



**Auditor of State
Betty Montgomery**

PUTNAM COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash and Cash Equivalents and Fund Cash Balances - All Fund Types	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types.....	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types.....	6
Combined Statement of Receipts - Budget and Actual - All Fund Types	7
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority - All Fund Types	8
Notes to the Financial Statements.....	11
Schedule of Federal Awards Expenditures.....	24
Notes to the Schedule of Awards Expenditures.....	28
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	31
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	33
Schedule of Findings.....	35
Schedule of Prior Audit Findings	38

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Putnam County
245 E. Main Street
P.O. Box 345
Ottawa, Ohio 45875-0345

To the Board of County Commissioners:

We have audited the accompanying financial statements of Putnam County (the County) as of and for the year ended December 31, 2003. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-3(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the combined cash, and combined fund cash balances of Putnam County, as of December 31, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information and use of the audit committee, management, and the Board of County Commissioners, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

July 19, 2004

PUTNAM COUNTY

**COMBINED STATEMENT OF CASH AND CASH EQUIVALENTS
AND FUND CASH BALANCES
ALL FUND TYPES
AS OF DECEMBER 31, 2003**

Cash and Cash Equivalents	<u><u>\$ 13,665,542</u></u>
 Cash Balances by Fund Type	
Governmental Fund Types:	
General Fund	\$ 2,570,706
Special Revenue Funds	4,243,393
Debt Service Funds	385,010
Capital Projects Funds	398,890
Proprietary Fund Type:	
Enterprise Funds	3,122,396
Fiduciary Fund Types:	
Expendable Trust Fund	9,850
Agency Funds	<u>2,935,297</u>
 Total	 <u><u>\$ 13,665,542</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

PUTNAM COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types	
	General	Special Revenue
Cash receipts:		
Property tax and other local taxes	\$ 4,194,053	\$ 1,374,655
Payment in lieu of taxes	68,251	
Special assessments		259,850
Intergovernmental receipts	726,615	8,706,572
Charges for services	1,342,400	906,659
Licenses and permits	3,255	60,079
Fines and forfeitures	41,818	65,688
Earnings on investments	307,878	24,168
Rental income		
Miscellaneous	463,243	202,029
Total cash receipts	7,147,513	11,599,700
Cash disbursements:		
Current:		
General government:		
Legislative and executive	1,803,952	429,717
Judicial	802,088	227,820
Public safety	2,809,175	556,620
Public works	60,262	3,859,029
Health	54,400	3,316,596
Human services	235,613	3,597,437
Economic development and assistance		432,668
Other	611,951	53,526
Debt service:		
Principal payments	61,338	
Interest payments		
Capital outlay		153,402
Total cash disbursements	6,438,779	12,626,815
Total receipts over/(under) disbursements	708,734	(1,027,115)
Other financing receipts and (disbursements):		
Transfers-in	117,431	372,007
Advances-in	426,290	62,804
Other financing sources	8,506	581,884
Transfers-out	(156,663)	(482,562)
Advances-out	(205,607)	(74,164)
Other financing uses	(133,300)	
Total other financing receipts/(disbursements)	56,657	459,969
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	765,391	(567,146)
Fund cash balances, January 1	1,805,315	4,810,539
Fund cash balances, December 31	\$ 2,570,706	\$ 4,243,393

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
	\$ 120,837		\$ 5,689,545
	95,613		68,251
	2,535,739		355,463
			11,968,926
			2,249,059
			63,334
			107,506
			332,046
\$ 52,969			52,969
	30,305	\$ 1,176	696,753
<u>52,969</u>	<u>2,782,494</u>	<u>1,176</u>	<u>21,583,852</u>
	22,290		2,255,959
			1,029,908
			3,365,795
	301,256		4,220,547
			3,370,996
			3,833,050
			432,668
		71	665,548
168,573	7,850		237,761
144,987	8,572		153,559
	2,545,190		2,698,592
<u>313,560</u>	<u>2,885,158</u>	<u>71</u>	<u>22,264,383</u>
<u>(260,591)</u>	<u>(102,664)</u>	<u>1,105</u>	<u>(680,531)</u>
129,615			619,053
	94,232		583,326
	2,250		592,640
			(639,225)
	(131,745)		(411,516)
			(133,300)
<u>129,615</u>	<u>(35,263)</u>		<u>610,978</u>
(130,976)	(137,927)	1,105	(69,553)
<u>515,986</u>	<u>536,817</u>	<u>8,745</u>	<u>7,677,402</u>
<u>\$ 385,010</u>	<u>\$ 398,890</u>	<u>\$ 9,850</u>	<u>\$ 7,607,849</u>

PUTNAM COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 5,197,362		\$ 5,197,362
Miscellaneous	66,335		66,335
Total operating cash receipts	<u>5,263,697</u>		<u>5,263,697</u>
Operating cash disbursements:			
Personal services	3,531,007		3,531,007
Contractual services	846,986		846,986
Supplies and materials	212,490		212,490
Capital outlay	288,077		288,077
Other operating expenses	29,454		29,454
Total operating cash disbursements	<u>4,908,014</u>		<u>4,908,014</u>
Operating income	<u>355,683</u>		<u>355,683</u>
Non-operating cash receipts:			
Special Assessments	96,000		96,000
Other non-operating receipts	114,794	\$ 46,430,574	46,545,368
Total non-operating cash receipts	<u>210,794</u>	<u>46,430,574</u>	<u>46,641,368</u>
Non-operating cash disbursements:			
Debt service	432,182		432,182
Other non-operating cash disbursements	253,197	46,498,157	46,751,354
Total non-operating cash disbursements	<u>685,379</u>	<u>46,498,157</u>	<u>47,183,536</u>
Excess of disbursements over receipts before interfund transfers and advances	(118,902)	(67,583)	(186,485)
Transfers-in	44,049	364,949	408,998
Advances-in	21,075	207,700	228,775
Transfers-out	(25,044)	(363,782)	(388,826)
Advances-out	(192,885)	(207,700)	(400,585)
Net disbursements over receipts	(271,707)	(66,416)	(338,123)
Fund cash balances, January 1	<u>3,394,103</u>	<u>3,001,713</u>	<u>6,395,816</u>
Fund cash balances, December 31	<u>\$ 3,122,396</u>	<u>\$ 2,935,297</u>	<u>\$ 6,057,693</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

PUTNAM COUNTY

**COMBINED STATEMENT OF RECEIPTS
BUDGET AND ACTUAL
ALL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental Fund Types:			
General Fund	\$ 6,240,341	\$ 7,273,450	\$ 1,033,109
Special Revenue Funds	14,805,977	12,553,591	(2,252,386)
Debt Service Funds	331,914	182,584	(149,330)
Capital Projects Funds	1,019,332	2,784,744	1,765,412
Proprietary Fund Type:			
Enterprise Funds	5,578,956	5,518,540	(60,416)
Fiduciary Fund Type:			
Trust Funds	<u>3,000</u>	<u>1,176</u>	<u>(1,824)</u>
Total (Memorandum Only)	<u>\$ 27,979,520</u>	<u>\$ 28,314,085</u>	<u>\$ 334,565</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

PUTNAM COUNTY

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Prior Year Carryover <u>Appropriations</u>	2003 <u>Appropriations</u>
Governmental Fund Types:		
General Fund	\$ 164,807	\$ 8,238,450
Special Revenue Funds	890,625	16,311,889
Debt Service Fund		331,918
Capital Projects Funds	473,143	858,850
Proprietary Fund Type:		
Enterprise Funds	167,402	6,676,112
Fiduciary Fund Type:		
Trust Funds		<u>3,000</u>
Total (Memorandum Only)	<u>\$ 1,695,977</u>	<u>\$ 32,420,219</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

<u>Total</u>	<u>Actual 2003 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/03</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 8,403,257	\$ 6,728,742	\$ 251,912	\$ 6,980,654	\$ 1,422,603
17,202,514	13,109,377	615,131	13,724,508	3,478,006
331,918	313,560		313,560	18,358
1,331,993	2,885,158	15,031	2,900,189	(1,568,196)
6,843,514	5,618,437	134,101	5,752,538	1,090,976
<u>3,000</u>	<u>71</u>	<u></u>	<u>71</u>	<u>2,929</u>
<u>\$ 34,116,196</u>	<u>\$ 28,655,345</u>	<u>\$ 1,016,175</u>	<u>\$ 29,671,520</u>	<u>\$ 4,444,676</u>

This page intentionally left blank.

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003

NOTE 1 – DESCRIPTION OF THE ENTITY

Putnam County (the County) is a body corporate and politic established 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, Common Pleas Court Judges, a Probate/Juvenile Court Judge, and two County Court Judges. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serving as the budget and taxing authority, contracting body and chief administrator of public services for the County.

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

Although required by Ohio Administrative Code § 117-2-3(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the County, with the exception of the Brookhill Workshop, chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

A general fixed asset group and general long-term debt obligation group of accounts is not recorded on the financial statements by the County under the basis of accounting used. By virtue of Ohio law, the County is required to maintain the encumbrance method of accounting and to make appropriations.

A. Basis of Presentation – Fund Accounting

The County uses fund accounting to segregate cash and investments which are restricted to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003

(Continued)

For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

1. Governmental Fund Types

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

General Fund – The General Fund is the operating fund of the County and is used to account 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.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund – This fund is used for the accumulation of resources for, and the payment of, general obligation long-term debt principal and interest other than that accounted for in the proprietary fund.

Capital Projects Funds – The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

2. Proprietary Fund Types

Proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector.

Enterprise Fund – The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003

(Continued)

3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The County's fiduciary funds include expendable trust and agency funds.

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20, for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1 this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31 the County must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2003, unencumbered fund balances. However, those fund balances are available for appropriations.

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003 (Continued)

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

4. Encumbrances

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is canceled at year end and reappropriated at the beginning of the subsequent year.

C. Property, Plant, and Equipment

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

D. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the County.

E. Cash and Investments

The County maintains a cash and investment pool which is available for all funds. Individual fund integrity is maintained through County records. Each fund's interest in the pool is presented as "Cash Balances by Fund Type" on the Combined Statement of Cash

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003

(Continued)

and Cash Equivalents and Fund Cash Balances. During fiscal year 2003, investments were limited to certificates of deposits and Money Markets. All investments of the County had a maturity of two years or less. Investments are stated at cost. Investment earnings are allocated as authorized by State statute, with the exception of the motor vehicle license tax fund which did not receive its share of interest in 2003.

F. Total Columns on Financial Statements

Total columns on the financial statements are captioned “Total- (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund –type eliminations have not been made in the aggregation of this data.

NOTE 3 – COMPLIANCE

In 2003 the County was the beneficiary of \$1,809,843 of Highway Planning and Construction money sent directly to the vendor by the Ohio Department of Transportation. This activity was not recorded on the ledgers of the County. These funds were not appropriated causing expenditures to exceed appropriations in the Highway Grant Fund by \$1,809,843.

NOTE 4 – DEPOSITS AND INVESTMENTS

The County maintains a cash and investment pool used by all funds. Each fund type’s portion of this pool is displayed on the Combined Statement Cash and Cash Equivalents and Fund Cash Balances as “Cash Balances by Fund Type”.

A. Legal Requirements

Statutes require the classification of monies held by the County into two categories. The first category consists of “active” monies, those monies required to be kept in a “cash” or “near-cash” status for current demands upon the County Treasury. Such monies must be maintained either as cash in the County Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

The second category consists of “inactive” monies, those monies in excess of the amount determined to be “active” monies. Inactive monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003

(Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio;
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio;

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003

(Continued)

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 105 percent of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

B. Cash on Hand

Cash on hand consists of \$52,376 in undeposited cash which is included on the Combined Statement of Cash and Cash Equivalents and Fund Cash Balances as part of "Cash and Cash Equivalents."

C. Deposits

At year-end, the carrying amount of the County's deposits was \$13,613,166 and the bank balance was \$14,220,041. Of the bank balance:

1. \$892,955 was covered by federal depository insurance;
2. \$9,845,590 was collateralized by securities specifically pledged by the financial institution to the County;
3. \$3,481,496 was covered by collateral held by third party trustee pursuant to § 135.181, Revised Code, in collateralized pools securing all public funds on deposits with specific depository institutions.

NOTE 5 – PROPERTY TAXES

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2002.

Real property taxes become a lien on all nonexempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003

(Continued)

is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, State statute permits later payment dates to be established.

The full tax rate applied to real property, for the fiscal year ended December 31, 2003, was \$6.87 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$5.3114 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$6.2828 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property, for the fiscal year ended December 31, 2003, was \$6.87 per \$1,000 of assessed valuation.

Real Property – 2002 Valuation	
Residential/Agricultural	\$ 418,443,390
Commercial/Industrial	43,169,520
Public Utilities	527,950
Tangible Personal Property – 2003 Valuation	
General	63,663,897
Public Utilities – 2002	<u>28,368,490</u>
Total Valuation	<u><u>\$ 554,173,247</u></u>

The Putnam County Treasurer collects property tax on behalf of all taxing districts within the County. The Putnam County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

NOTE 6 – RISK MANAGEMENT

The County is a member of the County Risk Sharing Authority, Inc., (CORSA) (the Pool). The Pool assumes the risk of loss up to the limits of the County's policy. The Pool may make supplemental assessments if the experience of the overall pool is unfavorable. The Pool covers the following risks:

PUTNAM COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

- Comprehensive general liability;
- Automobile liability;
- Certain property insurance; and
- Public officials' errors and omissions liability insurance.

NOTE 7 – RETIREMENT SYSTEMS

Certified teachers employed by the school for the Mentally Retarded/Developmentally Disabled (MRDD) participate in the State Teachers Retirement System of Ohio (STRS). The County's official and all other employees belong to the Ohio Public Employees Retirement System (OPERS). STRS and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. STRS members contributed 9.3 percent of their wages and the County contributed an amount equal to 14 percent of participants' gross salaries. Law enforcement members contribute 10.1 percent to OPERS and all other members contributed 8.5 percent of their wages and the County contributed an amount equal to 16.7 percent for law enforcement and 13.55 percent of all other participants' gross salaries. The County has paid all contributions required through December 31, 2003.

NOTE 8 – DEBT OBLIGATIONS

The County's outstanding debt at December 31, 2003, was as follows:

	<u>Principal</u>	<u>Rate</u>
General Obligation Notes:		
Fairground Improvement Note	\$ 13,735	Variable
General Obligation Bonds:		
Airport Improvement	50,050	7.63%
Energy Conservation Improvement	60,862	5.25%
Energy Conservation Improvement	50,000	5.65%
Human Services Building Acquisition	82,950	7.63%
Human Services Building Addition	102,941	6.63%

(Continued)

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003

(Continued)

	Principal	Rate
Putnam Acres Renovation	36,943	4.90%
Putnam Acres Improvement	490,000	6.00%
Landfill Construction	445,000	4.90%
Sewer Improvement	213,330	4.95%
Landfill Closure	1,980,000	2.75-5.0%
Jail Construction	2,655,000	2.75-5.0%
Schnipke Engraving Sewer Line Project	157,343	5.25%
Capital Leases:		
Equipment Lease	115,175	
Total Outstanding at December 31, 2003	\$ 6,453,329	

The general obligation bonds were issued for various construction projects. This debt is to be repaid through transfers from the general fund, rental income from the human services building, operating revenues from the Putnam Acres, the Landfill, and the Water and Sewer operations. The Landfill Closure and Jail Construction bonds will be repaid through a special assessment added to the tax bills of property owners in the County and through an increase in the County's sales tax.

The general obligation note was issued for improvements at the County Fairground's. Final payment of all remaining interest and principle is due March 17, 2005.

Capital leases are for equipment leases and will be funded by the general fund, the auto license & gas tax fund, and the job and family services fund.

On July 30, 2003 the County entered into an irrevocable letter of credit for \$1,826,613 that matures July 30, 2004. As of December 31, 2003 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. The landfill was closed during 2001.

The following is a summary of the County's future debt payments, for its general obligation bonds:

PUTNAM COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

<u>Year</u>	<u>General Obligation Bonds</u>
2004	\$ 764,522
2005	847,893
2006	663,885
2007	645,743
2008	515,556
2009 and Thereafter	6,496,448
Total	<u>\$ 9,934,047</u>

NOTE 9 – PERMISSIVE SALES AND USE TAX

In 1973, the County Commissioners by resolution imposed a 0.5 percent tax on all retail sales (except sales of motor vehicles) made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles; in 1987 the County Commissioners imposed an additional 0.5 percent tax; and effective June 1, 2001, the County Commissioners imposed an additional 0.25 percent tax for a period of five years, bringing the total permissive sales tax to 1.25 percent. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County. Tax proceeds are split between the General Fund (95 percent) and the Capital Improvement Capital Projects Fund (5 percent). Permissive sales and use tax revenue totaled \$3,004,925 in 2003.

NOTE 10 – CONTRACTUALLY ASSUMED OBLIGATIONS

The County had the following outstanding contractual commitments as of December 31, 2003:

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003

(Continued)

<u>Contract</u>	<u>Project</u>	<u>Original Contract Amount</u>	<u>Contract Balance 12/31/03</u>
Peterson Construction	Jail Construction	\$ 3,120,700	\$ 4,000
L. R. Babcock, Inc.	Jail Construction	883,610	641
Reynold Electric Co., Inc.	Jail Construction	938,850	1,290
Sand Ridge Excavating	SCS Ditch #903 Knippen	14,320	1,269
Sand Ridge Excavating	SCS Ditch #902 Erford	21,399	3,740
Road K-6 Bridge	Schalk Brothers	307,486	307,486
Road 6 Bridge	R&I Construction	451,114	5,824
Road 21 Bridge	Eagle Bridge	261,793	261,793
Road M-24 Bridge	Eagle Bridge	242,104	242,104

This page intentionally left blank.

PUTNAM COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disburse- ments	Non-cash Disburse- ments
UNITED STATES DEPARTMENT OF AGRICULTURE				
<i>Passed through the Ohio Department of Education</i>				
Mental Retardation and Developmental Disabilities Board				
<u>Nutrition Cluster</u>				
Food Donation Program	10.550	-		\$ 1,356
National School Lunch Program	10.555	-	\$ 346	
Total Department of Agriculture			<u>346</u>	<u>1,356</u>
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed through the Ohio Department of Development</i>				
County Commissioners				
Home Investment Partnership Program	14.239	B-C-02-064-2	49,580	
Community Development Block Grant	14.228	B-C-02-064-1	96,996	
Community Development Block Grant	14.228	B-E-02-064-2	107,700	
Community Development Block Grant	14.228	B-F-01-064-1	500	
Community Development Block Grant	14.228	B-F-02-064-1	71,229	
Community Development Block Grant	14.228	B-F-03-064-1	11,207	
Total Community Development Block Grant			<u>287,632</u>	
Total Department of Housing and Urban Development			<u>337,212</u>	
UNITED STATES DEPARTMENT OF LABOR				
<i>Passed through the Ohio Department of Jobs and Family Services</i>				
Jobs and Family Services				
<u>Workforce Investment Act Cluster</u>				
Workforce Investment Act - Adult	17.258	-	29,620	
Workforce Investment Act - Adult Administrative	17.258	-	943	
Workforce Investment - Adult Total			<u>30,563</u>	
Workforce Investment Act - Youth	17.259	-	65,501	
Workforce Investment Act - Youth Administrative	17.259	-	2,088	
Workforce Investment - Youth Total			<u>67,589</u>	

(Continued)

PUTNAM COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disburse- ments	Non-cash Disburse- ments
UNITED STATES DEPARTMENT OF LABOR (Continued)				
<u>Workforce Investment Act Cluster (Continued)</u>				
Workforce Investment Act -				
Dislocated Worker	17.260	-	570,119	
Dislocated Worker Administrative	17.260	-	18,163	
Workforce Investment - Dislocated Worker Total			<u>588,282</u>	
Total Department of Labor - Workforce Investment Act Cluster			<u>686,434</u>	
UNITED STATES DEPARTMENT OF TRANSPORTATION				
<i>Passed through the Ohio Department of Transportation</i>				
County Engineer				
Highway Planning and Construction	20.205	02N150	749,111	
Highway Planning and Construction	20.205	03N059	330,292	
Highway Planning and Construction	20.205	03N060	259,925	
Highway Planning and Construction	20.205	03N061	470,515	
Total Department of Transportation			<u>1,809,843</u>	
GENERAL SERVICES ADMINISTRATION ON BEHALF OF THE ELECTION ASSISTANCE COMMISSION				
<i>Passed through the Ohio Secretary of State</i>				
Board of Elections				
Help America Vote Act of 2002 - Election Reform Payments	39.011	04-SOS-HAVA-69	6,090	
UNITED STATES DEPARTMENT OF EDUCATION				
<i>Passed through the Ohio Department of Education</i>				
Mental Retardation and Developmental Disabilities Board				
Special Education - Grants to States	84.027	066209-6B-SF-03	2,805	
Special Education - Grants to States	84.027	066209-6B-SF-04	3,679	
Total Special Education - Grants to States			<u>6,484</u>	
Innovative Education Program Strategies	84.298	C2-S1-04	122	
Total Department of Education			<u>6,606</u>	

(Continued)

PUTNAM COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disburse- ments	Non-cash Disburse- ments
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities</i>				
Mental Retardation and Developmental Disabilities Board				
Medical Assistance Program	93.778	CAFS	275,704	
Social Services Block Grant	93.667	-	31,844	
<i>Passed through the Ohio Department of Jobs and Family Services</i>				
Jobs and Family Services Department				
Child Welfare Services	93.645	-	34,575	
Promoting Safe and Stable Families	93.556	-	17,998	
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services</i>				
Alcohol, Drug Addiction, and Mental Health Services Board				
Block Grants for Prevention and Treatment of				
Substance Abuse	93.959	-	107,091	
Medical Assistance Program	93.778	-	4,154	
<i>Passed through the Ohio Department of Mental Health</i>				
Alcohol, Drug Addiction, and Mental Health Services Board				
Block Grants for Community Mental Health Services	93.958	-	42,450	
Social Services Block Grant	93.667	-	13,483	
Medical Assistance Program	93.778	-	195,007	
Total Medical Assistance Program			474,865	
Total Social Service Block Grants			45,327	
Total Department of Health and Human Services			722,306	

(Continued)

PUTNAM COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disburse- ments	Non-cash Disburse- ments
UNITED STATES DEPARTMENT OF HOMELAND SECURITY				
<i>Passed through the Ohio Adjutant General's Department of Emergency Management</i>				
Emergency Management Agency				
State Domestic Preparedness Equipment Support Program	97.004	S03-JE02-69-0069	36,839	
Emergency Management Performance Grants State and Local All Hazards	97.042	EMC-2003-GR-7006	41,449	
Emergency Operations Planning	97.051	S03-FCC02-69-0617	2,000	
	97.051	S03-FS02-69-0157	22,915	
Total State and Local All Hazards Emergency Operations Planning			<u>24,915</u>	
Citizen Corps	97.053	S04-FCE02-69-0252	5,000	
Total Department of Homeland Security			<u>108,203</u>	
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u><u>\$ 3,677,040</u></u>	<u><u>\$ 1,356</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

PUTNAM COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUBRECIPIENTS

The County passes-through certain Federal assistance received from the Ohio Department of Alcohol and Drug Addiction Services, and the Ohio Department of Mental Health, to other governments or not-for-profit agencies (subrecipients). As described in Note A, the County records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the County is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

NOTE C – CHILD NUTRITION CLUSTER

Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At December 31, 2003, the County had no significant food commodities in inventory.

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

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. 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 initial loan of this money

PUTNAM COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)

is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). There was one such initial loan of \$70,000 made during 2003. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by machinery and equipment and by land and buildings. At December 31, 2003, the gross amount of loans outstanding under this program was \$505,356.

NOTE E – MATCHING REQUIREMENTS

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

NOTE F – U.S. Department of Homeland Security Federal Awards

The Federal Homeland Security Act of 2002 established the Department of Homeland Security (the Department) to consolidate functions of other Federal agencies related to homeland security. Effective January 24, 2003, the Department began to administer certain Federal awards the County previously received from other Federal agencies. The accompanying Federal Awards Expenditure Schedule reports all such 2003 award amounts under the Department’s Catalog of Federal Domestic Assistance (CFDA) numbers. The purposes and compliance requirement of these programs has not changed. A comparison of the former Federal agencies and CFDA numbers the County reported in its 2002 Federal Award Expenditure Schedule compared with the Department’s CFDA numbers reported in the 2003 Schedule follows:

<u>Previous Federal Agency</u>	<u>CFDA No. used in 2002</u>	<u>Homeland Security CFDA No. used for 2003</u>
Department of Justice	16.007	97.004
Federal Emergency Management Agency	83.552	97.042
Federal Emergency Management Agency	83.562	97.051
Federal Emergency Management Agency	83.564	97.053

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Putnam County
245 E. Main Street
P.O. Box 345
Ottawa, Ohio 45875-0345

To the Board of County Commissioners:

We have audited the financial statements of Putnam County (the County) as of and for the year ended December 31, 2003, and have issued our report thereon dated July 19, 2004, in which we noted that the County prepares its financial statements on the basis of accounting other than that prescribed by Ohio Administrative Code § 117-2-03(B). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain other immaterial instances of noncompliance that we have reported to the County's management in a separate letter dated July 19, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the County's management in a separate letter dated July 19, 2004.

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



Betty Montgomery
Auditor of State

July 19, 2004



**Auditor of State
Betty Montgomery**

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

Putnam County
245 E. Main Street
P.O. Box 345
Ottawa, Ohio 45875-0345

To the Board of County Commissioners:

Compliance

We have audited the compliance of Putnam County (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Betty Montgomery
Auditor of State

July 19, 2004

PUTNAM COUNTY

SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 §.505
 DECEMBER 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction CFDA # 20.205 Medical Assistance Program CFDA # 93.778
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Administrative Code § 117-2-3(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the County prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, 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.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Revised Code § 5705.42 states when the United States government or the state or any department division, agency, authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity or function of such subdivision, or enters into an agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purposes by the taxing authority of the subdivision, and is deemed in the process of collection within the meaning of § 5705.41, of the Ohio Revised Code.

In 2003 the County was the beneficiary of \$1,809,843 of Highway Planning and Construction money sent directly to the vendor by the Ohio Department of Transportation. This activity was not recorded on the ledgers of the County. Since ODOT paid the invoices, the County did not receive this cash. However, Auditor of State Bulletin 2000-08 prescribes recording these transactions as receipts and disbursements when the County applies for a project and has administrative responsibilities. The accompanying financial statements were adjusted to reflect the amount in a Capital Project Fund. These funds were not appropriated causing expenditures to exceed appropriations in the Highway Grant Fund by \$1,809,843, contrary to Ohio Revised Code § 5705.41(B) which requires all expenditures to be appropriated.

FINDING NUMBER 2003-002
(Continued)

We recommend the County record all benefits received from state or federal grants as a memo receipt and expenditure on the County's records, request an amended certificate of estimated resources for these funds and the Commissioners approve a corresponding appropriation for the expenditure. In addition, County management should review Auditor of State Bulletin 2000-08.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

PUTNAM COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	OAC §117-2-3(B) reporting on basis other than generally accepted accounting principles	No	Finding has not been corrected and is repeated in this report as item 2003-001.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
AUGUST 5, 2004**