginning of Year</i>	1,874,932	1,874,932	1,874,932	
Prior Year Encumbrances Appropriated	<u>12,556</u>	<u>12,556</u>	<u>12,556</u>	
<i>Fund Balance End of Year</i>	<u><u>\$1,984,527</u></u>	<u><u>\$1,222,139</u></u>	<u><u>\$1,259,863</u></u>	<u><u>\$37,724</u></u>

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

STATEMENT OF FUND NET POSITION - CASH BASIS
 PROPRIETARY FUNDS
 DECEMBER 31, 2013

	<u>Business-Type Activities</u>		
	<u>Putnam County EMS</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,305,451	\$1,046,072	\$2,351,523
Net Position			
Unrestricted	\$1,305,451	\$1,046,072	\$2,351,523

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

STATEMENT OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND NET POSITION - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Business-Type Activities

	Putnam County EMS	Other Enterprise Funds	Total Enterprise Funds
Operating Receipts			
Charges for Services	\$1,419,434	\$1,063,504	\$2,482,938
Other Operating Receipts		401,224	401,224
<i>Total Operating Receipts</i>	<u>1,419,434</u>	<u>1,464,728</u>	<u>2,884,162</u>
Operating Disbursements			
Personal Services	753,008	463,711	1,216,719
Contractual Services	196,222	278,275	474,497
Materials and Supplies	147,981	74,784	222,765
Capital Outlay	56,850	153,560	210,410
<i>Total Operating Disbursements</i>	<u>1,154,061</u>	<u>970,330</u>	<u>2,124,391</u>
<i>Operating Income</i>	<u>265,373</u>	<u>494,398</u>	<u>759,771</u>
Non-Operating Receipts (Disbursements)			
Bond Retirement		(20,763)	(20,763)
Interest Expense and Fiscal Charges		(3,238)	(3,238)
Other Non-Operating Revenue		4,112	4,112
Other Non-Operating Expense		(596,908)	(596,908)
<i>Total Non-Operating Receipts (Disbursements)</i>		<u>(616,797)</u>	<u>(616,797)</u>
<i>Income (Loss) before Transfers and Advances</i>	265,373	(122,399)	142,974
Transfers In		21,498	21,498
Transfers Out		(10,201)	(10,201)
Advances In		100,000	100,000
<i>Total Transfers and Advances</i>		<u>111,297</u>	<u>111,297</u>
<i>Change in Net Position</i>	265,373	(11,102)	254,271
<i>Net Position Beginning of Year</i>	<u>1,040,078</u>	<u>1,057,174</u>	<u>2,097,252</u>
<i>Net Position End of Year</i>	<u>\$1,305,451</u>	<u>\$1,046,072</u>	<u>\$2,351,523</u>

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2013

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$301</u>	<u>\$5,244,184</u>
Net Position		
Unrestricted	<u>\$301</u>	<u>\$5,244,184</u>

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Private Purpose Trust</u>
Deductions	
Other	<u>\$2,200</u>
<i>Net Position - Beginning of Year</i>	<u>2,501</u>
<i>Net Position - End of Year</i>	<u><u>\$301</u></u>

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1 – REPORTING ENTITY

Putnam County, Ohio (the County), is a body politic and corporate established in 1820 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County is governed by a board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, a Probate/Juvenile Court Judge, and a Municipal Court Judge

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

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the County are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Putnam County, this includes the Putnam County Board of Developmental Disabilities (DD), Putnam County Alcohol, Drug Addiction and Mental Health Services (ADAMHS), Putnam County Home, Children Services Board, and departments and activities that are directly operated by the elected County officials.

B. Component Units

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. The County is also financially accountable for any organizations that are fiscally dependent on the County in that the County approves their budget, the issuance of their debt, or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the County, are accessible to the County and are significant in amount to the County.

Component Unit

Based on the foregoing criteria, the Brookhill Center Industries, Inc. (the Workshop) is a component unit of the County. See note 22 for a presentation of condensed financial statement information of the Workshop for the year ended December 31, 2013.

Potential Component Units Reported as Agency Funds

As custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate organizations listed below, the County serves as fiscal agent, but the organizations are not considered part of Putnam County. Accordingly, the activity of the following organizations is reported as agency funds within the financial statements:

Putnam County Soil and Water Conservation District
Putnam County Health Department
Local Emergency Planning Commission

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

C. Jointly Governed Organizations and Public Entity Risk Pools

The County participates in several jointly governed organizations and public entity risk pools. These organizations are presented in Notes 20 and 21 to the basic financial statements. These organizations are:

- Multi-Area Narcotics (MAN)
- Blanchard River Stream Enhancement Project
- Ottawa River Stream Enhancement Project
- Juvenile Residence Center of Northwest Ohio
- Neighborhood Stabilization Program Joint Cooperating Agreement
- County Risk Sharing Authority, Inc. (CORSA)
- County Commissioners Association of Ohio Service Corporation (CCAOSC)
- County Employee Benefit Consortium of Ohio, Inc (CEBCO)

The County's management believes these financial statements present all activities for which the County is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2C, 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. The following are the more significant of the County's accounting policies.

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net position 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 nonexchange 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 position 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.

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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.

2. Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from nonoperating 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 nonoperating.

B. Fund Accounting

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

1. Governmental Funds

Governmental funds are those through which most governmental functions of the County are financed. The following are the County's major governmental funds:

General - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Auto License and Gas Tax - This fund accounts for State levied, shared monies derived from gasoline taxes and the sale of motor vehicle licenses. Disbursements are restricted by State law to county road and bridge repair/improvement programs.

Capital Improvements - This fund accounts for Federal grants and monies derived from sales taxes. Most disbursements are restricted by Federal law to county road and bridge repair/improvement programs.

Brookhill Center School - This fund accounts for the operation of a school for the developmentally disabled, financed by a county-wide property tax levy and federal and state grants.

Landfill Trust - This fund was used to guaranty payment of the costs associated with the closure and post-closure care of the County landfill. The landfill was closed during 2001.

The other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose.

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (Continued)

2. Proprietary Funds

The County classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise 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 is the County's major enterprise fund:

Putnam County Emergency Medical Services - This fund accounts for the daily operations of Putnam County Emergency Medical Services. Receipts are generated from ambulance fees and charges for medical services.

3. Fiduciary Funds

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

C. Basis of Accounting

The County's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the County's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

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

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

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

E. Cash and Investments

To improve cash management, cash received by the County is pooled and invested. Individual fund integrity is maintained through County records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2013, the County invested in nonnegotiable certificates of deposit. Investments are reported at cost.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2013 were \$74,924 which includes \$62,790 assigned from other County funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The County reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

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 financial statements. The advances from the County's General Fund to the agency funds in the amount of \$852 are included in advances-out on the financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, 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.

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

K. 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 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The County's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Position

Net position is 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. Net position restricted for other purposes primarily include activities involving the upkeep of the County's roads and bridges, various mental health services, child support and welfare services, services for the handicapped and developmentally disabled, and activities of the County's courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the County can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the County Commissioners. Those committed amounts cannot be used for any other purpose unless the County Commissioners removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

of committed amounts are imposed by the County Commissioners, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the County Commissioners or a County official delegated that authority by ordinance, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial 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 purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in proprietary funds.

Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Restatement of Fund Balances

The County's governmental beginning balances have been restated due to a change in the funds considered to be major funds as of December 31, 2012.

In 2012, the Capital Improvements Fund and the Landfill Trust Fund were classified as nonmajor funds. In 2013, the Capital Improvements Fund and the Landfill Trust Fund were classified as major funds due to an increase in Intergovernmental Revenue and Fund Balance, respectively.

The prior period restatement had the following effect on the County's governmental fund balances as previously reported:

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

	<u>General</u>	<u>Capital Improvements</u>	<u>Brookhill Center School</u>	<u>Other Major</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Fund balance as of December 31, 2012	\$1,728,805		\$1,887,488	\$1,370,556	\$8,035,890	\$13,022,739
Fund reclassifications:						
Capital Improvements		\$309,421			(309,421)	
Landfill Trust				\$800,000	(800,000)	
Total reclassifications		<u>309,421</u>		<u>800,000</u>	<u>(1,109,421)</u>	
Restated fund balance as of January 1, 2013	<u>\$1,728,805</u>	<u>\$309,421</u>	<u>\$1,887,488</u>	<u>\$2,170,556</u>	<u>\$6,926,469</u>	<u>\$13,022,739</u>

In 2012, the Putnam Acres Fund and Landfill Closure Fund were classified as major funds. In 2013, the Putnam Acres Fund and Landfill Closure Fund were classified as nonmajor funds due to decreases in Charges for Services and Non-Operating Disbursements, respectively.

The prior period restatement had the following effect on the County's enterprise fund balances as previously reported:

	<u>Putnam Acres</u>	<u>Putnam County EMS</u>	<u>Nonmajor Enterprise</u>	<u>Total Enterprise</u>
Fund balance as of December 31, 2012	\$827,054	\$1,040,078	\$230,120	\$2,097,252
Fund reclassifications:				
Putnam Acres	<u>(827,054)</u>		<u>827,054</u>	
Total reclassifications	<u>(827,054)</u>		<u>827,054</u>	
Restated fund balance as of January 1, 2013	<u><u>\$827,054</u></u>	<u><u>\$1,040,078</u></u>	<u><u>\$1,057,174</u></u>	<u><u>\$2,097,252</u></u>

The prior period restatement did not have an effect on net position as previously reported.

B. Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/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.

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to to \$121,595 in the General Fund, \$327,003 in the Auto License and Gas Tax Fund, and \$81,171 in the Brookhill Fund.

In addition, as part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds (unclaimed monies, clerk of court title administration, and recorder equipment fee funds) are considered part of the General fund on the cash basis.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund, Auto License and Gas Tax Fund, and Brookhill Center School Fund:

Net Change in Fund Cash Balance			
	General Fund	Auto License and Gas Tax Fund	Brookhill Center School Fund
Cash Basis	\$914,813	\$307,669	(\$546,454)
Funds Budgeted Elsewhere	13,665		
Adjustment for Encumbrances	(121,595)	(327,003)	(81,171)
Budget Basis	\$806,883	(\$19,334)	(\$627,625)

NOTE 5 – FUND BALANCES

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

	General Fund	Auto License and Gas Tax Fund	Capital Improvements	Brookhill Center School Fund	Landfill Trust	Other Governmental Funds	Total Governmental Funds
Unspendable for:							
Unclaimed Monies	\$18,309						\$18,309
Restricted for:							
General Government						\$1,634,415	1,634,415
Public Safety						1,052,916	1,052,916
Public Works		\$1,678,225				11,480	1,689,705
Health Services						697,792	697,792
Human Services				\$1,341,034		1,304,839	2,645,873
Economic Development						217,871	217,871
Capital Outlay			\$18,803		\$1,600,000	333,796	1,952,599
Debt Service						1,289	1,289
Total Restricted		1,678,225	18,803	1,341,034	1,600,000	5,254,398	9,892,460
Committed for:							
Human Services						903,807	903,807
Economic Development						15,326	15,326
Total Committed						919,133	919,133
Assigned for:							
Encumbrances	124,150						124,150
Jail Debt Service						519,712	519,712
Total Assigned	124,150					519,712	643,862
Unassigned	2,501,159						2,501,159
Total Fund Balance	\$2,643,618	\$1,678,225	\$18,803	\$1,341,034	\$1,600,000	\$6,693,243	\$13,974,923

NOTE 6 – DEPOSITS AND INVESTMENTS

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:

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, equal value for equal value;
9. Commercial paper notes, corporate notes and bankers' acceptances; and
10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

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 \$134,993 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, \$14,012,977 of the County's bank balance of \$19,965,734 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.

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

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

NOTE 7 – PERMISSIVE SALES AND USE TAX

The County Commissioners, by resolution, imposed a 1.5 percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles, not subject to the sales tax. The allocation of the sales tax is 95 percent to the County's General Fund and 5 percent to the Capital improvement Capital Projects Fund. 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 the amount of the tax to be returned to the County to the State Auditor. 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.

NOTE 8 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax receipts received in 2013 represent the collection of 2012 taxes. Real property taxes received in 2013 were levied after October 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 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. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2013 represent the collection of 2012 taxes. Public utility real and tangible personal property taxes received in 2013 became a lien on December 31, 2011, were levied after October 1, 2012, and are collected in 2013 with real property taxes. Public utility real property is assessed at 35 percent of true value.

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds.

The full tax rate for all County operations for the year ended December 31, 2013, was \$8.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2013 property tax receipts were based are as follows:

Real Property	
Residential	\$431,959,890
Agriculture	210,088,420
Commercial and Industrial	61,629,910
Public Utility Property	
Real	598,300
Personal	29,000,930
Total Assessed Value	<u><u>\$733,277,450</u></u>

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 9 – 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 financial statements.

Interfund balances at December 31, 2013, consisted of receivables due the General Fund in the amount of \$340,505, of which \$145,000 is payable from the Capital Improvements Fund, \$94,653 is payable from Other Governmental Funds, \$100,000 is payable from Other Enterprise Funds, and \$852 is payable from Agency Funds.

The balance due to the General includes loans made to provide working capital for operations or projects.

NOTE 10 – RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2013, the County contracted with County Risk Sharing Authority, Inc. (CORSA) for insurance coverage. Coverage provided by CORSA is as follows:

General Liability	\$1,000,000
Law Enforcement Professional Liability	1,000,000
Public Officials Errors and Omissions Liability	1,000,000
Automobile Liability	1,000,000
Other Property Insurance	
Buildings – Contents	Replacement Cost
Valuable Papers	1,000,000
Extra Expense	1,000,000
Electronic Data Processing	Replacement Cost
Contractors Equipment	Replacement Cost
Misc. Inland Marine	Replacement Cost
Motortruck Cargo	100,000
Auto Physical Damage	Actual Cash Value
Automatic Acquisition	5,000,000
Crime Insurance	
Faithful Performance	1,000,000
Money and Securities	1,000,000
Depositor's Forgery	1,000,000
Money Order and Counterfeit Paper	1,000,000
Fund Transfer Fraud	500,000
Computer Fraud	500,000
Excess Liability	7,000,000

Flood insurance for the County Annex at 336 E. Main St., Ottawa and the County Office Building at 240 E. Main St., Ottawa is covered by Westfield Insurance Company. The coverage amount for the Annex Building and Contents is \$50,000 each. Coverage amount for the County Office Building is \$50,000, and there is no coverage for the contents.

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

With the exceptions of medical coverage, dental coverage for DD employees, and worker's compensation, all insurance is held with CORSA. There has been no significant reduction in insurance coverage from 2005, and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials' bonds by statute.

For 2013, the County participated in the County Commissioners Association of Ohio Service Corporation, a worker's compensation group rating plan (Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer 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 Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

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

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

The County provides employee medical and dental coverage through County Employee Benefit Consortium of Ohio, Inc. (CEBCO). Settled claims have not exceeded this coverage in the past three years.

The Board of Developmental Disabilities (DD) participates as a member of the Putnam County School Insurance Group, a public entity risk pool, administered by Sky Trust. DD converted its fully-insured medical insurance program to partial self insurance through participation in this public entity risk pool. Medical Mutual of Ohio provides claim review and processing. DD maintains stop-loss coverage for its medical insurance program. Aggregate stop loss is maintained for expected claims.

NOTE 11 – DEFINED BENEFIT PENSION PLAN

Plan Description – The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension 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 percent 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2013, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 12 percent and 12.6 percent, respectively. Effective January 1, 2014, the member contribution rates for public safety and law enforcement members increased to 12 percent and 13 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2013, member and employer contribution rates were consistent across all three plans.

The County's 2013 contribution rate was 14 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 1 percent for 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1 percent for 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. Employer contribution rates are actuarially determined.

The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011 were \$1,549,851, \$1,270,283, and \$1,266,211, respectively; 100 percent has been contributed for 2013 and 100 percent for 2012 and 2011.

NOTE 12 – POSTEMPLOYMENT BENEFITS

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—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 health care plan for 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. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

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

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

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. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1 percent for 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1 percent for 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS actuary.

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. Active members do not make contributions to the post-employment health care plan.

The County’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$119,219, \$508,114, and \$506,484, respectively; 100 percent has been contributed for 2013 and 100 percent for 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

NOTE 13 – DEBT

The County’s long-term debt activity for the year ended December 31, 2013, was as follows:

	Interest Rate	Balance December 31,2012	Reductions	Balance December 31,2013	Due Within One Year
<u>Governmental Activities</u>					
OPWC Loan #CM21N	0%	\$185,000	\$10,000	\$175,000	\$10,000
OWDA Loan #5802	1.50%	383,725	5,448	378,277	
Jail Refunding Bonds (Original Amount \$1,195,000)	Variable	745,000	245,000	500,000	250,000
Total Governmental Activities		<u>1,313,725</u>	<u>260,448</u>	<u>1,053,277</u>	<u>260,000</u>
<u>Business-Type Activities</u>					
OPWC Loan #CM06N	0%	24,786	1,305	23,481	652
Sewer Dist. Imprv. Bds. Series 1999 (Original Amount \$270,000)	4.95%	65,423	20,763	44,660	21,791
Total Business-Type Activities		<u>90,209</u>	<u>22,068</u>	<u>68,141</u>	<u>22,443</u>
Total General Obligation Bonds		<u>\$1,403,934</u>	<u>\$282,516</u>	<u>\$1,621,418</u>	<u>\$282,443</u>

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

All general obligation bonds are supported by the full faith and credit of Putnam County and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

In 2011, the County obtained an Ohio Public Works Commission (OPWC) interest free loan, in the amount of \$200,000 for the replacement of the wastewater plant for the Putnam County Board of Developmental Disabilities (DD). Semiannual payments of \$5,000 over 20 years will be paid from DD revenues.

In 2011, the County obtained an Ohio Water Development Association (OWDA) loan, in the amount of \$404,811, with a 1.5% interest rate, for manhole relining. The loan will be repaid in semiannual installments over 31 years from transfers from the General Fund. This project has been completed but the loan has not been closed, consequently, a final amortization schedule is still unavailable and therefore is not included in the accompanying debt payment schedule.

In 2012, the County entered into an interest free loan with the Ohio Public Works Commission (OPWC) in the amount of \$26,091 for a sanitary lift station for the Putnam Acres Care Center. Semiannual payments of \$652 will be made over 20 years from Putnam Acres revenues.

The following is a summary of the County's future annual debt service requirements for governmental activities:

Year	General Obligation Bonds		OPWC Loan
	Principal	Interest	
2014	\$250,000	\$13,125	\$10,000
2015	250,000	6,875	10,000
2016			10,000
2017			10,000
2018			10,000
2019-2023			50,000
2024-2028			50,000
2029-2031			25,000
	<u>\$500,000</u>	<u>\$20,000</u>	<u>\$175,000</u>

The following is a summary of the County's future annual debt service requirements for business-type activities:

Year	General Obligation Bonds		OPWC Loan
	Principal	Interest	
2014	\$21,791	\$2,211	\$652
2015	22,869	1,132	1,304
2016			1,305
2017			1,304
2018			1,305
2019-2023			6,524
2024-2028			6,524
2029-2032			4,563
	<u>\$44,660</u>	<u>\$3,343</u>	<u>\$23,481</u>

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

The Ohio Revised Code provides that net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 1 percent of the total assessed valuation of the County. The Revised Code further provides that total voted and unvoted net debt of the County less the same exempt debt shall never exceed a sum equal to 3 percent of the first \$100,000,000 of assessed valuation, plus 1.5 percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus 2.5 percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2013, were an overall debt margin of \$16,338,905 and an unvoted debt margin of \$6,835,562.

On October 1, 2012 the County entered into an irrevocable letter of credit for \$1,597,187 that matures on September 30, 2013. As of December 31, 2012 there was no outstanding balance. The letter of credit was issued to guaranty payment of the costs associated with the closure and post-closure care of the County landfill which was closed during 2001.

NOTE 14 – LEASES

The County leases buildings, vehicles and other equipment under noncancelable leases. The County disbursed \$154,508 to pay lease costs for the year ended December 31, 2013. Future lease payments are as follows:

Year	Amount
2014	\$52,843
2015	49,693
2016	2,368
Total	<u>\$104,904</u>

NOTE 15 – POSTCLOSURE COSTS

State and federal laws and regulations require the County to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The County's landfill was closed in 1997.

The County is required by state and federal laws and regulations to provide assurances that financial resources will be available to provide for postclosure care and remediation or containment of environmental hazards at the landfill. The County has passed the financial accountability test in which the County has proven to be able to self-fund these future costs.

NOTE 16 – INTERFUND TRANSFERS

During 2013 the following transfers were made:

	Transfers Out			Total
	General	Other Governmental	Other Enterprise	
Governmental Funds:				
Capital Improvements	\$100,000			\$100,000
Other Governmental	60,653	\$312,947	\$8,703	382,303
Total Governmental Funds	<u>160,653</u>	<u>312,947</u>	<u>8,703</u>	<u>482,303</u>
Proprietary Funds:				
Other Enterprise	20,000		1,498	21,498
Total	<u>\$180,653</u>	<u>\$312,947</u>	<u>\$10,201</u>	<u>\$503,801</u>

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

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

NOTE 17 – INTERFUND ADVANCES

During 2013 the following advances were made:

		Advances Out				
		General	Capital Improvements	Other Governmental	Agency	Total
Advances In	Governmental Funds:					
	General		\$88,500	\$531,662	\$195,605	\$815,767
	Capital Improvements	\$233,500				233,500
	Other Governmental	225,188				225,188
	Total Governmental Funds	458,688	88,500	531,662	195,605	1,274,455
	Proprietary Funds:					
	Other Enterprise	100,000				100,000
	Fiduciary Funds:					
	Agency	196,457				196,457
	Total	\$755,145	\$88,500	\$531,662	\$195,605	\$1,570,912

NOTE 18 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

Contractor	Project	Original Contract Amount	Contract Balance 12/31/13
Fenson Contracting	Dusty Acres Single County Ditch Project #965	\$138,705	\$138,705

NOTE 19 – CONTINGENT LIABILITIES

The County is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the County's financial condition.

Amounts grantor agencies pay to the County are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 20 – JOINTLY GOVERNED ORGANIZATIONS

Multi-Area Narcotics (MAN)

Putnam County is a member of the Multi-Area Narcotics task force which is a jointly governed organization between Defiance, Williams, Fulton, and Putnam Counties and the Cities of Defiance and Bryan. The purpose of MAN is to act as a joint regional task force in the fight against narcotics. MAN is governed by a board consisting of the sheriffs and police chiefs of the respective counties and cities. The main source of revenue is from federal grants and local matching funds from the entities. In 2012, Putnam County did not make any contributions to the MAN's operations. Information can be obtained from the Defiance County Sheriff's office, 113 Beide Street, Defiance, Ohio 43512.

Blanchard River Stream Enhancement Project

The Joint Board of County Commissioners for the Blanchard River Stream Enhancement Project is a jointly governed organization among six counties. The Joint Board consists of eighteen members, the three county commissioners of each of the six counties. The Joint Board was formed to approve construction on the Blanchard River. Revenues are generated by assessments and a state grant. The County did not contribute to the project during 2012. The Hancock County Auditor serves as fiscal agent for this project.

Ottawa River Stream Enhancement Project

The Joint Board of County Commissioners for the Ottawa River Stream Enhancement Project is a jointly governed organization among five counties. The Joint Board consists of fifteen members, the three county commissioners of each of the five counties. The Joint Board was formed to approve construction on the Ottawa River, Hog Creek, and Little Hog Creek. Revenues are generated by assessments and a state grant. The County did not contribute to the project during 2012. The Allen County Auditor serves as fiscal agent for this project.

Juvenile Residential Center of Northwest Ohio

The Juvenile Residential Center of Northwest Ohio is a jointly governed organization between Ohio counties, (*Defiance, Fulton, Hancock, Henry, Paulding, Putnam, Ottawa, Van Wert, Williams and Wood Counties*). The Center provides for juvenile rehabilitation and correction for juvenile offenders who would otherwise be eligible for commitment to the Ohio Department of Youth Services. The Center is controlled by a governing board consisting of the juvenile court judge from each of the participating counties. Each County's ability to influence the operations of the Center is limited to their representation on the governing board. Wood County serves as the fiscal agent.

Neighborhood Stabilization Program Joint Cooperating Agreement

The Neighborhood Stabilization Program Joint Cooperating Agreement is a jointly governed organization between Hancock County, City of Findlay, Allen County and Putnam County. Hancock County is the Lead Community responsible for administering the grant provided from the State of Ohio Department of Development to implement project activities identified in the Region 7 Neighborhood Stabilization Program, as a result of the enactment of Title III of Division B of the Housing and Economic Recovery Act of 2008. This agreement covers a time period of April 1, 2009 to March 30, 2013, or date to which the program is extended by the State of Ohio.

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

NOTE 21 – PUBLIC ENTITY RISK POOLS

A. County Risk Sharing Authority, Inc.

The County Risk Sharing Authority, Inc. (CORSA) is a jointly governed organization among sixty-two counties in Ohio. CORSA was formed as an Ohio not-for-profit 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.

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 of Trustees 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.

B. County Commissioners Association of Ohio Service Corporation (CCAOSC)

The County participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as an insurance 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 eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participants. The group executive committee consists of nine members. Two members are the president and treasurer of CCAOSC; the remaining seven members are representatives of the participants. These seven members are elected for the ensuing year by the participants at a meeting held in December of 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.

C. County Employee Benefit Consortium of Ohio, Inc. (CEBCO)

The County is participating in an insurance group purchasing pool for employee benefit plan costs which was established under the authority granted by Section 9.833 of the Ohio Revised Code. The County Employee Benefit Consortium of Ohio, Inc. (CEBCO) was established to assist political subdivisions of the State of Ohio in controlling employee benefit plan costs.

CEBCO is responsible for obtaining and providing to members within 90 days after the last day of the fiscal year, a written report by a member of the American Academy of Actuaries concerning the benefit program.

This report shall certify whether the amounts reserved by CEBCO to cover potential cost of health care benefits for eligible officials, employees, and dependents are sufficient and are computed in accordance with accepted loss reserving standards. Each member political subdivision has a voting representative on the CEBCO Board.

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 22 – BROOKHILL WORKSHOP, INC.

Brookhill Workshop, Inc. (the Workshop) is a component unit of the County. The Workshop is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. The Workshop, under a contractual agreement with the Putnam County Board of Developmental Disabilities (DD), provides sheltered employment for developmentally disabled or handicapped adults in the County. The Putnam County Board of DD provides the Workshop with staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of the Workshop. The Workshop is considered a component unit because of the significant services and resources provided by the County to the Workshop and the Workshop's sole purpose of providing assistance to the handicapped adults of the County. The Workshop prepares its Financial Statements in accordance with Financial Accounting Standards Board (FASB) Statement No. 117, "Financial Statements of Not-for-Profit Organizations." Separately issued financial statements can be obtained from the Brookhill Center Industries, Inc. of Putnam County.

Condensed Balance Sheet -
Brookhill Workshop

<hr/>	
Assets:	
Current Assets	\$975,979
Property, Plant, and Equipment	120,799
Total Assets	<u>\$1,096,778</u>
Liabilities:	
Current Liabilities	\$41,365
Equity:	
Unrestricted Net Position	1,055,413
Total Liabilities and Net Position	<u>\$1,096,778</u>

Condensed Statement of Activities -
Brookhill Workshop

<hr/>	
Operating Revenues	\$870,137
Operating Expenses	<u>776,192</u>
Net Increase in Net Position	93,945
Net Position, January 1	961,468
Net Position, December 31	<u>\$1,055,413</u>

NOTE 23 – RELATED PARTY TRANSACTIONS

During 2013, the County provided facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its programs to the Workshop. The Workshop, a component unit of the County, did not attempt to value these items for 2013. The Workshop should have recorded operating revenues and expenses at cost or fair market value, as applicable, to the extent the contribution was related to the vocational purpose of the Workshop. Additional habilitative services provided directly to Workshop clients by the County was also not calculated.

PUTNAM COUNTY

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disburse- ments
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed through the Ohio Department of Job and Family Services</i>			
<u>Jobs and Family Services</u> State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1213-11-0103/G-1415-11-5418	\$53,510
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through the Ohio Development Services Agency</i>			
<u>County Commissioners</u> HOME Investment Partnership Program	14.239	B-C-11-1CL-2	98,996
Community Development Block Grant	14.228	B-C-11-1CL-1	118,800
Community Development Block Grant	14.228	B-F-12-1CL-1	90,600
Community Development Block Grant	14.228	B-F-11-1CL-1	28,192
Community Development Block Grant	14.228	B-D-11-1CL-1	119,148
Community Development Block Grant (Revolving Loans)	14.228		25,192
Total Community Development Block Grant			<u>381,932</u>
Total Department of Housing and Urban Development			<u>480,928</u>
UNITED STATES DEPARTMENT OF LABOR			
<i>Passed through the Montgomery County Workforce Investment Act Area 7</i>			
<u>Jobs and Family Services</u> Workforce Investment Act Cluster:			
Workforce Investment Act - Adult Program	17.258		51,478
Workforce Investment Act - Adult Program Administrative	17.258		3,710
Workforce Investment - Adult Total			<u>55,188</u>
Workforce Investment Act - Youth Activities	17.259		50,186
Workforce Investment Act - Youth Activities Administrative	17.259		6,397
Workforce Investment - Youth Total			<u>56,583</u>
Workforce Investment Act - Dislocated Worker	17.278		43,981
Workforce Investment Act - Dislocated Worker Administrative	17.278		3,888
Workforce Investment - Dislocated Worker Total			<u>47,869</u>
Total Workforce Investment Act Cluster:			<u>159,640</u>
Workforce Investment Act - National Emergency Grant	17.277		1,318,385
Total Department of Labor			<u>1,478,025</u>
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Direct Program</i>			
Airport Improvement Program	20.106	3-39-0110-0912	343,787
<i>Passed through the Ohio Department of Transportation</i>			
<u>County Engineer</u> Highway Planning and Construction	20.205		<u>2,317,978</u>
Total Department of Transportation			<u>2,661,765</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through the Ohio Department of Job and Family Services</i>			
<u>Jobs and Family Services</u> Promoting Safe and Stable Families	93.556	G-1213-11-0103/G-1415-11-5418	28,946
Temporary Assistance for Needy Families	93.558	G-1213-11-0103/G-1415-11-5418	324,369
Child Care and Development Block Grant	93.575	G-1213-11-0103/G-1415-11-5418	29,089
Child Support Enforcement	93.563	G-1213-11-0103/G-1415-11-5418	196,469
Community-Based Child Abuse Prevention Grants	93.590	G-1213-11-0103/G-1415-11-5418	1,900
Child Welfare Services - State Grants	93.645	G-1213-11-0103/G-1415-11-5418	38,818
Foster Care - Title IV-E	93.658	G-1213-11-0103/G-1415-11-5418	86,780
Adoption Assistance	93.659	G-1213-11-0103/G-1415-11-5418	15,946
Social Services Block Grant	93.667	G-1213-11-0103/G-1415-11-5418	269,779
Chafee Foster Care Independence Program	93.674	G-1213-11-0103/G-1415-11-5418	228
Children's Health Insurance Program	93.767	G-1213-11-0103/G-1415-11-5418	454
Medical Assistance Program	93.778	G-1213-11-0103/G-1415-11-5418	169,781

(continued)

PUTNAM COUNTY

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disburse- ments
<i>Passed through the Ohio Department of Developmental Disabilities</i>			
<u>Developmental Disabilities Board</u>			
Social Services Block Grant	93.667		19,057
Medical Assistance Program	93.778		59,171
<i>Passed through the Ohio Department of Mental Health and Addiction Services</i>			
<u>Alcohol, Drug Addiction, and Mental Health Services Board</u>			
Block Grants for Prevention and Treatment of Substance Abuse	93.959		149,120
Block Grants for Community Mental Health Services	93.958		19,820
Social Services Block Grant	93.667		17,705
Total Medical Assistance Program - CFDA 93.778			<u>228,952</u>
Total Social Service Block Grants - CFDA 93.667			<u>306,541</u>
Total Department of Health and Human Services			<u>1,427,432</u>
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through the Ohio Department of Public Safety Emergency Management Agency</i>			
<u>Emergency Management Agency</u>			
Homeland Security Grant Program	97.067	2010-SS-T0-0012	49,859
Disaster Grants - Public Assistance	97.036	FEMA-4077-DR-137U7CM9	16,904
Emergency Management Performance Grants	97.042	2010-EP-00-0003	11,918
Emergency Management Performance Grants	97.042	EMW-2011-EP-00003-S01	8,344
Emergency Management Performance Grants	97.042	EMW-2012-EP-00004-S01	8,186
Total Emergency Management Performance Grants			<u>28,448</u>
Total Department of Homeland Security			<u>95,211</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u><u>\$6,196,871</u></u>

The accompanying notes are an integral part of this schedule

PUTNAM COUNTY

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

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

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Development. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property and by machinery and equipment.

Activity in the CDBG revolving loan fund during 2013 is as follows:

Beginning loans receivable balance as of January 1, 2013	\$391,080
Interest and penalties added	(10,058)
Loan principal repaid	(114,353)
Ending loans receivable balance as of December 31, 2013	<u>\$266,669</u>
Cash balance on hand in the revolving loan fund as of December 31, 2013	\$151,096
Administrative costs expended during 2013	25,192

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2013 \$82,699 are more than 60 days past due and \$162,500 were defaulted on.

NOTE C – MATCHING REQUIREMENTS

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE D – OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES 2013 ADJUSTMENTS

During the calendar year, the County Board of Development Disabilities received a notice of liability for the 2008 Cost Report from the Ohio Department of Developmental Disabilities for the Medicaid program (CFDA #93.778) in the amount of \$1,540. The Cost Report liability was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This liability is not listed on the County's Schedule of Federal Awards since the underlying expenses occurred in prior reporting periods and the liability was invoiced by the Ohio Department of Developmental Disabilities.

NOTE E – HIGHWAY PLANNING AND CONSTRUCTION GRANT

During 2012, the County expended \$83,301 for the Highway Planning and Construction grant, CFDA 20.205 that was inadvertently not included on the federal awards expenditure schedule for the year ended December 31, 2012. The \$83,301 has been included on the 2013 Federal Awards Expenditures Schedule at the request of the Ohio Department of Transportation.

PUTNAM COUNTY

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE F – MERGER OF OHIO DEPARTMENT OF ALCOHOL AND DRUG ADDICTION SERVICES
AND OHIO DEPARTMENT OF MENTAL HEALTH**

Effective July 1, 2013, the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) and the Ohio Department of Mental Health (ODMH) merged to create the new Ohio Department of Mental Health and Addiction Services. Expenditures passed through ODADAS and ODMH will be reflected as passed through the Ohio Department of Mental Health and Addiction Services on the County's Federal Awards Expenditures Schedule.



Dave Yost • Auditor of State

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

Putnam County
245 East Main Street
Ottawa, Ohio 45875-1968

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Putnam County, Ohio (the County) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 9, 2014, wherein we noted the County uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. 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. We consider finding 2013-002 described in the accompanying schedule of findings to be a material weakness.

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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Entity's Response to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 9, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Putnam County
245 East Main Street
Ottawa, Ohio 45875-1968

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Putnam County, Ohio's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on Highway Planning and Construction

As described in finding 2013-003 in the accompanying schedule of findings, the County did not comply with requirements regarding Procurement and Suspension and Debarment applicable to its Highway Planning and Construction major federal program. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

Qualified Opinion on Highway Planning and Construction

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Highway Planning and Construction Program* paragraph, Putnam County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect its Highway Planning and Construction Program for the year ended December 31, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Putnam County, Ohio's complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2013.

Other Matters

The County's response to our noncompliance finding is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness

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's applicable 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's compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2013-003 to be a material weakness.

The County's response to our internal control over compliance finding is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 9, 2014

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PUTNAM COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2013

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified for Highway Planning and Construction (CFDA #20.205) Unmodified for all other programs.
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Highway Planning and Construction CFDA #20.205 Airport Improvement Program CFDA #20.106 Temporary Assistance to Needy Families CFDA #93.558 Social Services Block Grant CFDA #93.667
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2013-001

Noncompliance Citation

Ohio Rev. Code § 117.38 provides each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Admin. Code § 117-2-03(B) which further clarifies the requirements of Ohio Revised Code § 117.38, requires the County to file annual financial reports prepared in accordance using generally accepted accounting principles (GAAP).

The County prepares its financial statements in accordance with the cash basis of accounting. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

We recommend the County prepare its financial statements in accordance with generally accepted accounting principles.

Officials' Response:

In 2002, the Putnam County Auditor advised the Putnam County Board of Commissioners the Auditor's Office would be following the cash basis of accounting when preparing its financial reports. The Putnam County Auditor determined the costs of preparing the county financial reports in accordance with generally accepted accounting principles outweighed the benefits derived from these reports. Specifically, in order to comply with generally accepted accounting principles, the Putnam County Auditor would be required to hire a consulting firm to assist with the conversion and would also be required to hire an appraisal firm to assist in determining the value of all assets including infrastructure.

The Putnam County Auditor annually reviews the decision to prepare financial reports following the cash basis of accounting.

FINDING NUMBER 2013-002

Material Weakness

Monitoring Financial Statements

Accurate financial reporting is the responsibility of the County Auditor and is essential to ensure the information provided to the readers of the financial statements accurately reflects the County's activity.

The 2013 financial statements contained material errors, such as the following:

- Charges for Services Revenue in the amount of \$373,940 was incorrectly classified as Other Operating Receipts in the Other Enterprise Funds.
- Transfers In in the amount of \$100,000 was incorrectly classified as Other Financing Sources in the Capital Improvements Fund and Governmental Activities.
- Business-Type Activities Cash Disbursements and Charges for Services Revenues in the amounts of \$2,745,300 and \$2,482,938, respectively, were not separately categorized on the Statement of Activities.
- Restricted and Committed fund balances in the Other Governmental Funds were overstated by \$394,031 and \$125,681, respectively, and Assigned fund balance was understated by \$519,712.

Adjusting entries ranging from \$125 to \$2,745,300 were posted to the financial statements to correct these and other errors.

To ensure the County's financial statements and notes to the statements are complete and accurate, the County Auditor should adopt policies and procedures, including a final review of the financial statements, management's discussion and analysis, and notes to the financial statements to identify and correct errors and omissions.

Officials' Response:

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

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2013-003
CFDA Title and Number	Highway Planning and Construction CFDA #20.205
Federal Agency	United States Department of Transportation
Pass-Through Agency	Ohio Department of Transportation

Noncompliance Citation and Material Weakness

2 CFR 1200.332 as supplemented by 2 CFR part 180 requires that when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. **2 CFR 180.300** provides this verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration, collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Putnam County entered into a contract with Bluffton Paving, Inc. as the prime contractor for the Road 5 repaving contract. Bluffton Paving, Inc. entered into subcontracts with Beaverdam Contracting, Dietering Landscape, Lake Erie Construction, Newcomer Concrete, and Oglesby Construction.

Bluffton Paving, Inc. did not perform any type of verification to ensure the company was not suspended, debarred, or otherwise excluded prior to entering into the contract.

We recommend the County perform appropriate verifications in accordance with 2 CFR 180.300 prior to entering into any contracts with vendors and subcontractors, in which the expenditure of monies will be made with Federal funds.

Officials' Response:

See Corrective Action Plan on the following page.

PUTNAM COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-003	We now include instructions to the prime contractor to ensure that subcontractors are not on the excluded parties list, using the System for Award Management. Furthermore, the County Engineer's Project Manager will check all subcontractors using the System of Award Management.	January 1, 2014	Troy Recker

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PUTNAM COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2012-001	Ohio Admin. Code §117-2-3(B) for reporting on basis other than generally accepted accounting principles.	No	Finding has not been corrected and is repeated in this report as item 2013-001.
2012-002	Material recommendation to improve monitoring of financial statement errors.	No	Finding has not been corrected and is repeated in this report as item 2013-002.
2012-003	Material recommendation to report and budget Ohio Department of Transportation Grants.	Yes	
2012-004	CFR 180.300 for not checking the Excluded Parties List System.	No	Finding has not been corrected and is repeated in this report as item 2013-003.
2012-005	Significant Deficiency to monitor eligibility over Tenant Based Rental Assistance Program.	Yes	

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Dave Yost • Auditor of State

PUTNAM COUNTY FINANCIAL CONDITION

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 25, 2014