



Dave Yost • Auditor of State

PUTNAM COUNTY
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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Putnam County, Ohio (the County), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Putnam County, Ohio, as of December 31, 2014, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Auto License and Gas Tax Fund, and the Brookhill Center School Fund, thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the County's financial statements that collectively comprise its basic financial statements. The Federal Award Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

We applied no procedures to the Management's Discussion and Analysis presented on pages 5-10 of the report, and accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2015, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

July 14, 2015

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PUTNAM COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 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, 2014, 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 2014 are as follows:

Overall:

- Total net position increased \$475,582 with Governmental Activities increasing by \$404,951 and Business-Type Activities increasing by \$70,631.
- Total cash receipts were \$26,701,243 in 2014.
- Total program cash disbursements were \$26,225,661 in 2014.

Governmental Activities:

- Total program cash receipts were \$13,157,068 in 2014, while program cash disbursements were \$23,653,704.
- Program cash disbursements were primarily composed of Public Safety, Public Works and Health related cash disbursements which were \$13,685,250 in 2014.

Business-Type Activities:

- Total program cash receipts were \$1,747,925 for Business Activities, while corresponding cash disbursements were \$2,571,957. General receipts are the primary reason for the increase in Net Position in the Business-type activities.

Using this Basic Financial Report

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

Report Components

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

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

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

PUTNAM COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

Basis of Accounting

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

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

Reporting the County as a Whole

The statement of net position and the statement of activities reflect how the County did financially during 2014, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental and business-type activities of the County at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the County's general receipts.

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

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

Governmental activities: Most of the County's basic services are reported here, including public safety, public works, health, and human services. State and federal grants and sales and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity: The County has one major business-type activity, the Putnam County Emergency Medical Services Fund. Business-type activities are financed by a fee charged to the customers receiving the service.

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

PUTNAM COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

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, Brookhill Center School Fund, and the Landfill Trust. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

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

The County as a Whole

Table 1 provides a summary of the County's Net Position for 2014 compared to the prior year on a cash basis.

Table 1
Net Cash Position

| | <i>Governmental Activities</i> | | <i>Business-Type Activities</i> | |
|---------------------------|--------------------------------|---------------------|---------------------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 |
| <i>Assets</i> | | | | |
| Cash and Cash Equivalents | <u>\$14,379,874</u> | <u>\$13,974,923</u> | <u>\$2,422,154</u> | <u>\$2,351,523</u> |
| <i>Net Cash Position</i> | | | | |
| Restricted for: | | | | |
| Debt Service | 257,876 | 521,002 | | |
| Capital Projects | 2,382,341 | 1,833,397 | | |
| Other Purposes | 7,560,198 | 8,976,908 | | |
| Unrestricted | <u>4,179,459</u> | <u>2,643,616</u> | <u>2,422,154</u> | <u>2,351,523</u> |
| <i>Total Net Position</i> | <u>\$14,379,874</u> | <u>\$13,974,923</u> | <u>\$2,422,154</u> | <u>\$2,351,523</u> |

Total assets increased by \$475,582.

Table 2 reflects the changes in net position on a cash basis in 2014 and 2013 for governmental activities, and business-type activities.

PUTNAM COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

Table 2
Changes In Net Cash Position

| | 2014 | | 2013 | |
|--|-------------------------|--------------------------|-------------------------|--------------------------|
| | Governmental Activities | Business-Type Activities | Governmental Activities | Business-Type Activities |
| <i>Cash Receipts</i> | | | | |
| <i>Program Cash Receipts</i> | | | | |
| Charges For Services and Sales | \$3,648,854 | \$1,747,925 | \$4,043,736 | \$2,482,938 |
| Operating Grants and Contributions | 9,190,477 | | 10,594,568 | |
| Capital Grants and Contributions | 317,737 | | 2,672,068 | |
| Total Program Cash Receipts | 13,157,068 | 1,747,925 | 17,310,372 | 2,482,938 |
| <i>General Cash Receipts and Transfers</i> | | | | |
| Property Taxes | 4,009,560 | 473,532 | 3,941,038 | |
| Payment in Lieu of Taxes | 24,236 | | 22,717 | |
| Sales Taxes | 4,408,248 | | 5,022,942 | |
| Grants and Entitlements | 818,107 | | 898,663 | |
| Interest Receipts | 123,365 | | 74,924 | |
| Revolving Loan Repayment | 21,500 | | | |
| Rent | 165,381 | 275,000 | | |
| Insurance Reimbursement | 116,668 | | | |
| Miscellaneous | 1,233,998 | 126,655 | 2,576,966 | 405,336 |
| Transfers/Advances In (Out) | (19,476) | 19,476 | (112,149) | 111,297 |
| Total General Cash Receipts, Transfers and Advances | 10,901,587 | 894,663 | 12,425,101 | 516,633 |
| Total Cash Receipts, Transfers and Advances | 24,058,655 | 2,642,588 | 29,735,473 | 2,999,571 |
| <i>Cash Disbursements</i> | | | | |
| <i>Program Cash Disbursements</i> | | | | |
| <i>General Government</i> | | | | |
| Legislative and Executive | 3,772,190 | | 3,275,074 | |
| Judicial | 1,415,599 | | 1,429,001 | |
| Public Safety | 4,313,380 | | 4,762,881 | |
| Public Works | 4,790,040 | | 4,942,281 | |
| Health | 4,581,830 | | 4,353,740 | |
| Human Services | 2,684,027 | | 3,761,530 | |
| Economic Development | 193,155 | | 405,344 | |
| Miscellaneous | 882,040 | | 1,765,804 | |
| Capital Outlay | 732,563 | | 3,823,996 | |
| <i>Debt Service:</i> | | | | |
| Principal Retirement | 275,755 | | 245,000 | |
| Interest and Fiscal Charges | 13,125 | | 18,638 | |
| Water and Sewer | | 254,024 | | 213,377 |
| Sanitary Landfill | | 168,337 | | 136,623 |
| Emergency Medical Services | | 1,692,304 | | 1,154,061 |
| Airport Operations | | 19,797 | | 101,579 |
| Putnam Acres | | 437,495 | | 1,139,660 |
| Total Cash Disbursements | 23,653,704 | 2,571,957 | 28,783,289 | 2,745,300 |
| <i>Increase (Decrease) In Net Cash Position</i> | <i>404,951</i> | <i>70,631</i> | <i>952,184</i> | <i>254,271</i> |
| Net Cash Position at Beginning of Year | 13,974,923 | 2,351,523 | 13,022,739 | 2,097,252 |
| Net Cash Position at End of Year | \$14,379,874 | \$2,422,154 | \$13,974,923 | \$2,351,523 |

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall monies generated by a voted levy do not increase solely as a result of inflation. Thus, County's dependence upon property taxes is hampered by a lack of tax growth and must return to the voters to maintain a constant level of service. Property taxes and sales taxes made up 16.7 percent and 18.3 percent, respectively, of cash receipts for governmental activities for Putnam County in fiscal year 2014. Operating grants and contributions made up 38.2 percent of cash receipts for governmental activities for the County.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the County. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public safety, public works and health, which account for 18.2, 20.3, and 19.4 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"

PUTNAM COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
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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

| | 2014 | | 2013 | |
|---------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
| | <u>Total Cost of Service</u> | <u>Net Cost of Service</u> | <u>Total Cost of Service</u> | <u>Net Cost of Service</u> |
| General Government | | | | |
| Legislative and Executive | \$3,772,190 | \$2,411,382 | \$3,275,074 | \$1,948,879 |
| Judicial | 1,415,599 | 608,960 | 1,429,001 | 605,146 |
| Public Safety | 4,313,380 | 3,446,963 | 4,762,881 | 3,682,987 |
| Public Works | 4,790,040 | 761,960 | 4,942,281 | 232,407 |
| Health | 4,581,830 | 2,220,620 | 4,353,740 | 2,345,832 |
| Human Services | 2,684,027 | 178,965 | 3,761,530 | 349,079 |
| Economic Development | 193,155 | (12,124) | 405,344 | (12,289) |
| Miscellaneous | 882,040 | 652,034 | 1,765,804 | 1,533,155 |
| Capital Outlay | 732,563 | (61,004) | 3,823,996 | 524,083 |
| Debt Service: | | | | |
| Principal Retirement | 275,755 | 275,755 | 245,000 | 245,000 |
| Interest and Fiscal Charges | 13,125 | 13,125 | 18,638 | 18,638 |
| Total Cash Disbursements | \$23,653,704 | \$10,496,636 | \$28,783,289 | \$11,472,917 |

Business-Type Activities

Business-type activities include providing emergency medical services to the residents of Putnam County, and activity for the closed landfill. Overall Net Position increased \$70,631 from 2013 to 2014 largely as a result of decreasing expenditures at the now closed Putnam Acres Care Center. Program receipts did not support business-type activities. During 2014 program disbursements exceeded program receipts by \$824,032.

The County's Funds

Total governmental funds had receipts and other financing sources of \$25,744,372 and disbursements and other financing uses of \$25,339,421. The net change in fund balance for the year increased the most in Other Governmental Funds where the cash balance went from \$6,712,046 in 2013 to \$7,205,831 for 2014, as a result of decreased expenditures.

General Fund Budgeting Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. For the General Fund, final budget basis receipts and other financing sources were \$9,302,027. Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$9,830,468, \$68,672 above actual cash receipts and other financing sources, and \$854,721 less than the final budget estimates.

PUTNAM COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

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 \$732,563 during fiscal year 2014.

Debt

At December 31, 2014, the County's outstanding debt included \$250,000 in general obligation bonds and \$527,522 in loans payable from governmental activities, and \$22,869 in general obligation bonds and \$22,176 in loans payable from business-type activities. For further information regarding the County's debt, refer to Note 13 to the financial statements.

Current Financial Related Activities

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

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

Contacting the County's Financial Management

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

PUTNAM COUNTY

STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2014

| | <u>Governmental Activities</u> | <u>Business - Type Activities</u> | <u>Total</u> |
|--|------------------------------------|---------------------------------------|---------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$14,379,874</u> | <u>\$2,422,154</u> | <u>\$16,802,028</u> |
| Net Position | | | |
| Restricted for: | | | |
| Debt Service | \$257,876 | | \$257,876 |
| Capital Projects | 2,382,341 | | 2,382,341 |
| Other Purposes | 7,560,198 | | 7,560,198 |
| Unrestricted | <u>4,179,459</u> | <u>\$2,422,154</u> | <u>6,601,613</u> |
| <i>Total Net Position</i> | <u>\$14,379,874</u> | <u>\$2,422,154</u> | <u>\$16,802,028</u> |

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | <u>Program Cash Receipts</u> | | | |
|---------------------------------------|-------------------------------|---|---|---|
| | <u>Cash Disbursements</u> | <u>Charges for Services and Sales</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Governmental Activities | | | | |
| General Government: | | | | |
| Legislative and Executive | \$3,772,190 | \$1,360,808 | | |
| Judicial | 1,415,599 | 656,294 | \$150,345 | |
| Public Safety | 4,313,380 | 437,779 | 428,638 | |
| Public Works | 4,790,040 | 60,377 | 3,832,305 | \$135,398 |
| Health | 4,581,830 | 351,319 | 2,009,891 | |
| Human Services | 2,684,027 | 153,475 | 2,351,587 | |
| Economic Development and Assistance | 193,155 | 17,574 | 187,705 | |
| Miscellaneous | 882,040 | | 230,006 | |
| Capital Outlay | 732,563 | 611,228 | | 182,339 |
| Debt Service: | | | | |
| Principal Retirement | 275,755 | | | |
| Interest and Fiscal Charges | 13,125 | | | |
| <i>Total Governmental Activities</i> | <u>23,653,704</u> | <u>3,648,854</u> | <u>9,190,477</u> | <u>317,737</u> |
| Business Type Activities | | | | |
| Water and Sewer | 254,024 | 237,588 | | |
| Sanitary Landfill | 168,337 | 123,862 | | |
| Emergency Medical Services | 1,692,304 | 1,350,225 | | |
| Airport Operations | 19,797 | 32,307 | | |
| Putnam Acres | 437,495 | 3,943 | | |
| <i>Total Business-Type Activities</i> | <u>2,571,957</u> | <u>1,747,925</u> | | |
| Totals | <u><u>\$26,225,661</u></u> | <u><u>\$5,396,779</u></u> | <u><u>\$9,190,477</u></u> | <u><u>\$317,737</u></u> |

General Receipts

Property Taxes Levied for:
 General Purposes
 Brookhill Center School
 Mental Health
 911 Systems
 Emergency Medical Services
Payment in Lieu of Taxes
Sales Taxes
Grants and Entitlements not Restricted to Specific Programs
Interest
Transfers and Advances
Revolving Loan Repayment
Rent
Insurance Reimbursement
Miscellaneous

Total General Receipts and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Position

| Governmental Activities | Business-Type Activities | Total |
|------------------------------------|-------------------------------------|---------------------|
| (\$2,411,382) | | (\$2,411,382) |
| (608,960) | | (608,960) |
| (3,446,963) | | (3,446,963) |
| (761,960) | | (761,960) |
| (2,220,620) | | (2,220,620) |
| (178,965) | | (178,965) |
| 12,124 | | 12,124 |
| (652,034) | | (652,034) |
| 61,004 | | 61,004 |
| (275,755) | | (275,755) |
| (13,125) | | (13,125) |
| <u>(10,496,636)</u> | | <u>(10,496,636)</u> |
| | (\$16,436) | (16,436) |
| | (44,475) | (44,475) |
| | (342,079) | (342,079) |
| | 12,510 | 12,510 |
| | <u>(433,552)</u> | <u>(433,552)</u> |
| | (824,032) | (824,032) |
| <u>(10,496,636)</u> | <u>(824,032)</u> | <u>(11,320,668)</u> |
| 1,697,812 | | 1,697,812 |
| 1,407,681 | | 1,407,681 |
| 164,594 | | 164,594 |
| 739,473 | | 739,473 |
| 24,236 | 473,532 | 473,532 |
| 4,408,248 | | 4,408,248 |
| 818,107 | | 818,107 |
| 123,365 | | 123,365 |
| (19,476) | 19,476 | |
| 21,500 | | 21,500 |
| 165,381 | 275,000 | 440,381 |
| 116,668 | | 116,668 |
| 1,233,998 | 126,655 | 1,360,653 |
| <u>10,901,587</u> | <u>894,663</u> | <u>11,796,250</u> |
| 404,951 | 70,631 | 475,582 |
| <u>13,974,923</u> | <u>2,351,523</u> | <u>16,326,446</u> |
| <u>\$14,379,874</u> | <u>\$2,422,154</u> | <u>\$16,802,028</u> |

PUTNAM COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2014

| | General | Auto License and Gas Tax | Brookhill Center School | Landfill Trust | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|-----------------------------|-------------------------------|--------------------|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,919,773 | \$1,374,757 | \$879,513 | \$2,000,000 | \$7,205,831 | \$14,379,874 |
| Fund Balances | | | | | | |
| Nonspendable | 6,874 | | | | | 6,874 |
| Restricted | | 1,374,757 | 879,513 | 2,000,000 | 5,939,271 | 10,193,541 |
| Committed | | | | | 1,009,973 | 1,009,973 |
| Assigned | 174,742 | | | | 256,587 | 431,329 |
| Unassigned | 2,738,157 | | | | | 2,738,157 |
| Total Fund Balances | <u>\$2,919,773</u> | <u>\$1,374,757</u> | <u>\$879,513</u> | <u>\$2,000,000</u> | <u>\$7,205,831</u> | <u>\$14,379,874</u> |

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

| | General | Auto License and Gas Tax | Brookhill Center School | Landfill Trust | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|-----------------------------|-------------------------------|--------------------|--------------------------------|--------------------------------|
| Receipts | | | | | | |
| Property Taxes | \$1,697,812 | | \$1,407,681 | | \$904,067 | \$4,009,560 |
| Sales Taxes | 4,240,338 | | | | 167,910 | 4,408,248 |
| Permissive License Tax | | \$135,095 | | | | 135,095 |
| Charges for Services | 1,713,266 | | 237,811 | | 822,107 | 2,773,184 |
| Licenses and Permits | 915 | | | | 105,301 | 106,216 |
| Fines and Forfeitures | 23,113 | 44,319 | | | 90,794 | 158,226 |
| Intergovernmental | 967,867 | 3,832,305 | 1,140,755 | | 4,250,299 | 10,191,226 |
| Payments in Lieu of Taxes | 24,236 | | | | | 24,236 |
| Special Assessments | | | | | 611,228 | 611,228 |
| Interest | 123,365 | | | | | 123,365 |
| Revolving Loan Repayment | | | | | 21,500 | 21,500 |
| Rent | 165,381 | | | | | 165,381 |
| Insurance Reimbursement | 116,668 | | | | | 116,668 |
| Other | 393,281 | 25,877 | 73,596 | | 359,341 | 852,095 |
| Total Receipts | 9,466,242 | 4,037,596 | 2,859,843 | | 7,332,547 | 23,696,228 |
| Disbursements | | | | | | |
| General Government: | | | | | | |
| Legislative and Executive | 3,217,170 | | | | 555,020 | 3,772,190 |
| Judicial | 1,136,155 | | | | 279,444 | 1,415,599 |
| Public Safety | 3,324,200 | | | | 989,180 | 4,313,380 |
| Public Works | 63,855 | 4,561,881 | | | 164,304 | 4,790,040 |
| Health | 80,381 | | 3,311,364 | | 1,190,085 | 4,581,830 |
| Human Services | 350,270 | | | | 2,333,757 | 2,684,027 |
| Economic Development and Assistance | | | | | 193,155 | 193,155 |
| Miscellaneous | 535,733 | | | | 162,919 | 698,652 |
| Capital Outlay | | | | | 732,563 | 732,563 |
| Debt Service: | | | | | | |
| Principal Retirement | | | 10,000 | | 265,755 | 275,755 |
| Interest and Fiscal Charges | | | | | 13,125 | 13,125 |
| Total Disbursements | 8,707,764 | 4,561,881 | 3,321,364 | | 6,879,307 | 23,470,316 |
| Excess of Receipts Over/(Under) Disbursements | 758,478 | (524,285) | (461,521) | | 453,240 | 225,912 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers In | | | | \$400,000 | 390,061 | 790,061 |
| Transfers Out | (420,851) | | | | (343,937) | (764,788) |
| Advances In | 566,330 | | | | 309,850 | 876,180 |
| Advances Out | (547,276) | | | | (373,653) | (920,929) |
| Other Financing Sources | 88,905 | 220,817 | | | 72,181 | 381,903 |
| Other Financing Uses | (169,431) | | | | (13,957) | (183,388) |
| Total Other Financing Sources (Uses) | (482,323) | 220,817 | | 400,000 | 40,545 | 179,039 |
| Net Change in Fund Balances | 276,155 | (303,468) | (461,521) | 400,000 | 493,785 | 404,951 |
| Restated Fund Balances Beginning of Year | 2,643,618 | 1,678,225 | 1,341,034 | 1,600,000 | 6,712,046 | 13,974,923 |
| Fund Balances End of Year | \$2,919,773 | \$1,374,757 | \$879,513 | \$2,000,000 | \$7,205,831 | \$14,379,874 |

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, 2014**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Property Taxes | \$1,689,124 | \$1,689,124 | \$1,697,812 | \$8,688 |
| Sales Taxes | 3,900,000 | 3,900,000 | 4,240,338 | 340,338 |
| Charges for Services | 1,671,948 | 1,671,948 | 1,493,215 | (178,733) |
| Licenses and Permits | 1,540 | 1,540 | 915 | (625) |
| Fines and Forfeitures | 29,000 | 29,000 | 23,113 | (5,887) |
| Intergovernmental | 807,415 | 807,415 | 967,867 | 160,452 |
| Payments in Lieu of Taxes | 10,000 | 10,000 | 24,236 | 14,236 |
| Interest | 75,000 | 75,000 | 123,365 | 48,365 |
| Rent | | | 165,381 | 165,381 |
| Insurance Reimbursement | | | 116,668 | 116,668 |
| Other | 688,000 | 688,000 | 390,995 | (297,005) |
| <i>Total Receipts</i> | <u>8,872,027</u> | <u>8,872,027</u> | <u>9,243,905</u> | <u>371,878</u> |
| Disbursements | | | | |
| General Government: | | | | |
| Legislative and Executive | 3,590,695 | 3,968,336 | 3,470,567 | 497,769 |
| Judicial | 1,146,477 | 1,148,976 | 1,041,734 | 107,242 |
| Public Safety | 3,348,289 | 3,479,510 | 3,413,539 | 65,971 |
| Public Works | 64,601 | 64,601 | 63,855 | 746 |
| Health | | 103,073 | 80,381 | 22,692 |
| Human Services | 394,871 | 394,871 | 370,726 | 24,145 |
| Transportation | 56,719 | 56,719 | 56,219 | 500 |
| Miscellaneous | 238,257 | 315,475 | 190,889 | 124,586 |
| Debt Service: | | | | |
| Principal Retirement | 10,000 | 10,000 | | 10,000 |
| <i>Total Disbursements</i> | <u>8,849,909</u> | <u>9,541,561</u> | <u>8,687,910</u> | <u>853,651</u> |
| <i>Excess of Receipts Over/(Under) Disbursements</i> | <u>22,118</u> | <u>(669,534)</u> | <u>555,995</u> | <u>1,225,529</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 50,000 | 50,000 | | (50,000) |
| Transfers Out | (100,000) | (420,852) | (420,851) | 1 |
| Advances In | 350,000 | 350,000 | 566,330 | 216,330 |
| Advances Out | (250,000) | (552,276) | (552,276) | |
| Other Sources | 30,000 | 30,000 | 88,905 | 58,905 |
| Other Uses | (170,500) | (170,500) | (169,431) | 1,069 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(90,500)</u> | <u>(713,628)</u> | <u>(487,323)</u> | <u>226,305</u> |
| <i>Net Change in Fund Balance</i> | <u>(68,382)</u> | <u>(1,383,162)</u> | <u>68,672</u> | <u>1,451,834</u> |
| <i>Fund Balance Beginning of Year</i> | <u>2,256,316</u> | <u>2,256,316</u> | <u>2,256,316</u> | |
| Prior Year Encumbrances Appropriated | 121,595 | 121,595 | 121,595 | |
| <i>Fund Balance End of Year</i> | <u>\$2,309,529</u> | <u>\$994,749</u> | <u>\$2,446,583</u> | <u>\$1,451,834</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, 2014**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|--|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Permissive License Tax | \$133,005 | \$133,005 | \$135,095 | \$2,090 |
| Fines and Forfeitures | 38,723 | 38,723 | 44,319 | 5,596 |
| Intergovernmental | 3,789,474 | 3,789,474 | 3,832,305 | 42,831 |
| Other | 11,130 | 11,130 | 25,877 | 14,747 |
| <i>Total Receipts</i> | <u>3,972,332</u> | <u>3,972,332</u> | <u>4,037,596</u> | <u>65,264</u> |
| Disbursements | | | | |
| Public Works | 5,327,003 | 5,547,074 | 4,742,114 | 804,960 |
| <i>Excess of Disbursements Over Receipts</i> | <u>(1,354,671)</u> | <u>(1,574,742)</u> | <u>(704,518)</u> | <u>870,224</u> |
| Other Financing Sources | | | | |
| Other Sources | 190,820 | 190,820 | 220,817 | 29,997 |
| <i>Net Change in Fund Balance</i> | (1,163,851) | (1,383,922) | (483,701) | 900,221 |
| <i>Fund Balance Beginning of Year</i> | 1,351,222 | 1,351,222 | 1,351,222 | |
| Prior Year Encumbrances Appropriated | 327,003 | 327,003 | 327,003 | |
| <i>Fund Balance End of Year</i> | <u>\$514,374</u> | <u>\$294,303</u> | <u>\$1,194,524</u> | <u>\$900,221</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, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|--------------------|------------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property Taxes | \$1,370,000 | \$1,394,340 | \$1,407,681 | \$13,341 |
| Charges for Services | 225,000 | 225,000 | 237,811 | 12,811 |
| Intergovernmental | 978,000 | 990,327 | 1,140,755 | 150,428 |
| Other | 100,100 | 100,100 | 73,596 | (26,504) |
| <i>Total Receipts</i> | <u>2,673,100</u> | <u>2,709,767</u> | <u>2,859,843</u> | <u>150,076</u> |
| Disbursements | | | | |
| Health | 3,319,481 | 3,809,014 | 3,311,364 | 497,650 |
| Debt Service: Principal | | | 10,000 | (10,000) |
| <i>Excess of Disbursements Over Receipts</i> | <u>(646,381)</u> | <u>(1,099,247)</u> | <u>(461,521)</u> | <u>637,726</u> |
| <i>Fund Balance Beginning of Year</i> | 1,259,863 | 1,259,863 | 1,259,863 | |
| Prior Year Encumbrances Appropriated | 81,171 | 81,171 | 81,171 | |
| <i>Fund Balance End of Year</i> | <u>\$694,653</u> | <u>\$241,787</u> | <u>\$879,513</u> | <u>\$637,726</u> |

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

STATEMENT OF FUND NET POSITION - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2014

| | <u>Business-Type Activities</u> | | |
|--|---------------------------------|-----------------------------------|-----------------------------------|
| | <u>Putnam County EMS</u> | <u>Other Enterprise Funds</u> | <u>Total Enterprise Funds</u> |
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$1,436,904</u> | <u>\$985,250</u> | <u>\$2,422,154</u> |
| Net Position | | | |
| Unrestricted | <u>\$1,436,904</u> | <u>\$985,250</u> | <u>\$2,422,154</u> |

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

STATEMENT OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND NET POSITION - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

| | Business-Type Activities | | |
|---|---------------------------------|-----------------------------------|-----------------------------------|
| | Putnam County EMS | Other Enterprise Funds | Total Enterprise Funds |
| Operating Receipts | | | |
| Charges for Services | \$1,350,225 | \$397,700 | \$1,747,925 |
| Other Operating Receipts | | 124,751 | 124,751 |
| <i>Total Operating Receipts</i> | <u>1,350,225</u> | <u>522,451</u> | <u>1,872,676</u> |
| Operating Disbursements | | | |
| Personal Services | 988,712 | 229,723 | 1,218,435 |
| Contractual Services | 212,869 | 114,481 | 327,350 |
| Materials and Supplies | 196,422 | 45,910 | 242,332 |
| Capital Outlay | 294,301 | 171,160 | 465,461 |
| <i>Total Operating Disbursements</i> | <u>1,692,304</u> | <u>561,274</u> | <u>2,253,578</u> |
| <i>Operating Loss</i> | <u>(342,079)</u> | <u>(38,823)</u> | <u>(380,902)</u> |
| Non-Operating Receipts (Disbursements) | | | |
| Property Taxes | 473,532 | | 473,532 |
| Rent | | 275,000 | 275,000 |
| Bond Retirement | | (23,096) | (23,096) |
| Interest Expense and Fiscal Charges | | (2,211) | (2,211) |
| Other Non-Operating Revenue | | 1,904 | 1,904 |
| Other Non-Operating Expense | | (293,072) | (293,072) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>473,532</u> | <u>(41,475)</u> | <u>432,057</u> |
| <i>Income (Loss) before Transfers and Advances</i> | 131,453 | (80,298) | 51,155 |
| Transfers In | | 24,000 | 24,000 |
| Transfers Out | | (50,124) | (50,124) |
| Advances In | | 55,600 | 55,600 |
| Advances Out | | (10,000) | (10,000) |
| <i>Total Transfers and Advances</i> | | <u>19,476</u> | <u>19,476</u> |
| <i>Change in Net Position</i> | 131,453 | (60,822) | 70,631 |
| <i>Net Position Beginning of Year</i> | <u>1,305,451</u> | <u>1,046,072</u> | <u>2,351,523</u> |
| <i>Net Position End of Year</i> | <u>\$1,436,904</u> | <u>\$985,250</u> | <u>\$2,422,154</u> |

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2014

| | <u>Private Purpose Trust</u> | <u>Agency</u> |
|--|----------------------------------|--------------------|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$301</u> | <u>\$5,598,365</u> |
| Liabilities | | |
| Undistributed Assets | | <u>\$5,598,365</u> |
| Net Position | | |
| Unrestricted | <u>\$301</u> | |

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

| | <u>Private Purpose Trust</u> |
|---|----------------------------------|
| <i>Net Position - Beginning of Year</i> | <u>\$301</u> |
| <i>Net Position - End of Year</i> | <u><u>\$301</u></u> |

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

Note 1 – Reporting Entity

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

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

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

A. Primary Government

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

B. Component Units

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

Component Unit

Based on the foregoing criteria, the Brookhill Center Industries, Inc. (the Workshop) is a component unit of the County. See note 22 for a presentation of condensed financial statement information of the Workshop for the year ended December 31, 2014.

Potential Component Units Reported as Agency Funds

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

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

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

C. Jointly Governed Organizations and Public Entity Risk Pools

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

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

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The following are the more significant of the County's accounting policies.

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)

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

2. Fund Financial Statements

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

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

B. Fund Accounting

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

1. Governmental Funds

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

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

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

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

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

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

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.

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the County's major enterprise fund:

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

3. Fiduciary Funds

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

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

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

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 2014, 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 2014 were \$123,365 which includes \$99,160 assigned from other County funds.

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

The County reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The advances from the County's General Fund to the agency funds in the amount of \$851 are included in advances-out on the financial statements.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

L. Long-Term Obligations

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

M. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes primarily include activities involving the upkeep of the County's roads and bridges, various mental health services, child support and welfare services, services for the handicapped and developmentally disabled, and activities of the County's courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

N. Fund Balance

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

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

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

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the County Commissioners. Those committed amounts cannot be used for any other purpose unless the County Commissioners removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the County Commissioners, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

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

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

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

O. Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in proprietary funds.

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

Note 3 – Accountability and Compliance

A. Restatement of Fund Balances

The County's governmental beginning balances have been restated due to a change in the funds considered to be major funds as of December 31, 2013.

In 2013, the Capital Improvements Fund was classified as a major fund. In 2014, the Capital Improvements Fund was classified as a nonmajor fund due to a decrease in Intergovernmental Revenue and Fund Balance.

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

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

| | General | Capital Improvements | Other Major | Other Governmental | Total Governmental |
|--|-------------|-------------------------|----------------|-----------------------|-----------------------|
| Fund balance as of December 31, 2013 | \$2,643,618 | \$18,803 | \$4,619,259 | \$6,693,243 | \$13,974,923 |
| Fund reclassifications: | | | | | |
| Capital Improvements | | (18,803) | | 18,803 | |
| Total reclassifications | | (\$18,803) | | 18,803 | |
| Restated fund balance as of January 1, 2014 | \$2,643,618 | | \$4,619,259 | \$6,712,046 | \$13,974,923 |

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

B. Compliance

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

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$173,131 in the General Fund and \$180,233 in the Auto License and Gas Tax Fund.

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

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

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

| Net Change in Fund Cash Balance | | | |
|---------------------------------|-----------------|-------------------------------------|------------------------------------|
| | General Fund | Auto License and Gas Tax Fund | Brookhill Center School Fund |
| Cash Basis | \$276,155 | (\$303,468) | (\$461,521) |
| Funds Budgeted Elsewhere | (34,352) | | |
| Adjustment for Encumbrances | (173,131) | (180,233) | |
| Budget Basis | <u>\$68,672</u> | <u>(\$483,701)</u> | <u>(\$461,521)</u> |

Note 5 – Fund Balances

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

| | General Fund | Auto License and Gas Tax Fund | Brookhill Center School Fund | Landfill Trust | Other Governmental Funds | Total Governmental Funds |
|-------------------------|-----------------|-------------------------------------|------------------------------------|-------------------|--------------------------------|--------------------------------|
| Nonspendable for: | | | | | | |
| Unclaimed Monies | \$6,874 | | | | | \$6,874 |
| Restricted for: | | | | | | |
| General Government | | | | | \$1,760,814 | 1,760,814 |
| Public Safety | | | | | 1,216,199 | 1,216,199 |
| Public Works | | \$1,374,757 | | | 1,546 | 1,376,303 |
| Health Services | | | | | 684,822 | 684,822 |
| Human Services | | | \$879,513 | | 1,510,117 | 2,389,630 |
| Economic Development | | | | | 231,323 | 231,323 |
| Capital Outlay | | | | \$2,000,000 | 533,161 | 2,533,161 |
| Debt Service | | | | | 1,289 | 1,289 |
| Total Restricted | | 1,374,757 | 879,513 | 2,000,000 | 5,939,271 | 10,193,541 |
| Committed for: | | | | | | |
| Human Services | | | | | 994,639 | 994,639 |
| Economic Development | | | | | 15,334 | 15,334 |
| Total Committed | | | | | 1,009,973 | 1,009,973 |
| Assigned for: | | | | | | |
| Encumbrances | 174,742 | | | | | 174,742 |
| Jail Debt Service | | | | | 256,587 | 256,587 |
| Total Assigned | 174,742 | | | | 256,587 | 431,329 |

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

| | | | | | | | |
|--------------------|-------------|-------------|-----------|-------------|-------------|--------------|-----------|
| Unassigned | 2,738,157 | | | | | | 2,738,157 |
| Total Fund Balance | \$2,919,773 | \$1,374,757 | \$879,513 | \$2,000,000 | \$7,205,831 | \$14,379,874 | |

Note 6 – Deposits and Investments

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

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

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

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

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the County had \$109,389 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$14,242,902 of the County's bank balance of \$21,045,048 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.

Investments

As of December 31, 2014, the County had the following investments:

| Investment Type | Carrying Value | Less than 12 Months | 12 - 24 Months | More than 24 Months |
|--|--------------------|---------------------|------------------|---------------------|
| Federal National Mortgage Association | \$599,960 | \$200,224 | \$202,042 | \$197,614 |
| Federal Farm Credit Banks | 223,991 | | 124,023 | 99,968 |
| Federal Home Loan Bank | 323,368 | | 99,977 | 223,481 |
| Federal Home Loan Mortgage Corporation | 297,704 | 100,114 | | 197,590 |
| Total Investments | \$1,445,023 | \$300,338 | \$426,042 | \$718,653 |

The weighted average maturity of investments is 1.9 years

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the County's investment policy limits portfolio maturities to five years or less.

Credit Risk: The Federal National Mortgage Association Notes, Federal Farm Credit Banks Notes, Federal Home Loan Bank Notes, and Federal Home Loan Mortgage Corporation Notes carry a rating of AA+ by Standards & Poor's. The County has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2014:

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

| | Carrying Value | Percent of Balance |
|--|-------------------|-----------------------|
| Federal National Mortgage Association | \$599,960 | 41.52% |
| Federal Farm Credit Banks | 223,991 | 15.50% |
| Federal Home Loan Bank | 323,368 | 22.38% |
| Federal Home Loan Mortgage Corporation | 297,704 | 20.60% |
| Total Investments | \$1,445,023 | 100.00% |

Note 7 – Permissive Sales and Use Tax

The County Commissioners, by resolution, imposed a 1.5 percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles, not subject to the sales tax. The allocation of the sales tax is 95 percent to the County’s General Fund and 5 percent to the Capital improvement Capital Projects Fund. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies the amount of the tax to be returned to the County to the State Auditor. The Tax Commissioner’s certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Note 8 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax receipts received in 2014 represent the collection of 2013 taxes. Real property taxes received in 2014 were levied after October 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of 2013 taxes. Public utility real and tangible personal property taxes received in 2014 became a lien on December 31, 2012, were levied after October 1, 2013, and are collected in 2014 with real property taxes. Public utility real property is assessed at 35 percent of true value.

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

The full tax rate for all County operations for the year ended December 31, 2014, was \$8.65 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2014 property tax receipts were based are as follows:

| | |
|---------------|---------------|
| Real Property | |
| Residential | \$437,783,100 |

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

| | |
|---------------------------|---------------|
| Agriculture | 210,262,260 |
| Commercial and Industrial | 62,886,480 |
| Public Utility Property | |
| Real | 628,070 |
| Personal | 30,840,570 |
| Total Assessed Value | \$742,400,480 |

Note 9 – Interfund Receivables/Payables

The County reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Interfund balances at December 31, 2014, consisted of receivables due the General Fund in the amount of \$321,450, of which \$175,850 is payable from Other Governmental Funds and \$145,600 is payable from Other Enterprise Fund.

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

Note 10 – Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2014, the County contracted with County Risk Sharing Authority, Inc. (CORSA) for insurance coverage. Coverage provided by CORSA is as follows:

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

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

Excess Liability 7,000,000

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

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 2014, the County participated in the County Commissioners Association of Ohio Service Corporation, a worker's compensation group rating plan (Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

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

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

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

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

Note 11 – Defined Benefit Pension Plan

Plan Description – The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

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 visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

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

The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$1,480,201, \$1,549,851, and \$1,270,283, respectively; 100 percent has been contributed for 2014 and 100 percent for 2013 and 2012.

Note 12 – Postemployment Benefits

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

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 visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 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 2 percent for 2014. The portion of employer contributions allocated to health care for members in the Combined Plan was 2 percent for 2014. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The County’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$246,700, \$119,219, and \$508,114, respectively; 100 percent has been contributed for 2014 and 100 percent for 2013 and 2012.

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

Note 13 – Debt

The County’s long-term debt activity for the year ended December 31, 2014, was as follows:

| | Interest Rate | Balance December 31, 2013 | Reductions | Balance December 31, 2014 | Due Within One Year |
|---|------------------|---------------------------------|------------|---------------------------------|------------------------|
| <u>Governmental Activities</u> | | | | | |
| OPWC Loan #CM21N | 0% | \$175,000 | \$10,000 | \$165,000 | \$10,000 |
| OWDA Loan #5802 | 1.50% | 378,277 | 15,755 | 362,522 | 5,470 |
| Jail Refunding Bonds (Original Amount \$1,195,000) | Variable | 500,000 | 250,000 | 250,000 | 250,000 |
| Total Governmental Activities | | 1,053,277 | 275,755 | 777,522 | 265,470 |

Business-Type Activities

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

| | | | | | |
|--|-------|--------------------|------------------|------------------|------------------|
| OPWC Loan #CM06N | 0% | 23,481 | 1,305 | 22,176 | 652 |
| Sewer Dist. Imprv. Bds. Series 1999 (Original Amount \$270,000) | 4.95% | 44,660 | 21,791 | 22,869 | 22,869 |
| Total Business-Type Activities | | <u>68,141</u> | <u>23,096</u> | <u>45,045</u> | <u>23,521</u> |
| Total General Obligation Bonds | | <u>\$1,121,418</u> | <u>\$298,851</u> | <u>\$822,567</u> | <u>\$288,991</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.

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

In 2011, the County obtained an Ohio Water Development Association (OWDA) loan, in the amount of \$404,811, with a 1.5% interest rate, for manhole relining. The loan will be repaid in semiannual installments over 31 years from transfers from the General Fund.

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

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

| Year | General Obligation Bonds | | OPWC Loan | OWDA Loan | |
|-----------|--------------------------|----------------|------------------|------------------|-----------------|
| | Principal | Interest | | Principal | Interest |
| 2015 | \$250,000 | \$6,875 | \$10,000 | \$5,470 | \$2,719 |
| 2016 | | | 10,000 | 11,064 | 5,314 |
| 2017 | | | 10,000 | 11,230 | 5,148 |
| 2018 | | | 10,000 | 11,400 | 4,979 |
| 2019 | | | 10,000 | 11,571 | 4,807 |
| 2020-2024 | | | 50,000 | 60,522 | 21,369 |
| 2025-2029 | | | 50,000 | 65,218 | 16,674 |
| 2030-2034 | | | 15,000 | 70,277 | 11,614 |
| 2035-2039 | | | | 75,730 | 6,162 |
| 2040-2042 | | | | 40,040 | 3,608 |
| | <u>\$250,000</u> | <u>\$6,875</u> | <u>\$165,000</u> | <u>\$362,522</u> | <u>\$82,394</u> |

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

| Year | General Obligation Bonds | | OPWC Loan |
|------|--------------------------|----------|-----------|
| | Principal | Interest | |
| 2015 | \$22,869 | \$1,132 | \$652 |
| 2016 | | | 1,305 |
| 2017 | | | 1,304 |

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

| | | |
|-----------|----------|----------|
| 2018 | | 1,305 |
| 2019 | | 1,304 |
| 2020-2024 | | 6,524 |
| 2025-2029 | | 6,524 |
| 2030-2032 | | 3,258 |
| | \$22,869 | \$1,132 |
| | \$22,869 | \$22,176 |

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, 2014, were an overall debt margin of \$16,810,711 and an unvoted debt margin of \$7,174,284.

Note 14 – Leases

The County leases buildings, vehicles and other equipment under noncancelable leases. The County disbursed \$55,305 to pay lease costs for the year ended December 31, 2014. Future lease payments are as follows:

| Year | Amount |
|-------|----------|
| 2014 | \$54,867 |
| 2015 | 6,951 |
| 2016 | 4,583 |
| 2017 | 1,527 |
| Total | \$67,928 |

Note 15 – Postclosure Costs

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

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

Note 16 – Interfund Transfers

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

During 2014 the following transfers were made:

| | | Transfers Out | | | |
|--------------|--------------------------|---------------|--------------------|------------------|-----------|
| | | General | Other Governmental | Other Enterprise | Total |
| Transfers In | Governmental Funds: | | | | |
| | Landfill Trust | \$400,000 | | | \$400,000 |
| | Other Governmental | 20,000 | \$323,937 | \$46,124 | 390,061 |
| | Total Governmental Funds | 420,000 | 323,937 | 46,124 | 790,061 |
| | Proprietary Funds: | | | | |
| | Other Enterprise | | 20,000 | 4,000 | 24,000 |
| | Fiduciary Funds: | | | | |
| | Agency Funds | 851 | | | 851 |
| | Total | \$420,851 | \$343,937 | \$50,124 | \$814,912 |

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

Note 17 – Interfund Advances

During 2014 the following advances were made:

| | | Advances Out | | | | |
|-------------|--------------------------|--------------|--------------------|------------------|-----------|-------------|
| | | General | Other Governmental | Other Enterprise | Agency | Total |
| Advances In | Governmental Funds: | | | | | |
| | General | | \$373,653 | \$10,000 | \$182,677 | \$566,330 |
| | Other Governmental | \$309,850 | | | | 309,850 |
| | Total Governmental Funds | 309,850 | 373,653 | 10,000 | 182,677 | 876,180 |
| | Proprietary Funds: | | | | | |
| | Other Enterprise | 55,600 | | | | 55,600 |
| | Fiduciary Funds: | | | | | |
| | Agency | 181,826 | | | | 181,826 |
| | Total | \$547,276 | \$373,653 | \$10,000 | \$182,677 | \$1,113,606 |

Note 18 – Construction and Contractual Commitments

| Contractor | Project | Original Contract Amount | Contract Balance 12/31/14 |
|-------------------------|-------------------------------------|--------------------------|---------------------------|
| Kuhlman Builders, Inc | O-G Road Complex (General Contract) | \$610,823 | \$610,823 |
| L.L. Babcock | O-G Road Complex (Plumbing) | 93,400 | 93,400 |
| Gast Plumbing & Heating | O-G Road Complex (HVAC) | 197,558 | 197,558 |

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

| | | | |
|----------------------------|-------------------------------|---------|---------|
| Lake Erie of Toledo, Inc | O-G Road Complex (Electrical) | 248,300 | 248,300 |
| Armor Fire Protection, Inc | O-G Road Complex (Fire) | 143,400 | 143,400 |
| Ohio & Indiana Roofing | O-G Road Complex (Roof) | 48,740 | 24,370 |
| Fenson Contracting | Ted Schimmoeller Ditch #9711 | 13,648 | 13,648 |
| Sand Ridge Excavatiing | Kevin Maag Tile #968 | 38,621 | 38,621 |
| Buckeye Pool & Trucking | Harry Hicks Tile #966 | 16,740 | 5,976 |
| Buckeye Pool & Trucking | Jeannie Rader Tile #969 | 35,992 | 35,992 |

Note 19 – Contingent Liabilities

The County is defendand 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 20 – Jointly Governed Organizations

Multi-Area Narcotics (MAN)

Putnam County is a member of the Multi-Area Narcotics task force which is a jointly governed organization between Defiance, Williams, Fulton, and Putnam Counties and the Cities of Defiance and Bryan. The purpose of MAN is to act as a joint regional task force in the fight against narcotics. MAN is governed by a board consisting of the sheriffs and police chiefs of the respective counties and cities. The main source of revenue is from federal grants and local matching funds from the entities. In 2014, Putnam County did not make any contributions to the MAN's operations. Information can be obtained from the Defiance County Sheriff's office, 113 Beide Street, Defiance, Ohio 43512.

Blanchard River Stream Enhancement Project

The Joint Board of County Commissioners for the Blanchard River Stream Enhancement Project is a jointly governed organization among six counties. The Joint Board consists of eighteen members, the three county commissioners of each of the six counties. The Joint Board was formed to approve construction on the Blanchard River. Revenues are generated by assessments and a state grant. The County did not contribute to the project during 2014. 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 2014. 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

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

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.

Note 21 – Public Entity Risk Pools

A. County Risk Sharing Authority, Inc.

The County Risk Sharing Authority, Inc. (CORSA) is a jointly governed organization among sixty-two counties in Ohio. CORSA was formed as an Ohio not-for-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA.

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

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

The County participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as an insurance purchasing pool.

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participants. The group executive committee consists of nine members. Two members are the president and treasurer of CCAOSC; the remaining seven members are representatives of the participants. These seven members are elected for the ensuing year by the participants at a meeting held in December of each year. No participant can have more than one member on the group executive committee in any year, and each elected member shall be a county commissioner.

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

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

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

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

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

Note 22 – Brookhill Workshop, Inc.

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

Condensed Balance Sheet -
Brookhill Workshop

| | |
|------------------------------------|-------------|
| Assets: | |
| Current Assets | \$1,023,841 |
| Property, Plant, and Equipment | 148,084 |
| Total Assets | \$1,171,925 |
| Liabilities: | |
| Current Liabilities | \$55,445 |
| Equity: | |
| Unrestricted Net Position | 1,116,480 |
| Total Liabilities and Net Position | \$1,171,925 |

Condensed Statement of Activities -
Brookhill Workshop

| | |
|------------------------------|-------------|
| Operating Revenues | |
| Operating Expenses | \$818,070 |
| Net Increase in Net Position | 757,003 |
| Net Position, January 1 | 61,067 |
| Net Position, December 31 | 1,055,413 |
| Net Position, December 31 | \$1,116,480 |

Note 23 – Related Party Transactions

During 2014, 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 2014. 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, 2014

| 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-1415-11-5418 | \$93,305 |
| UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| <i>Passed through the Ohio Development Services Agency</i> | | | |
| <u>County Commissioners</u> | | | |
| HOME Investment Partnership Program | 14.239 | B-C-13-1CL-2 | 20,534 |
| Community Development Block Grant | 14.228 | B-C-13-1CL-1 | 73,155 |
| Community Development Block Grant | 14.228 | B-F-12-1CL-1 | 27,400 |
| Community Development Block Grant | 14.228 | B-F-13-1CL-1 | 87,000 |
| Community Development Block Grant (Revolving Loans) | 14.228 | | 5,600 |
| Total Community Development Block Grant | | | <u>193,155</u> |
| Total Department of Housing and Urban Development | | | <u>213,689</u> |
| UNITED STATES DEPARTMENT OF LABOR | | | |
| <i>Passed through the Montgomery County Workforce Investment Act Area 7</i> | | | |
| <u>Jobs and Family Services</u> | | | |
| Workforce Investment Act Cluster: | | | |
| Workforce Investment Act - Adult Program | 17.258 | | 63,109 |
| Workforce Investment Act - Adult Program Administrative | 17.258 | | 2,084 |
| Workforce Investment - Adult Total | | | <u>65,193</u> |
| Workforce Investment Act - Youth Activities | 17.259 | | 38,523 |
| Workforce Investment Act - Youth Activities Administrative | 17.259 | | 1,848 |
| Workforce Investment - Youth Total | | | <u>40,371</u> |
| Workforce Investment Act - Dislocated Worker | 17.278 | | 34,484 |
| Workforce Investment Act - Dislocated Worker Administrative | 17.278 | | 655 |
| Workforce Investment - Dislocated Worker Total | | | <u>35,139</u> |
| Total Workforce Investment Act Cluster: | | | <u>140,703</u> |
| Employment Service/Wagner-Peyser Funded Activities | 17.207 | | 6,512 |
| Workforce Investment Act - National Emergency Grants | 17.277 | | 200,020 |
| Total Department of Labor | | | <u>347,235</u> |
| UNITED STATES DEPARTMENT OF TRANSPORTATION | | | |
| <i>Passed through the Ohio Department of Transportation</i> | | | |
| <u>County Engineer</u> | | | |
| Highway Planning and Constructor | 20.205 | | 10,224 |
| 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 | | 885 |
| 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-1415-11-5418 | 18,849 |
| Temporary Assistance for Needy Families | 93.558 | G-1415-11-5418 | 468,246 |
| Child Care and Development Block Grant | 93.575 | G-1415-11-5418 | 15,434 |
| Child Support Enforcement | 93.563 | G-1415-11-5418 | 210,650 |
| Community-Based Child Abuse Prevention Grants | 93.590 | G-1415-11-5418 | 1,900 |
| Child Welfare Services - State Grants | 93.645 | G-1415-11-5418 | 39,581 |
| Foster Care - Title IV-E | 93.658 | G-1415-11-5418 | 71,569 |
| Adoption Assistance | 93.659 | G-1415-11-5418 | 7,805 |
| Social Services Block Grant | 93.667 | G-1415-11-5418 | 156,290 |
| Chafee Foster Care Independence Program | 93.674 | G-1415-11-5418 | 5,750 |
| Medical Assistance Program | 93.778 | G-1415-11-5418 | 178,820 |

(continued)

PUTNAM COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

| FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title | Federal CFDA Number | Pass Through Entity Number | Disburse- ments |
|---|---------------------------|----------------------------------|---------------------------|
| <i>Passed through the Ohio Department of Developmental Disabilities</i> | | | |
| <u>Developmental Disabilities Board</u> | | | |
| Social Services Block Grant | 93.667 | | 19,130 |
| Medical Assistance Program | 93.778 | | 46,846 |
| <i>Passed through the Ohio Department of Mental Health and Addiction Services</i> | | | |
| <u>Alcohol, Drug Addiction, and Mental Health Services Board</u> | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | | 119,038 |
| Substance Abuse and Mental Health Services-Projects of Regional and National Significance | 93.243 | | 18,701 |
| Block Grants for Community Mental Health Services | 93.958 | | 2,200 |
| Social Services Block Grant | 93.667 | | 3,778 |
| Total Medical Assistance Program - CFDA 93.778 | | | <u>225,666</u> |
| Total Social Service Block Grants - CFDA 93.667 | | | <u>179,198</u> |
| Total Department of Health and Human Services | | | <u>1,384,587</u> |
| UNITED STATES DEPARTMENT OF HOMELAND SECURITY | | | |
| <i>Passed through the Ohio Department of Public Safety Emergency Management Agency</i> | | | |
| <u>Emergency Management Agency</u> | | | |
| Homeland Security Grant Program | 97.067 | | 26,786 |
| Hazard Mitigation Grant | 97.039 | | 1,277 |
| Emergency Management Performance Grants | 97.042 | | 40,926 |
| Total Department of Homeland Security | | | <u>68,989</u> |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | | <u><u>\$2,118,914</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, 2014**

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 2014 is as follows:

| | |
|---|------------------|
| Beginning loans receivable balance as of January 1, 2014 | \$266,669 |
| Loans written off | (82,699) |
| Loan principal repaid | (21,500) |
| Ending loans receivable balance as of December 31, 2014 | <u>\$162,470</u> |
| | |
| Cash balance on hand in the revolving loan fund as of December 31, 2014 | \$167,045 |
| Administrative costs expended during 2014 | 5,600 |

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2014 none are more than 60 days past due and \$162,500 were defaulted on.

NOTE C – MATCHING REQUIREMENTS

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

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Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Putnam County, Ohio (the County) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 14, 2015, wherein we noted the County uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-002 described in the accompanying schedule of findings to be a material weakness.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
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Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Entity's Response to Findings

The County's response to the findings 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.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

July 14, 2015



Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Putnam County, Ohio's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Putnam County's major federal programs for the year ended December 31, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Putnam County, Ohio 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 June 30, 2014.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Dave Yost
Auditor of State

Columbus, Ohio

July 14, 2015

PUTNAM COUNTY
 SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 § .505
 DECEMBER 31, 2014

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Community Development Block Grant - CFDA #14.228 Temporary Assistance to Needy Families - CFDA #93.558 Child Support Enforcement - CFDA #93.563 Medical Assistance Program - CFDA #93.778 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

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

FINDING NUMBER 2014-001

Noncompliance Citation

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

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

The County lacks a GASB 34 policy and therefore prepares its financial statements in accordance with the cash basis of accounting. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

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

Officials' Response:

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

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

FINDING NUMBER 2014-002

Material Weakness

Monitoring Financial Statements

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

The County lacked a policy regarding financial review which contributed to material posting discrepancies such as the following, occurring without detection:

- Undistributed Assets in the amount of \$5,598,365 were incorrectly classified as Net Cash Assets in the Agency Funds.
- Property Tax Revenue in the amount of \$473,532 was incorrectly classified as Charges for Services Revenue in the Putnam County EMS Fund and Business-Type Activities.
- Rent Revenue in the amount of \$275,000 was incorrectly classified as Other Operating Receipts in the Other Enterprise Funds and Business Type Activities.
- Restricted and Committed fund balances in the Other Governmental Funds were overstated by \$96,112 and \$150,821, respectively, and Assigned fund balance was understated by \$256,587.

Adjusting entries ranging in amounts up to \$5,598,365 were posted to the financial statements to correct these and other errors.

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

Officials' Response:

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

| |
|---------------------------------------|
| 3. FINDINGS FOR FEDERAL AWARDS |
|---------------------------------------|

None

PUTNAM COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014**

| Finding Number | Finding Summary | Fully Corrected ? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|---|-------------------|--|
| 2013-001 | Ohio Admin. Code §117-2-3(B) for reporting on basis other than generally accepted accounting principles. | No | Finding has not been corrected and is repeated in this report as item 2014-001. |
| 2013-002 | Material recommendation to improve monitoring of financial statement errors. | No | Finding has not been corrected and is repeated in this report as item 2014-002. |
| 2013-003 | CFR 180.300 for not checking the Excluded Parties List System. | N/A | Finding No Longer Valid. County did not award a Highway Planning and Construction contract for 2014. |



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
AUGUST 4, 2015