



Dave Yost • Auditor of State

PUTNAM COUNTY
TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report	1
Management’s Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis.....	11
Statement of Activities – Cash Basis	12
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis - Governmental Funds	14
Statement of Receipts, Disbursements, and Changes in Fund Balances – Cash Basis - Governmental Funds.....	15
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund.....	16
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Auto License and Gas Tax Fund.....	17
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Brookhill Center School Fund.....	18
Statement of Fund Net Position – Cash Basis – Proprietary Funds.....	19
Statement of Receipts, Disbursements, and Changes in Fund Net Position – Cash Basis – Proprietary Funds	20
Statement of Fiduciary Net Position – Cash Basis - Fiduciary Funds.....	21
Statement of Changes in Fiduciary Net Position – Cash Basis - Fiduciary Fund	22
Notes to the Financial Statements.....	23
Schedule of Expenditures of Federal Awards.....	49
Notes to the Schedule of Expenditures of Federal Awards	51
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	53
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	55
Schedule of Findings.....	59
Summary Schedule of Prior Audit Findings	65
Corrective Action Plan.....	67

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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 cash-basis 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, 2015, 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.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Discretely Presented Component Unit	Qualified
General Fund	Unmodified
Auto License and Gas Tax Fund	Unmodified
Brookhill Center School	Unmodified
Landfill Trust Fund	Unmodified
Putnam County EMS Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on the Discretely Presented Component Unit

The Brookhill Center Industries, Inc. financial statements that were presented in accordance with accounting principles generally accepted in the United States of America were audited by other auditors. The discretely presented component unit's financial statements were omitted from the County's basic financial statements, due to the fact they were not presented on the same accounting basis as the County. The Brookhill Center Industries, Inc. financial activities, excluded from the County's basic financial statements as a discretely presented component unit, represents 100 percent of the assets net position and receipts of the County's discretely presented component unit. We could not determine the amounts of assets, net position, and revenues the accompanying statements should present for the omitted discretely-presented component unit.

Qualified Opinion

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion on the Discretely Presented Component Unit* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Putnam County, Ohio (the County), as of and for the year ended December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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, 2015, and the respective changes in cash financial position and the respective budgetary comparison for the General and 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 Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is 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.

Other Information

We applied no procedures to Management's Discussion and Analysis and the letter of transmittal, as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2016, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 20, 2016

PUTNAM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
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, 2015, 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 2015 are as follows:

Overall:

- Total net position decreased \$227,149 with Governmental Activities decreasing by \$286,890 and Business-Type Activities increasing by \$59,741.
- Total cash receipts were \$28,160,559 in 2015.
- Total program cash disbursements were \$28,387,708 in 2015.

Governmental Activities:

- Total program cash receipts were \$13,092,389 in 2015, while program cash disbursements were \$26,167,922.
- Program cash disbursements were primarily composed of General Government, Public Safety, Public Works and Health related cash disbursements which were \$18,755,587 in 2015.

Business-Type Activities:

- Total program cash receipts were \$1,659,608 for Business Activities, while corresponding cash disbursements were \$2,219,786. 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, 2015 UNAUDITED

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 2015, 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 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.

PUTNAM COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED**

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 2015 compared to the prior year on a cash basis.

Table 1 Net Cash Position				
Assets	<i>Governmental Activities</i>		<i>Business-Type Activities</i>	
	2015	2014	2015	2014
Cash and Cash Equivalents	\$14,092,984	\$14,379,874	\$2,481,895	\$2,422,154
<i>Net Cash Position</i>				
Restricted for:				
Debt Service	\$1,289	\$257,876		
Capital Projects	404,350	2,382,341		
Other Purposes	11,100,374	7,560,198		
Unrestricted	2,586,971	4,179,459	\$2,481,895	\$2,422,154
<i>Total Net Position</i>	\$14,092,984	\$14,379,874	\$2,481,895	\$2,422,154

Total assets decreased by \$227,149.

Table 2 reflects the changes in net position on a cash basis in 2015 and 2014 for governmental activities, and business-type activities.

PUTNAM COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED**

Table 2
Changes In Net Cash Position

	2015		2014	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
<i>Cash Receipts</i>				
<i>Program Cash Receipts</i>				
Charges For Services and Sales	\$3,430,557	\$1,659,608	\$3,648,854	\$1,747,925
Operating Grants and Contributions	8,790,393		9,190,477	
Capital Grants and Contributions	871,439		317,737	
Total Program Cash Receipts	13,092,389	1,659,608	13,157,068	1,747,925
<i>General Cash Receipts and Transfers</i>				
Property Taxes	5,537,835	482,720	4,009,560	473,532
Payment in Lieu of Taxes	25,933		24,236	
Sales Taxes	4,294,077		4,408,248	
Grants and Entitlements	1,067,183	10,247	818,107	
Interest Receipts	122,480		123,365	
Revolving Loan Repayment			21,500	
Rent	169,629		165,381	275,000
Insurance Reimbursement	164,674		116,668	
Special Assessments		183,013		
Miscellaneous	1,279,854	70,917	1,233,998	126,655
Transfers/Advances In (Out)	126,978	(126,978)	(19,476)	19,476
Total General Cash Receipts, Transfers and Advances	12,788,643	619,919	10,901,587	894,663
Total Cash Receipts , Transfers and Advances	25,881,032	2,279,527	24,058,655	2,642,588
<i>Cash Disbursements</i>				
<i>Program Cash Disbursements</i>				
<i>General Government</i>				
Legislative and Executive	3,650,226		3,772,190	
Judicial	1,484,411		1,415,599	
Public Safety	4,492,158		4,313,380	
Public Works	4,728,892		4,790,040	
Health	4,399,900		4,581,830	
Human Services	2,911,414		2,684,027	
Economic Development	170,861		193,155	
Miscellaneous	1,038,324		882,040	
Capital Outlay	3,008,483		732,563	
<i>Debt Service:</i>				
Principal Retirement	270,981		275,755	
Interest and Fiscal Charges	12,272		13,125	
Water and Sewer		235,889		254,024
Sanitary Landfill		156,903		168,337
Emergency Medical Services		1,625,352		1,692,304
Airport Operations		18,612		19,797
Putnam Acres		183,030		437,495
Total Cash Disbursements	26,167,922	2,219,786	23,653,704	2,571,957
Increase (Decrease) In Net Cash Position	(286,890)	59,741	404,951	70,631
Net Cash Position at Beginning of Year	14,379,874	2,422,154	13,974,923	2,351,523
Net Cash Position at End of Year	\$14,092,984	\$2,481,895	\$14,379,874	\$2,422,154

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 21 percent and 17 percent, respectively, of cash receipts for governmental activities for Putnam County in fiscal year 2015. Operating grants and contributions made up 34 percent of cash receipts for governmental activities for the County.

PUTNAM COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED**

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the County. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public safety, public works and health, which account for 17, 18, and 17 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the County that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Total Cost of Program Services
Governmental Activities

	2015		2014	
	<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	\$3,650,226	\$2,284,391	\$3,772,190	\$2,411,382
Judicial	1,484,411	661,140	1,415,599	608,960
Public Safety	4,492,158	3,678,148	4,313,380	3,446,963
Public Works	4,728,892	662,611	4,790,040	761,960
Health	4,399,900	2,168,694	4,581,830	2,220,620
Human Services	2,911,414	635,027	2,684,027	178,965
Economic Development	170,861	(20,839)	193,155	(12,124)
Miscellaneous	1,038,324	791,169	882,040	652,034
Capital Outlay	3,008,483	1,931,939	732,563	(61,004)
Debt Service:				
Principal Retirement	270,981	270,981	275,755	275,755
Interest and Fiscal Charges	12,272	12,272	13,125	13,125
Total Cash Disbursements	<u>\$26,167,922</u>	<u>\$13,075,533</u>	<u>\$23,653,704</u>	<u>\$10,496,636</u>

Business-Type Activities

Business-type activities include providing emergency medical services to the residents of Putnam County, and activity for the closed landfill. Overall Net Position increased \$59,741 from 2014 to 2015 largely as a result of decreasing expenditures at the now closed Putnam Acres Care Center. Program receipts did not support business-type activities. During 2015 program disbursements exceeded program receipts by \$560,178.

The County's Funds

Total governmental funds had receipts and other financing sources of \$28,769,218 and disbursements and other financing uses of \$29,056,108. The net change in fund balance for the year decreased the most in Other Governmental Funds where the cash balance went from \$7,205,831 in 2014 to \$6,837,052 for 2015, as a result of an increase in expenditures.

PUTNAM COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED**

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 \$9,484,927. Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$10,917,887, \$619,217 less than actual cash receipts and other financing sources, and \$608,830 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The County does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The County had capital outlay disbursements of \$3,008,483 during fiscal year 2015.

Debt

At December 31, 2015, the County's outstanding debt included \$506,541 in loans payable from governmental 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, 2015

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$14,092,984</u>	<u>\$2,481,895</u>	<u>\$16,574,879</u>
Net Position			
Restricted for:			
Debt Service	\$1,289		\$1,289
Capital Projects	404,350		404,350
Other Purposes	11,100,374		11,100,374
Unrestricted	<u>2,586,971</u>	<u>\$2,481,895</u>	<u>5,068,866</u>
<i>Total Net Position</i>	<u>\$14,092,984</u>	<u>\$2,481,895</u>	<u>\$16,574,879</u>

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<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	\$3,650,226	\$1,365,835		
Judicial	1,484,411	637,639	\$185,632	
Public Safety	4,492,158	441,014	372,996	
Public Works	4,728,892	54,671	3,873,690	\$137,920
Health	4,399,900	353,991	1,877,215	
Human Services	2,911,414	208,043	2,068,344	
Economic Development and Assistance	170,861	26,339	165,361	
Miscellaneous	1,038,324		247,155	
Capital Outlay	3,008,483	343,025		733,519
Debt Service:				
Principal Retirement	270,981			
Interest and Fiscal Charges	12,272			
<i>Total Governmental Activities</i>	<u>26,167,922</u>	<u>3,430,557</u>	<u>8,790,393</u>	<u>871,439</u>
Business Type Activities				
Water and Sewer	235,889	223,479		
Sanitary Landfill	156,903	79,418		
Emergency Medical Services	1,625,352	1,312,688		
Airport Operations	18,612	34,906		
Putnam Acres	183,030	9,117		
<i>Total Business-Type Activities</i>	<u>2,219,786</u>	<u>1,659,608</u>		
<i>Totals</i>	<u>\$28,387,708</u>	<u>\$5,090,165</u>	<u>\$8,790,393</u>	<u>\$871,439</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
Rent
Special Assessment
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
(\$2,284,391)		(\$2,284,391)
(661,140)		(661,140)
(3,678,148)		(3,678,148)
(662,611)		(662,611)
(2,168,694)		(2,168,694)
(635,027)		(635,027)
20,839		20,839
(791,169)		(791,169)
(1,931,939)		(1,931,939)
(270,981)		(270,981)
(12,272)		(12,272)
<u>(13,075,533)</u>		<u>(13,075,533)</u>
	(\$12,410)	(12,410)
	(77,485)	(77,485)
	(312,664)	(312,664)
	16,294	16,294
	<u>(173,913)</u>	<u>(173,913)</u>
	(560,178)	(560,178)
<u>(13,075,533)</u>	<u>(560,178)</u>	<u>(13,635,711)</u>
2,117,884		2,117,884
2,493,152		2,493,152
166,089		166,089
760,710		760,710
25,933	482,720	482,720
4,294,077		4,294,077
1,067,183	10,247	1,077,430
122,480		122,480
126,978	(126,978)	
169,629		169,629
	183,013	183,013
164,674		164,674
1,279,854	70,917	1,350,771
<u>12,788,643</u>	<u>619,919</u>	<u>13,408,562</u>
(286,890)	59,741	(227,149)
<u>14,379,874</u>	<u>2,422,154</u>	<u>16,802,028</u>
<u>\$14,092,984</u>	<u>\$2,481,895</u>	<u>\$16,574,879</u>

PUTNAM COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2015

	<u>General</u>	<u>Auto License and Gas Tax</u>	<u>Brookhill Center School</u>	<u>Landfill Trust</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	<u>\$2,586,972</u>	<u>\$961,451</u>	<u>\$1,707,509</u>	<u>\$2,000,000</u>	<u>\$6,837,052</u>	<u>\$14,092,984</u>
Fund Balances						
Nonspendable	\$9,331					\$9,331
Restricted		\$961,451	\$1,707,509	\$2,000,000	\$5,875,294	10,544,254
Committed					961,758	961,758
Assigned	245,373					245,373
Unassigned	<u>2,332,268</u>					<u>2,332,268</u>
Total Fund Balances	<u>\$2,586,972</u>	<u>\$961,451</u>	<u>\$1,707,509</u>	<u>\$2,000,000</u>	<u>\$6,837,052</u>	<u>\$14,092,984</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, 2015

	General	Auto License and Gas Tax	Brookhill Center School	Landfill Trust	Other Governmental Funds	Total Governmental Funds
Receipts						
Property Taxes	\$2,117,884		\$2,493,152		\$926,799	\$5,537,835
Sales Taxes	4,122,479				171,598	4,294,077
Permissive License Tax		\$137,920				137,920
Charges for Services	1,668,182		237,241		919,534	2,824,957
Licenses and Permits	1,025				105,250	106,275
Fines and Forfeitures	22,110	42,275			91,913	156,298
Intergovernmental	1,010,615	3,873,690	1,332,799		4,373,994	10,591,098
Payments in Lieu of Taxes	25,933					25,933
Special Assessments					343,024	343,024
Interest	122,480					122,480
Rent	169,629					169,629
Insurance Reimbursement	164,674					164,674
Other	290,018		96,651		530,375	917,044
Total Receipts	9,715,029	4,053,885	4,159,843		7,462,487	25,391,244
Disbursements						
General Government:						
Legislative and Executive	3,075,224				575,002	3,650,226
Judicial	1,169,785				314,626	1,484,411
Public Safety	3,406,639				1,085,519	4,492,158
Public Works	58,804	4,663,918			6,170	4,728,892
Health	74,442		3,321,847		1,003,611	4,399,900
Human Services	360,184				2,551,230	2,911,414
Economic Development and Assistance					170,861	170,861
Miscellaneous	420,412				430,714	851,126
Capital Outlay					3,008,483	3,008,483
Debt Service:						
Principal Retirement			10,000		260,981	270,981
Interest and Fiscal Charges					12,272	12,272
Total Disbursements	8,565,490	4,663,918	3,331,847		9,419,469	25,980,724
Excess of Receipts Over/(Under) Disbursements	1,149,539	(610,033)	827,996		(1,956,982)	(589,480)
Other Financing Sources (Uses)						
Transfers In	13,500				1,916,922	1,930,422
Transfers Out	(1,586,761)				(327,283)	(1,914,044)
Advances In	755,715				329,027	1,084,742
Advances Out	(534,654)				(439,488)	(974,142)
Other Financing Sources	44,539	196,727			121,544	362,810
Other Financing Uses	(174,679)				(12,519)	(187,198)
Total Other Financing Sources (Uses)	(1,482,340)	196,727			1,588,203	302,590
Net Change in Fund Balances	(332,801)	(413,306)	827,996		(368,779)	(286,890)
Balances Beginning of Year	2,919,773	1,374,757	879,513	\$2,000,000	7,205,831	14,379,874
Fund Balances End of Year	\$2,586,972	\$961,451	\$1,707,509	\$2,000,000	\$6,837,052	\$14,092,984

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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$2,119,454	\$2,119,454	\$2,117,884	(\$1,570)
Sales Taxes	3,900,000	3,900,000	4,122,479	222,479
Charges for Services	1,600,998	1,600,998	1,440,790	(160,208)
Licenses and Permits	1,540	1,540	1,025	(515)
Fines and Forfeitures	60,300	60,300	22,110	(38,190)
Intergovernmental	887,125	887,125	1,010,615	123,490
Payments in Lieu of Taxes	10,000	10,000	25,933	15,933
Interest	75,000	75,000	122,480	47,480
Rent			169,629	169,629
Insurance Reimbursement			164,674	164,674
Other	718,000	718,000	287,297	(430,703)
<i>Total Receipts</i>	<u>9,372,417</u>	<u>9,372,417</u>	<u>9,484,916</u>	<u>112,499</u>
Disbursements				
General Government:				
Legislative and Executive	3,754,462	3,632,168	3,394,966	237,202
Judicial	1,120,576	1,143,431	1,042,894	100,537
Public Safety	3,489,419	3,572,366	3,489,084	83,282
Public Works	59,070	59,295	59,240	55
Health	80,500	105,702	74,442	31,260
Human Services	391,669	391,669	373,586	18,083
Transportation	56,254	57,390	50,009	7,381
Miscellaneous	217,426	286,301	156,072	130,229
<i>Total Disbursements</i>	<u>9,169,376</u>	<u>9,248,322</u>	<u>8,640,293</u>	<u>608,029</u>
<i>Excess of Receipts Over Disbursements</i>	<u>203,041</u>	<u>124,095</u>	<u>844,623</u>	<u>720,528</u>
Other Financing Sources (Uses)				
Transfers In			13,500	13,500
Transfers Out		(1,573,261)	(1,573,261)	
Advances In			755,715	755,715
Advances Out	(130,299)	(529,654)	(529,654)	
Other Sources	112,510	112,510	44,539	(67,971)
Other Uses	(175,480)	(175,480)	(174,679)	801
<i>Total Other Financing Sources (Uses)</i>	<u>(193,269)</u>	<u>(2,165,885)</u>	<u>(1,463,840)</u>	<u>702,045</u>
<i>Net Change in Fund Balance</i>	9,772	(2,041,790)	(619,217)	1,422,573
<i>Fund Balance Beginning of Year</i>	2,446,583	2,446,583	2,446,583	
Prior Year Encumbrances Appropriated	173,130	173,130	173,130	
<i>Fund Balance End of Year</i>	<u>\$2,629,485</u>	<u>\$577,923</u>	<u>\$2,000,496</u>	<u>\$1,422,573</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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Permissive License Tax	\$134,907	\$134,907	\$137,920	\$3,013
Fines and Forfeitures	44,514	44,514	42,275	(2,239)
Intergovernmental	3,792,357	3,792,357	3,873,690	81,333
Other	89,740	89,740		(89,740)
<i>Total Receipts</i>	<u>4,061,518</u>	<u>4,061,518</u>	<u>4,053,885</u>	<u>(7,633)</u>
Disbursements				
Public Works	5,780,233	5,625,361	4,862,190	763,171
<i>Excess of Disbursements Over Receipts</i>	<u>(1,718,715)</u>	<u>(1,563,843)</u>	<u>(808,305)</u>	<u>755,538</u>
Other Financing Sources				
Other Sources	189,094	189,094	196,727	7,633
<i>Net Change in Fund Balance</i>	<u>(1,529,621)</u>	<u>(1,374,749)</u>	<u>(611,578)</u>	<u>763,171</u>
<i>Fund Balance Beginning of Year</i>	1,194,524	1,194,524	1,194,524	
Prior Year Encumbrances Appropriated	180,233	180,233	180,233	
<i>Fund Balance End of Year</i>	<u>(\$154,864)</u>	<u>\$8</u>	<u>\$763,179</u>	<u>\$763,171</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$2,556,933	\$2,514,754	\$2,493,152	(\$21,602)
Charges for Services	225,000	225,000	237,241	12,241
Intergovernmental	961,000	1,099,236	1,332,799	233,563
Other	100,100	100,100	96,651	(3,449)
<i>Total Receipts</i>	<u>3,843,033</u>	<u>3,939,090</u>	<u>4,159,843</u>	<u>220,753</u>
Disbursements				
Health	3,441,669	3,690,835	3,321,847	368,988
Principal Retirement			10,000	(10,000)
<i>Total Disbursements</i>	<u>3,441,669</u>	<u>3,690,835</u>	<u>3,331,847</u>	<u>358,988</u>
<i>Net Change in Fund Balance</i>	401,364	248,255	827,996	579,741
<i>Fund Balance Beginning of Year</i>	<u>879,513</u>	<u>879,513</u>	<u>879,513</u>	
<i>Fund Balance End of Year</i>	<u>\$1,280,877</u>	<u>\$1,127,768</u>	<u>\$1,707,509</u>	<u>\$579,741</u>

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

STATEMENT OF FUND NET POSITION - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2015

	<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>\$1,617,207</u>	<u>\$864,688</u>	<u>\$2,481,895</u>
Net Position			
Unrestricted	<u>\$1,617,207</u>	<u>\$864,688</u>	<u>\$2,481,895</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, 2015

	Business-Type Activities		
	Putnam County EMS	Other Enterprise Funds	Total Enterprise Funds
Operating Receipts			
Charges for Services	\$1,312,688	\$346,920	\$1,659,608
Other Operating Receipts		70,917	70,917
<i>Total Operating Receipts</i>	<u>1,312,688</u>	<u>417,837</u>	<u>1,730,525</u>
Operating Disbursements			
Personal Services	1,082,983	228,587	1,311,570
Contract Services	192,031	100,748	292,779
Materials and Supplies	165,873	45,800	211,673
Capital Outlay	184,465	147,039	331,504
<i>Total Operating Disbursements</i>	<u>1,625,352</u>	<u>522,174</u>	<u>2,147,526</u>
<i>Operating Loss</i>	<u>(312,664)</u>	<u>(104,337)</u>	<u>(417,001)</u>
Non-Operating Receipts (Disbursements)			
Property Taxes	482,720		482,720
Intergovernmental Revenue	10,247		10,247
Bond Retirement		(45,045)	(45,045)
Interest Expense and Fiscal Charges		(1,032)	(1,032)
Special Assessments		183,013	183,013
Other Non-Operating Expense		(26,183)	(26,183)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>492,967</u>	<u>110,753</u>	<u>603,720</u>
<i>Income before Transfers and Advances</i>	180,303	6,416	186,719
Transfers In		4,001	4,001
Transfers Out		(20,379)	(20,379)
Advances In		25,000	25,000
Advances Out		(135,600)	(135,600)
<i>Total Transfers and Advances</i>		<u>(126,978)</u>	<u>(126,978)</u>
<i>Change in Net Position</i>	180,303	(120,562)	59,741
<i>Net Position Beginning of Year</i>	<u>1,436,904</u>	<u>985,250</u>	<u>2,422,154</u>
<i>Net Position End of Year</i>	<u>\$1,617,207</u>	<u>\$864,688</u>	<u>\$2,481,895</u>

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2015

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$301</u>	<u>\$5,898,170</u>
Net Position	<u>\$301</u>	<u>\$5,898,170</u>

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<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, 2015

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. The County's financial statements omit the Brookhill Center Industries, Inc., as a component unit.

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, 2015
(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.

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

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued)

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued)

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 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

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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 2015, 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 2015 were \$122,480 which includes \$98,792 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 County had interfund loans payables/receivables at December 31, 2015.

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.

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

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued)

are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another 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.

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

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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. Change in Accounting Principals

For fiscal year 2015, the County has implemented GASB Statement No. 68, “*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*”, GASB Statement No. 69 “*Government Combinations and Disposals of Government Operations*”, and GASB Statement No. 71, “*Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*”.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the County’s pension plan disclosures.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the County.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the County.

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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. In addition, a component unit, Brookhill Center Industries, Inc. was excluded from this presentation. 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 \$245,373 in the General Fund and \$198,272 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

Net Change in Fund Cash Balance			
	General Fund	Auto License and Gas Tax Fund	Brookhill Center School Fund
Cash Basis	(\$332,801)	(\$413,306)	\$827,996
Funds Budgeted Elsewhere	(41,043)		
Adjustment for Encumbrances	(245,373)	(198,272)	
Budget Basis	(\$619,217)	(\$611,578)	\$827,996

Note 5 – Fund Balances

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

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

	General Fund	Auto License and Gas Tax Fund	Brookhill Center School Fund	Landfill Trust	Other Governmental Funds	Total Governmental Funds
Nonspendable for:						
Unclaimed Monies	\$9,331					\$9,331
Restricted for:						
General					\$1,879,410	1,879,410
Government						
Public Safety					1,344,975	1,344,975
Public Works		\$961,451			1,546	962,997
Health Services					539,718	539,718
Human Services			\$1,707,509		1,499,459	3,206,968
Economic					204,547	204,547
Development						
Capital Outlay				\$2,000,000	404,350	2,404,350
Debt Service					1,289	1,289
Total Restricted		961,451	1,707,509	2,000,000	5,875,294	10,544,254
Committed for:						
Human Services					65,530	65,530
Economic					880,930	880,930
Development						
Capital Outlay					15,298	15,298
Total Committed					961,758	961,758
Assigned for:						
Encumbrances	245,373					245,373
Unassigned	2,332,268					2,332,268
Total Fund Balance	\$2,586,972	\$961,451	\$1,707,509	\$2,000,000	\$6,837,052	\$14,092,984

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;

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued)

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

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

At year end, the County had \$154,087 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$12,815,607 of the County's bank balance of \$21,065,607 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.

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Investments

As of December 31, 2015, 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	\$601,520	\$301,703	\$299,817	
Federal Farm Credit Banks	224,548	100,000	124,548	
Federal Home Loan Bank	424,243	200,000	224,243	
Federal Home Loan Mortgage Corporation	200,106			200,106
Total Investments	\$1,450,417	\$601,703	\$648,608	\$200,106

The weighted average maturity of investments is 1.2 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, 2015:

	Carrying Value	Percent of Balance
Federal National Mortgage Association	\$601,520	41.47%
Federal Farm Credit Banks	224,548	15.48%
Federal Home Loan Bank	424,243	29.25%
Federal Home Loan Mortgage Corporation	200,106	13.80%
Total Investments	\$1,450,417	100.00%

Note 7 – Permissive Sales and Use Tax

The County Commissioners, by resolution, imposed a 1.25 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

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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 2015 represent the collection of 2014 taxes. Real property taxes received in 2015 were levied after October 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of 2014 taxes. Public utility real and tangible personal property taxes received in 2015 became a lien on December 31, 2012, were levied after October 1, 2014, and are collected in 2015 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, 2015, was \$10.25 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2015 property tax receipts were based are as follows:

Real Property		
Residential	\$	444,157,050
Agriculture		374,861,250
Commercial/Industrial/Mineral		63,277,440
Public Utility Property		
Real		644,520
Personal		48,596,030
Total Assessed Value	\$	<u>931,536,290</u>

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, 2015, consisted of receivables due the General Fund in the amount of \$100,389, of which \$65,389 is payable from Other Governmental Funds and \$35,000 is payable from Other Enterprise Fund.

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

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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 2015, 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		2,500,000
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		1,000,000
Faithful Performance		1,000,000
Money and Securities		1,000,000
Depositor's Forgery		1,000,000
Money Order and Counterfeit Paper		1,000,000
Fund Transfer Fraud		500,000
Computer Fraud		500,000
Excess Liability		1,000,000 – 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 2015, 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

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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 Plans

Net Pension Liability

For 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported December 31, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the County's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees, participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements:	Age and Service Requirements:	Age and Service Requirements:
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	Formula:	Formula:
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements:	Age and Service Requirements:	Age and Service Requirements:
Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements:	Age and Service Requirements:	Age and Service Requirements:
Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula:	Formula:	Formula:
2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local		Law Enforcement
2015 Statutory Maximum Contribution Rates			
Employer	14.0 %		18.1 %
Employee	10.0 %		12.0 %
 2015 Actual Contribution Rates			
Employer:			
Pension	12.0 %		14.1 %
Post-employment Health Care Benefits	2.0 %		4.0 %
Total Employer	14.0 %		18.1 %
Employee	10.0 %		12.1 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The County's contractually required contribution for both the Traditional Pension Plan and the Combined Plan was \$1,528,257 year 2015.

Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS
Proportionate Share of the Net Pension Liability	\$11,628,125
Proportion of the Net Pension Liability	0.096410%

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Asset Class	Target		Weighted Average	
	Allocation		Long-Term Expected	
			Real Rate of Return	
			(Arithmetic)	
Fixed Income	23.00	%	2.31	%
Domestic Equities	19.90		5.84	
Real Estate	10.00		4.25	
Private Equity	10.00		9.25	
International Equities	19.10		7.40	
Other investments	18.00		4.59	
Total	100.00	%	5.28	%

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease	Current	1% Increase
	(7.00%)	Discount Rate	(8.00%)
		(8.00%)	(9.00%)
County's proportionate share of the net pension liability			
Traditional Pension Plan	\$21,392,415	\$11,628,125	\$3,404,237
Combined Plan	\$4,333	(\$33,367)	(\$63,262)

Note 12 – Postretirement Benefit Plan

Ohio Public Employees Retirement

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2015 local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2015 was 2.00% for members in the state and local category and 4.00% for members in the public safety and law enforcement categories.

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 healthcare plan.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$254,710, \$246,700 and \$119,219, respectively; 100% has been contributed for 2015 and 100% has been contributed for 2014 and 2013.

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 State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% 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, 2015, was as follows:

	Interest Rate	Balance December 31, 2015	Reductions	Balance December 31, 2015	Due Within One Year
<u>Governmental Activities</u>					
OPWC Loan #CM21N	0%	\$165,000	\$10,000	\$155,000	\$10,000
OWDA Loan #5802	1.50%	362,522	10,981	351,541	5,553
Jail Refunding Bonds	Variable	250,000	250,000		
Total Governmental Activities		<u>777,522</u>	<u>270,981</u>	<u>506,541</u>	<u>15,553</u>
<u>Business-Type Activities</u>					
OPWC Loan #CM06N	0%	22,176	22,176		
Sewer District Improvement Bonds Series 1999	4.95%	22,869	22,869		
Total Business-Type Activities		<u>45,045</u>	<u>45,045</u>		
Total General Obligation Bonds		<u>\$822,567</u>	<u>\$316,026</u>	<u>\$506,541</u>	<u>\$15,553</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

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

principal and interest payments. The Jail Refunding Bonds were issued in the amount of \$1,195,000 and the Sewer District Improvement Bonds were issued in the amount of \$270,000.

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. This loan was paid off in 2015.

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

Year	OPWC Loan	OWDA Loan	
		Principal	Interest
2016	\$10,000	\$5,553	\$2,637
2017	10,000	11,230	5,148
2018	10,000	11,400	4,979
2019	10,000	11,571	4,807
2020	10,000	11,745	4,633
2021-2025	50,000	61,433	20,458
2026-2030	50,000	66,200	15,692
2031-2035	5,000	71,336	10,556
2036-2040		76,870	5,022
2041-2042		24,203	364
	\$155,000	\$351,541	\$74,296

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, 2015, were an overall debt margin of \$21,578,024 and an unvoted debt margin of \$9,231,210.

Conduit Debt

In 2015, the County issued \$8,024,700 in Ohio Economic Development Bonds for the purpose of making a loan to assist the Bluffton University in financing a portion of the cost of acquiring, constructing, improving, installing, and equipping the facilities. The County is not obligated in any way to pay the debt charges on the bonds from any of its finds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2015, \$8,024,700, of these bonds was outstanding.

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 14 – Leases

The County leases buildings, vehicles and other equipment under noncancelable leases. The County disbursed \$145,296 to pay lease costs for the year ended December 31, 2015. Future lease payments are as follows:

<i>Year</i>	<i>Amount</i>
2016	\$6,951
2017	4,583
2018	1,527
Total	<u>\$13,061</u>

Note 15 – Postclosure Costs

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

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

Note 16 – Interfund Transfers

During 2015 the following transfers were made:

		Transfers Out			
		General	Other Governmental	Other Enterprise	Total
Governmental Funds:					
Transfers In	General	\$13,500			\$13,500
	Other Governmental	1,573,261	\$327,283	\$16,378	1,916,922
	Total Governmental Funds	<u>1,586,761</u>	<u>\$327,283</u>	<u>16,378</u>	<u>1,930,422</u>
Proprietary Funds:					
	Other Enterprise			4,001	4,001
	Total	<u>\$1,586,761</u>	<u>\$327,283</u>	<u>\$20,379</u>	<u>\$1,934,423</u>

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.

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 17 – Interfund Advances

During 2015 the following advances were made:

	Advances Out				Total
	General	Other Governmental	Other Enterprise	Agency	
Governmental Funds:					
General	\$5,000	\$439,488	\$135,600	\$175,627	\$755,715
Other Governmental	329,027				329,027
Total Governmental Funds	<u>334,027</u>	<u>439,488</u>	<u>135,600</u>	<u>175,627</u>	<u>1,084,742</u>
Proprietary Funds:					
Other Enterprise	25,000				25,000
Fiduciary Funds:					
Agency	175,627				175,627
	<u>\$534,654</u>	<u>\$439,488</u>	<u>\$135,600</u>	<u>\$175,627</u>	<u>\$1,285,369</u>

Note 18 – Construction and Contractual Commitments

<i>Contractor</i>	<i>Project</i>	<i>Original Contract Amount</i>	<i>Contract Balance 12/31/15</i>
Kuhlman Builders, Inc	Industries Admin Roof	\$17,727	\$8,927
Mooser Construction	Bridge Replacement OLD SR	200,000	46,233

Note 19 – Contingent Liabilities

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

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

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 2015, 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.

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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 2015. 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 2015. The Allen County Auditor serves as fiscal agent for this project.

Juvenile Residential Center of Northwest Ohio

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

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

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued)

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.

Note 22 – Brookhill Workshop, Inc.

Brookhill Workshop, Inc. (the Workshop) is a component unit of the County. The activity for the Workshop was excluded from this presentation. 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.

Note 23 – Subsequent Events

On May 2, 2016, judgments in the amounts of \$527,823 and \$113,661, plus interest at the statutory rate until paid, were made against of the Board of Putnam County Commissioners in two court cases and on August 22, 2016, the County disbursed \$513,844 and \$127,640, respectively, in regards to these judgments.

Note 24 – Related Party Transactions

During 2015, 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 2015. 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.

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PUTNAM COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

FEDERAL GRANTOR Pass Through Grantor Program Title/Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through the Ohio Department of Education</i>			
<u>Job and Family Services</u>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	G-1415-11-5418/G-1617-11-5571	\$85,963
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through the Ohio Development Services Agency</i>			
Home Investment Partnership Program	14.239	B-C-13-1CL-2	261,297
Community Development Block Grant	14.228	B-F-14-1CL-1	79,106
Community Development Block Grant	14.228	B-C-13-1CL-1	84,255
Community Development Block Grant (Revolving Loan)	14.228	FY15	7,500
Total Community Development Block Grant			<u>170,861</u>
Total U.S. Department of Housing and Urban Development			<u>432,158</u>
U.S. 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	G-1415-11-5418/G-1617-11-5571	32,101
Workforce Investment Act - Adult Program Administrative	17.258	G-1415-11-5418/G-1617-11-5571	1,421
Workforce Investment - Adult Total			<u>33,522</u>
Workforce Investment Act - Youth Activities	17.259	G-1415-11-5418/G-1617-11-5571	28,462
Workforce Investment Act - Youth Activities Administrative	17.259	G-1415-11-5418/G-1617-11-5571	7,794
Workforce Investment Act - Youth Total			<u>36,256</u>
Workforce Investment Act - Dislocated Worker	17.278	G-1415-11-5418/G-1617-11-5571	119,312
Workforce Investment Act - Dislocated Worker Administrative	17.278	G-1415-11-5418/G-1617-11-5571	2,470
Workforce Investment Act - Dislocated Worker Total			<u>121,782</u>
Total Workforce Investment Act Cluster			<u>191,560</u>
Employment Service/Wagner-Peyser Funded Activities	17.207	FY15	1,937
Total U.S. Department of Labor			<u>193,497</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Direct Program</i>			
<u>County Commissioners</u>			
Airport Improvement Program	20.106		5,472
<i>Passed Through the Ohio Department of Transportation</i>			
<u>County Engineer</u>			
Highway Planning and Construction	20.205	PUT-12-16.4	836,483
Total U.S. Department of Transportation			<u>841,955</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through the Ohio Department of Developmental Disabilities</i>			
<u>Developmental Disabilities Board</u>			
Social Services Block Grant	93.667	FY15	19,675
Medical Assistance Program	93.778	FY15	48,156
Total Development Disabilities Board			<u>67,831</u>

(continued)

PUTNAM COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
<i>Passed Through the Ohio Department of Job and Family Services</i>			
<u>Job and Family Services Department</u>			
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1415-11-5418/G-1617-11-5571	38,185
Promoting Safe and Stable Families	93.556	G-1415-11-5418/G-1617-11-5571	42,812
Temporary Assistance for Needy Families	93.558	G-1415-11-5418/G-1617-11-5571	423,700
Chafee Foster Care Independence Program	93.674	G-1415-11-5418/G-1617-11-5571	934
Child Care and Development Block Grant	93.575	G-1415-11-5418/G-1617-11-5571	14,851
Community - Based Child Abuse Prevention Grant	93.590	G-1415-11-5418/G-1617-11-5571	1,894
Child Support Enforcement	93.563	G-1415-11-5418/G-1617-11-5571	272,096
Foster Care - Title IV-E	93.658	G-1415-11-5418/G-1617-11-5571	132,742
Adoption Assistance	93.659	G-1415-11-5418/G-1617-11-5571	8,134
Social Services Block Grant	93.667	G-1415-11-5418/G-1617-11-5571	265,492
Medical Assistance Program	93.778	G-1415-11-5418/G-1617-11-5571	226,160
Total Jobs and Family Services Department			1,427,000
<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:			
Substance Abuse (Per Cap Prevention)	93.959	FY15	106,710
Youth Led Prevention	93.959	FY15	2,585
Block Grants for Community Mental Health Services	93.958	FY15	2,200
Total Alcohol, Drug Addiction and Mental Health Services			111,495
<i>Passed Through the Ohio Department of Mental Health</i>			
<u>Alcohol, Drug Addiction and Mental Health Services Board</u>			
Block Grants for Community Mental Health Services	93.958	FY15	18,699
Social Services Block Grant	93.667	FY15	214
Total Alcohol, Drug Addiction and Mental Health Services Board			18,913
Total Social Services Block Grant - CFDA #93.667			285,381
Total Medical Assistance Program - CFDA #93.778			274,316
Total Block Grants for Community Mental Health Services - CFDA #93.958			20,899
Total Block Grants for Prevention and Treatment of Substance Abuse - CFDA #93.959			109,295
Total U.S. Department of Health and Human Services			1,625,239
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through the Ohio Department of Emergency Management</i>			
<u>Emergency Management Agency</u>			
Emergency Management Performance Grants	97.042	EMW-2014-EP-00064	23,343
Hazard Mitigation Grant	97.039	4002.12-P	8,306
Total U.S. Department of Homeland Security			31,649
Total Expenditures of Federal Awards			\$3,210,461

The accompanying notes are an integral part of this schedule.

PUTNAM COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Putnam County (the County's) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAM WITHOUT CONTINUING COMPLIANCE REQUIREMENTS

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 Development Services Agency. 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.

NOTE D – DOWNPAYMENT ASSISTANCE (HOME) PROGRAM WITHOUT CONTINUING COMPLIANCE REQUIREMENTS

The County has Home Investment Partnership Program for homebuyer down payment assistance, emergency repairs and home rehabilitation to low-to-moderate income households and eligible persons. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Development Services Agency. All funds granted to low-to- moderate income applicants are in the form of a grant with declining "pay back" amounts. Per policy, a total of 20% of the original loan amount is due to the program at the time of the sale or transfer of ownership of properties that have been rehabilitated. This amount is increased if the homeowner sells or transfers the home before the 5 years have come to pass. The initial loan of this money is recorded as a disbursement on the accompanying Federal Awards Expenditures Schedule. Loans repaid are treated as program income and are utilized to make additional loans subject to certain compliance requirements imposed by HUD, but are also included as disbursements on the Schedule.

These loans are collateralized by liens placed on the mortgages.

NOTE E - 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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 20, 2016, wherein we noted the County uses a special purpose framework other than generally accepted accounting principles. We also qualified our opinion due to the discretely presented component unit's financial statements being omitted from the County's financial statements.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2015-001.

Entity's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings or corrective action plan. We did not audit the County's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

September 20, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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) *Compliance Supplement* that could directly and materially affect each of Putnam County's major federal programs for the year ended December 31, 2015. The *Summary of Auditor's 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on Highway Planning and Construction

As described in finding 2015-004 in the accompanying schedule of findings, the County did not comply with requirements regarding Procurement and Suspension and Debarment applicable to its Highway Planning and Construction major federal program. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

Qualified Opinion on Highway Planning and Construction

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Highway Planning and Construction Program* paragraph, Putnam County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect its Highway Planning and Construction Program for the year ended December 31, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Putnam County complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended December 31, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2015-003. Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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's compliance requirement will not be prevented, or timely detected or corrected. A *significant deficiency in internal control over compliance*

is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses described in the accompanying schedule of findings as items 2015-003 and 2015-004.

The County's responses to our internal control over compliance findings are described in the accompanying schedule of findings or corrective action plan. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

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

September 20, 2016

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PUTNAM COUNTY
 SCHEDULE OF FINDINGS
 2 CFR § 200.515
 DECEMBER 31, 2015

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material weaknesses in internal control 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 weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Highway Planning and Construction CFDA #20.205 Temporary Assistance to Needy Families - CFDA #93.558 Child Support Enforcement - CFDA #93.563
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2015-001

Noncompliance Citation

Ohio Rev. Code § 117.38 provides that each public office, other than a state agency, 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 Rev. Code § 117.38, requires the County to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The County lacked a GASB 34 policy and therefore prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

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

Officials' Response:

See Corrective Action Plan

FINDING NUMBER 2015-002

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:

- Special Assessments in the amount of \$183,013 was incorrectly classified as Miscellaneous Revenue in the Other Enterprise Funds and the Business Type Activities.
- Insurance Reimbursements in the amount of \$164,674 was incorrectly classified as Miscellaneous Revenue in the General Fund and Governmental Type Activities.
- On the General Fund budget to actual statement Rent income in the amount of \$169,629 was incorrectly classified as Miscellaneous Revenue.

As a result, the County's financial statements did not correctly reflect the financial activity of the County. The County's financial statements have been adjusted to reflect these and other discrepancies ranging from \$5,397 to \$183,013.

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:

See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2015-003		
CFDA Title and Number	Highway Planning and Construction CFDA# 20.205		
Federal Award Identification Number / Year	PUT-12-16.4/2015		
Federal Agency	United States Department of Transportation		
Pass-Through Entity	Ohio Department of Transportation		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

Noncompliance Citation and Material Weakness

2 CFR §200.510 require an auditee to:

(b) Prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. At a minimum, the schedule must:

- (1)** List individual Federal programs by Federal agency.
- (2)** For federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3)** Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4)** Include the total amount provided to subrecipients from each federal program.
- (5)** For loan or loan guarantee programs described in §200.502 Basis for determining Federal awards expended, paragraph (b), Federal awards expended for loan or loan guarantee programs should be included in the schedule.

- (6) Include notes that describe significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimus cost rate as covered in §200.414 Indirect (F&A) costs.

The County did prepare a Schedule of Expenditures of Federal Awards (the Schedule); however, total federal expenditures were understated by \$902,042 (39%). This was primarily attributed to \$836,483 in Highway Planning and Construction expenditures not being reported on the Schedule. In addition, the County did complete notes to the Schedule; however, the notes were not updated for the new Uniform Guidance. The County lacked a policy regarding review of the federal schedule and notes to the federal schedule.

Inaccurate completion of the Schedule could lead to inaccurate reporting of federal expenditures by the County and could jeopardize future federal funding. Adjustments were made to the Schedule and the notes to the Schedule.

Officials' Response:

See Corrective Action Plan

Finding Number	2015-004		
CFDA Title and Number	Highway Planning and Construction CFDA #20.205		
Federal Award Identification Number / Year	PUT-12-16.4/2015		
Federal Agency	United States Department of Transportation		
Pass-Through Entity	Ohio Department of Transportation		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

Noncompliance Citation and Material Weakness

2 CFR 1200.332 as supplemented by 2 CFR part 180 requires that when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not excluded or disqualified. **2 CFR 180.300** provides that this verification may be accomplished by checking the *System of Award Management* (SAM Exclusions), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

The County entered into a contract with Mosser Construction as the prime contractor for the bridge replacement on the Ottawa River Project. Mosser Construction entered into subcontracts with Ebony

Construction, Zimmerman Painting, Lake Erie Construction, American Roadway Logistics, Ivy Development Agency, and K&R Excavating.

Mosser Construction did not perform any type of verification to ensure the companies were not suspended, debarred, or otherwise excluded prior to entering into the contracts. The County lacked a policy on following up with the prime contractor making sure this verification was performed.

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

Officials' Response:

See Corrective Action Plan

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PUTNAM COUNTY

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for not preparing the annual financial report in accordance with generally accepted accounting principles	Not Corrected. Reissued as Finding 2015-001 in this report.	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. The Putnam County Auditor annually reviews the decision to prepare financial reports following the cash basis of accounting.
2014-002	Material weakness for monitoring of financial transactions due to errors in the financial statements.	Not Corrected. Reissued as Finding 2015-002 in this report.	The County lacked a policy regarding financial review which contributed to material posting discrepancies. The lack of reviewing the financial statements resulted in material posting discrepancies in the current audit period. The County Auditor will continue to monitor the County's financial statements and make changes as necessary and review the State's continual changing of classification postings.

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PUTNAM COUNTY

CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

DECEMBER 31, 2015

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	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.	N/A	Robert Benroth
2015-002	The County Auditor will continue to monitor the County's financial statements and make changes as necessary and review the State's continual changing of classification postings.	N/A	Robert Benroth
2015-003	Engineer's Office will complete the schedule by including the following information (per 2 CFR §200.510): (1) Federal program by agency; (2) Pass-through entity and identifying number, if applicable; (3) Total Federal awards expended for each Federal program, with CFDA number, (4) Total amount provided to sub-recipients from each federal program; (5) Include Federal awards expended for loan/loan guarantee programs, if applicable; and (6) Include notes describing accounting policies and if 10% de minimus cost rate was used (§ 200.414).	September 30, 2016	Michael L. Lenhart
2015-004	Contracts now include instructions for the prime contractor to ensure that subcontractors are not on the excluded parties list using the System for Awards Management (SAM). Engineer's Office will also check all subcontractors using SAM.	August 24, 2016	Michael L. Lenhart

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Dave Yost • Auditor of State

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
OCTOBER 4, 2016