



Dave Yost • Auditor of State

PUTNAM COUNTY
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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Putnam County
245 East Main Street
Ottawa, Ohio 45875

To the Board of County Commissioners:

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, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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, as of December 31, 2010, 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 conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2011, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the 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 basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

September 15, 2011

PUTNAM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010
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, 2010, 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 2010 are as follows:

Overall:

- Total net assets increased \$521,454 with Governmental Activities increasing by \$593,523 and Business-Type Activities decreasing by \$72,069.
- Total cash receipts were \$30,624,544 in 2010.
- Total program cash disbursements were \$30,103,090 in 2010.

Governmental Activities:

- Total program cash receipts were \$13,855,813 in 2010, while program cash disbursements were \$23,768,502.
- Program cash disbursements were primarily composed of Public Safety and Public Works related cash disbursements which were \$8,331,672 in 2010.

Business-Type Activities:

- Total cash receipts were \$5,588,254 for Business Activities, while corresponding cash disbursements were \$6,334,588. This is the primary reason for the increase in Net Assets 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 assets 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 FISCAL YEAR ENDED DECEMBER 31, 2010
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 assets and the statement of activities reflect how the County did financially during 2010, within the limitations of cash basis accounting. The statement of net assets 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 assets and the statement of activities, we divide the County into two types of activities:

Governmental activities: Most of the County's basic services are reported here, including 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 two major business-type activities, the Putnam Acres Care Center and 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 FISCAL YEAR ENDED DECEMBER 31, 2010
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, and the Brookhill Center School Fund. 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 two major enterprise funds, the Putnam Acres Care Center Fund and 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 Assets for 2010 compared to the prior year on a cash basis:

Table 1
Net Cash Assets

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>	
	2010	2009	2010	2009
<i>Assets</i>				
Cash and Cash Equivalents	<u>\$11,081,670</u>	<u>\$10,488,147</u>	<u>\$2,547,698</u>	<u>\$2,619,767</u>
<i>Net Cash Assets</i>				
Restricted for:				
Capital Projects	383,548	331,109		
Debt Service	323,038	913,059		
Other Purposes	8,224,089	7,882,187		
Unrestricted	<u>2,150,995</u>	<u>1,361,792</u>	<u>2,547,698</u>	<u>2,619,767</u>
<i>Total Net Assets</i>	<u>\$11,081,670</u>	<u>\$10,488,147</u>	<u>\$2,547,698</u>	<u>\$2,619,767</u>

Total assets increased by \$521,454.

Table 2 reflects the changes in net assets on a cash basis in 2010 and 2009 for governmental activities, and business-type activities.

PUTNAM COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

Table 2
Changes In Net Cash Assets

	2010		2009	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
<i>Cash Receipts</i>				
<i>Program Cash Receipts</i>				
Charges For Services and Sales	\$3,134,643	\$5,398,271	\$2,966,120	\$5,263,935
Operating Grants and Contributions	10,557,748		12,440,966	
Capital Grants and Contributions	163,422		238,664	
Total Program Cash Receipts	13,855,813	5,398,271	15,645,750	5,263,935
<i>General Cash Receipts and Transfers</i>				
Property Taxes	3,526,191		3,313,860	
Payment in Lieu of Taxes	31,262		37,776	
Sales Taxes	3,961,289		3,695,355	
Grants and Entitlements	931,815		707,128	
Interest Receipts	325,112		485,995	
Bond Proceeds	1,195,000			
Bond Premium and Accrued Interest	29,390			
Miscellaneous	1,180,418	189,983	1,140,025	249,408
Transfers/Advances In (Out)	(674,265)	674,265	(918,551)	918,531
Total General Cash Receipts, Transfers and Advances	10,506,212	864,248	8,461,588	1,167,939
Total Cash Receipts ,Transfers and Advances	24,362,025	6,262,519	24,107,338	6,431,874
<i>Cash Disbursements</i>				
<i>Program Cash Disbursements</i>				
<i>General Government</i>				
Legislative and Executive	2,937,135		2,850,846	
Judicial	1,295,026		1,273,910	
Public Safety	4,159,091		5,389,564	
Public Works	4,172,581		4,200,563	
Health	4,132,432		3,879,202	
Human Services	3,053,183		3,599,690	
Economic Development	346,570		311,049	
Miscellaneous	895,853		838,316	
Capital Outlay	394,481		704,468	
<i>Debt Service:</i>				
Principal Retirement	374,433		164,410	
Interest and Fiscal Charges	33,327		113,034	
Payment to Bond Escrow - Principal	1,735,000			
Payment to Bond Escrow - Interest and Fis	190,850			
Bond Issuance Costs	48,540			
Water and Sewer		400,507		255,013
Sanitary Landfill		894,566		1,039,094
Emergency Medical Services		1,096,646		1,185,594
Airport Operations		16,027		24,429
Putnam Acres		3,926,842		3,900,640
Assisted Living				22,542
Total Cash Disbursements	23,768,502	6,334,588	23,325,052	6,427,312
<i>Increase (Decrease) In Net Cash Assets</i>	<i>593,523</i>	<i>(72,069)</i>	<i>782,286</i>	<i>4,562</i>
Net Cash Assets at Beginning of Year	10,488,147	2,619,767	9,705,861	2,615,205
Net Cash Assets at End of Year	\$ 11,081,670	\$ 2,547,698	\$ 10,488,147	\$ 2,619,767

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, the 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 14.5 percent and 16.2 percent, respectively, of cash receipts for governmental activities for Putnam County in fiscal year 2010. Operating grants and contributions made up 43.3 percent of cash receipts for governmental activities for the County.

PUTNAM COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

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 17.5, 17.6 and 17.4 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the 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

	2010		2009	
	<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	\$2,937,135	\$1,763,048	\$2,850,846	\$1,650,561
Judicial	1,295,026	490,403	1,273,910	602,160
Public Safety	4,159,091	3,233,628	5,389,564	3,246,098
Public Works	4,172,581	146,165	4,200,563	269,837
Health	4,132,432	1,716,419	3,879,202	1,150,612
Human Services	3,053,183	(460,382)	3,599,690	(386,493)
Economic Development	346,570	106,243	311,049	(56,405)
Miscellaneous	895,853	650,392	838,316	740,028
Capital Outlay	394,481	(115,377)	704,468	185,460
Debt Service:				
Principal Retirement	374,433	374,433	164,410	164,410
Interest and Fiscal Charges	33,327	33,327	113,034	113,034
Payment to Bond Escrow - Principal	1,735,000	1,735,000		
Payment to Bond Escrow - Interest and Fi:	190,850	190,850		
Bond Issuance Costs	48,540	48,540		
	<u>\$23,768,502</u>	<u>\$9,912,689</u>	<u>\$23,325,052</u>	<u>\$7,679,302</u>
Total Cash Disbursements				

Business-Type Activities

Business-type activities include care and treatment of the elderly and disabled county residents at the Putnam Acres Care Center and operations of the Putnam County Emergency Medical Services. Overall Net Assets decreased \$72,069 from 2009 to 2010 as a result of increased water and sewer expenditures. Program receipts did not support business-type activities. During 2010 program disbursements exceeded program receipts by \$936,317.

PUTNAM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)

The County's Funds

Total governmental funds had total receipts and other financing sources of \$26,885,752 and disbursements and other financing uses of \$26,292,229. The net change in fund balance for the year increased the most in the General Fund, where the cash balance went from \$1,361,792 in 2009 to \$2,150,995 for 2010 mostly as a result of less transfers and advances made to other funds. For the Auto License and Gas Tax Fund, receipts exceeded disbursements in the amount of \$166,074. These factors along with disbursements exceeding receipts in the Brookhill Center School Fund and Other Governmental Funds in the amounts of \$114,047 and \$247,707, respectively, resulted in governmental fund balances increasing \$593,523.

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 budgeted receipts were \$7,788,729, which were the same as original budgeted receipts. Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$8,587,078, \$631,529 below cash receipts, and \$459,634 less 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 \$394,481 during fiscal year 2010.

Debt

At December 31, 2010, the County's outstanding debt included \$1,215,000 in general obligation bonds payable from governmental activities, and \$1,799,057 in general obligation bonds payable from business-type activities. During fiscal year 2010, the County refinanced the Jail Bonds. The length of the bond payments have been reduced by 6 years. The original maturity date was December 1, 2021, and now is December 1, 2015. For further information regarding the County's debt, refer to Note 12 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 putcoaud@bright.net.

Putnam County

Statement of Net Assets - Cash Basis

December 31, 2010

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$11,081,670</u>	<u>\$2,547,698</u>	<u>\$13,629,368</u>
Net Assets			
Restricted for:			
Capital Projects	\$383,548		\$383,548
Debt Service	323,038		323,038
Other Purposes	8,224,089		8,224,089
Unrestricted	<u>2,150,995</u>	<u>\$2,547,698</u>	<u>4,698,693</u>
<i>Total Net Assets</i>	<u>\$11,081,670</u>	<u>\$2,547,698</u>	<u>\$13,629,368</u>

See accompanying notes to the basic financial statements.

Putnam County

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2010*

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government:				
Legislative and Executive	\$2,937,135	\$1,174,087		
Judicial	1,295,026	689,776	\$114,847	
Public Safety	4,159,091	172,664	752,799	
Public Works	4,172,581	51,907	3,843,223	\$131,286
Health	4,132,432	339,911	2,076,102	
Human Services	3,053,183	143,930	3,369,635	
Economic Development and Assistance	346,570	84,646	155,681	
Miscellaneous	895,853		245,461	
Capital Outlay	394,481	477,722		32,136
Debt Service:				
Principal Retirement	374,433			
Interest and Fiscal Charges	33,327			
Payment to Bond Escrow - Principal	1,735,000			
Payment to Bond Escrow - Interest and Fi	190,850			
Bond Issuance Costs	48,540			
<i>Total Governmental Activities</i>	<u>23,768,502</u>	<u>3,134,643</u>	<u>10,557,748</u>	<u>163,422</u>
Business Type Activities				
Water and Sewer	400,507	332,803		
Sanitary Landfill	894,566	103,808		
Emergency Medical Services	1,096,646	1,257,486		
Airport Operations	16,027	30,195		
Putnam Acres	3,926,842	3,673,979		
<i>Total Business-Type Activities</i>	<u>6,334,588</u>	<u>5,398,271</u>		
<i>Total Primary Government</i>	<u>\$30,103,090</u>	<u>\$8,532,914</u>	<u>\$10,557,748</u>	<u>\$163,422</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

Bond Proceeds

Bond Premium and Accrued Interest

Transfers and Advances

Miscellaneous

Total General Receipts and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$1,763,048)		(\$1,763,048)
(490,403)		(490,403)
(3,233,628)		(3,233,628)
(146,165)		(146,165)
(1,716,419)		(1,716,419)
460,382		460,382
(106,243)		(106,243)
(650,392)		(650,392)
115,377		115,377
(374,433)		(374,433)
(33,327)		(33,327)
(1,735,000)		(1,735,000)
(190,850)		(190,850)
(48,540)		(48,540)
<u>(9,912,689)</u>		<u>(9,912,689)</u>
	(\$67,704)	(67,704)
	(790,758)	(790,758)
	160,840	160,840
	14,168	14,168
	<u>(252,863)</u>	<u>(252,863)</u>
	<u>(936,317)</u>	<u>(936,317)</u>
<u>(9,912,689)</u>	<u>(936,317)</u>	<u>(10,849,006)</u>
1,629,491		1,629,491
1,133,390		1,133,390
168,235		168,235
595,075		595,075
31,262		31,262
3,961,289		3,961,289
931,815		931,815
325,112		325,112
1,195,000		1,195,000
29,390		29,390
(674,265)	674,265	
<u>1,180,418</u>	<u>189,983</u>	<u>1,370,401</u>
<u>10,506,212</u>	<u>864,248</u>	<u>11,370,460</u>
593,523	(72,069)	521,454
<u>10,488,147</u>	<u>2,619,767</u>	<u>13,107,914</u>
<u>\$11,081,670</u>	<u>\$2,547,698</u>	<u>\$13,629,368</u>

Putnam County

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2010*

	<u>General</u>	<u>Auto License and Gas Tax</u>	<u>Brookhill Center School</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$2,150,995</u>	<u>\$1,520,024</u>	<u>\$1,377,196</u>	<u>\$6,033,455</u>	<u>\$11,081,670</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$157,674	\$268,202	\$20,524	\$261,294	\$707,694
Unreserved:					
Undesignated, Reported in:					
General Fund	1,993,321				1,993,321
Special Revenue Funds		1,251,822	1,356,672	5,074,172	7,682,666
Debt Service Fund				323,038	323,038
Capital Projects Funds				374,951	374,951
<i>Total Fund Balances</i>	<u>\$2,150,995</u>	<u>\$1,520,024</u>	<u>\$1,377,196</u>	<u>\$6,033,455</u>	<u>\$11,081,670</u>

See accompanying notes to the basic financial statements.

Putnam County

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2010*

	General	Auto License and Gas Tax	Brookhill Center School	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$1,629,491		\$1,133,390	\$763,310	\$3,526,191
Sales Taxes	3,828,851			132,438	3,961,289
Permissive License Tax		\$131,286			131,286
Charges for Services	1,258,712		217,553	918,573	2,394,838
Licenses and Permits	1,115			108,997	110,112
Fines and Forfeitures	31,505	32,739		87,727	151,971
Intergovernmental	772,478	3,872,047	1,056,626	5,820,548	11,521,699
Payments in Lieu of Taxes	31,262				31,262
Special Assessments				477,722	477,722
Interest	325,112				325,112
Rentals	39,499				39,499
Other	375,955		40,857	437,732	854,544
<i>Total Receipts</i>	<u>8,293,980</u>	<u>4,036,072</u>	<u>2,448,426</u>	<u>8,747,047</u>	<u>23,525,525</u>
Disbursements					
General Government:					
Legislative and Executive	2,274,718			662,417	2,937,135
Judicial	960,750			334,276	1,295,026
Public Safety	2,855,871			1,303,220	4,159,091
Public Works	62,618	4,037,171		72,792	4,172,581
Health	60,708		2,562,473	1,509,251	4,132,432
Human Services	294,185			2,758,998	3,053,183
Economic Development and Assistance				346,570	346,570
Miscellaneous	596,821			121,717	718,538
Capital Outlay				394,481	394,481
Debt Service:					
Principal Retirement				374,433	374,433
Interest and Fiscal Charges				33,327	33,327
Bond Issuance Fees				48,540	48,540
<i>Total Disbursements</i>	<u>7,105,671</u>	<u>4,037,171</u>	<u>2,562,473</u>	<u>7,960,022</u>	<u>21,665,337</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>1,188,309</u>	<u>(1,099)</u>	<u>(114,047)</u>	<u>787,025</u>	<u>1,860,188</u>
Other Financing Sources (Uses)					
Bond Proceeds				1,195,000	1,195,000
Bond Premium and Accrued Interest				29,390	29,390
Payment to Escrow Agent - Principal				(1,735,000)	(1,735,000)
Payment to Escrow Agent - Interest and Fiscal				(190,850)	(190,850)
Transfers In	7,347			719,569	726,916
Transfers Out	(497,266)			(865,054)	(1,362,320)
Advances In	870,973			251,573	1,122,546
Advances Out	(676,403)			(485,004)	(1,161,407)
Other Financing Sources	46,307	167,173		72,895	286,375
Other Financing Uses	(150,064)			(27,251)	(177,315)
<i>Total Other Financing Sources (Uses)</i>	<u>(399,106)</u>	<u>167,173</u>		<u>(1,034,732)</u>	<u>(1,266,665)</u>
<i>Net Change in Fund Balances</i>	789,203	166,074	(114,047)	(247,707)	593,523
<i>Fund Balances Beginning of Year</i>	1,361,792	1,353,950	1,491,243	6,281,162	10,488,147
<i>Fund Balances End of Year</i>	<u>\$2,150,995</u>	<u>\$1,520,024</u>	<u>\$1,377,196</u>	<u>\$6,033,455</u>	<u>\$11,081,670</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, 2010*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Receipts				
Property Taxes	\$1,625,931	\$1,625,931	\$1,629,491	\$3,560
Sales Taxes	3,400,000	3,400,000	3,828,851	428,851
Charges for Services	1,141,548	1,141,548	1,258,712	117,164
Licenses and Permits	1,840	1,840	1,115	(725)
Fines and Forfeitures	34,350	34,350	31,505	(2,845)
Intergovernmental	706,560	706,560	772,478	65,918
Payments in Lieu of Taxes	30,000	30,000	31,262	1,262
Interest	325,000	325,000	325,112	112
Rentals			39,499	39,499
Other	523,500	523,500	375,955	(147,545)
<i>Total Receipts</i>	<u>7,788,729</u>	<u>7,788,729</u>	<u>8,293,980</u>	<u>505,251</u>
Disbursements				
General Government:				
Legislative and Executive	2,331,095	2,390,727	2,282,869	107,858
Judicial	1,012,515	1,043,002	1,002,514	40,488
Public Safety	3,051,235	3,170,442	2,954,737	215,705
Public Works	72,305	72,305	62,618	9,687
Health	61,004	61,004	60,708	296
Human Services	315,334	315,834	302,115	13,719
Transportation	44,158	47,158		47,158
Miscellaneous	482,392	622,507	597,784	24,723
<i>Total Disbursements</i>	<u>7,370,038</u>	<u>7,722,979</u>	<u>7,263,345</u>	<u>459,634</u>
<i>Excess of Receipts Over Disbursements</i>	<u>418,691</u>	<u>65,750</u>	<u>1,030,635</u>	<u>964,885</u>
Other Financing Sources (Uses)				
Transfers In			7,347	7,347
Transfers Out	(225,000)	(497,266)	(497,266)	
Advances In			870,973	870,973
Advances Out		(676,403)	(676,403)	
Other Sources			46,307	46,307
Other Uses	(150,010)	(150,064)	(150,064)	
<i>Total Other Financing Sources (Uses)</i>	<u>(375,010)</u>	<u>(1,323,733)</u>	<u>(399,106)</u>	<u>924,627</u>
<i>Net Change in Fund Balance</i>	43,681	(1,257,983)	631,529	1,889,512
<i>Fund Balance Beginning of Year</i>	1,259,947	1,259,947	1,259,947	
Prior Year Encumbrances Appropriated	101,845	101,845	101,845	
<i>Fund Balance End of Year</i>	<u>\$1,405,473</u>	<u>\$103,809</u>	<u>\$1,993,321</u>	<u>\$1,889,512</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, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Permissive License Tax	\$127,181	\$127,181	\$131,286	\$4,105
Fines and Forfeitures	32,927	32,927	32,739	(188)
Intergovernmental	3,874,622	3,820,875	3,872,047	51,172
Other	15,332	15,332		(15,332)
<i>Total Receipts</i>	<u>4,050,062</u>	<u>3,996,315</u>	<u>4,036,072</u>	<u>39,757</u>
Disbursements				
Public Works	<u>4,650,000</u>	<u>4,790,427</u>	<u>4,305,373</u>	<u>485,054</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(599,938)</u>	<u>(794,112)</u>	<u>(269,301)</u>	<u>524,811</u>
Other Financing Sources				
Other Sources	<u>206,928</u>	<u>206,928</u>	<u>167,173</u>	<u>(39,755)</u>
<i>Net Change in Fund Balance</i>	(393,010)	(587,184)	(102,128)	485,056
<i>Fund Balance Beginning of Year</i>	1,310,348	1,310,348	1,310,348	
Prior Year Encumbrances Appropriated	<u>43,602</u>	<u>43,602</u>	<u>43,602</u>	
<i>Fund Balance End of Year</i>	<u>\$960,940</u>	<u>\$766,766</u>	<u>\$1,251,822</u>	<u>\$485,056</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, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$1,421,398	\$1,421,398	\$1,133,390	(\$288,008)
Charges for Services	197,000	197,000	217,553	20,553
Intergovernmental	720,000	720,000	1,056,626	336,626
Other	68,806	68,806	40,857	(27,949)
<i>Total Receipts</i>	<u>2,407,204</u>	<u>2,407,204</u>	<u>2,448,426</u>	<u>41,222</u>
Disbursements				
Health	<u>2,596,000</u>	<u>2,806,235</u>	<u>2,582,997</u>	<u>223,238</u>
<i>Net Change in Fund Balance</i>	(188,796)	(399,031)	(134,571)	264,460
<i>Fund Balance Beginning of Year</i>	1,456,470	1,456,470	1,456,470	
Prior Year Encumbrances Appropriated	<u>34,773</u>	<u>34,773</u>	<u>34,773</u>	
<i>Fund Balance End of Year</i>	<u><u>\$1,302,447</u></u>	<u><u>\$1,092,212</u></u>	<u><u>\$1,356,672</u></u>	<u><u>\$264,460</u></u>

See accompanying notes to the basic financial statements.

Putnam County

*Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2010*

	<u>Business-Type Activities</u>			
	<u>Putnam Acres</u>	<u>Putnam County Emergency Medical Services</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$1,383,892</u>	<u>\$847,870</u>	<u>\$315,936</u>	<u>\$2,547,698</u>
Net Assets				
Unrestricted	<u>\$1,383,892</u>	<u>\$847,870</u>	<u>\$315,936</u>	<u>\$2,547,698</u>

See accompanying notes to the basic financial statements.

Putnam County

*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2010*

	Business-Type Activities			Total Enterprise Funds
	Putnam County		Other Enterprise Funds	
	Putnam Acres	Emergency Medical Services		
Operating Receipts				
Charges for Services	\$3,673,979	\$1,257,486	\$466,806	\$5,398,271
Other Operating Receipts	53,260		69,642	122,902
<i>Total Operating Receipts</i>	<u>3,727,239</u>	<u>1,257,486</u>	<u>536,448</u>	<u>5,521,173</u>
Operating Disbursements				
Personal Services	2,884,412	692,443	431,183	4,008,038
Contractual Services	612,742	191,664	155,966	960,372
Materials and Supplies	190,696	110,677	302,200	603,573
Capital Outlay	97,548	101,862	248,140	447,550
<i>Total Operating Disbursements</i>	<u>3,785,398</u>	<u>1,096,646</u>	<u>1,137,489</u>	<u>6,019,533</u>
<i>Operating Income (Loss)</i>	<u>(58,159)</u>	<u>160,840</u>	<u>(601,041)</u>	<u>(498,360)</u>
Non-Operating Receipts (Disbursements)				
Bond Retirement	(69,892)		(62,961)	(132,853)
Interest and Fiscal Charges	(4,065)		(92,283)	(96,348)
Other Non-Operating Revenue	19,205		47,876	67,081
Other Non-Operating Expense	(67,487)		(18,367)	(85,854)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(122,239)</u>		<u>(125,735)</u>	<u>(247,974)</u>
<i>Income (Loss) before Transfers and Advances</i>	<u>(180,398)</u>	<u>160,840</u>	<u>(726,776)</u>	<u>(746,334)</u>
Advances In			198,121	198,121
Advances Out			(159,260)	(159,260)
Transfers In			645,895	645,895
Transfers Out			(10,491)	(10,491)
<i>Total Transfers and Advances</i>			<u>674,265</u>	<u>674,265</u>
<i>Change in Net Assets</i>	<u>(180,398)</u>	<u>160,840</u>	<u>(52,511)</u>	<u>(72,069)</u>
<i>Net Assets Beginning of Year</i>	<u>1,564,290</u>	<u>687,030</u>	<u>368,447</u>	<u>2,619,767</u>
<i>Net Assets End of Year</i>	<u>\$1,383,892</u>	<u>\$847,870</u>	<u>\$315,936</u>	<u>\$2,547,698</u>

See accompanying notes to the basic financial statements.

Putnam County

*Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2010*

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$12,153</u>	<u>\$3,950,855</u>
Net Assets		
Unrestricted	<u>\$12,153</u>	<u>\$3,950,855</u>

See accompanying notes to the basic financial statements.

Putnam County

*Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2010*

	<u>Private Purpose Trust</u>
Additions	
Miscellaneous	\$2,097
Deductions	
Other	<u>1,977</u>
Change in Net Assets	120
<i>Net Assets - Beginning of Year</i>	<u>12,033</u>
<i>Net Assets - End of Year</i>	<u><u>\$12,153</u></u>

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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 two County Court Judges.

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 20 for a presentation of condensed financial statement information of the Workshop for the year ended December 31, 2010.

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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 1 – Reporting Entity (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 18 and 19 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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The County does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the County's accounting policies.

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other 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 assets presents the cash balance, of the governmental and business-type activities of the County at year end. The statement of activities compares disbursements and program receipts for each program or function of the County's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the County is responsible.

PUTNAM COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program.

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

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.

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.

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 FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010 (Continued)

Note 2 – Summary of Significant Accounting Policies (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 are the County's major enterprise funds:

Putnam Acres Care Center - This fund accounts for the daily operations of Putnam Acres nursing home. Receipts are generated from resident fees and charges for services and are used to pay other agencies for services, to fund the daily costs of operations, and to provide services to the residents such as laundry, transportation, personal care items, and incidental medical supplies.

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 assets and changes in net assets. 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. The County had an unclaimed monies fund in 2010. 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.

PUTNAM COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

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 2010, 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 2010 were \$325,112 which includes \$226,403 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.

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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 10 and 11, 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 Assets

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

The County reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

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.

PUTNAM COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 3 – Compliance

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

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 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:

General Fund	\$157,674
Major Special Revenue Funds:	
Auto License and Gasoline Tax	268,202
Brookhill Center School	20,524

Note 5 – 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:

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;

PUTNAM COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 5 – Deposits and Investments (Continued)

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 \$65,728 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, \$12,049,591 of the County's bank balance of \$17,790,964 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

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

Note 6 – 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.

PUTNAM COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 7 – 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 2010 represent the collection of 2009 taxes. Real property taxes received in 2010 were levied after October 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of 2009 taxes. Public utility real and tangible personal property taxes received in 2010 became a lien on December 31, 2008, were levied after October 1, 2009, and are collected in 2010 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The last year for filing tangible personal property was 2008, therefore starting in tax year 2009 there were no tangible personal property tax receipts, nor will there be any in the future due to the phase out of the Tangible Personal Property Tax.

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, 2010, was \$7.75 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Property:	
Residential	\$420,254,910
Agriculture	136,118,600
Commercial/Industrial/Mineral	63,797,720
Public Utility Property:	
Real	557,110
Personal	23,937,810
Tangible Personal Property	844,470
Total Assessed Value	<u>\$645,510,620</u>

Note 8 – Interfund Receivables/Payables

Interfund balances at December 31, 2010, consisted of receivables due the General Fund in the amount of \$260,062 payable from Other Governmental Funds.

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

PUTNAM COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 9 – 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 2010, 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
Flood and Earthquake	Replacement Cost Value
Auto Physical Damage	Actual Cash Value
Automatic Acquisition	5,000,000
Crime Insurance	1,000,000
Faithful Performance	
Money and Securities	
Depositor's Forgery	
Money Order and Counterfeit Paper	
Excess Liability	1,000,000 – 7,000,000

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 2010, the County Commissioners Association of Ohio Workers' Compensation Group Rating Program, 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.

PUTNAM COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 9 – Risk Management (Continued)

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 10 – 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.

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 writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

PUTNAM COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 10 – Defined Benefit Pension Plan (Continued)

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, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 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 2010, member and employer contribution rates were consistent across all three plans.

The County's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.87 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 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. 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, 2010, 2009, and 2008 were \$1,266,831, \$1,045,121, and \$921,776, respectively; 100 percent has been contributed for 2010 and 100 percent for 2009 and 2008.

Note 11 – 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.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained 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.

PUTNAM COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 11 – Postemployment Benefits (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 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 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

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, 2010, 2009, and 2008 were \$562,921, \$750,515, and 460,888, respectively; 100 percent has been contributed for 2010 and 100 percent for 2009 and 2008.

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

PUTNAM COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 12 – Debt

The County's long-term debt activity for the year ended December 31, 2010, was as follows:

	<u>Interest Rate</u>	<u>Balance December 31, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2010</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>						
General Obligation Bonds:						
Airport Improvement Bonds (Original Amount \$143,000)	7.625%	\$7,150		\$7,150		
Human Services Building Acquisition (Original Amount \$237,000)	7.625%	11,850		11,850		
Human Services Building Addition (Original Amount \$250,000)	6.625%	14,705		14,705		
Schnipke Engraving Sewer Line (Original Amount \$169,003.48)	5.25%	100,728		100,728		
Jail Bonds (Original Amount \$2,850,000)	Variable	1,995,000		1,865,000	\$130,000	\$130,000
Jail Refunding Bonds (Original Amount \$1,195,000)	Variable		\$1,195,000	110,000	1,085,000	100,000
Total Governmental Activities		<u>2,129,433</u>	<u>1,195,000</u>	<u>2,109,433</u>	<u>1,215,000</u>	<u>230,000</u>
<u>Business-Type Activities</u>						
County Home Improvement Bonds (Original Amount \$1,050,000)	6.00%	69,892		69,892		
Sewer Dist. Imprv. Bds. Series 1999 (Original Amount \$270,000)	4.95%	122,018		17,961	104,057	18,850
Landfill Bonds (Original Amount \$2,050,000)	Variable	1,740,000		45,000	1,695,000	50,000
Total Business-Type Activities		<u>1,931,910</u>		<u>132,853</u>	<u>1,799,057</u>	<u>68,850</u>
Total General Obligation Bonds		<u>\$4,061,343</u>	<u>\$1,195,000</u>	<u>\$2,242,286</u>	<u>\$3,014,057</u>	<u>\$298,850</u>

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.

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

<u>Year</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$230,000	\$30,963
2012	240,000	23,438
2013	245,000	18,638
2014	250,000	13,125
2015	250,000	6,875
	<u>\$1,215,000</u>	<u>\$93,039</u>

PUTNAM COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 12 – Debt (Continued)

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

Year	General Obligation Bonds	
	Principal	Interest
2011	\$68,850	\$89,526
2012	69,784	86,468
2013	70,763	82,988
2014	76,791	79,461
2015	77,869	75,632
2016-2020	335,000	327,000
2021-2025	425,000	235,000
2026-2030	550,000	116,250
2031	125,000	6,250
	\$1,799,057	\$1,098,575

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, 2010, were an overall debt margin of \$11,727,766 and an unvoted debt margin of \$3,545,106.

On September 30, 2010 the County entered into an irrevocable letter of credit for \$1,597,187 that matures on September 1, 2011. As of December 31, 2010 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.

Note 13 – Leases

The County leases buildings, vehicles and other equipment under noncancelable leases. The County disbursed \$73,662 to pay lease costs for the year ended December 31, 2010. Future lease payments are as follows:

Year	Amount
2011	\$73,663
2012	52,810
2013	52,810
2014	3,150
Total	\$182,433

PUTNAM COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 14 – 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 2001.

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 obtains an annual letter of credit to make funding available for postclosure costs. There were no such costs in 2010.

Note 15 – Interfund Transfers

During 2010 the following transfers were made:

		Transfers Out			
		General	Other Governmental	Other Enterprise	Total
Transfers In	Governmental Activities:				
	General		\$7,347		\$7,347
	Other Governmental	\$457,266	255,843	\$6,460	719,569
	Total Governmental Activities	457,266	263,190	6,460	726,916
	Business-Type Activities:				
	Other Enterprise	40,000	601,864	4,031	645,895
Total	\$497,266	\$865,054	\$10,491	\$1,372,811	

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 16 – Construction and Contractual Commitments

Contractor	Project	Original Contract Amount	Contract Balance 12/31/10
J&M Excavating	John Smith Ditch #942	\$15,550	\$15,550
Buckeye Pool Service & Trucking	Ray Clevenger Ditch #940	7,376	7,376
Buckeye Pool Service & Trucking	Charles Zimmerman Ditch #946	15,897	15,897
Sand Ridge Excavating	Dutch Run1 Ditch #840	32,658	32,658
B Hilz – General Contractor	Wastewater Treatment Plant	208,550	79,474
Sarka Electric	Wastewater Treatment Plant	18,480	18,480

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010 (Continued)

Note 17 – 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.

Note 18 – 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 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 grants received from the State. The financial records are maintained by MAN. The fiscal agent is the Defiance County Sherriff.

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 contribute to the project during 2010. 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 2010. 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.

PUTNAM COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 18 – Jointly Governed Organizations (Continued)

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.

Note 19 – 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.

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)

Note 19 – Public Entity Risk Pools (Continued)

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.

Note 20 – 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 developly 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

Assets:	
Current Assets	\$846,538
Property, Plant, and Equipment	89,076
Total Assets	<u>\$935,614</u>
Liabilities:	
Current Liabilities	\$36,506
Equity:	
Unrestricted Net Assets	899,108
Total Liabilities and Net Assets	<u>\$935,614</u>

Condensed Statement of Activities -
Brookhill Workshop

Operating Revenues	\$212,910
Operating Expenses	178,048
Net Increase in Net Assets	<u>34,862</u>
Net Assets, January 1	864,246
Net Assets, December 31	<u>\$899,108</u>

PUTNAM COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 21 – Related Party Transactions

During 2010, 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 2010. 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, 2010**

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-1011-09-5103/G-1011-11-5103	\$118,076
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1011-09-5103/G-1011-11-5103	8,366
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			<u>126,442</u>
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Direct Program</i>			
ARRA - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	16.810		303,084
<i>Passed through the Ohio Department of Public Safety</i>			
<u>County Sheriff</u>			
ARRA - Eward Byrne Memorial Justice Assistance Grant Program - Grants to States and Territories	16.803		<u>93,199</u>
Total Department of Justice			<u>396,283</u>
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through the Ohio Department of Development</i>			
<u>County Commissioners</u>			
HOME Investment Partnership Program	14.239	B-C-09-1CL-1	107,625
Community Development Block Grant	14.228	B-C-09-1CL-1	39,161
Community Development Block Grant	14.228	B-E-08-1CL-1	2,820
Community Development Block Grant	14.228	B-F-09-1CL-1-1	33,000
Community Development Block Grant	14.228	B-F-08-1CL-1	700
Community Development Block Grant	14.228	C-06-064-1	80,000
Community Development Block Grant (Revolving Loans)	14.228		162,139
Total Community Development Block Grant			<u>317,820</u>
Total Department of Housing and Urban Development			<u>425,445</u>
UNITED STATES DEPARTMENT OF LABOR			
<i>Passed through the Montgomery County WIA Area 7</i>			
<u>Jobs and Family Services</u>			
Workforce Investment Act - Employment Service/Wagner-Peyser Funded Activities	17.207		1,457
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult Program	17.258		23,917
Workforce Investment Act - Adult Program Administrative	17.258		429
ARRA - Workforce Investment Act - Adult Program	17.258		15,286
Workforce Investment Act - One Stop Resource Sharing - Multiple Grants	17.258		7
Workforce Investment - Adult Total			<u>39,639</u>
Workforce Investment Act - Youth Activities	17.259		52,083
Workforce Investment Act - Youth Activities Administrative	17.259		543
ARRA - Workforce Investment Act - Youth Activities Administrative	17.259		12,677
Workforce Investment - Youth Total			<u>65,303</u>
Workforce Investment Act - Dislocated Worker	17.260		81,579
Workforce Investment Act - Dislocated Worker Administrative	17.260		1,483
ARRA - Workforce Investment Act - Dislocated Worker	17.260		35,724
Workforce Investment - Dislocated Worker Total			<u>118,786</u>
Workforce Investment Act - National Emergency Grant	17.260		513,041
Workforce Investment Act - Rapid Response	17.260		196,582
ARRA - Workforce Investment Act - Rapid Response	17.260		119,847
Total Workforce Investment Act - Dislocated Worker			<u>948,256</u>
Workforce Investment Act - Dislocated Worker	17.278		14,806
Workforce Investment Act - Rapid Response	17.278		117,600
Total Workforce Investment Act - Dislocated Worker			<u>132,406</u>
Total Workforce Investment Act Cluster			<u>1,185,604</u>
Disabled Veterans' Outreach Program	17.801		401
Local Veterans' Employment Representative Program	17.804		19
Total Department of Labor			<u>1,187,481</u>

(Continued)

PUTNAM COUNTY

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disburse- ments
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Direct Program</i>			
Airport Improvement Program	20.106		3,373
<i>Passed through the Ohio Department of Transportation:</i>			
<u>County Engineer</u>			
Highway Planning and Construction	20.205		28,824
Total Department of Transportation			<u>32,197</u>
UNITED STATES ELECTION ASSISTANCE COMMISSION			
<i>Passed through the Ohio Secretary of State</i>			
<u>Board of Elections</u>			
Help America Vote Act Requirements Payments	90.401		350
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-1011-09-5103/G-1011-11-5103	15,974
Temporary Assistance for Needy Families	93.558	G-1011-09-5103/G-1011-11-5103	510,626
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	G-1011-09-5103/G-1011-11-5103	1,273
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-1011-09-5103/G-1011-11-5103	18,823
Total Child Care and Development Fund Cluster			<u>20,096</u>
Child Support Enforcement			
ARRA - Child Support Enforcement	93.563	G-1011-09-5103/G-1011-11-5103	63,036
Total Child Support Enforcement	93.563	G-1011-09-5103/G-1011-11-5103	<u>185,729</u>
Child Welfare Services - State Grants	93.645	G-1011-09-5103/G-1011-11-5103	37,197
Foster Care - Title IV-E			
ARRA - Foster Care - Title IV-E	93.658	G-1011-09-5103/G-1011-11-5103	53,807
Total Foster Care - Title IV-E	93.658	G-1011-09-5103/G-1011-11-5103	<u>2,492</u>
			56,299
Adoption Assistance			
Social Services Block Grant	93.659	G-1011-09-5103/G-1011-11-5103	14,662
Child Abuse and Neglect State Grants	93.667	G-1011-09-5103/G-1011-11-5103	267,074
Child Abuse and Neglect State Grants	93.669	G-1011-09-5103/G-1011-11-5103	2,000
Medical Assistance Program	93.778	G-1011-09-5103/G-1011-11-5103	160,893
<i>Passed through the Ohio Department of Developmental Disabilities:</i>			
<u>Developmental Disabilities Board</u>			
Social Services Block Grant	93.667		24,035
ARRA - Medical Assistance Program	93.778		10,080
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services</i>			
<u>Alcohol, Drug Addiction, and Mental Health Services Board</u>			
Block Grants for Prevention and Treatment of Substance Abuse	93.959		79,383
Medical Assistance Program	93.778		15,590
ARRA - Medical Assistance Program	93.778		2,403
<i>Passed through the Ohio Department of Mental Health</i>			
<u>Alcohol, Drug Addiction, and Mental Health Services Board</u>			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		29,000
Block Grants for Community Mental Health Services	93.958		40,306
Social Services Block Grant	93.667		19,514
Medical Assistance Program	93.778		296,490
ARRA - Medical Assistance Program	93.778		43,412
Total Child Care Mandatory and Matching Funds of the Child Care and Development Fund - CFDA 93.596			<u>47,823</u>
Total Medical Assistance Program - CFDA 93.778			<u>528,868</u>
Total Social Service Block Grants - CFDA 93.667			<u>310,623</u>
Total Department of Health and Human Services			<u>1,893,799</u>
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through the Ohio Emergency Management Agency</i>			
<u>Emergency Management Agency</u>			
Citizen Corps	97.053		2,752
State Homeland Security Program	97.073		6,822
Public Health Emergency Preparedness	93.069		61,500
Disaster Grants - Public Assistance	97.036		2,473
Total Department of Homeland Security			<u>73,547</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u><u>\$4,135,544</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, 2010**

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 2010 is as follows:

Beginning loans receivable balance as of January 1, 2010	\$404,335
Loans made	122,000
Loan principal repaid	157,104
Ending loans receivable balance as of December 31, 2010	<u>\$369,231</u>
Cash balance on hand in the revolving loan fund as of December 31, 2010	\$283,540
Administrative costs expended during 2010	\$40,139

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2010 \$244,504 are more than 60 days past due.

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 JOB AND FAMILY SERVICES (ODJFS) 2010 ADJUSTMENT

The Ohio Department of Job and Family Services (ODJFS) sub-awarded Putnam County Federal funding from the U.S. Department of Health and Human Services. Although these programs were administered at the County level, in July 2010 ODJFS adjusted some of the County's child care expenditures to align them with available funding sources. ODJFS' adjustments were retroactive to the beginning of the grant period (October 1, 2009). Therefore, these July 2010 adjustments affect 2009 calendar-year program expenditures previously reported as follows:

**NOTE D – OHIO DEPARTMENT OF JOB AND FAMILY SERVICES (ODJFS) 2010 ADJUSTMENT
(Continued)**

Child Care Cluster	CFDA #	Pass through #	2009 Federal Expenditures Reported	July 2010 Adjustment	Adjusted 2009 Federal Expenditures Reported
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-1011-11-5103	\$143,846	(\$130,639)	\$13,207
Temporary Assistance for Needy Families	93.558	G-1011-11-5103	995,578	130,639	1,126,217



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Putnam County, Ohio (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 15, 2011, wherein we noted the County uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-002 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 15, 2011.

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

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

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

Dave Yost
Auditor of State

September 15, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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

To the Board of County Commissioners:

Compliance

We have audited the compliance of Putnam County, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Putnam County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

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

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

www.auditor.state.oh.us

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

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

We noted matters involving federal compliance and internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated September 15, 2011.

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



Dave Yost
Auditor of State

September 15, 2011

PUTNAM COUNTY
 SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 § .505
 DECEMBER 31, 2010

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)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control 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 weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control 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):	Assistant to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program CFDA # 16.810 Workforce Investment Act Cluster CFDA #17.258, 17.259, 17.260, 17.278 Temporary Assistance for Needy Families CFDA # 93.558 Social Services Block Grant CFDA # 93.667 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?	No

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

FINDING NUMBER 2010-001

Noncompliance Citation

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

Ohio Administrative 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 with 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 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.

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 2010-002

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.

**FINDING NUMBER 2010-002
(Continued)**

The 2010 financial statements contained material errors, such as the following:

- Bank balances classified as Agency Funds in the amount of \$201,720 were not recorded as Cash on the Statement of Fiduciary Net Assets.
- Activity associated with the new Jail Refunding Bonds in the amount of \$1,224,390 was not recorded on the Statement of Activities and Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances in the Other Governmental Funds.
- Advances In revenue in the amount of \$29,541 was recorded as Intergovernmental Revenue on the Statement of Activities and in the Other Governmental Funds.
- Miscellaneous Expenditures in the amount of \$281,779 were comingled with other expenditures in the General Fund on the Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis.

Adjusting entries ranging from \$4,411 to \$1,224,390 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 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 AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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PUTNAM COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2009-001	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 2010-001.
2009-002	Financial Reporting recommendation for financial statement errors.	No	Finding has not been corrected and is repeated in this report as item 2010-002.
2009-003	ORC §3501.17(B) regular employees salary to be paid from the General Fund.	Yes	
2009-004	OMB Circular A-133, Subpart C, Section .300(d) prepare an accurate schedule of expenditures of Federal awards.	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 29, 2011