



OHIO AUDITOR OF STATE
KEITH FABER



**PUTNAM COUNTY
DECEMBER 31, 2018**

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One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

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

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Putnam County, Ohio (the County), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Putnam County, Ohio, as of December 31, 2018, and the respective changes in cash financial position and the respective budgetary comparison for the General, Auto License and Gas Tax, and Brookhill Center School funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplementary Information

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Information

We applied no procedures to management's discussion and analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2019, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Keith Faber
Auditor of State

Columbus, Ohio

September 5, 2019

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PUTNAM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED

The discussion and analysis of Putnam County's (the County) financial performance provides an overall review of the County's financial activities for the year ended December 31, 2018, within the limitations of the County's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the County's financial performance

Financial Highlights

Key financial highlights for 2018 are as follows:

Overall:

- Total net position increased \$2,426,125 with Governmental Activities increasing by \$2,419,418 and Business-Type Activities increasing by \$6,707.
- Total cash receipts were \$30,349,219 in 2018.
- Total program cash disbursements were \$27,923,094 in 2018.

Governmental Activities:

- Total program cash receipts were \$13,221,635 in 2018, while program cash disbursements were \$25,542,034.
- Program cash disbursements were primarily composed of General Government, Public Safety, Public Works, and Health related cash disbursements which were \$19,705,926 in 2018.

Business-Type Activities:

- Total program cash receipts were \$1,849,408 for Business Activities, while corresponding cash disbursements were \$2,381,060. Emergency Medical Services receipts are the primary reason for the increase in Net Position in the Business-type activities.

Using this Basic Financial Report

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

Report Components

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

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

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

PUTNAM COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED
(CONTINUED)**

Basis of Accounting

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

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

Reporting the County as a Whole

The statement of net position and the statement of activities reflect how the County did financially during 2018, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental and business-type activities of the County at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the County's general receipts.

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

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

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

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

PUTNAM COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED
(CONTINUED)**

Reporting the County's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the County's major funds – not the County as a whole. The County establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the County are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds – Most of the County's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the County's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the County's programs. The County's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The County's major governmental funds are the General Fund, Auto License and Gas Tax Fund, Brookhill Center School Fund, Landfill Trust Fund, and the Capital Improvement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

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

The County as a Whole

Table 1 provides a summary of the County's Net Position for 2018 compared to the prior year on a cash basis.

Table 1
Net Cash Position

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>	
	2018	2017	2018	2017
<i>Assets</i>				
Cash and Cash Equivalents	\$22,303,491	\$19,884,073	\$2,198,235	\$2,191,528
<i>Net Cash Position</i>				
Restricted for:				
Debt Service	\$1,289	\$1,289		
Capital Projects	4,751,532	2,013,757		
Other Purposes	14,287,965	14,769,340		
Unrestricted	3,262,705	3,099,687	\$2,198,235	\$2,191,528
<i>Total Net Position</i>	\$22,303,491	\$19,884,073	\$2,198,235	\$2,191,528

Total assets increased by \$2,426,125.

PUTNAM COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED
(CONTINUED)**

Table 2 reflects the changes in net position on a cash basis in 2018 and 2017 for governmental activities and business-type activities.

Table 2
Changes In Net Cash Position

	2018		2017	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
<i>Cash Receipts</i>				
<i>Program Cash Receipts</i>				
Charges For Services and Sales	\$3,630,465	\$1,849,408	\$3,909,152	\$2,081,551
Operating Grants and Contributions	9,140,063		9,271,722	
Capital Grants and Contributions	451,107		843,772	
Total Program Cash Receipts	13,221,635	1,849,408	14,024,646	2,081,551
<i>General Cash Receipts and Transfers</i>				
Property Taxes	6,259,283	503,289	6,332,468	499,978
Payment in Lieu of Taxes	13,453		14,329	
Sales Taxes	5,047,483		4,587,431	
Grants and Entitlements	987,861	10,155	1,013,954	9,885
Interest Receipts	449,993		227,259	
Rent	264,780		258,463	
Miscellaneous	1,767,336	29,865	1,649,088	110,669
Sale of Capital Assets			489,945	
Transfers/Advances In (Out)	(50,372)	(4,950)	(45,627)	(30,722)
Total General Cash Receipts, Transfers and Advances	14,739,817	538,359	14,527,310	589,810
Total Cash Receipts, Transfers and Advances	27,961,452	2,387,767	28,551,956	2,671,361
<i>Cash Disbursements</i>				
<i>Program Cash Disbursements</i>				
<i>General Government</i>				
Legislative and Executive	4,236,749		3,843,655	
Judicial	1,676,714		1,617,483	
Public Safety	4,991,450		4,909,889	
Public Works	4,535,263		3,627,364	
Health	4,265,750		4,377,949	
Human Services	2,814,198		2,864,058	
Economic Development	340,582		425,783	
Miscellaneous	1,307,377		1,278,631	
Capital Outlay	1,347,573		1,456,368	
<i>Debt Service:</i>				
Principal Retirement	21,485		21,315	
Interest and Fiscal Charges	4,893		5,063	
Water and Sewer		283,735		203,167
Sanitary Landfill		202,390		195,971
Emergency Medical Services		1,784,320		2,584,454
Airport Operations				29,481
Putnam Acres		110,615		161,483
Total Cash Disbursements	25,542,034	2,381,060	24,427,558	3,174,556
Increase (Decrease) In Net Cash Position	2,419,418	6,707	4,124,398	(503,195)
Net Cash Position at Beginning of Year	19,884,073	2,191,528	15,759,675	2,694,723
Net Cash Position at End of Year	\$22,303,491	\$2,198,235	\$19,884,073	\$2,191,528

PUTNAM COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED
(CONTINUED)**

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 22 percent and 18 percent, respectively, of cash receipts for governmental activities for Putnam County in 2017. Operating grants and contributions made up 33 percent of cash receipts for governmental activities for the County.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the County. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government, public safety, public works and health, which account for 23, 20, 18, and 17 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the County that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Total Cost of Program Services
Governmental Activities

	2018		2017	
	Total Cost <u>of Service</u>	Net Cost <u>of Service</u>	Total Cost <u>of Service</u>	Net Cost <u>of Service</u>
General Government				
Legislative and Executive	\$4,236,749	\$2,657,620	\$3,843,655	\$2,357,612
Judicial	1,676,714	716,456	1,617,483	675,344
Public Safety	4,991,450	3,883,336	4,909,889	3,867,690
Public Works	4,535,263	370,693	3,627,364	(505,018)
Health	4,265,750	2,430,559	4,377,949	2,234,602
Human Services	2,814,198	384,701	2,864,058	510,252
Economic Development	340,582	57,146	425,783	66,269
Miscellaneous	1,307,377	1,100,796	1,278,631	1,078,774
Capital Outlay	1,347,573	692,714	1,456,368	91,009
Debt Service:				
Principal Retirement	21,485	21,485	21,315	21,315
Interest and Fiscal Charges	4,893	4,893	5,063	5,063
Total Cash Disbursements	<u>\$25,542,034</u>	<u>\$12,320,399</u>	<u>\$24,427,558</u>	<u>\$10,402,912</u>

Business-Type Activities

Business-type activities include providing emergency medical services to the residents of Putnam County, and activity for the closed landfill. Overall Net Position increased \$6,707 from 2017 to 2018. Program receipts supported the majority of business-type activities. During 2018 program disbursements exceeded program receipts by \$531,652.

PUTNAM COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED
(CONTINUED)**

The County's Funds

Total governmental funds had receipts and other financing sources of \$29,928,985 and disbursements and other financing uses of \$27,509,567. The net change in fund balance for the year increased the most in the Other Governmental Funds where the cash balance went from \$7,847,053 in 2017 to \$8,677,098 for 2018, as a result of more revenues than expenditures.

General Fund Budgeting Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. For the General Fund, final budget basis receipts and other financing sources were \$10,342,714. Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$11,342,351, \$49,010 less than actual cash receipts and other financing sources, and \$719,996 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 \$1,347,573 during 2018.

Debt

At December 31, 2018, the County's outstanding debt included \$442,594 in loans payable from governmental activities. For further information regarding the County's debt, refer to Note 13 to the financial statements.

Current Financial Related Activities

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

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

Contacting the County's Financial Management

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

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PUTNAM COUNTY

STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$22,303,491</u>	<u>\$2,198,235</u>	<u>\$24,501,726</u>
 Net Position			
Restricted for:			
Debt Service	\$1,289		\$1,289
Capital Projects	4,751,532		4,751,532
Other Purposes	14,287,965		14,287,965
Unrestricted	<u>3,262,705</u>	<u>\$2,198,235</u>	<u>5,460,940</u>
 <i>Total Net Position</i>	 <u>\$22,303,491</u>	 <u>\$2,198,235</u>	 <u>\$24,501,726</u>

See accompanying notes to the basic financial statements.

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PUTNAM COUNTY

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Program Cash Receipts</u>			
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
General Government:				
Legislative and Executive	\$4,236,749	\$1,579,129		
Judicial	1,676,714	718,174	\$242,084	
Public Safety	4,991,450	613,490	494,624	
Public Works	4,535,263	64,014	3,957,588	\$142,968
Health	4,265,750	117,217	1,717,974	
Human Services	2,814,198	179,484	2,250,013	
Economic Development and Assistance	340,582	12,237	271,199	
Miscellaneous	1,307,377		206,581	
Capital Outlay	1,347,573	346,720		308,139
Debt Service:				
Principal	21,485			
Interest	4,893			
<i>Total Governmental Activities</i>	<u>25,542,034</u>	<u>3,630,465</u>	<u>9,140,063</u>	<u>451,107</u>
Business-Type Activities				
Water and Sewer	283,735	256,932		
Sanitary Landfill	202,390	213,902		
Emergency Medical Services	1,784,320	1,378,574		
Putnam Acres	110,615			
<i>Total Business-Type Activities</i>	<u>2,381,060</u>	<u>1,849,408</u>		
<i>Totals</i>	<u>\$27,923,094</u>	<u>\$5,479,873</u>	<u>\$9,140,063</u>	<u>\$451,107</u>

General Receipts

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

Total General Receipts and Transfers and Advances

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$2,657,620)		(\$2,657,620)
(716,456)		(716,456)
(3,883,336)		(3,883,336)
(370,693)		(370,693)
(2,430,559)		(2,430,559)
(384,701)		(384,701)
(57,146)		(57,146)
(1,100,796)		(1,100,796)
(692,714)		(692,714)
(21,485)		(21,485)
(4,893)		(4,893)
<u>(12,320,399)</u>		<u>(12,320,399)</u>
	(\$26,803)	(26,803)
	11,512	11,512
	(405,746)	(405,746)
	(110,615)	(110,615)
	<u>(531,652)</u>	<u>(531,652)</u>
<u>(12,320,399)</u>	<u>(531,652)</u>	<u>(12,852,051)</u>
2,151,115		2,151,115
2,578,051		2,578,051
499,637		499,637
1,030,480		1,030,480
13,453	503,289	503,289
5,047,483		5,047,483
987,861	10,155	998,016
449,993		449,993
(50,372)	(4,950)	(55,322)
264,780		264,780
1,767,336	29,865	1,797,201
<u>14,739,817</u>	<u>538,359</u>	<u>15,278,176</u>
2,419,418	6,707	2,426,125
<u>19,884,073</u>	<u>2,191,528</u>	<u>22,075,601</u>
<u>\$22,303,491</u>	<u>\$2,198,235</u>	<u>\$24,501,726</u>

PUTNAM COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2018

	<u>General</u>	<u>Auto License and Gas Tax</u>	<u>Brookhill Center School</u>	<u>Landfill Trust</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets							
Equity in Pooled Cash and Cash Equivalents	\$3,467,434	\$1,863,434	\$3,891,570	\$2,048,010	\$2,355,945	\$8,677,098	\$22,303,491
Fund Balances							
Nonspendable	\$11,540						\$11,540
Restricted		\$1,863,434	\$3,891,570	\$2,048,010	\$2,355,945	\$7,750,511	17,909,470
Committed						926,587	926,587
Assigned	169,671						169,671
Unassigned	3,286,223						3,286,223
Total Fund Balances	<u>\$3,467,434</u>	<u>\$1,863,434</u>	<u>\$3,891,570</u>	<u>\$2,048,010</u>	<u>\$2,355,945</u>	<u>\$8,677,098</u>	<u>\$22,303,491</u>

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Auto License and Gas Tax	Brookhill Center School	Landfill Trust	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Receipts							
Property Taxes	\$2,151,115		\$2,578,051			\$1,530,117	\$6,259,283
Sales Taxes	4,845,557				\$201,926		5,047,483
Permissive License Tax		\$142,968					142,968
Charges for Services	2,045,932		4,047			960,644	3,010,623
Licenses and Permits	1,100					102,639	103,739
Fines and Forfeitures	21,085	50,840				97,458	169,383
Intergovernmental	1,245,605	3,957,588	798,073		308,139	4,126,658	10,436,063
Payments in Lieu of Taxes	13,453						13,453
Special Assessments						346,720	346,720
Interest	449,993						449,993
Rent	264,780						264,780
Other	528,597	557	180,567	\$48,010		405,910	1,163,641
<i>Total Receipts</i>	<u>11,567,217</u>	<u>4,151,953</u>	<u>3,560,738</u>	<u>48,010</u>	<u>510,065</u>	<u>7,570,146</u>	<u>27,408,129</u>
Disbursements							
General Government:							
Legislative and Executive	3,476,338					760,411	4,236,749
Judicial	1,371,231					305,483	1,676,714
Public Safety	3,714,808					1,276,642	4,991,450
Public Works	79,447	4,449,198				6,618	4,535,263
Health	96,131		2,969,858			1,199,761	4,265,750
Human Services	438,346					2,375,852	2,814,198
Economic Development and Assistance						340,582	340,582
Miscellaneous	633,135					530,616	1,163,751
Capital Outlay					876,503	471,070	1,347,573
Debt Service:							
Principal			10,000			11,485	21,485
Interest						4,893	4,893
<i>Total Disbursements</i>	<u>9,809,436</u>	<u>4,449,198</u>	<u>2,979,858</u>	<u>48,010</u>	<u>876,503</u>	<u>7,283,413</u>	<u>25,398,408</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,757,781</u>	<u>(297,245)</u>	<u>580,880</u>	<u>48,010</u>	<u>(366,438)</u>	<u>286,733</u>	<u>2,009,721</u>
Other Financing Sources (Uses)							
Transfers In	70,240				1,050,000	413,475	1,533,715
Transfers Out	(1,164,750)					(353,015)	(1,517,765)
Advances In	139,746					243,700	383,446
Advances Out	(371,368)					(78,400)	(449,768)
Other Financing Sources	78,206	206,419				319,070	603,695
Other Financing Uses	(142,108)					(1,518)	(143,626)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,390,034)</u>	<u>206,419</u>	<u></u>	<u></u>	<u>1,050,000</u>	<u>543,312</u>	<u>409,697</u>
<i>Net Change in Fund Balances</i>	<u>367,747</u>	<u>(90,826)</u>	<u>580,880</u>	<u>48,010</u>	<u>683,562</u>	<u>830,045</u>	<u>2,419,418</u>
<i>Fund Balances Beginning of Year</i>	<u>3,099,687</u>	<u>1,954,260</u>	<u>3,310,690</u>	<u>2,000,000</u>	<u>1,672,383</u>	<u>7,847,053</u>	<u>19,884,073</u>
<i>Fund Balances End of Year</i>	<u>\$3,467,434</u>	<u>\$1,863,434</u>	<u>\$3,891,570</u>	<u>\$2,048,010</u>	<u>\$2,355,945</u>	<u>\$8,677,098</u>	<u>\$22,303,491</u>

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$2,155,076	\$2,155,076	\$2,151,115	(\$3,961)
Sales Taxes	4,000,000	4,000,000	4,845,557	845,557
Charges for Services	1,514,110	1,514,110	1,788,629	274,519
Licenses and Permits	1,050	1,050	1,100	50
Fines and Forfeitures	20,000	20,000	21,085	1,085
Intergovernmental	895,578	895,578	1,040,876	145,298
Payments in Lieu of Taxes	16,000	16,000	13,453	(2,547)
Interest	175,000	175,000	449,993	274,993
Other	946,900	946,900	791,361	(155,539)
<i>Total Receipts</i>	<u>9,723,714</u>	<u>9,723,714</u>	<u>11,103,169</u>	<u>1,379,455</u>
Disbursements				
General Government:				
Legislative and Executive	3,997,539	4,237,811	3,764,619	473,192
Judicial	1,294,246	1,314,487	1,212,666	101,821
Public Safety	3,667,899	3,793,777	3,735,040	58,737
Public Works	82,083	82,223	79,447	2,776
Health	112,210	112,243	97,844	14,399
Human Services	456,702	480,971	445,961	35,010
Transportation	55,225	56,437	54,708	1,729
Miscellaneous	384,550	323,951	301,478	22,473
<i>Total Disbursements</i>	<u>10,050,454</u>	<u>10,401,900</u>	<u>9,691,763</u>	<u>710,137</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(326,740)</u>	<u>(678,186)</u>	<u>1,411,406</u>	<u>2,089,592</u>
Other Financing Sources (Uses)				
Transfers In	100,000	100,000	70,240	(29,760)
Transfers Out	(25,000)	(1,094,510)	(1,094,510)	
Advances In	500,000	500,000	139,746	(360,254)
Advances Out	(200,000)	(381,227)	(371,368)	9,859
Other Sources	19,000	19,000	78,206	59,206
Other Uses	(184,710)	(184,710)	(184,710)	
<i>Total Other Financing Sources (Uses)</i>	<u>209,290</u>	<u>(1,041,447)</u>	<u>(1,362,396)</u>	<u>(320,949)</u>
<i>Net Change in Fund Balance</i>	<u>(117,450)</u>	<u>(1,719,633)</u>	<u>49,010</u>	<u>1,768,643</u>
<i>Fund Balance Beginning of Year</i>	<u>2,465,276</u>	<u>2,465,276</u>	<u>2,465,276</u>	
Prior Year Encumbrances Appropriated	<u>263,105</u>	<u>263,105</u>	<u>263,105</u>	
<i>Fund Balance End of Year</i>	<u>\$2,610,931</u>	<u>\$1,008,748</u>	<u>\$2,777,391</u>	<u>\$1,768,643</u>

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
AUTO LICENSE AND GAS TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Permissive License Tax	\$135,000	\$135,000	\$142,968	\$7,968
Fines and Forfeitures	40,100	40,100	50,840	10,740
Intergovernmental	3,825,000	3,825,000	3,957,588	132,588
Other			557	557
<i>Total Receipts</i>	<u>4,000,100</u>	<u>4,000,100</u>	<u>4,151,953</u>	<u>151,853</u>
Disbursements				
Public Works	<u>4,282,404</u>	<u>4,971,404</u>	<u>4,746,684</u>	<u>224,720</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(282,304)</u>	<u>(971,304)</u>	<u>(594,731)</u>	<u>376,573</u>
Other Financing Sources				
Other Sources	<u>150,500</u>	<u>150,500</u>	<u>206,419</u>	<u>55,919</u>
<i>Net Change in Fund Balance</i>	(131,804)	(820,804)	(388,312)	432,492
<i>Fund Balance Beginning of Year</i>	1,822,459	1,822,459	1,822,459	
Prior Year Encumbrances Appropriated	<u>131,801</u>	<u>131,801</u>	<u>131,801</u>	
<i>Fund Balance End of Year</i>	<u><u>\$1,822,456</u></u>	<u><u>\$1,133,456</u></u>	<u><u>\$1,565,948</u></u>	<u><u>\$432,492</u></u>

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
 BROOKHILL CENTER SCHOOL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$2,576,646	\$2,576,646	\$2,578,051	\$1,405
Charges for Services	10,000	10,000	4,047	(5,953)
Intergovernmental	526,649	526,649	798,073	271,424
Other	180,000	180,000	180,567	567
<i>Total Receipts</i>	<u>3,293,295</u>	<u>3,293,295</u>	<u>3,560,738</u>	<u>267,443</u>
Disbursements				
Health	2,699,134	3,519,383	3,017,188	502,195
Principal			10,000	(10,000)
<i>Total Disbursements</i>	<u>2,699,134</u>	<u>3,519,383</u>	<u>3,027,188</u>	<u>492,195</u>
<i>Net Change in Fund Balance</i>	594,161	(226,088)	533,550	759,638
<i>Fund Balance Beginning of Year</i>	3,301,556	3,301,556	3,301,556	
Prior Year Encumbrances Appropriated	9,134	9,134	9,134	
<i>Fund Balance End of Year</i>	<u>\$3,904,851</u>	<u>\$3,084,602</u>	<u>\$3,844,240</u>	<u>\$759,638</u>

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

**STATEMENT OF FUND NET POSITION - CASH BASIS
 PROPRIETARY FUNDS
 DECEMBER 31, 2018**

	<u>Business-Type Activities</u>		
	<u>Putnam County EMS</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,502,767	\$695,468	\$2,198,235
Net Position			
Unrestricted	\$1,502,767	\$695,468	\$2,198,235

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND NET POSITION - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities		
	Putnam County EMS	Other Enterprise Funds	Total Enterprise Funds
Operating Receipts			
Charges for Services	\$1,378,574	\$361,298	\$1,739,872
Other Operating Receipts		29,865	29,865
<i>Total Operating Receipts</i>	<u>1,378,574</u>	<u>391,163</u>	<u>1,769,737</u>
Operating Disbursements			
Personal Services	1,085,859	212,441	1,298,300
Contract Services	208,283	96,373	304,656
Materials and Supplies	277,353	23,691	301,044
Capital Outlay	212,825	200,238	413,063
<i>Total Operating Disbursements</i>	<u>1,784,320</u>	<u>532,743</u>	<u>2,317,063</u>
<i>Operating Loss</i>	<u>(405,746)</u>	<u>(141,580)</u>	<u>(547,326)</u>
Non-Operating Receipts (Disbursements)			
Special Assessments		109,536	109,536
Property Taxes	503,289		503,289
Intergovernmental Revenue	10,155		10,155
Other Non-Operating Expense		(63,997)	(63,997)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>513,444</u>	<u>45,539</u>	<u>558,983</u>
<i>Income (Loss) before Transfers and Advances</i>	107,698	(96,041)	11,657
Transfers Out		(15,950)	(15,950)
Advances In		11,000	11,000
<i>Change in Net Position</i>	107,698	(100,991)	6,707
<i>Net Position Beginning of Year</i>	<u>1,395,069</u>	<u>796,459</u>	<u>2,191,528</u>
<i>Net Position End of Year</i>	<u><u>\$1,502,767</u></u>	<u><u>\$695,468</u></u>	<u><u>\$2,198,235</u></u>

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2018

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$301</u>	<u>\$6,713,582</u>
Net Position		
Held in Trust	<u>\$301</u>	
Due to Others		<u>\$6,713,582</u>

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

See accompanying notes to the basic financial statements.

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1 – Reporting Entity

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

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

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

A. Primary Government

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

B. Component Units

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations for which the County authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the County, accessible to the County, and significant in amount to the County. There are no component units.

Potential Component Units Reported as Agency Funds

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

Putnam County Soil and Water Conservation District
Putnam County Health Department
Putnam County Airport Authority

C. Jointly Governed Organizations and Public Entity Risk Pools

The County participates in several jointly governed organizations and public entity risk pools. These organizations are presented in Notes 21 and 22 to the basic financial statements. These organizations are:

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

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

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

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

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

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018 (Continued)

2. Fund Financial Statements

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

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

B. Fund Accounting

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

1. Governmental Funds

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

General – The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

Capital Improvement – This fund accounts for capital improvement projects funded by sales tax, grants, and transfers from the General Fund.

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

2. Proprietary Funds

The County classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise funds.

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

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018 (Continued)

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

3. Fiduciary Funds

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

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

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018 (Continued)

E. Cash and Investments

To improve cash management, cash received by the County is pooled and invested. Individual fund integrity is maintained through County records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2018, the County invested in nonnegotiable certificates of deposit, federal agency securities, and STAR Ohio. Investments are reported at cost, except for STAR Ohio.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The County measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2018 were \$449,993 which includes \$382,129 assigned from other County funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Monies required to be set aside for postclosure costs at the landfill are also reported as restricted.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

The County had interfund loans payables/receivables at December 31, 2018.

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Note 11 and 12, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

L. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

M. Long-Term Obligations

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

N. Net Position

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

O. Fund Balance

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

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

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

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018 (Continued)

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Commissioners. Those committed amounts cannot be used for any other purpose unless the County Commissioners remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

P. Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Accountability and Compliance

A. Change in Accounting Principals

For 2018, the County has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 85, "Omnibus 2017", and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the County's postemployment benefit plan disclosures, as presented in Note 11 to the basic financial statements.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the County.

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the County.

B. Compliance

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

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$142,006 in the General Fund, \$297,486 in the Auto License and Gas Tax Fund, and \$47,330 in the Brookhill Center School Fund.

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

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

	Net Change in Fund Cash Balance		
	General Fund	Auto License and Gas Tax Fund	Brookhill Center School Fund
Cash Basis	\$367,747	(\$90,826)	\$580,880
Funds Budgeted Elsewhere	(176,731)		
Adjustment for Encumbrances	(142,006)	(297,486)	(47,330)
Budget Basis	\$49,010	(\$388,312)	\$533,550

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 5 – Fund Balances

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

	General Fund	Auto License and Gas Tax Fund	Brookhill Center School Fund	Landfill Trust Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable for:							
Unclaimed Monies	\$11,540						\$11,540
Restricted for:							
General Government						\$2,276,335	2,276,335
Public Safety						1,981,440	1,981,440
Public Works		\$1,863,434				101,546	1,964,980
Health Services						1,416,750	1,416,750
Human Services			\$3,891,570			1,471,230	5,362,800
Economic Development						154,345	154,345
Capital Outlay				\$2,048,010	\$2,355,945	347,576	4,751,531
Debt Service						1,289	1,289
Total Restricted		1,863,434	3,891,570	2,048,010	2,355,945	7,750,511	17,909,470
Committed for:							
Human Services						806,185	806,185
Economic Development						35,511	35,511
Capital Outlay						84,891	84,891
Total Committed						926,587	926,587
Assigned for:							
Encumbrances	169,671						169,671
Unassigned	3,286,223						3,286,223
Total Fund Balance	\$3,467,434	\$1,863,434	\$3,891,570	\$2,048,010	\$2,355,945	\$8,677,098	\$22,303,491

Note 6 – Deposits and Investments

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States;

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Government National Mortgage 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 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of this state or the political subdivisions of this state, provided the bonds or other obligations of political subdivisions mature within ten years from the date of settlement;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts, in eligible institutions pursuant to ORC sections 135.32;
6. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service or consisting exclusively of obligations described in (1) or (2) above; commercial paper as described in ORC section 135.143 (6); and repurchase agreements secured by such obligations, provided these investments 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 simultaneously exchange either securities or cash, equal value for equal value; within certain limitations;
9. Up to forty percent of the County's average portfolio if training requirements have been met in either of the following
 - a. Commercial paper notes in entities incorporated under the laws of Ohio, or any other State, that have assets exceeding five hundred million dollars, which are rated in the highest classification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase, and the investment in commercial paper notes of a single issuer shall not exceed the aggregate five percent of interim monies available for investment at the time of purchase.
 - b. Bankers acceptances of banks that are insured by the federal deposit insurance corporation and that mature not later than 180 days after purchase.
10. Up to fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions doing business under authority granted by the U.S. or any other state provided the notes are rated in the three highest categories by at least two nationally recognized standard rating services at the time of purchase and the notes mature not later than three years after purchase;
11. A current unpaid or delinquent tax line of credit, provided certain conditions are met related to a County land reutilization corporation organized under ORC Chapter 1724; and,

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

12. Up to two percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government, subject to certain limitations. All interest and principal shall be denominated and payable in United States funds.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the County had \$191,057 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$12,839,015 of the County's bank balance of \$21,144,725 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

- Eligible securities pledged to the County and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of December 31, 2018, the County had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Less than 12 Months</u>	<u>12 - 24 Months</u>	<u>Greater than 24 months</u>
Federal Farm Credit Bank	\$99,523			\$99,523
Federal Home Loan Bank	693,490	\$398,222	\$95,268	200,000
Federal Home Loan Mortgage Corporation	699,288	299,811	399,477	
STAR Ohio	9,000,000	9,000,000		
Total Investments	\$10,492,301	\$9,698,033	\$494,745	\$299,523

PUTNAM COUNTY

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

The weighted average maturity of investments is 0.9 years

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

Credit Risk: The Federal Farm Credit Banks Notes, Federal Home Loan Bank Notes, and Federal Home Loan Mortgage Corporation Notes carry a rating of AA+ by Standard & Poor's. STAR Ohio carries a rating of AAAM by Standard and Poor's. The County has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal home loan mortgage corporation notes, federal farm credit bank notes, and federal home loan bank notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the County's name.

The County has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Concentration of Credit Risk: The County places no limit on the amount it may invest in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2018:

	Carrying Value	Percent of Balance
Federal Farm Credit Bank	\$99,523	0.95%
Federal Home Loan Bank	693,490	6.61%
Federal Home Loan Mortgage Corporation	699,288	6.66%
STAR Ohio	9,000,000	85.78%
Total Investments	\$10,492,301	100.00%

Note 7 – Permissive Sales and Use Tax

The County Commissioners, by resolution, imposed a 1.25 percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles, not subject to the sales tax. The allocation of the sales tax is 90 percent to the County's General Fund and 10 percent to the Capital improvement Capital Projects Fund. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the Office of Budget Management 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 the month. The Tax Commissioner shall then, on or before the twentieth day of the month in which certification is made, provide for payment to the County.

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 8 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the County. Real property tax receipts received during 2018 for real and public utility property taxes represents the collection of 2017 taxes. Real property taxes received in 2018 were levied after October 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

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

The full tax rate for all County operations for the year ended December 31, 2018, was \$10.65 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2017 property tax receipts were based are as follows:

Real Property	
Residential	\$512,769,780
Agriculture	291,029,330
Commercial/Industrial/Mineral	68,584,930
Public Utility Property	
Real	979,090
Personal	56,887,360
Total Assessed Value	<u>\$930,250,490</u>

Note 9 – Interfund Receivables/Payables

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

Interfund balances at December 31, 2018, consisted of receivables due the General Fund in the amount of \$151,127 payable from Agency Funds, \$11,000 payable from Enterprise Funds, and \$195,700 payable from Other Governmental Funds.

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

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 10 – Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2018, the County contracted with County Risk Sharing Authority, Inc. (CORSA) for insurance coverage. The CORSA program has a \$2,500 deductible. Coverage provided by CORSA is as follows:

General Liability	\$1,000,000
Law Enforcement Professional Liability	1,000,000
Public Officials Errors and Omissions Liability	1,000,000
Automobile Liability	1,000,000
Other Property Insurance	
Buildings – Contents	Replacement Cost
Valuable Papers	2,500,000
Extra Expense	2,500,000
Electronic Data Processing	Replacement Cost
Contractors Equipment	Replacement Cost
Miscellaneous Inland Marine	Replacement Cost
Motortruck Cargo	100,000
Auto Physical Damage	Actual Cash Value
Automatic Acquisition	5,000,000
Crime Insurance	1,000,000
Faithful Performance	1,000,000
Money and Securities	1,000,000
Depositor’s Forgery	1,000,000
Money Order and Counterfeit Paper	1,000,000
Fund Transfer Fraud	500,000
Computer Fraud	500,000
Excess Liability	2,000,000 – 7,000,000

Flood insurance for the County Annex at 336 E. Main St., Ottawa is covered by Westfield Insurance Company. The coverage amount for the Annex Building and Contents is \$50,000.

With the exceptions of medical coverage, dental coverage for the Board of Developmental Disabilities (DD) employees, and worker’s compensation, all insurance is held with CORSA. There has been no significant reduction in insurance coverage from 2005, and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials’ bonds by statute.

For 2018, the County participated in the County Commissioners Association of Ohio Service Corporation, a worker’s compensation group rating plan (Plan). The Plan is intended to achieve lower workers’ compensation rates while establishing safer working conditions and environments for the participants. The workers’ compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the Plan. Each county pays its workers’ compensation premium to the State based on the rate for the Plan rather than the county’s individual rate.

In order to allocate the savings derived by the formation of the Plan, and to maximize the number of participants in the Plan, the Plan’s executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan’s executive committee then collects rate contributions from or pays rate equalization rebates to the various participants.

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

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

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

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

Note 11 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

The remainder of this note includes the pension disclosures. See Note 12 for the OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

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

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

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

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

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

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

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

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

	State and Local	Law Enforcement
2018 Statutory Maximum Contribution Rates		
Employer	14.0 %	18.1 %
Employee *	10.0 %	***
2018 Actual Contribution Rates		
Employer:		
Pension ****	14.0 %	18.1 %
Post-employment Health Care Benefits ****	0.0	0.0
Total Employer	14.0 %	18.1 %
Employee	10.0 %	13.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

*** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

**** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

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

For 2018, The County's contractually required contribution was \$1,795,491 for the traditional plan.

Pension Liability

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share of the County's defined benefit pension plan:

PUTNAM COUNTY

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

	OPERS Traditional Plan
Proportion of the Net Pension Liability/Asset:	
Current Measurement Date	0.092456%
Prior Measurement Date	0.098089%
Change in Proportionate Share	(0.005633%)
Proportionate Share of the:	
Net Pension Liability	\$14,504,554

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below.

	OPERS Traditional Plan
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

The most recent experience study was completed for the five year period ended December 31, 2015.

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability			
OPERS Traditional Plan	\$25,756,392	\$14,504,554	\$5,123,912

Changes between Measurement Date and Report Date This notes should discuss the nature of changes between the measurement date of the collective net pension liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective net pension liability, and the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known. The pension systems periodically update their assumptions and discount rate; these changes should be evaluated for inclusion in this note.

Note 12 – Postemployment Benefits

Net OPEB Liability

For 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. This GASB pronouncement had no effect on beginning net position as reported January 1, 2018, as the net OPEB liability is not reported in the accompanying financial statements. See Note 11 for a description of the net OPEB liability.

Plan Description – Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

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

The County's contractually required contribution was \$0 for 2018.

Net OPEB Liability

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The County's proportion of the net OPEB liability was based on the County's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>OPERS</u>
Proportion of the Net OPEB Liability: Current Measurement Date	0.092060%
Proportionate Share of the Net OPEB Liability	\$9,997,038

Actuarial Assumptions – OPERS

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

PUTNAM COUNTY

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

PUTNAM COUNTY

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

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
County's proportionate share of the net OPEB liability	\$13,281,496	\$9,997,038	\$7,339,944

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

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(Continued)**

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	Current Health Care Cost Trend Rate		
	1% Decrease	Assumption	1% Increase
County's proportionate share of the net OPEB liability	\$9,565,034	\$9,997,038	\$10,443,286

Changes between Measurement Date and Report Date This note should discuss the nature of changes between the measurement date of the collective net OPEB liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective net OPEB liability, and the amount of the expected resultant change in the employer's proportionate share of the collective net OPEB liability, if known. The pension systems periodically update their assumptions and discount rate; these changes should be evaluated for inclusion in this note.

Note 13 – Debt

The County's long-term debt activity for the year ended December 31, 2018 was as follows:

	Interest Rate	Balance December 31, 2017	Reductions	Balance December 31, 2018	Due Within One Year
<u>Governmental Activities</u>					
OPWC Loan #CM21N	0%	\$135,000	\$10,000	\$125,000	\$10,000
OWDA Loan #5802	1.50%	329,079	11,485	317,594	5,807
Total Governmental Activities		\$464,079	\$21,485	\$442,594	\$15,807

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

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

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

PUTNAM COUNTY

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

Year	OPWC Loan	OWDA Loan	
		Principal	Interest
2019	\$10,000	\$5,807	\$2,382
2020	10,000	11,745	4,633
2021	10,000	11,922	4,456
2022	10,000	12,102	4,276
2023	10,000	12,284	4,094
2024-2028	50,000	64,250	17,641
2029-2033	25,000	69,235	12,657
2034-2038		74,606	7,285
2039-2042		55,643	1,682
	\$125,000	\$317,594	\$59,106

The Ohio Revised Code provides that net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 1 percent of the total assessed valuation of the County. The Revised Code further provides that total voted and unvoted net debt of the County less the same exempt debt shall never exceed a sum equal to 3 percent of the first \$100,000,000 of assessed valuation, plus 1.5 percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus 2.5 percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2018, were an overall debt margin of \$21,756,262 and an unvoted debt margin of \$9,302,505.

Conduit Debt

In 2015, the County issued \$8,024,700 in Ohio Economic Development Bonds for the purpose of making a loan to assist Bluffton University in financing a portion of the cost of acquiring, constructing, improving, installing, and equipping the facilities. The County is not obligated in any way to pay the debt charges on the bonds from any of its finds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2018, \$7,643,759, of these bonds was outstanding.

In 2016, the County issued \$3,031,400 in Ohio Economic Development Bonds for the purpose of making a loan to assist Bluffton University in financing a portion of the cost of acquiring, constructing, improving, installing, and equipping the facilities. The County is not obligated in any way to pay the debt charges on the bonds from any of its finds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2018, \$2,461,551, of these bonds was outstanding.

In 2016, the County issued \$3,500,000 in Ohio Economic Development Bonds for the purpose of making a loan to assist the Leipsic Community Center in financing a portion of the cost of acquiring, constructing, improving, installing, and equipping the facilities. The County is not obligated in any way to pay the debt charges on the bonds from any of its finds, and therefore, the debt has been excluded entirely from the County's debt presentation. As of December 31, 2018, \$2,783,360, of these bonds was outstanding.

Note 14 – Leases

The County leases buildings, vehicles, and other equipment under noncancelable leases. The County disbursed \$7,462 to pay lease costs for the year ended December 31, 2018. Future lease payments are as follows:

PUTNAM COUNTY

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

<u>Year</u>	<u>Amount</u>
2019	\$ 4,152
2020	4,152
2021	4,152
2022	<u>2,768</u>
Total	<u><u>\$15,224</u></u>

Note 15 – Postclosure Costs

State and federal laws and regulations require the County to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The County’s landfill was closed in 2001.

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

Note 16 – Interfund Transfers

During 2018 the following transfers were made:

		<u>Transfers Out</u>			
		<u>General</u>	<u>Other Governmental</u>	<u>Other Enterprise</u>	<u>Total</u>
Transfers In	Governmental Funds:				
	General	\$70,240			\$70,240
	Capital Improvement	1,050,000			1,050,000
	Other Governmental	44,510	\$353,015	\$15,950	413,475
	Total Governmental Funds	<u>\$1,164,750</u>	<u>\$353,015</u>	<u>\$15,950</u>	<u>\$1,533,715</u>

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

PUTNAM COUNTY

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

Note 17 – Interfund Advances

During 2018 the following advances were made:

		Advances Out			
		General	Other Governmental	Agency	Total
Advances In	Governmental Funds:				
	General		\$78,400	\$61,346	\$139,746
	Other Governmental	\$243,700			243,700
	Total Governmental Funds	243,700	78,400	61,346	383,446
	Fiduciary Funds:				
	Agency	116,668			116,668
	Proprietary Funds:				
	Enterprise	11,000			11,000
	Total	\$371,368	\$78,400	\$61,346	\$511,114

Note 18 – Construction and Contractual Commitments

As of December 31, 2018, the County had the following outstanding contractual purchase commitments for capital improvement projects:

Contractor	Project	Original Contract Amount	Contract Balance 12/31/18
Davis-Newcomer	Elevator Replacement	\$178,800	\$143,040
Duro-Last Roofing	Ag Complex Roof Replacement	\$228,943	\$228,943

Note 19 – Other Receipts

Brookhill Center School Fund’s other receipts primarily consisted of reimbursements as a result of activities and programs throughout the year.

Note 20 – Contingent Liabilities

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

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

PUTNAM COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 21 – Jointly Governed Organizations

Multi-Area Narcotics (MAN)

Putnam County is a member of the Multi-Area Narcotics task force which is a jointly governed organization between Defiance, Williams, Fulton, and Putnam Counties and the Cities of Defiance and Bryan. The purpose of MAN is to act as a joint regional task force in the fight against narcotics. MAN is governed by a board consisting of the sheriffs and police chiefs of the respective counties and cities. The main source of revenue is from federal grants and local matching funds from the entities. In 2018, Putnam County made a \$25,000 contribution to the MAN's operations. Information can be obtained from the Defiance County Sheriff's office, 113 Beide Street, Defiance, Ohio 43512.

Blanchard River Stream Enhancement Project

The Joint Board of County Commissioners for the Blanchard River Stream Enhancement Project is a jointly governed organization among six counties. The Joint Board consists of eighteen members, the three county commissioners of each of the six counties. The Joint Board was formed to approve construction on the Blanchard River. Revenues are generated by assessments and a state grant. The County did not contribute to the project during 2018. The Hancock County Auditor serves as fiscal agent for this project.

Blanchard River Watershed Partnership

The Blanchard River Watershed Partnership is a jointly governed organization among six counties. The Board, working committees and a watershed coordinator serve together as a facilitator and coordinator of improving water quality issues like sediment and phosphorus reduction, failed septic systems and storm water. The County contributed \$2,000 to the project during 2018. The Hancock County Auditor serves as fiscal agent for this project.

Ottawa River Stream Enhancement Project

The Joint Board of County Commissioners for the Ottawa River Stream Enhancement Project is a jointly governed organization among five counties. The Joint Board consists of fifteen members, the three county commissioners of each of the five counties. The Joint Board was formed to approve construction on the Ottawa River, Hog Creek, and Little Hog Creek. Revenues are generated by assessments and a state grant. The County did not contribute to the project during 2018. The Allen County Auditor serves as fiscal agent for this project.

Juvenile Residential Center of Northwest Ohio

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

PUTNAM COUNTY

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

Note 22 – Public Entity Risk Pools

A. County Risk Sharing Authority, Inc.

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

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

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

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

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

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

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

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

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

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PUTNAM COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<u>Job and Family Services</u>			
Supplemental Nutrition Assistance Program Cluster:			
State Administrative Matching Grants for the			
Supplemental Nutrition Assistance Program	10.561	G-1819-11-5797	\$89,180
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Development Services Agency</i>			
<u>County Commissioners</u>			
Home Investment Partnerships Program	14.239	B-C-17-1CL-2	351,181
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			
Community Development Block Grants	14.228	B-F-16-1CL-1	21,470
Community Development Block Grants	14.228	B-F-17-1CL-1	214,288
Community Development Block Grants (CHIP)	14.228	B-C-17-1CL-1	102,824
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			<u>338,582</u>
Total U.S. Department of Housing and Urban Development			<u>689,763</u>
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Montgomery County Workforce Investment Act Area 7</i>			
<u>Job and Family Services</u>			
Workforce Innovation and Opportunity Act Cluster:			
WIOA Adult Program	17.258	2018-7169-1/2016-7169-1	25,516
WIOA Youth Activities	17.259	2018-7169-1/2016-7169-1	17,210
WIOA Dislocated Worker Formula Grants	17.278	2018-7169-1/2016-7169-1	47,465
Total Workforce Innovation and Opportunity Act Cluster			<u>90,191</u>
Trade Adjustment Assistance	17.245	2018-7169-1/2016-7169-1	458
Total U.S. Department of Labor			<u>90,649</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
<u>County Engineer</u>			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	PID #106255	25,560
Highway Planning and Construction	20.205	PID #106861	7,650
Highway Planning and Construction	20.205	PID #98795	69,402
Highway Planning and Construction	20.205	PID #103460	16,375
Total Highway Planning and Construction Cluster			<u>118,987</u>
Total U.S. Department of Transportation			<u>118,987</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Developmental Disabilities</i>			
<u>Developmental Disabilities Board</u>			
Social Services Block Grant	93.667	FY18	16,164
Medicaid Cluster:			
Medical Assistance Program	93.778	FY18	138,727
Total Development Disabilities Board			<u>154,891</u>

(continued)

PUTNAM COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
Passed Through Ohio Department of Job and Family Services			
<u>Job and Family Services Department</u>			
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1819-11-5797	38,940
Promoting Safe and Stable Families	93.556	G-1819-11-5797	16,685
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-1819-11-5797	5,390
Children's Health Insurance Program	93.767	G-1819-11-5797	13,175
Child Support Enforcement	93.563	G-1819-11-5797	232,989
Foster Care Title IV-E	93.658	G-1819-11-5797	107,019
Adoption Assistance	93.659	G-1819-11-5797	15,655
Social Services Block Grant	93.667	G-1819-11-5797	123,586
Medicaid Cluster:			
Medical Assistance Program	93.778	G-1819-11-5797	242,921
Temporary Assistance for Needy Families Cluster:			
Temporary Assistance for Needy Families	93.558	G-1819-11-5797	505,709
Child Care and Development Funds Cluster:			
Child Care and Development Block Grant	93.575	G-1819-11-5797	19,891
Total Job and Family Services Department			<u>1,321,960</u>
Passed Through Ohio Department of Mental Health and Addiction Services			
<u>Alcohol, Drug Addiction and Mental Health Services Board</u>			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	FY18	130,820
Opioid STR	93.788	FY18	10,466
Block Grants for Community Mental Health Services	93.958	FY18	20,901
Social Services Block Grant	93.667	FY18	16,872
Total Alcohol, Drug Addiction and Mental Health Services Board			<u>179,059</u>
Total Social Services Block Grant - CFDA #93.667			<u>156,622</u>
Total Medicaid Cluster - CFDA #93.778			<u>381,648</u>
Total U.S. Department of Health and Human Services			<u>1,655,910</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Ohio Department of Emergency Management			
<u>Emergency Management Agency</u>			
Emergency Management Performance Grants	97.042	EMC-2017-EP-00006-S01	17,589
Emergency Management Performance Grants	97.042	EMC-2018-EP-00008-S01	18,177
Total U.S. Department of Homeland Security			<u>35,766</u>
U.S. DEPARTMENT OF ELECTION ASSISTANCE COMMISSION			
Passed Through Ohio Secretary of State			
<u>Board of Elections</u>			
2018 HAVA Election Security Grants	90.404	FY18	6,000
Total Expenditures of Federal Awards			<u><u>\$2,686,255</u></u>

The accompanying notes are an integral part of this schedule.

PUTNAM COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Putnam County (the County's) under programs of the federal government for the year ended December 31, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) and HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT PROGRAMS with REVOLVING LOAN CASH BALANCE

The current cash balance on the County's local program income account as of December 31, 2018 is \$52,496.

NOTE E – MATCHING REQUIREMENTS

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

NOTE F – PRIOR YEAR PROGRAM ADJUSTMENT

During the calendar year, the County Board of Developmental Disabilities received a settlement payment for the 2014 Cost Report from the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA #93.778) in the amount of \$1,179. The Cost Report Settlement payment was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This revenue is not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expenses occurred in the prior reporting periods.

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One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

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

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

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Putnam County, Ohio (the County) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 5, 2019, wherein we noted the County uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

County's Response to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

September 5, 2019



One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

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

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

To the Board of County Commissioners:

Report on Compliance for each Major Federal Program

We have audited Putnam County, Ohio's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Putnam County's major federal programs for the year ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on each Major Federal Program

In our opinion, Putnam County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State

Columbus, Ohio

September 5, 2019

PUTNAM COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Temporary Assistance for Needy Families Cluster Community Development Block Grants – CFDA #14.228 Home Investment Partnerships Program – CFDA #14.239
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2018-001

Noncompliance Citation

Ohio Rev. Code §117.38(A) provides that “each public office, other than a state agency, shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.”

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

As a cost savings measure, the County prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38, as clarified by Ohio Admin. Code § 117-2-03(B), the County may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the County’s ability to evaluate and monitor the overall financial condition of the County. To help provide the users with more meaningful financial statements, the County should prepare its annual financial statements according to generally accepted accounting principles.

Officials’ Response:

See Corrective Action Plan

FINDING NUMBER 2018-002

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors were noted in the accompanying financial statements:

- The County’s Capital Improvement Fund was incorrectly recorded in Other Governmental Funds instead of being presented as a separate major fund. This resulted in assets and fund balances to be overstated in Other Governmental Funds by \$2,355,945 on the Statement of Assets and Fund Balances. Other Governmental Funds ending fund balance on the Statement of Receipts, Disbursements and Changes in Fund Balances was also adjusted by the same amount, along with correcting the overstatement of beginning fund balance, receipts, and disbursements by \$1,672,383, \$1,560,065, and \$876,503, respectively.

- The Landfill Trust Fund was incorrectly classified on the Statement of Net Position as restricted for other purposes instead of restricted for capital projects by \$2,048,010.
- Intergovernmental revenue in the amount of \$192,432 was incorrectly classified as other revenue in the Brookhill Center School Fund.
- Original Budgeted Receipts on the Brookhill Center School Fund budgetary statement did not agree to amounts certified by the County Budget Commission by \$426,705.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. As a result, the County's financial statements did not correctly reflect the financial activity of the County. The accompanying financial statements have been adjusted to correct these and other errors. Additional errors were noted in smaller relative amounts.

To help ensure the County's financial statements are complete and accurate, the County should adopt policies and procedures, including a final review of the statements by the County Auditor and the audit committee, to identify and correct errors and omissions.

Officials' Response:

See Corrective Action Plan

COMMISSIONERS:
 John C. Schlumbohm
 Michael A. Lammers
 Vincent T. Schroeder

**BOARD OF COMMISSIONERS
 OF PUTNAM COUNTY**
 245 E. MAIN STREET, SUITE 101
 OTTAWA, OHIO 45875-1968
 PHONE: 419-523-3656
 FAX: 419-523-9213

CLERK:
 Cindy M. Landwehr
GRANTS/WAGE COORDINATOR:
 Ashley M. Siefker
RECYCLING COORDINATOR:
 Alaina L. Siefker

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 2 CFR 200.511(b)
 DECEMBER 31, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	This finding was first reported in 2001. Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(B) for reporting on basis other than generally accepted accounting principles.	Not corrected and reissued as finding 2018-001 in this report.	In 2002, the Putnam County Auditor advised the Putnam County Board of Commissioners the Auditor's Office would be following the cash basis of accounting when preparing its financial reports. The Putnam County Auditor determined the costs of preparing the county financial reports in accordance with generally accepted accounting principles outweighed the benefits derived from these reports. The Putnam County Auditor annually reviews the decision to prepare financial reports following the cash basis of accounting.
2017-002	This finding was first reported in 2006. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Not corrected and reissued as finding 2018-002 in this report.	The County lacked a policy regarding financial review which contributed to material posting discrepancies. The lack of reviewing the financial statements resulted in material posting discrepancies in the current audit period. The County Auditor will continue to monitor the County's financial statements and make changes as necessary and review the State's continual changing of classification postings.

COMMISSIONERS:
 John C. Schlumbohm
 Michael A. Lammers
 Vincent T. Schroeder

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 Alaina L. Siefker

**CORRECTIVE ACTION PLAN
 2 CFR § 200.511(c)
 DECEMBER 31, 2018**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	In 2002, the Putnam County Auditor advised the Putnam County Board of Commissioners the Auditor's Office would be following the cash basis of accounting when preparing its financial reports. The Putnam County Auditor determined the costs of preparing the county financial reports in accordance with generally accepted accounting principles outweighed the benefits derived from these reports. Specifically, in order to comply with generally accepted accounting principles, the Putnam County Auditor would be required to hire a consulting firm to assist with the conversion and would also be required to hire an appraisal firm to assist in determining the value of all assets including infrastructure. The Putnam County Auditor annually reviews the decision to prepare financial reports following the cash basis of accounting.	N/A	Robert Benroth
2018-002	The County Auditor will continue to monitor the County's financial statements and make changes as necessary and review the State's continual changing of classification postings.	December 31, 2019	Robert Benroth

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OHIO AUDITOR OF STATE KEITH FABER



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 19, 2019**