



**Auditor of State
Betty Montgomery**

PUTNAM COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Putnam County
245 E. Main Street, Suite 101
Ottawa, Ohio 45875-1968

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Putnam County, (the County), as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified 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, 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund, Auto License and Gas Tax Fund, and Jobs and Family Services Fund, thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

During the year ended December 31, 2004, the County revised its financial presentation to include entity-wide financial statements, present major funds, to include Management's Discussion and Analysis, and other revisions consistent with Governmental Accounting Statement No. 34, modified for the County's accounting basis.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2005, 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 testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

August 17, 2005

PUTNAM COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

The discussion and analysis of Putnam County's financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2004, within the limitations of the County's cash basis of accounting. Please read this in conjunction with the County's financial statements.

Financial Highlights

Key financial highlights for 2004 are as follows:

Overall:

Total net assets increased \$193,654 with Governmental Activities increasing by \$86,175 and Business-Type Activities increasing by \$107,479.

Total cash receipts were \$28,954,476 in 2004.

Total program cash disbursements were \$28,760,822 in 2004.

Governmental Activities:

Total program cash receipts were \$14,687,605 in 2004, while program cash disbursements were \$22,924,187.

Program cash disbursements were primarily composed of Public Safety, Public Works, Health, and Human Services related Cash disbursements which were \$14,494,387 in 2004.

Business-Type Activities:

Program cash receipts were \$5,721,783 for Business Activities, while corresponding cash Disbursements were \$5,836,635.

Using this Basic Financial Report

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

The Statement of Net Assets-cash basis and Statement of Activities-cash basis provide information about the activities of the whole County, presenting both an aggregate view of the County's cash basis finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column. In the case of Putnam County, the General Fund, the Auto License and Gas Tax Fund, the Job and Family Services Fund, and the Capital Improvements Fund are the most significant funds and have been presented as major funds.

Reporting the County as a Whole

The County's Reporting Entity Presentation

This annual report includes all activities for which Putnam County is fiscally responsible. These activities, defined as the County's reporting entity, are operated within separate legal entities that make up the

PUTNAM COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004 (Continued)

primary government and include one component unit. The primary government consists of Putnam County.

Statement of Net Assets and Statement of Activities

While this document contains the large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all cash basis financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid. These two statements report the County's *net assets* and changes in those assets. This change in net assets is important because it tells the reader whether, for the County as a whole, the *cash basis financial position* of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the 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 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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the Statement of Net Assets and the Statement of Activities, the County is divided into two distinct kinds of activities:

Governmental Activities – Most of the County's programs and services are reported here including general government, public safety, public works, health, human services, economic development, capital outlay, and debt service.

Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the cash disbursements of the goods or services provided. The County's nursing home is reported as a business activity.

Reporting the County's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's most significant funds that have been presented as major governmental funds are the General Fund, the Auto License and Gas Tax Fund, the Job and Family Services Fund, and the Capital Improvements Fund.

Governmental Funds Most of the County's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The

PUTNAM COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(Continued)

governmental fund statements provide a detailed *view* of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various County programs. Since the County is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

Proprietary Funds The County's proprietary funds use the same basis of accounting (cash basis) as governmental fund activities; therefore, these statements will essentially match the information provided in the statements for the County as a whole.

The County as a Whole

Recall that the Statement of Net Assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's Net Assets for 2004 compared to the prior year:

Table 1
Net Cash Assets

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Totals</i>	
	2004	2003	2004	2003	2004	2003
<i>Assets</i>						
Cash and Cash Equivalents	\$ 7,684,174	\$ 7,597,999	\$ 3,229,877	\$ 3,122,396	\$ 10,914,051	\$ 10,720,395
<i>Total Assets</i>	7,684,174	7,597,999	3,229,877	3,122,396	10,914,051	10,720,395
 <i>Net Cash Assets</i>						
Restricted	5,566,598	5,027,293			5,566,598	5,027,293
Unrestricted (deficit)	2,117,576	2,570,706	3,229,877	3,122,398	5,347,453	5,693,104
<i>Total Net Assets</i>	<u>\$ 7,684,174</u>	<u>\$ 7,597,999</u>	<u>\$ 3,229,877</u>	<u>\$ 3,122,398</u>	<u>\$ 10,914,051</u>	<u>\$ 10,720,397</u>

Total assets increased by \$193,654.

Table 2 shows the changes in Net Assets for fiscal year 2004. Because this is the first year the County has prepared cash basis financial statements following GASB Statement 34, cash receipt and cash disbursement comparisons to fiscal year 2003 have not been compiled. In future years, when prior year information has been compiled, a comparative analysis of governmental data will be presented.

PUTNAM COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(Continued)

Table 2
Changes in Net Cash Assets

	Governmental Activities	Business-Type Activities	Totals
Cash Receipts			
<i>Program Cash Receipts</i>			
Charges For Services and Sales	\$ 2,378,963	\$ 5,721,783	\$ 8,100,746
Operating Grants and Contributions	9,791,872		9,791,872
Capital Grants and Contributions	2,516,770		2,516,770
Total Program Cash Receipts	14,687,605	5,721,783	20,409,388
<i>General Cash Receipts and Transfers</i>			
Property Taxes	2,635,783		2,635,783
Payment in Lieu of Taxes	383,079		383,079
Sales Taxes	2,939,943		2,939,943
Permissive License Tax	122,616		122,616
Grants and Entitlements not Restricted to Specific Programs	709,749		709,749
Interest Receipts	237,463		237,463
Miscellaneous	1,314,440	203,017	1,517,457
Transfers In (Out)	(20,316)	19,314	(1,002)
Total General Cash Receipts and Transfers	8,322,757	222,331	8,545,088
Total Cash Receipts and Transfers	23,010,362	5,944,114	28,954,476
Cash Disbursements			
<i>Program Cash Disbursements</i>			
<i>General Government</i>			
Legislative and Executive	2,368,508		2,368,508
Judicial	1,211,009		1,211,009
Public Safety	3,658,525		3,658,525
Public Works	3,916,907		3,916,907
Health	3,555,208		3,555,208
Human Services	3,363,747		3,363,747
Economic Development	401,819		401,819
Miscellaneous	1,130,049		1,130,049
Capital Outlay	2,831,611		2,831,611
<i>Debt Service:</i>			
Principal Retirement	339,580		339,580
Interest and Fiscal Charges	147,224		147,224
Proprietary Funds		5,836,635	5,836,635
Total Cash Disbursements	22,924,187	5,836,635	28,760,822
Increase In Net Cash Assets	86,175	107,479	193,654
Net Cash Assets at Beginning of Year	7,597,999	3,122,398	10,720,397
Net Cash Assets at End of Year	\$ 7,684,174	\$ 3,229,877	\$ 10,914,051

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 11 percent and 13 percent, respectively, of cash receipts for governmental activities for Putnam County in fiscal year 2004. Operating grants and contributions made up 43 percent of cash receipts for governmental activities for the County.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net

PUTNAM COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(Continued)

cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements. The dependence upon tax receipts and intergovernmental monies for governmental activities is apparent. Almost 100 percent of human services activities are supported through charges for services and operating grants and contributions; for all governmental activities, general cash receipts and transfers support is 36 percent as shown in Table 2. The taxpayers and the State of Ohio, as a whole, provide the vast majority of resources for Putnam County. Table 3 below shows the total and net cost of services (on a cash basis) for the County.

Table 3
Total Cost of Program Services
Governmental Activities and Business-Type Activities

	2004	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
Governmental Activities		
General Government		
Legislative and Executive	\$ 2,368,508	\$ 1,251,048
Judicial	1,211,009	584,060
Public Safety	3,658,525	3,008,859
Public Works	3,916,907	250,526
Health	3,555,208	1,436,136
Human Services	3,363,747	52,878
Economic Development	401,819	20,495
Miscellaneous	1,130,049	830,935
Capital Outlay	2,831,611	314,841
Debt Service		
Principal Retirement	339,580	339,580
Interest and Fiscal Charges	147,224	147,224
	\$ 22,924,187	\$ 8,236,582
Business-Type Activities		
Proprietary Funds	5,836,635	114,852
Total Cash Disbursements - Business-Type Activities	\$ 5,836,635	\$ 114,852

Business-Type Activities

Business-type activities consist primarily of care and treatment of the elderly and disabled county residents at the Putnam Acres Care Center. Overall Net Assets increased \$107,479 from 2003 to 2004. Program cash receipts support most business-type activities and during 2004 total cash receipts exceeded program cash disbursements, which resulted in the above increase.

The County's Funds

These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$24,498,817 and cash disbursements and other financing uses of \$24,412,642. The net change in fund balance for the year was most significant in the General Fund and the Job and Family Services Fund, where the General Fund cash balance went from \$2,570,704 in 2003 to \$2,117,576 for 2004, and the Job and Family Services Fund cash balance went from \$149,322 in 2003

PUTNAM COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(Continued)

to \$315,644 for 2004. For the General Fund, cash disbursements exceeded cash receipts in the amount of \$453,128, the main cause of this was funds advanced to other funds and in the Job and Family Services Fund, cash receipts exceeded cash disbursements in the amount of \$166,322 due to conservative spending practice at Job and Family Services. These factors along with cash receipts exceeding cash disbursements in the other non-major governmental funds in the amount of \$169,922 resulted in governmental fund cash balances increasing \$86,175.

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 \$7,812,138, which is \$1,532,333 more than the final budget estimates. Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$8,566,370, \$754,232 above cash receipts, and \$503,809 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 \$2,831,611 during fiscal year 2004.

Debt

Under the cash basis of accounting the County does not report bonds, long-term notes, or short-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds, long-term notes, and short-term notes. At December 31, 2004 the County had \$5,247,551 in bonds and related long-term debt for Governmental Activities and \$619,889 in bonds and related long-term debt for Business Type Activities.

Table 4 summarizes bonds and long-term notes outstanding for Governmental Activities for the past two years:

Table 4
Outstanding Debt at December 31
Governmental Activities

	2004	2003
General Obligation Bonds	\$ 5,247,551	\$ 5,584,146
Promissory Note		13,735
Totals	\$ 5,247,551	\$ 5,597,881

During fiscal year 2004, the County issued no new debt. However, two debt issues were paid off in 2004, County Home Improvement Bonds and Restroom/Horse Barn Repair Notes. The county no longer has any Promissory Notes outstanding.

Table 5 summarizes bonds and long-term notes outstanding for Business-Type Activities for the past two years:

PUTNAM COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004 (Continued)

Table 5
Outstanding Debt at December 31
Business-Type Activities

	2004	2003
General Obligation Bonds	\$ 619,889	\$ 740,273

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, 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 cash basis finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information contact Marlene T. Lahey, County Auditor at Putnam County, P.O. Box 345, Ottawa, Ohio 45875. Or email at putcoaud@bright.net.

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PUTNAM COUNTY

**Statement of Net Assets-Modified Cash Basis
December 31, 2004**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 7,684,174	\$ 3,229,877	\$ 10,914,051
<i>Total Assets</i>	7,684,174	3,229,877	10,914,051
Net Assets:			
Restricted for:			
Debt Service	525,974		525,974
Capital Projects	600,738		600,738
Other Purposes	4,439,886		4,439,886
Unrestricted	2,117,576	3,229,877	5,347,453
<i>Total Net Assets</i>	\$ 7,684,174	\$ 3,229,877	\$ 10,914,051

The notes to the basic financial statements are an integral part of this statement.

PUTNAM COUNTY

**Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended December 31, 2004**

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government				
Legislative and Executive	\$ 2,368,508	\$ 1,117,460		
Judicial	1,211,009	531,469	\$ 95,480	
Public Safety	3,658,525	405,176	244,490	
Public Works	3,916,907	49,165	3,617,216	
Health	3,555,208	130,295	1,988,777	
Human Services	3,363,747	118,482	3,192,387	
Economic Development	401,819	26,916	354,408	
Miscellaneous	1,130,049		299,114	
Capital Outlay	2,831,611			\$ 2,516,770
Debt Service:				
Principal Retirement	339,580			
Interest and Fiscal Charges	147,224			
<i>Total Governmental Activities</i>	<u>22,924,187</u>	<u>2,378,963</u>	<u>9,791,872</u>	<u>2,516,770</u>
Business Type Activities:				
Water and Sewer	164,288	165,197		
Sanitary Landfill	274,650	80,878		
Emergency Medical Services	760,852	818,906		
Airport Operations	14,272	23,086		
County Home	4,622,573	4,633,716		
<i>Total Business Type Activities</i>	<u>5,836,635</u>	<u>5,721,783</u>	<u>-</u>	<u>-</u>
<i>Total Primary Government</i>	<u>\$ 28,760,822</u>	<u>\$ 8,100,746</u>	<u>\$ 9,791,872</u>	<u>\$ 2,516,770</u>

General Cash Receipts and Transfers:

Property Taxes Levied for:
 General Purpose
 Payment in Lieu of Taxes
 Sales Taxes
 Permissive License Tax
 Grants and Entitlements not Restricted to Specific Programs
 Transfers In (Out)
 Interest Receipts
 Miscellaneous
Total General Cash Receipts and Transfers
Changes in Net Cash Assets
Net Cash Assets Beginning of Year
Net Cash Assets End of Year

The notes to the financial statements are an integral part of this statement.

Net (Cash Disbursements) Cash Receipts
and Changes in Net Cash Assets

Governmental Activities	Business Type Activities	Total
\$ (1,251,048)		\$ (1,251,048)
(584,060)		(584,060)
(3,008,859)		(3,008,859)
(250,526)		(250,526)
(1,436,136)		(1,436,136)
(52,878)		(52,878)
(20,495)		(20,495)
(830,935)		(830,935)
(314,841)		(314,841)
(339,580)		(339,580)
(147,224)		(147,224)
(8,236,582)		(8,236,582)
	\$ 909	909
	(193,772)	(193,772)
	58,054	58,054
	8,814	8,814
	11,143	11,143
-	(114,852)	(114,852)
(8,236,582)	(114,852)	(8,351,434)
2,635,783		2,635,783
383,079		383,079
2,939,943		2,939,943
122,616		122,616
709,749		709,749
(20,316)	19,314	(1,002)
237,463		237,463
1,314,440	203,017	1,517,457
8,322,757	222,331	8,545,088
86,175	107,479	193,654
7,597,999	3,122,398	10,720,397
7,684,174	\$3,229,877	\$10,914,051

PUTNAM COUNTY

**Statement of Modified Cash Basis Assets and Fund Balances and
Cash Receipts, Cash Disbursements, and Changes in Cash Basis
Fund Balances - Modified Cash Basis - Governmental Funds
As of and for the Fiscal Year Ended December 31, 2004**

	General Fund	Auto License and Gas Tax Fund
Receipts:		
Property Taxes	\$ 1,328,152	
Sales Taxes	2,822,220	
Permissive License Taxes		\$ 122,616
Charges for Services	1,497,423	
Licenses and Permits	2,191	
Fines and Forfeitures	36,509	37,150
Intergovernmental Receipts	729,431	3,290,195
Special Assessments		
Interest on Investments	237,463	
Rent	60,087	
Payment in Lieu of Taxes	383,079	
All Other Revenue	319,380	25,358
<i>Total Receipts</i>	7,415,935	3,475,319
Disbursements:		
General Government		
Legislative and Executive	1,916,098	
Judicial	984,097	
Public Safety	2,957,432	
Public Works	61,732	3,528,381
Health	55,566	
Human Services	249,276	
Economic Development		
Miscellaneous	690,990	
Capital Outlay		
Debt Service:		
Bond Principal Payment	183,893	
Note Principal Payment		
Interest and Fiscal Charges		
<i>Total Disbursements</i>	7,099,084	3,528,381
<i>Excess of Receipts Over/(Under) Disbursements</i>	316,851	(53,062)
Other Financing Sources (Uses):		
Operating Transfers-In		
Operating Transfers-Out	(304,856)	
Advances-In	373,658	
Advances-Out	(717,213)	
Other Financing Sources	22,545	114,638
Other Financing Uses	(144,113)	
<i>Total Other Financing Sources/(Uses)</i>	(769,979)	114,638
<i>Excess of Receipts and Other Financing Sources Over/ (Under) Disbursements and Other Financing Uses</i>	(453,128)	61,576
Fund Balances - Beginning of Year	2,570,704	830,226
<i>Fund Balances - End of Year</i>	\$ 2,117,576	\$ 891,802
Assets End of Year:		
Equity in Pooled Cash and Cash Equivalents	\$ 2,117,576	\$ 891,802
Fund Balances End of Year:		
Reserved for Encumbrances	\$ 301,104	\$ 227,401
Unreserved, Reported in:		
General Fund	1,816,472	
Special Revenue Funds		664,401
Capital Project Funds		
Debt Service Funds		
<i>Total Cash Basis Fund Balances</i>	\$ 2,117,576	\$ 891,802

The notes to the financial statements are an integral part of this statement.

Jobs and Family Services Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
	\$ 117,723	\$ 1,307,631	\$ 2,635,783
			2,939,943
			122,616
		714,203	2,211,626
		55,410	57,601
		36,077	109,736
\$ 2,424,059	2,498,896	4,075,810	13,018,391
		172,770	172,770
			237,463
			60,087
			383,079
		414,236	758,974
<u>2,424,059</u>	<u>2,616,619</u>	<u>6,776,137</u>	<u>22,708,069</u>
		452,410	2,368,508
		226,912	1,211,009
		701,093	3,658,525
		326,794	3,916,907
		3,499,642	3,555,208
2,451,119		663,351	3,363,746
		401,819	401,819
		294,946	985,936
	2,577,386	254,225	2,831,611
		141,953	325,846
		13,735	13,735
		147,224	147,224
<u>2,451,119</u>	<u>2,577,386</u>	<u>7,124,104</u>	<u>22,780,074</u>
(27,060)	39,233	(347,967)	(72,005)
84,237		454,936	539,173
		(254,633)	(559,489)
	100,000	455,308	928,966
		(211,753)	(928,966)
109,145	2,250	74,031	322,609
			(144,113)
<u>193,382</u>	<u>102,250</u>	<u>517,889</u>	<u>158,180</u>
166,322	141,483	169,922	86,175
149,322	128,735	3,919,012	7,597,999
<u>\$ 315,644</u>	<u>\$ 270,218</u>	<u>\$ 4,088,934</u>	<u>\$ 7,684,174</u>
<u>\$ 315,644</u>	<u>\$ 270,218</u>	<u>\$ 4,088,934</u>	<u>\$ 7,684,174</u>
\$ 15,819	\$ 168,674	\$ 834,885	\$ 1,547,883
			-
			1,816,472
299,825		2,634,320	3,598,546
	101,544	93,753	195,297
		525,976	525,976
<u>\$ 315,644</u>	<u>\$ 270,218</u>	<u>\$ 4,088,934</u>	<u>\$ 7,684,174</u>

PUTNAM COUNTY

**Statement of Modified Cash Basis Assets and Fund Balances and
Cash Receipts, Cash Disbursements and Changes in Cash Basis
Fund Balances - Modified Cash Basis - Proprietary Funds
As of and for the Fiscal Year Ended December 31, 2004**

	Putnam Acres Fund	Other Enterprise Funds	Totals (Memorandum Only)
Operating Receipts:			
Charges for Services	\$ 4,557,657	\$ 1,164,126	\$ 5,721,783
Other Operating Receipts	11,534	44,931	56,465
<i>Total Operating Receipts</i>	4,569,191	1,209,057	5,778,248
Operating Disbursements:			
Personal Services	3,293,079	442,366	3,735,445
Contract Services	654,020	232,627	886,647
Supplies and Materials	207,223	116,595	323,818
Capital Outlay	162,903	203,652	366,555
<i>Total Operating Disbursements</i>	4,317,225	995,240	5,312,465
<i>Operating Income</i>	251,966	213,817	465,783
Non-Operating Receipts/(Disbursements):			
Bond Retirement	(70,000)	(192,040)	(262,040)
Interest Expense & Fiscal Charges	(29,400)	(10,560)	(39,960)
Other Non-Operating Revenue	13,869	132,683	146,552
Other Non-Operating Expense	(168,293)	(53,877)	(222,170)
<i>Total Non-Operating Revenues/(Disbursements)</i>	(253,824)	(123,794)	(377,618)
Receipts Over/(Under) Disbursements before Transfers	(1,858)	90,023	88,165
Operating Transfers-In	2,934	44,001	46,935
Operating Transfers-Out		(27,621)	(27,621)
<i>Total Transfers</i>	2,934	16,380	19,314
<i>Changes in Net Assets</i>	1,076	106,403	107,479
Net Assets - Beginning of Year	2,080,078	1,042,320	3,122,398
<i>Net Assets - End of Year</i>	\$ 2,081,154	\$ 1,148,723	\$ 3,229,877
Assets End of Year:			
Equity in Pooled Cash and Cash Equivalents	2,081,154	1,148,723	3,229,877
Fund Balances End of Year:			
Reserve for Encumbrances	154,672	32,663	187,335
Unreserved	1,926,482	1,116,060	3,042,542
<i>Total Net Assets</i>	\$ 2,081,154	\$ 1,148,723	\$ 3,229,877

The notes to the financial statements are an integral part of this statement.

PUTNAM COUNTY

**Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
Budget and Actual Comparison (Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2004**

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Budgetary Basis Receipts:				
Property Taxes	\$ 1,272,200	\$ 1,336,896	\$ 1,328,152	\$ (8,744)
Sales Taxes	2,600,000	2,600,000	2,822,220	222,220
Charges for Services	1,155,244	1,155,244	1,497,423	342,179
Licenses and Permits	1,760	1,760	2,191	431
Fines and Forfeitures	6,350	6,350	36,509	30,159
Intergovernmental	690,038	703,055	729,431	26,376
Interest	230,000	230,000	237,463	7,463
Rent			60,087	60,087
Payment in Lieu of Taxes			383,079	383,079
Other	245,500	245,500	319,380	73,880
<i>Total Receipts</i>	6,201,092	6,278,805	7,415,935	1,137,130
Budgetary Basis Disbursements:				
General Government:				
Legislative and Executive	2,249,281	2,526,900	2,243,777	283,123
Judicial	1,008,379	1,122,988	1,042,593	80,395
Public Safety	2,764,760	3,085,360	3,131,143	(45,783)
Public Works	65,138	65,138	64,370	768
Health	55,564	55,942	55,566	376
Human Services	281,314	281,314	252,316	28,998
Transportation	46,267	49,236	48,965	271
Miscellaneous	455,820	517,068	377,565	139,503
Debt Service:				
Principal Retirement	183,893	183,893	183,893	
<i>Total Disbursements</i>	7,110,416	7,887,839	7,400,188	487,651
Excess of Receipts Over/ (Under) Disbursements	(909,324)	(1,609,034)	15,747	1,624,781
Other Financing Sources (Uses):				
Advances-In			373,658	373,658
Advances-Out		(717,213)	(717,213)	
Operating Transfers-Out	(14,013)	(318,869)	(304,856)	14,013
Other Sources	1,000	1,000	22,545	21,545
Other Uses	(143,758)	(146,258)	(144,113)	2,145
<i>Total Other Financing Sources/(Uses)</i>	(156,771)	(1,181,340)	(769,979)	411,361
Excess of Disbursements and Other Financing Uses Over Receipts and Other Financing Sources	(1,066,095)	(2,790,374)	(754,232)	2,036,142
Fund Balance at Beginning of Year	2,318,792	2,318,792	2,318,792	
Prior Year Encumbrances Appropriated	251,912	251,912	251,912	
<i>Fund Balance at End of Year</i>	\$ 1,504,609	\$ (219,670)	\$ 1,816,472	\$ 2,036,142

The notes to the basic financial statements are an integral part of this statement.

PUTNAM COUNTY

**Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
Budget and Actual Comparison (Budgetary Basis)
Auto License and Gas Tax Fund
For the Fiscal Year Ended December 31, 2004**

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Budgetary Basis Receipts:				
Sales Taxes	\$ 118,507	\$ 118,507	\$ 122,616	\$ 4,109
Fines and Forfeitures	37,501	37,501	37,150	(351)
Intergovernmental	3,105,499	3,105,499	3,290,195	184,696
Other			25,358	25,358
<i>Total Receipts</i>	<u>3,261,507</u>	<u>3,261,507</u>	<u>3,475,319</u>	<u>213,812</u>
Budgetary Basis Disbursements:				
Public Works	3,620,953	3,990,821	3,755,782	235,039
<i>Total Disbursements</i>	<u>3,620,953</u>	<u>3,990,821</u>	<u>3,755,782</u>	<u>235,039</u>
Excess of Disbursements Over Receipts	(359,446)	(729,314)	(280,463)	448,851
Other Financing Sources:				
Other Sources	183,774	183,774	114,638	(69,136)
<i>Total Other Financing Sources</i>	<u>183,774</u>	<u>183,774</u>	<u>114,638</u>	<u>(69,136)</u>
Excess of Disbursements Over Receipts and Other Financing Sources	(175,672)	(545,540)	(165,825)	379,715
Fund Balance at Beginning of Year	745,963	745,963	745,963	
Prior Year Encumbrances Appropriated	84,263	84,263	84,263	
<i>Fund Balance at End of Year</i>	<u>\$ 654,554</u>	<u>\$ 284,686</u>	<u>\$ 664,401</u>	<u>\$ 379,715</u>

The notes to the basic financial statements are an integral part of this statement.

PUTNAM COUNTY

**Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
Budget and Actual Comparison (Budgetary Basis)
Jobs and Family Services Fund
For the Fiscal Year Ended December 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Budgetary Basis Receipts:				
Intergovernmental	\$ 2,901,300	\$ 2,985,537	\$ 2,424,059	\$ (561,478)
<i>Total Receipts</i>	<u>2,901,300</u>	<u>2,985,537</u>	<u>2,424,059</u>	<u>(561,478)</u>
Budgetary Basis Disbursements:				
Human Services	4,075,563	4,159,800	2,466,938	1,692,862
<i>Total Disbursements</i>	<u>4,075,563</u>	<u>4,159,800</u>	<u>2,466,938</u>	<u>1,692,862</u>
Excess of Disbursements Over Receipts	(1,174,263)	(1,174,263)	(42,879)	1,131,384
Other Financing Sources:				
Operating Transfers-In			84,237	84,237
Other Sources	954,300	1,024,941	109,145	(915,796)
<i>Total Other Financing Sources</i>	<u>954,300</u>	<u>1,024,941</u>	<u>193,382</u>	<u>(831,559)</u>
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements	(219,963)	(149,322)	150,503	299,825
Fund Balance at Beginning of Year	(70,641)	(70,641)	(70,641)	
Prior Year Encumbrances Appropriated	219,963	219,963	219,963	
<i>Fund Balance at End of Year</i>	<u>\$ (70,641)</u>	<u>\$ -</u>	<u>\$ 299,825</u>	<u>\$ 299,825</u>

The notes to the basic financial statements are an integral part of this statement.

PUTNAM COUNTY

**Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2004**

	<u>Private Purpose</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 9,647	\$ 3,175,007
<i>Total Assets</i>	<u>9,647</u>	<u>3,175,007</u>
Net Cash Assets:	<u>\$ 9,647</u>	<u>\$ 3,175,007</u>

The notes to the financial statements are an integral part of this statement.

PUTNAM COUNTY

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
December 31, 2004

	<u>Private Purpose</u>
Additions	
Miscellaneous	\$ 1,181
Deductions	
Other	<u>1,384</u>
<i>Change in Net Assets</i>	(203)
Net Assets at Beginning of Year	9,850
Net Assets at End of Year	<u><u>\$ 9,647</u></u>

The notes to the financial statements are an integral part of this statement.

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PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2004

NOTE 1 – DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

Putnam County, Ohio (the County) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County is governed by a board of three Commissioners elected by the voters of the County. The County Auditor is responsible for the fiscal controls over the resources of the County that are maintained in the funds described below. The County Treasurer is the custodian of funds and the investment officer. Other officials elected by the voters of the County that manage various segments of the County's operations are the Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, Common Pleas Court Judges, a Probate/Juvenile Court Judge, and two County Court Judges. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serving as the budget and taxing authority, contracting body and chief administrator of public services for the County, including each of these departments.

Reporting Entity

The County's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, effective for financial statements for periods beginning after December 15, 1992. The financial statements and notes include all funds, agencies, boards, commissions, and component units for which Putnam County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County. Responsibility was evaluated on the basis of financial dependence and the manifestations of oversight exercised by the Commissioners. Among the factors considered were budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, reliance of the organization on continuing subsidies from the County, selection of governing authority, and designation of management.

Based on the foregoing criteria, the financial activities of the following entities should be reflected in the accompanying financial statements and notes:

Component Unit

Brookhill Center Industries, Inc. ("Workshop")

Based on the foregoing criteria, the Brookhill Center Industries, Inc. (the Workshop) is a component unit of the County. See note 3 for a presentation of condensed financial statement information of the Workshop for the year ended December 31, 2004.

Potential Component Units Reported as Agency Funds

The County Treasurer, as the custodian of public funds, invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards and commissioners listed below, the County serves as fiscal agent but is not financially accountable for their operations. Accordingly, the activity of the following entities is presented as agency funds within the financial statements:

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2004 (Continued)

County General Health District
Soil and Water Conservation District
Law Library

The County is associated with certain organizations which are defined as Jointly Governed Organizations, a Shared Risk Pool, and an Insurance Purchasing Pool, as follows:

Jointly Governed Organizations

Multi-Area Narcotics (MAN)

Putnam County is a member of the Multi-Area Narcotics task force which is a jointly governed organization between Defiance, Williams and Putnam Counties and the Cities of Defiance and Bryan. The purpose of MAN is to act as a joint regional task force in the fight against narcotics. MAN is governed by a board consisting of the sheriffs and police chiefs of the respective counties and cities. The main source of revenue is grants received from the State. The financial records are maintained by MAN. The fiscal agent is Defiance County.

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 2004. The Hancock County Auditor serves as fiscal agent for this project.

West Central Partnership, Inc.

The West Central Partnership, Inc. (the Partnership) is a jointly governed organization among Allen, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The Partnership was formed to administer local loan programs in these counties for the State of Ohio Department of Development using 166 funds and raising money for such purpose and to expend, contribute, disburse, or otherwise handle and dispose of the same for such purpose. The Board of Trustees consists of nine members, including a County Commissioner from each of the member counties and the Director of Region 3, West Central SBDC Partnership. The County was not required to make any contributions to the Partnership in 2004.

Shared Risk Pool

County Risk Sharing Authority, Inc. (CORSA)

The County Risk Sharing Authority, Inc. is a jointly governed organization among fifty counties in Ohio. CORSA was formed as an Ohio nonprofit 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. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2004 (Continued)

trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board 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.

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates.

Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus, Ohio.

Insurance Purchasing Pool

County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year, and each elected member shall be a County Commissioner.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code Section 117-2-3(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the County, with the exception of the Brookhill Workshop, chooses to prepare its financial statements and notes in accordance with the modified cash-basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

As a result of the use of the modified 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 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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2004 (Continued)

A. Fund Accounting

The County uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The County classifies each fund as either governmental, proprietary or fiduciary.

Governmental Funds

The County classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the County's major governmental funds:

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

Auto License and Gas Tax Special Revenue Fund – This fund accounts for monies received from state gasoline tax and motor vehicle registration fees designated for maintenance and repair of roads and bridges.

Jobs and Family Services Special Revenue Fund – This fund accounts for various federal and state grants used to provide public assistance to general relief recipients, pay their providers of medical assistance and certain public social services.

Capital Improvements Capital Projects Fund – This fund accounts for a federal grant used for the construction of area bridges and for property taxes restricted to capital improvement projects.

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

Proprietary Funds

Certain County funds operate similar to business enterprises, where user charges (i.e. charges for services) provide significant resources for the activity. The County classifies these as enterprise funds.

Putnam Acres Enterprise Fund – This fund accounts for the operations to provide care and treatment of elderly and disabled county residents at the Putnam Acres Care Center.

The other enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered through user charges.

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2004 (Continued)

Fiduciary Funds

Fiduciary funds account for cash and investments where the District is acting as trustee or fiscal agent for other entities or individuals. The County's fiduciary funds include a private-purpose trust fund and agency funds. Trust funds account for assets the County holds under trust agreement for individuals and are therefore not available to support the County's own programs. Agency funds are custodial in nature, where the County deposits and pays cash as directed by another entity or individual. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

B. Basis of Presentation

For fiscal year 2004 the County has implemented the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. However, there are no adjustments to beginning fund balances since the basis of accounting has not changed. The County's basic financial statements consist of government-wide statements, including a statement of net cash assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets-cash basis presents the cash basis financial condition of governmental activities of the County at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the County's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the County. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general cash receipts of the County.

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 fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2004 (Continued)

C. Budgetary Process

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

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

1. Budget

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

2. Estimated Resources

The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1 this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31 the County must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2004, unencumbered fund balances. However, those fund balances are available for appropriations.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. The County's legal level of control is at the fund, function, and object level. Appropriations may not exceed estimated resources.

4. Encumbrances

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2004 (Continued)

D. Property, Plant, and Equipment

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

E. Unpaid Vacation and Sick Leave

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

F. Long-term Obligations

These modified-cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

G. Net Assets

The statements report restricted net assets when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use.

The County first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

H. Cash and Investments

The County maintains a cash and investment pool which is available for all funds. Individual fund integrity is maintained through County records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. During fiscal year 2004, investments were limited to certificates of deposits. All investments of the County had a maturity of two years or less. Investments are stated at cost. Investment earnings are allocated as authorized by State statute, with exception of the Motor Vehicle and Gas Tax Fund which did not receive its share of interest in 2004.

I. Interfund Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses; proprietary funds report transfers after nonoperating receipts and disbursements. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

J. Fund Balance Reserves

The County reserves those portions of fund equity which are legally segregated for a specific future use or are not available for appropriation or expenditure. Fund equity reserves have been established for encumbrances.

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2004 (Continued)

NOTE 3 – COMPONENT UNIT – BROOKHILL WORKSHOP, INC.

The Brookhill Workshop, Inc. is a component unit of the County. The workshop is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. The Workshop, under a contractual agreement with the Putnam County Board of Mental Retardation and Developmental Disabilities (MRDD), provides sheltered employment for mentally retarded or handicapped adults in Putnam County. The Putnam County Board of MRDD 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 retarded and handicapped adults of Putnam County. The Workshop prepares its Financial Statements in accordance with Financial Accounting Standards Board (FASB) Statement No. 117, "Financial Statements of Not-for-Profit Organizations." Separately issued financial statements can be obtained from the Brookhill Center Industries, Inc. of Putnam County.

Condensed Balance Sheet - Brookhill Workshop

<hr/>	
Assets:	
Current Assets	\$800,086
Property, Plant, and Equipment	44,593
Total Assets	<u>\$844,679</u>
Liabilities:	
Current Liabilities	\$21,889
Equity:	
Unrestricted Net Assets	822,790
Total Liabilities and Net Assets	<u>\$844,679</u>

Condensed Statement of Activities - Brookhill Workshop

<hr/>	
Operating Revenues	\$339,905
Operating Expenses	247,905
Net Increase in Net Assets	92,000
Net Assets, January 1	730,790
Net Assets, December 31	<u>\$822,790</u>

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Legal Requirements

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

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

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2004 (Continued)

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

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

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

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2004 (Continued)

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

B. Cash on Hand

Cash on hand consists of \$175,912 in undeposited cash on hand, included as part of "Equity in pooled cash and cash equivalents."

C. Deposits

At year-end, the amount of the County's deposits, excluding cash on hand, was \$13,922,793 and the bank balance was \$14,234,398. Of the bank balance:

1. \$780,317 was covered by federal depositary insurance;
2. \$9,264,568 was collateralized by securities specifically pledged by the financial institution to the County;
3. \$4,189,513 was considered uninsured and uncollateralized even though securities for collateral were held by the pledging financial institution's trust department in the County's name and all state statutory requirements for the collateralization of deposits had been followed. Non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

NOTE 5 – PROPERTY TAXES

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

Real property taxes become a lien on all nonexempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, State statute permits later payment dates to be established.

The full tax rate applied to real property, for the fiscal year ended December 31, 2004, was \$7.23 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$5.8841 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$6.8014 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property, for the fiscal year ended December 31, 2004, was \$7.23 per \$1,000 of assessed valuation.

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2004 (Continued)

Real Property - 2003 Valuation	
Residential/Agricultural	\$428,396,930
Commercial/Industrial	45,472,610
Public Utilities	540,710
Tangible Personal Property - 2004 Valuation	
General	67,496,807
Public Utilities - 2003	28,004,680
Total Valuation	<u>\$569,911,737</u>

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

NOTE 6 – RISK MANAGEMENT

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

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

There has not been a significant reduction in coverage from the prior year.

For 2004, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve lower worker's 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 participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member -directed plan members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings. The combined-plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the traditional plan benefit. Member contributions, whose investment is

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2004 (Continued)

self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report, obtainable by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The County's contribution rate for 2004 was 13.55 percent of covered salary. The employer contribution rate for law enforcement was 16.7 percent.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$1,652,838, \$1,858,133, and \$1,576,027 respectively.

B. State Teachers Retirement System

Certified teachers employed by the school for the Mentally Retarded/Developmentally Disabled (MRDD) participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a financial report, obtainable by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the benefit payment at a reduced level from the regular DB Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2004 (Continued)

disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the year ended December 31, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations for the DB Plan for the years ended December 31, 2004, 2003, and 2002 were \$3,156, \$4,693, and \$4,762 respectively.

NOTE 8 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

In order to qualify for post-retirement health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and primary survivor benefit recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2004 employer contribution rate for state employers was 13.31 percent of covered payroll and 4.00 percent was used to fund health care for the year. For local government employer units, the rate was 13.55 percent of covered payroll and 4.00 percent was used to fund health care for the year. For both the public safety and law enforcement divisions, the 2004 employer rate was 16.70 percent and 4.00 percent was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.30 percent based on additional pay increases. Health care premiums were assumed to increase 4.00 percent annually.

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2004 (Continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$487,923. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

B. State Teachers Retirement System

The County provides comprehensive health care benefits to retired employees and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. This system is on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$225.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000, and STRS had 111,853 eligible benefit recipients.

NOTE 9 – DEBT OBLIGATIONS

The County's outstanding debt at December 31, 2004, was as follows:

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds:		
Aiport Improvement	\$42,900	7.625%
Energy Conservation Improvement	31,220	5.250%
Energy Conservation Improvement	25,000	5.650%
Human Services Building Acquisition	71,100	7.625%
Human Services Building Addition	88,235	6.625%
Putnam Acres Improvement	420,000	6.000%
Landfill Construction	340,000	4.900%
Sewer Improvement	199,889	4.950%
Various Purpose Bonds	4,500,000	Variable
Schnipke Engraving Sewer Line Project	149,096	5.250%
Total Outstanding at December 31, 2004	<u>\$5,867,440</u>	

The general obligation debt was issued for various construction projects. This debt is to be financed through transfers from the general fund, rental income from the human services building, operating revenues from Putnam Acres, the Landfill, and the Water and Sewer operations.

The Various Purpose Bonds, which were issued for jail construction and landfill closure, will be repaid through a special assessment added to the tax bill of property owners in the County and through an increase in the County's sales tax. In the event that property owners fail to make their payments, the County is responsible for providing the resources to meet annual principal and interest payments.

On September 1, 2004 the County entered into an irrevocable letter of credit for \$2,227,940 that matures on September 1, 2005. As of December 31, 2004 there was no outstanding balance. The letter of credit was issued to guaranty payment of the costs associated with the closure and post closure care of the County landfill. The landfill was closed during 2001.

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

<u>Year</u>	<u>General Obligation Bonds</u>
2005	\$713,991
2006	663,615
2007	645,743
2008	515,556
2009	512,888
2010 and Thereafter	5,983,560
Total	<u>\$9,035,353</u>

NOTE 10 – PERMISSIVE SALES AND USE TAX

In 1973, the County Commissioners by resolution imposed a 0.5 percent tax on all retail sales (except sales of motor vehicles) made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles; and in 1987 the County Commissioners imposed an additional 0.5 percent tax, on June 1, 2001 the County Commissioners imposed an additional .25

PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

percent tax which will remain in place for 5 years, bringing the total permissive sales tax to 1.25 percent. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County. Tax proceeds are split between the General Fund (95 percent) and the Capital Improvement Capital Projects Fund (5 percent). Permissive sales and use tax revenue totaled \$2,939,943 in 2004.

NOTE 11 – CONTINGENT LIABILITIES

The County receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through December 31, 2004 will not have a material adverse effect on the County.

Several claims and lawsuits involving the County are pending. In the opinion of the County Prosecutor, any potential liability would not have a material effect on the County's financial statements.

NOTE 12 – CONTRACTUAL COMMITMENTS

The County had the following outstanding contractual commitments as of December 31, 2004:

<u>Contract</u>	<u>Project</u>	<u>Original Contract Amount</u>	<u>Contract Balance 12/31/04</u>
Sand Ridge Excavating	SCS Ditch #905 Maag	\$17,193	\$1,862
Sand Ridge Excavating	SCS Ditch #913 Weller	17,672	3,937
Sand Ridge Excavating	Rimer Ditch	17,024	17,024
Sand Ridge Excavating	Wagner Group Ditch	5,827	5,827
Rosengarden Construction	Storm Sewer	29,278	29,278
Rosengarden Construction	Selhorst Ditch	10,292	10,292
Don Snyder Excavating	Sanitary Sewer Improvements	99,958	5,250
Kuhlman Builders	Buckeye Building Roof	13,400	13,400
Radio Hospital	County Wide Wireless	90,952	90,952
Radio Hospital	Complete Console Radio System	87,000	80,847
Ward Construction	Pratt Street Improvements	25,746	5,648
Ward Construction	Road 23-L Widening	77,991	77,991
Liebrecht Excavating	SCS Ditch #910 McElwain	45,851	45,821
Capital Aluminum and Glass	Courthouse Window Restoration	153,399	153,399

PUTNAM COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disburse- ments	Non-cash Disburse- ments
UNITED STATES DEPARTMENT OF AGRICULTURE				
<i>Passed through the Ohio Department of Education</i>				
<u>Mental Retardation and Developmental Disabilities Board</u>				
Nutrition Cluster				
Food Donation Program	10.550	-		\$ 1,873
National School Lunch Program	10.555	-	\$ 102	
Total Department of Agriculture - Nutrition Cluster			<u>102</u>	<u>1,873</u>
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed through the Ohio Department of Development</i>				
<u>County Commissioners</u>				
Home Investment Partnership Program	14.239	B-C-02-064-2	285,366	
Community Development Block Grant	14.228	B-C-02-064-1	33,002	
Community Development Block Grant	14.228	B-E-02-064-1	21,500	
Community Development Block Grant	14.228	B-E-02-064-2	12,500	
Community Development Block Grant	14.228	B-E-03-064-1	162,912	
Community Development Block Grant	14.228	B-F-02-064-1	44,871	
Community Development Block Grant	14.228	B-F-03-064-1	77,618	
Total Community Development Block Grant			<u>352,403</u>	
Total Department of Housing and Urban Development			<u>637,769</u>	
UNITED STATES DEPARTMENT OF LABOR				
<i>Passed through the Ohio Department of Jobs and Family Services</i>				
<u>Jobs and Family Services</u>				
Workforce Investment Act Cluster:				
Workforce Investment Act - Adult	17.258	-	70,984	
Workforce Investment Act - Adult Administrative	17.258	-	1,566	
Workforce Investment - Adult Total			<u>72,550</u>	
Workforce Investment Act - Youth	17.259	-	35,415	
Workforce Investment Act - Youth Administrative	17.259	-	781	
Workforce Investment - Youth Total			<u>36,196</u>	
Workforce Investment Act - Dislocated Worker	17.260	-	207,020	
Workforce Investment Act - Dislocated Worker Administrative	17.260	-	4,566	
Workforce Investment - Dislocated Worker Total			<u>211,586</u>	
Total Department of Labor - Workforce Investment Act Cluster			<u>320,332</u>	

(Continued)

PUTNAM COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disburse- ments	Non-cash Disburse- ments
UNITED STATES DEPARTMENT OF TRANSPORTATION				
<i>Passed through the Ohio Department of Transportation</i>				
<u>County Engineer</u>				
Highway Planning and Construction	20.205		6,903	
Highway Planning and Construction	20.205	03N060	98,243	
Highway Planning and Construction	20.205	03N151	314,823	
Highway Planning and Construction	20.205	03N152	247,795	
Highway Planning and Construction	20.205	03N153	277,315	
Highway Planning and Construction	20.205	04N025	869,869	
Highway Planning and Construction	20.205	04N121	704,101	
Total Department of Transportation			<u>2,519,049</u>	
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities</i>				
<u>Mental Retardation and Developmental Disabilities Board</u>				
Medical Assistance Program	93.778	CAFS	289,927	
Medical Assistance Program	93.778	TCM	6,916	
Social Services Block Grant	93.667	-	25,137	
<i>Passed through the Ohio Department of Jobs and Family Services</i>				
<u>Jobs and Family Services Department</u>				
Child Welfare Services	93.645	-	34,678	
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services</i>				
<u>Alcohol, Drug Addiction, and Mental Health Services Board</u>				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	-	88,041	
Medical Assistance Program	93.778	-	13,849	
<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	-	42,428	
Social Services Block Grant	93.667	-	13,096	
Medical Assistance Program	93.778	-	216,515	
Total Medical Assistance Program			<u>527,207</u>	
Total Social Service Block Grants			<u>38,233</u>	
Total Department of Health and Human Services			<u>730,587</u>	

(Continued)

PUTNAM COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disburse- ments	Non-cash Disburse- ments
UNITED STATES DEPARTMENT OF HOMELAND SECURITY				
<i>Passed through the Ohio Adjutant General's Department of Emergency Management</i>				
<u>Emergency Management Agency</u>				
State Domestic Preparedness Equipment Support Program	97.004	S03-JE02-69-0069	38,357	
State Domestic Preparedness Equipment Support Program	97.004	S03-HE03-69-0480	13,117	
State Domestic Preparedness Equipment Support Program	97.004	S04-SHSP-87-0445	31,738	
Total State Domestic Preparedness Equipment Support Program			83,212	
Emergency Management Performance Grants	97.042		11,250	
Emergency Management Performance Grants	97.042		22,638	
Total Emergency Management Performance Grants			33,888	
Total Department of Homeland Security			117,100	
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 4,324,939	\$ 1,873

The accompanying notes are an integral part of this schedule

PUTNAM COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

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

NOTE C - CHILD NUTRITION CLUSTER

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

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At December 31, 2004, the County had no significant food commodities in inventory.

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

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). There were no such initial loans made during 2004. Loans repaid, including interest, are used to make additional loans. An additional loan of \$153,500 was made during 2004. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by machinery and equipment and by land and buildings. At December 31, 2004, the gross amount of loans outstanding under this program was \$585,272.

NOTE E - MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

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

Putnam County
245 E. Main Street, Suite 101
Ottawa, Ohio 45875-1968

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Putnam County (the County) as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 17, 2005, wherein, we noted the County uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the County's management dated August 17, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed

Putnam County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the County's management dated August 17, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 17, 2005



**Auditor of State
Betty Montgomery**

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

Putnam County
245 E. Main Street, Suite 101
Ottawa, Ohio 45875-1968

To the Board of County Commissioners:

Compliance

We have audited the compliance of Putnam County (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended December 31, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal program. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Putnam County complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2004.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with

requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 17, 2005

PUTNAM COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004

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

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

**FINDING NUMBER 2004-001
(Continued)**

Ohio Administrative Code §117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the County prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

PUTNAM COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	OAC §117-2-3(B) reporting on basis other than generally accepted accounting principles	No	Finding has not been corrected and is repeated in this report as item 2004-001.
2003-002	ORC §5705.42 not reporting on behalf of grant activity.	Yes	



**Auditor of State
Betty Montgomery**

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FINANCIAL CONDITION

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 29, 2005**