



**FINANCIAL CONDITION
PUTNAM COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

**FINANCIAL CONDITION
PUTNAM COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Putnam County, Ohio (the County), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Putnam County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund and the Auto License and Gas Tax Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2006, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Betty Montgomery
Auditor of State

October 11, 2006

**FINANCIAL CONDITION
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

The discussion and analysis of Putnam County's (the County) financial performance provides an overall review of the County's financial activities for the fiscal year ended December 31, 2005, within the limitations of the County's modified cash basis 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 2005 are as follows:

Overall:

- Total net assets increased \$528,091 with Governmental Activities increasing by \$246,012 and Business-Type Activities increasing by \$282,079.
- Total receipts were \$28,950,848 in 2005.
- Total program disbursements were \$28,422,757 in 2005.

Governmental Activities:

- Total program receipts were \$13,509,476 in 2005, while program disbursements were \$22,266,851.
- Program disbursements were primarily composed of Public Safety, Public Works, Health and Human Services related disbursements which were \$14,643,967 in 2005.

Business-Type Activities:

- Program receipts were \$6,240,587 for Business Activities, while corresponding Disbursements were \$6,155,906. This is the primary reason for the increase in Net Assets in the Business-type activities.

Using this Basic Financial Report

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

Report Components

The statement of net assets and the 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.

**FINANCIAL CONDITION
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the County's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified 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 modified cash basis of accounting.

Reporting the County as a Whole

The statement of net assets and the statement of activities reflect how the County did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the County at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the County's general receipts.

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

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

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

Business-type activity. The County has one major business-type activity, the Putnam Acres Care Center. Business-type activities are financed by a fee charged to the customers receiving the service

**FINANCIAL CONDITION
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
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 and the Auto License and Gas Tax 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 Acres Care Center 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.

**FINANCIAL CONDITION
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The County as a Whole

Table 1 provides a summary of the County's Net Assets for 2005 compared to the prior year on a modified cash basis:

Table 1
Net Assets

Assets	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Totals</i>	
	2005	2004	2005	2004	2005	2004
Cash & Cash Equivalents	\$ 7,930,186	\$ 7,684,174	\$ 3,511,956	\$ 3,229,877	\$ 11,442,142	\$ 10,914,051
<i>Total Assets</i>	<u>7,930,186</u>	<u>7,684,174</u>	<u>3,511,956</u>	<u>3,229,877</u>	<u>11,442,142</u>	<u>10,914,051</u>
<i>Net Assets</i>						
Restricted for:						
Capital Projects	302,244	600,738			302,244	600,738
Debt Service	350,330	525,974			350,330	525,974
Other Purposes	5,188,328	4,439,886			5,188,328	4,439,886
Unrestricted	<u>2,089,284</u>	<u>2,117,576</u>	<u>3,511,956</u>	<u>3,229,877</u>	<u>5,601,240</u>	<u>5,347,453</u>
<i>Total Net Assets</i>	<u>\$ 7,930,186</u>	<u>\$ 7,684,174</u>	<u>\$ 3,511,956</u>	<u>\$ 3,229,877</u>	<u>\$ 11,442,142</u>	<u>\$ 10,914,051</u>

Total net assets increased by \$528,091. The primary reasons contributing to the increases in cash balances are as follows:

- Unanticipated growth in local property tax and sales tax receipts.
- Increased charges for services revenue in the Emergency Medical Services Fund.
- Increased charges for services revenue in the Putnam Acres Care Center Fund.

**FINANCIAL CONDITION
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Table 2 shows the changes in Net Assets for fiscal year 2004 compared to changes in Net Assets for 2005.

**Table 2
Changes In Net Assets**

	2005			2004		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
<i>Receipts:</i>						
<i>Program Receipts:</i>						
Charges For Services and Sales	\$ 2,567,383	\$ 6,240,587	\$ 8,807,970	\$ 2,378,963	\$ 5,721,783	\$ 8,100,746
Operating Grants and Contributions	10,160,014		10,160,014	9,791,872		9,791,872
Capital Grants and Contributions	782,079		782,079	2,516,770		2,516,770
Total Program Receipts:	13,509,476	6,240,587	19,750,063	14,687,605	5,721,783	20,409,388
<i>General Cash Receipts and Transfers</i>						
Property Taxes	3,022,580		3,022,580	2,635,783		2,635,783
Payment in Lieu of Taxes	34,188		34,188	383,079		383,079
Sales Taxes	3,229,490		3,229,490	2,939,943		2,939,943
Permissive License Tax	124,116		124,116	122,616		122,616
Grants and Entitlements	698,611		698,611	709,749		709,749
Interest Receipts	385,717		385,717	237,463		237,463
Miscellaneous	1,512,883	197,865	1,710,748	1,314,440	203,017	1,517,457
Transfers In (Out)	(4,198)	(467)	(4,665)	(20,316)	19,314	(1,002)
Total General Receipts and Transfers	9,003,387	197,398	9,200,785	8,322,757	222,331	8,545,088
Total Receipts and Transfers	22,512,863	6,437,985	28,950,848	23,010,362	5,944,114	28,954,476
<i>Disbursements:</i>						
<i>General Government:</i>						
Legislative and Executive	2,523,021		2,523,021	2,368,508		2,368,508
Judicial	1,214,607		1,214,607	1,211,009		1,211,009
Public Safety	4,015,189		4,015,189	3,658,525		3,658,525
Public Works	3,839,500		3,839,500	3,916,907		3,916,907
Health	3,379,591		3,379,591	3,555,208		3,555,208
Human Services	3,409,687		3,409,687	3,363,747		3,363,747
Economic Development	865,435		865,435	401,819		401,819
Miscellaneous	1,216,362		1,216,362	1,130,049		1,130,049
Capital Outlay	1,342,570		1,342,570	2,831,611		2,831,611
<i>Debt Service:</i>						
Principal Retirement	303,630		303,630	339,580		339,580
Interest and Fiscal Charges	157,259		157,259	147,224		147,224
Proprietary Funds		6,155,906	6,155,906		5,836,635	5,836,635
Total Disbursements	22,266,851	6,155,906	28,422,757	22,924,187	5,836,635	28,760,822
<i>Increase In Net Assets</i>	246,012	282,079	528,091	86,175	107,479	193,654
Net Assets at Beginning of Year	7,684,174	3,229,877	10,914,051	7,597,999	3,122,398	10,720,397
Net Assets at End of Year	\$ 7,930,186	\$ 3,511,956	\$ 11,442,142	\$ 7,684,174	\$ 3,229,877	\$ 10,914,051

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall monies generated by a voted levy do not increase solely as a result of inflation. Thus, County's dependence upon property taxes is hampered by a lack of tax growth and must return to the voters to maintain a constant level of service. Property taxes and sales taxes made up 13 percent and 14 percent, respectively, of cash receipts for governmental activities for the County in 2005. Operating grants and contributions made up 45 percent of cash receipts for governmental activities for the County.

**FINANCIAL CONDITION
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Governmental Activities

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

	2005		2004	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
General Government:				
Legislative and Executive	\$ 2,523,021	\$ 1,401,973	\$ 2,368,508	\$ 1,251,048
Judicial	1,214,607	552,841	1,211,009	584,061
Public Safety	4,015,189	3,037,343	3,658,525	3,008,859
Public Works	3,839,500	221,715	3,916,907	250,526
Health	3,379,591	1,265,024	3,555,208	1,436,136
Human Services	3,409,687	313,422	3,363,747	52,878
Economic Development	865,435	2,656	401,819	20,495
Miscellaneous	1,216,362	952,322	1,130,049	830,835
Capital Outlay	1,342,570	549,190	2,831,611	314,841
Debt Service				
Principal Retirement	303,630	303,630	339,580	339,580
Interest and Fiscal Charges	157,259	157,259	147,224	147,224
Total Disbursements	<u>\$ 22,266,851</u>	<u>\$ 8,757,375</u>	<u>\$ 22,924,187</u>	<u>\$ 8,236,483</u>

Business-Type Activities

Business-type activities include care and treatment of the elderly and disabled county residents at the Putnam Acres Care Center. Overall Net Assets increased \$282,079 from 2004 to 2005 as a result of increased medicare revenues. Program receipts support business-type activities. During 2005 program receipts exceeded program disbursements by \$84,681.

**FINANCIAL CONDITION
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The County's Funds

Total governmental funds had total receipts and other financing sources of \$24,185,759 and disbursements and other financing uses of \$23,939,747. The net change in fund balance for the year was most significant in the Auto License and Gas Tax Fund, where the cash balance went from \$891,801 in 2004 to \$999,544 for 2005 as a result of increased gas tax revenues to the County. For the General Fund, disbursements exceeded receipts in the amount of \$28,292. These factors along with receipts exceeding disbursements in the other non-major governmental funds in the amount of \$166,561 resulted in governmental fund balances increasing \$246,012.

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 \$6,622,862, which is equal to the original budget estimates. Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$8,718,398, \$257,800 above cash receipts, and \$23,251 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 \$1,342,570 during 2005.

Debt

At December 31, 2005, the County's outstanding debt included \$2,998,920 in general obligation bonds payable from governmental activities, and \$2,440,782 in general obligation bonds payable from business-type activities. For further information regarding the County's debt, refer to Note 12 to the financial statements.

Current Financial Related Activities

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

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

**FINANCIAL CONDITION
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

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 Marlene T. Lahey, County Auditor at Putnam County, P.O. Box 345, Ottawa, Ohio 45875 or email at putcoaud@bright.net.

**FINANCIAL CONDITION
PUTNAM COUNTY**

*Statement of Net Assets - Modified Cash Basis
December 31, 2005*

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$7,930,186	\$3,511,956	\$11,442,142
<i>Total Assets</i>	<u>\$7,930,186</u>	<u>\$3,511,956</u>	<u>\$11,442,142</u>
 Net Assets			
Restricted for:			
Capital Projects	\$350,331		\$350,331
Debt Service	302,243		302,243
Other Purposes	5,188,328		5,188,328
Unrestricted	2,089,284	\$3,511,956	5,601,240
<i>Total Net Assets</i>	<u>\$7,930,186</u>	<u>\$3,511,956</u>	<u>\$11,442,142</u>

See accompanying notes to the basic financial statements

**FINANCIAL CONDITION
PUTNAM COUNTY**

*Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005*

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government:				
Legislative and Executive	\$2,523,021	\$1,121,048		
Judicial	1,214,607	559,722	\$102,044	
Public Safety	4,015,189	482,232	495,614	
Public Works	3,839,500	51,874	3,565,911	
Health	3,379,591	193,096	1,921,471	
Human Services	3,409,687	96,995	2,999,270	
Economic Development and Assistance	865,435	62,416	800,363	
Miscellaneous	1,216,362		264,040	
Capital Outlay	1,342,570		11,301	\$782,079
Debt Service:				
Principal Retirement	303,630			
Interest and Fiscal Charges	157,259			
<i>Total Governmental Activities</i>	<u>22,266,851</u>	<u>2,567,383</u>	<u>10,160,014</u>	<u>782,079</u>
Business Type Activities				
Water and Sewer	184,974	177,899		
Sanitary Landfill	293,608	99,198		
Emergency Medical Services	792,159	953,132		
Airport Operations	39,655	26,744		
County Home	4,845,510	4,983,614		
<i>Total Business-Type Activities</i>	<u>6,155,906</u>	<u>6,240,587</u>		
<i>Total Primary Government</i>	<u>\$28,422,757</u>	<u>\$8,807,970</u>	<u>\$10,160,014</u>	<u>\$782,079</u>

General Receipts

Property Taxes Levied for:

General Purposes

Payment in Lieu of Taxes

Sales Taxes

Permissive License Tax

Grants and Entitlements not Restricted to Specific Programs

Interest

Transfers

Miscellaneous

Total General Receipts and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$1,401,973)		(\$1,401,973)
(552,841)		(552,841)
(3,037,343)		(3,037,343)
(221,715)		(221,715)
(1,265,024)		(1,265,024)
(313,422)		(313,422)
(2,656)		(2,656)
(952,322)		(952,322)
(549,190)		(549,190)
(303,630)		(303,630)
(157,259)		(157,259)
<u>(8,757,375)</u>		<u>(8,757,375)</u>
	(7,075)	(7,075)
	(194,410)	(194,410)
	160,973	160,973
	(12,911)	(12,911)
	<u>138,104</u>	<u>138,104</u>
	<u>84,681</u>	<u>84,681</u>
<u>(8,757,375)</u>	<u>84,681</u>	<u>(8,672,694)</u>
3,022,580		3,022,580
34,188		34,188
3,229,490		3,229,490
124,116		124,116
698,611		698,611
385,717		385,717
(4,198)	(467)	(4,665)
<u>1,512,883</u>	<u>197,865</u>	<u>1,710,748</u>
9,003,387	197,398	9,200,785
246,012	282,079	528,091
<u>7,684,174</u>	<u>3,229,877</u>	<u>10,914,051</u>
<u>\$7,930,186</u>	<u>\$3,511,956</u>	<u>\$11,442,142</u>

**FINANCIAL CONDITION
PUTNAM COUNTY**

*Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005*

	<u>General</u>	<u>Auto License and Gas Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equiv	\$2,089,284	\$999,544	\$4,841,358	\$7,930,186
<i>Total Assets</i>	<u>\$2,089,284</u>	<u>\$999,544</u>	<u>\$4,841,358</u>	<u>\$7,930,186</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$229,508	\$180,375	\$598,313	\$1,008,196
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	1,859,776			1,859,776
Special Revenue Funds		819,169	3,925,986	4,745,155
Debt Service Fund			302,243	302,243
Capital Projects Funds			14,816	14,816
<i>Total Fund Balances</i>	<u>\$2,089,284</u>	<u>\$999,544</u>	<u>\$4,841,358</u>	<u>\$7,930,186</u>

See accompanying notes to the basic financial statements

**FINANCIAL CONDITION
PUTNAM COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005*

	General	Auto License and Gas Tax Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$1,348,005		\$1,674,575	\$3,022,580
Sales Taxes	3,100,406		\$129,084	3,229,490
Permissive License Tax		\$124,116		124,116
Charges for Services	1,646,162		762,571	2,408,733
Licenses and Permits	2,265		59,035	61,300
Fines and Forfeitures	35,652	40,201	21,497	97,350
Intergovernmental	734,880	3,514,129	7,391,695	11,640,704
Payments in Lieu of Taxes	34,188			34,188
Special Assessments			267,095	267,095
Interest	385,717			385,717
Rentals	51,709			51,709
Other	399,503	5,973	419,577	825,053
<i>Total Receipts</i>	<u>7,738,487</u>	<u>3,684,419</u>	<u>10,725,129</u>	<u>22,148,035</u>
Disbursements				
General Government:				
Legislative and Executive	2,179,957		343,064	2,523,021
Judicial	978,349		236,258	1,214,607
Public Safety	3,219,934		795,255	4,015,189
Public Works	64,470	3,723,714	51,316	3,839,500
Health	56,220		3,323,371	3,379,591
Human Services	259,475		3,150,212	3,409,687
Economic Development and Assistance			865,435	865,435
Miscellaneous	805,458		225,090	1,030,548
Capital Outlay			1,342,570	1,342,570
Debt Service:				
Principal Retirement	156,219		147,411	303,630
Interest and Fiscal Charges	16,394		140,865	157,259
<i>Total Disbursements</i>	<u>7,736,476</u>	<u>3,723,714</u>	<u>10,620,847</u>	<u>22,081,037</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,011</u>	<u>(39,295)</u>	<u>104,282</u>	<u>66,998</u>
Other Financing Sources (Uses)				
Transfers In	13,500		382,583	396,083
Transfers Out	(16,782)		(383,499)	(400,281)
Advances In	690,142		582,473	1,272,615
Advances Out	(584,045)		(688,570)	(1,272,615)
Other Financing Sources	18,469	147,038	203,519	369,026
Other Financing Uses	(151,587)		(34,227)	(185,814)
<i>Total Other Financing Sources (Uses)</i>	<u>(30,303)</u>	<u>147,038</u>	<u>62,279</u>	<u>179,014</u>
<i>Net Change in Fund Balances</i>	(28,292)	107,743	166,561	246,012
<i>Fund Balances Beginning of Year</i>	<u>2,117,576</u>	<u>891,801</u>	<u>4,674,797</u>	<u>7,684,174</u>
<i>Fund Balances End of Year</i>	<u>\$2,089,284</u>	<u>\$999,544</u>	<u>\$4,841,358</u>	<u>\$7,930,186</u>

See accompanying notes to the basic financial statements

**FINANCIAL CONDITION
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$1,335,780	\$1,335,780	\$1,348,005	\$12,225
Sales Taxes	2,800,000	2,800,000	3,100,406	300,406
Charges for Services	1,265,161	1,265,161	1,646,162	381,001
Licenses and Permits	3,075	3,075	2,265	(810)
Fines and Forfeitures	40,500	40,500	35,652	(4,848)
Intergovernmental	718,846	718,846	734,880	16,034
Payments in Lieu of Taxes			34,188	34,188
Interest	210,000	210,000	385,717	175,717
Other	248,500	248,500	451,212	202,712
Total Receipts	6,621,862	6,621,862	7,738,487	1,116,625
Disbursements				
General Government:				
Legislative and Executive	2,429,429	2,662,123	2,550,477	111,646
Judicial	949,834	1,077,961	1,045,832	32,129
Public Safety	2,996,344	3,154,327	3,277,624	(123,297)
Public Works	65,904	65,904	68,120	(2,216)
Health	57,261	57,261	56,221	1,040
Human Services	282,168	284,955	264,781	20,174
Transportation	49,177	51,177	51,652	(475)
Miscellaneous	456,700	461,001	478,664	(17,663)
Debt Service:				
Principal Retirement	156,219	156,219	156,219	
Interest and Fiscal Charges	16,394	16,394	16,394	
Total Disbursements	7,459,430	7,987,322	7,965,984	21,338
Excess of Disbursements Over Receipts	(837,568)	(1,365,460)	(227,497)	1,137,963
Other Financing Sources (Uses)				
Transfers In			13,500	13,500
Transfers Out		(16,782)	(16,782)	
Advances In			690,142	690,142
Advances Out		(584,045)	(584,045)	
Other Sources	1,000	1,000	18,469	17,469
Other Uses	(151,500)	(153,500)	(151,587)	1,913
Total Other Financing Sources (Uses)	(150,500)	(753,327)	(30,303)	723,024
Net Change in Fund Balance	(988,068)	(2,118,787)	(257,800)	1,860,987
Fund Balance Beginning of Year	1,816,472	1,816,472	1,816,472	
Prior Year Encumbrances Appropriated	301,104	301,104	301,104	
Fund Balance End of Year	\$1,129,508	(\$1,211)	\$1,859,776	\$1,860,987

See accompanying notes to the basic financial statements

**FINANCIAL CONDITION
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, 2005*

	<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	\$120,024	\$120,024	\$124,116	\$4,092
Fines and Forfeitures	43,509	43,509	40,201	(3,308)
Intergovernmental	3,616,649	3,616,649	3,514,129	(102,520)
Other			5,973	5,973
<i>Total Receipts</i>	<u>3,780,182</u>	<u>3,780,182</u>	<u>3,684,419</u>	<u>(95,763)</u>
Disbursements				
Public Works	4,262,799	4,304,637	3,904,089	400,548
<i>Total Disbursements</i>	<u>4,262,799</u>	<u>4,304,637</u>	<u>3,904,089</u>	<u>400,548</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(482,617)</u>	<u>(524,455)</u>	<u>(219,670)</u>	<u>304,785</u>
Other Financing Sources				
Other Sources	183,774	183,774	147,038	(36,736)
<i>Total Other Financing Sources</i>	<u>183,774</u>	<u>183,774</u>	<u>147,038</u>	<u>(36,736)</u>
<i>Net Change in Fund Balance</i>	(298,843)	(340,681)	(72,632)	268,049
<i>Fund Balance Beginning of Year</i>	664,400	664,400	664,400	
Prior Year Encumbrances Appropriated	227,401	227,401	227,401	
<i>Fund Balance End of Year</i>	<u>\$592,958</u>	<u>\$551,120</u>	<u>\$819,169</u>	<u>\$268,049</u>

See accompanying notes to the basic financial statements

**FINANCIAL CONDITION
PUTNAM COUNTY**

*Statement of Fund Net Assets - Modified Cash Basis
Proprietary Funds
December 31, 2005*

	Business-Type Activities		
	Putnam Acres Fund	Other Enterprise Funds	Total Enterprise Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,192,817	\$1,319,139	\$3,511,956
<i>Total Assets</i>	<u>\$2,192,817</u>	<u>\$1,319,139</u>	<u>\$3,511,956</u>
Net Assets			
Unrestricted	<u>\$2,192,817</u>	<u>\$1,319,139</u>	<u>\$3,511,956</u>

See accompanying notes to the basic financial statements

**FINANCIAL CONDITION
PUTNAM COUNTY**

*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2005*

	Business-Type Activities		
	Putnam Acres Fund	Other Enterprise Funds	Total Enterprise Funds
Operating Receipts			
Charges for Services	\$4,875,735	\$1,314,879	\$6,190,614
Other Operating Receipts	31,223	18,750	49,973
<i>Total Operating Receipts</i>	<u>4,906,958</u>	<u>1,333,629</u>	<u>6,240,587</u>
Operating Disbursements			
Personal Services	3,478,898	457,177	3,936,075
Contractual Services	689,203	252,055	941,258
Materials and Supplies	250,863	99,787	350,650
Capital Outlay	167,047	247,496	414,543
<i>Total Operating Disbursements</i>	<u>4,586,011</u>	<u>1,056,515</u>	<u>5,642,526</u>
<i>Operating Income</i>	<u>320,947</u>	<u>277,114</u>	<u>598,061</u>
Non-Operating Receipts (Disbursements)			
Bond Retirement	(70,000)	(54,107)	(124,107)
Interest and Fiscal Charges	(25,200)	(103,797)	(128,997)
Other Non-Operating Revenue	50,215	147,650	197,865
Other Non-Operating Expense	(164,299)	(95,977)	(260,276)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(209,284)</u>	<u>(106,231)</u>	<u>(315,515)</u>
<i>Income before Transfers</i>	111,663	170,883	282,546
Transfers In		24,001	24,001
Transfers Out		(24,468)	(24,468)
<i>Total Transfers</i>		<u>(467)</u>	<u>(467)</u>
<i>Change in Net Assets</i>	111,663	170,416	282,079
<i>Net Assets Beginning of Year</i>	<u>2,081,154</u>	<u>1,148,723</u>	<u>3,229,877</u>
<i>Net Assets End of Year</i>	<u><u>\$2,192,817</u></u>	<u><u>\$1,319,139</u></u>	<u><u>\$3,511,956</u></u>

See accompanying notes to the basic financial statements

**FINANCIAL CONDITION
PUTNAM COUNTY**

*Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
December 31, 2005*

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$12,904	\$3,181,620
<i>Total Assets</i>	\$12,904	\$3,181,620
Net Assets		
Unrestricted	\$12,904	\$3,181,620

See accompanying notes to the basic financial statements

**FINANCIAL CONDITION
PUTNAM COUNTY**

*Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2005*

	<u>Private Purpose Trust</u>
Additions	
Miscellaneous	\$4,356
<i>Total Additions</i>	<u>4,356</u>
Deductions	
Other	1,100
<i>Total Deductions</i>	<u>1,100</u>
Change in Net Assets	3,256
Net Assets - Beginning of Year	<u>9,648</u>
Net Assets - End of Year	<u><u>\$12,904</u></u>

See accompanying notes to the basic financial statements

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 1 - REPORTING ENTITY

Putnam County (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, and a Probate/Juvenile Court Judge.

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

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

A. Primary Government

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

B. Component Units

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

Component Unit

Based on the foregoing criteria, the Brookhill Center Industries, Inc. (the Workshop) is a component unit of the County. See note 21 for a presentation of condensed financial statement information of the Workshop for the year ended December 31, 2005.

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 1 - REPORTING ENTITY – (CONTINUED)

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 Law Library

C. Jointly Governed Organizations and Similar Organizations

The County participates in several jointly governed organizations and public entity risk pools. These organizations are presented in Notes 19 and 20 to the basic financial statements. These organizations are:

Multi-Area Narcotics (MAN)
Blanchard River Stream Enhancement Project
West Central Partnership, Inc.
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 2.C, these financial statements are presented on a modified cash basis of accounting. This modified 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 modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The County does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the County's accounting policies.

A. Basis of Presentation

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

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Government-Wide Financial Statements

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

The statement of net assets presents the cash balance, of the governmental and business-type activities of the County at year end. The statement of activities compares disbursements and program receipts for each program or function of the County's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the County is responsible. 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 modified cash basis or draws from the general receipts of the County.

Fund Financial Statements

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of 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.

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Governmental Funds

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

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

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

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The County had an unclaimed monies fund in 2005. 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 modified 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.

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and 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 certificated of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

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

E. Cash and Investments

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

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

During 2005, the County invested in nonnegotiable certificates of deposit and money market accounts. Investments are reported at cost, except for the money market accounts. The County's money market investments are recorded at the amounts reported by Fort Jennings State Bank and First Federal at December 31, 2005.

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions, with exception of the Motor Vehicle and Gas Tax Fund which did not receive its share of interest in 2005. Interest receipts credited to the General Fund during 2005 were \$385,717 which includes \$281,796 assigned from other County funds.

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

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 modified cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The County's modified 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.

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M. Net Assets

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

N. Fund Balance Reserves

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

O. Interfund Transactions

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

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

NOTE 3 - COMPLIANCE

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

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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 the 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 modified cash basis is (are) outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$ 229,508
Major Special Revenue Fund:	
Auto License and Gasoline Tax	180,375

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds;
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;

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS – (CONTINUED)

9. Commercial paper notes, corporate notes and bankers' acceptances; and
10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

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

At year end, the County had \$151,656 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, \$13,952,776 of the County's bank balance of \$14,765,906 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

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

Investments

As of December 31, 2005, the County had no investments.

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 6 - PERMISSIVE SALES AND USE TAX

The County Commissioners, by resolution, imposed a 1.25 percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles, not subject to the sales tax. The allocation of the sales tax is 95 percent to the County's General Fund and 5 percent to the Capital Improvement Capital Projects Fund. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies the amount of the tax to be returned to the County to the State Auditor. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected in 2005 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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.

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 7 - PROPERTY TAXES – (CONTINUED)

The full tax rate for all County operations for the year ended December 31, 2005, was \$7.23 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property		
Residential	\$	330,807,330
Agriculture		106,150,090
Commercial/Industrial/Mineral		43,963,640
Public Utility Property		
Real		546,160
Personal		28,441,950
Tangible Personal Property		62,954,835
Total Assessed Value	\$	<u>572,864,005</u>

NOTE 8 - INTERFUND RECEIVABLES/PAYABLES

Interfund balances at December 31, 2005, consisted of receivables in the General Fund in the amount of \$565,170 payable from Other Governmental Funds.

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

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 9 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2005, the County contracted with County Risk Sharing Authority, Inc. (CORSA) for insurance coverage. Coverage provided by CORSA is as follows:

General Liability	\$	1,000,000
Law Enforcement Professional Liability		1,000,000
Public Officials Errors and Omissions Liability		1,000,000
Automobile Liability		1,000,000
Other Property Insurance		
Buildings – Contents	Replacement Cost	
Valuable Papers		1,000,000
Extra Expense		1,000,000
Electronic Data Processing	Replacement Cost	
Contractors Equipment	Actual Cash Value	
Misc. Inland Marine	Actual Cash Value	
Motortruck Cargo		100,000
Flood & Earthquake	Replacement Cost Value	
Auto Physical Damage	Actual Cash Value	
Automatic Acquisition		5,000,000
Crime Insurance		1,000,000
Excess Liability		1,000,000 – 10,000,000

With the exceptions of medical coverage, dental coverage for MRDD employees, and worker's compensation, all insurance is held with CORSA. There has been no significant reduction in insurance coverage from 2004, and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials' bonds by statute.

For 2005, the County participated in the County Commissioners Association of Ohio Service Corporation, a worker's compensation group rating plan (Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

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

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 9 - RISK MANAGEMENT – (CONTINUED)

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

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

The Board of Mental Retardation and Developmental Disabilities (MRDD) participates as a member of the Putnam County School Insurance Group, a public entity risk pool, administered by Sky Trust. MRDD 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. MRDD maintains stop-loss coverage for its medical insurance program. Aggregate stop loss is maintained for expected claims.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The employer contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)

The Counties required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003, were \$1,173,214, \$1,652,838, and \$1,858,133 respectively; 100 percent has been contributed for 2005, 2004 and 2003.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual County contributions for 2005 which were used to fund postemployment benefits were \$491,399. The actual contributions and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 12 - DEBT

The County's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2004	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>					
General Obligation Bonds:					
Airport Improvement Bonds (Original Amount \$143,000)	7.625%	\$42,900	\$7,150	\$35,750	\$7,150
Energy Conservation-Leipsic Bank (Original Amount \$250,000)	5.65%	25,000	25,000		
Energy Conservation-Sky Bank (Original Amount \$250,000)	5.25%	31,219	31,219		
Human Svcs. Bldg. Acquisition (Original Amount \$237,000)	7.625%	71,100	11,850	59,250	11,850
Human Svcs. Bldg. Addition (Original Amount \$250,000)	6.625%	88,235	14,706	73,529	14,706
Landfill Improvement Bonds (Original Amount \$980,000)	4.90%	340,000	100,000	240,000	120,000
Schnipke Engraving Sewer Line (Original Amount \$169,003)	5.25%	149,096	8,705	140,391	9,168
Jail Bonds (Original Amount \$2,850,000)	Variable	2,555,000	105,000	2,450,000	110,000
Total Governmental Activities		<u>3,302,550</u>	<u>303,630</u>	<u>2,998,920</u>	<u>272,874</u>
<u>Business-Type Activities</u>					
General Obligation Bonds:					
County Home Improvement Bonds (Original Amount \$1,050,000)	6.00%	420,000	70,000	350,000	70,000
Sewer Dist. Imprv. Bds. Series 1999 (Original Amount \$270,000)	4.95%	199,889	14,107	185,782	14,805
Landfill Bonds (Original Amount \$2,050,000)	Variable	1,945,000	40,000	1,905,000	40,000
Total Business-Type Activities		<u>2,564,889</u>	<u>124,107</u>	<u>2,440,782</u>	<u>124,805</u>
Total General Obligation Bonds		<u>\$5,867,439</u>	<u>\$427,737</u>	<u>\$5,439,702</u>	<u>\$397,679</u>

All general obligation bonds are supported by the full faith and credit of Putnam County and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 12 – DEBT – (CONTINUED)

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

Year	General Obligation Bonds	
	Principal	Interest
2006	\$272,874	\$143,199
2007	273,361	130,478
2008	158,858	335,373
2009	164,415	113,029
2010	174,984	105,236
2011-2015	791,040	412,339
2016-2020	948,388	198,745
2021	215,000	10,750
Total	\$2,998,920	\$1,449,149

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

Year	General Obligation Bonds	
	Principal	Interest
2006	\$124,805	\$122,738
2007	125,536	116,366
2008	126,307	109,897
2009	132,114	103,330
2010	132,961	96,483
2011-2015	364,059	414,071
2016-2020	335,000	327,000
2021-2025	425,000	235,000
2026-2030	550,000	116,250
2031	125,000	6,250
Total	\$2,440,782	\$1,647,385

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, 2005, were an overall debt margin of \$6,343,751 and an unvoted debt margin of \$615,111.

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 12 – DEBT – (CONTINUED)

On September 1, 2005, the County entered into an irrevocable letter of credit for \$2,227,940 that matures on September 1, 2006. As of December 31, 2005 there was no outstanding balance. The letter of credit was issued to guaranty payment of the costs associated with the closure and post closure care of the County landfill. The landfill was closed during 2001.

NOTE 13 – LEASES

The County leases equipment under a noncancelable lease. The County disbursed \$53,286 to pay lease costs for the year ended December 31, 2005. Future lease payments are as follows:

Year	Amount
2006	\$53,286
2007	53,286
Total	<u>\$106,572</u>

NOTE 14 - POSTCLOSURE COSTS

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

The County is required by state and federal laws and regulations to provide assurances that financial resources will be available to provide for postclosure care and remediation or containment of environmental hazards at the landfill. The County obtains an annual letter of credit to make funding available for postclosure costs. There were no such costs in 2005.

NOTE 15 - INTERFUND TRANSFERS

During 2005 the following transfers were made:

		Transfers Out		
		General	Other	Total
Governmental Activities:				
Transfers In	General		\$ 13,500	\$ 13,500
	Other Governmental	\$ 12,810	369,773	382,583
	Total Governmental Activities	12,810	383,273	396,083
Business-Type Activities:				
	Other		24,001	24,001
	Total Business-Type Activities		24,001	24,001
	Total	\$ 12,810	\$ 407,274	\$ 420,084

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 15 - INTERFUND TRANSFERS – (CONTINUED)

Transfers to the County’s agency funds from the General Fund, Other Governmental Funds, and the County Home Fund in the amounts of \$3,972, \$226, and \$467, respectively, are not included in totals above. However, they are included in transfers out on the financial statements.

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

NOTE 16 - FEDERAL FOOD STAMP PROGRAM

The County’s Department of Job and Family Services distributes federal food stamps to entitled recipients within Putnam County. The receipt and issuance of food stamps have the characteristics of federal “grants”; however, the Department of Job and Family Services merely acts in an intermediary capacity. The inventory value of these stamps is not reflected in the accompanying financial statements as the only economic interest related to the stamps rests with the ultimate recipient. Federal food stamp activity for the year was as follows:

Balance at Beginning of Year	\$	2,844
Amount Distributed to Entitled Recipients		792
Balance at End of Year	\$	2,052

NOTE 17 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

The County had the following outstanding contractual commitments as of December 31, 2005:

Contract	Project	Original Contract Amount	Contract Balance 12/31/05
Cardinal Bus Sales	MRDD Bus	\$ 56,400	\$ 56,400
Rosengarten Construction	Mildred Ricker Dt. #915	25,523	8,123
Sand Ridge Excavating	Adolph Maag Dt. #905	17,193	1,862
Sand Ridge Excavating	Prairie Creek Dt. #904	35,439	35,439
Sand Ridge Excavating	Riepenhoff Dt. #917	6,447	6,447
Kahle & Verhoff Construction	Airport Terminal Build-Out	248,900	93,399
Ward Construction	Terminal Apron/Taxiway	172,718	180,130
Michiana Contracting, Inc.	AWOS Installation	139,135	19,531

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 18 – CONTINGENT LIABILITIES

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

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

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

Multi-Area Narcotics (MAN)

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

Blanchard River Stream Enhancement Project

The Joint Board of County Commissioners for the Blanchard River Stream Enhancement Project is a jointly governed organization among six counties. The Joint Board consists of eighteen members, the three county commissioners of each of the six counties. The Joint Board was formed to approve construction on the Blanchard River. Revenues are generated by assessments and a state grant. The County did not contribute to the project during 2005. The Hancock County Auditor serves as fiscal agent for this project.

West Central Partnership, Inc.

The West Central Partnership, Inc. (the Partnership) is a jointly governed organization among Allen, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The Partnership was formed to administer local loan programs in these counties for the State of Ohio Department of Development using 166 funds and raising money for such purpose and to expend, contribute, disburse, or otherwise handle and dispose of the same for such purpose. The Board of Trustees consists of nine members, including a County Commissioner from each of the member counties and the Director of Region 3, West Central SBDC Partnership. The County was not required to make any contributions to the Partnership in 2005.

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 20 – 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

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

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

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

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

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 21 – BROOKHILL WORKSHOP, INC.

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

Condensed Balance Sheet -
Brookhill Workshop

Assets:	
Current Assets	\$847,948
Property, Plant, and Equipment	29,502
Total Assets	\$877,450
Liabilities:	
Current Liabilities	\$26,538
Equity:	
Unrestricted Net Assets	850,912
Total Liabilities and Net Assets	\$877,450

Condensed Statement of Activities -
Brookhill Workshop

Operating Revenues	
Operating Revenues	\$307,799
Operating Expenses	279,677
Net Increase in Net Assets	28,122
Net Assets, January 1	822,790
Net Assets, December 31	\$850,912

NOTE 22 - RELATED PARTY TRANSACTIONS

During 2005, the County provided facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its programs to the Workshop. The Workshop, a component unit of the County, reported \$107,553 for such contributions. The Workshop recorded operating revenues and expenses at cost or fair market value, as applicable, to the extent the contribution was related to the vocational purpose of the Workshop. Additional habilitative services provided directly to Workshop clients by the County was \$954,805.

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 23 – SUBSEQUENT EVENTS

As of September 1, 2006 the County renewed an irrevocable letter of credit for \$2,227,940 that matures September 1, 2007. The letter of credit was issued to guaranty payment of the costs associated with the closure and post closure care of the County landfill. The landfill was closed during 2001.

**FINANCIAL CONDITION
PUTNAM COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disburse- ments	Non-cash Disburse- ments
UNITED STATES DEPARTMENT OF AGRICULTURE				
<i>Passed through the Ohio Department of Education</i>				
<u>Mental Retardation and Developmental Disabilities Board</u>				
Nutrition Cluster				
Food Donation Program	10.550		\$ 40	\$ 1,887
National School Lunch Program	10.555			
Total Department of Agriculture			40	1,887
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed through the Ohio Department of Development</i>				
<u>County Commissioners</u>				
Home Investment Partnership Program	14.239	B-C-02-064-2	22,989	
Home Investment Partnership Program	14.239	B-C-04-064-1	177,829	
Total Home Investment Partnership Program			200,818	
Community Development Block Grant	14.228	B-C-04-064-1	70,444	
Community Development Block Grant	14.228	B-E-03-064-1	588	
Community Development Block Grant	14.228	B-E-04-064-1	500,000	
Community Development Block Grant	14.228	B-E-04-064-2	8,000	
Community Development Block Grant	14.228	B-F-03-064-1	67,154	
Community Development Block Grant	14.228	B-F-04-064-1	151,160	
Community Development Block Grant	14.228	B-F-05-064-1	11,021	
Total Community Development Block Grant			808,367	
Total Department of Housing and Urban Development			1,009,185	
UNITED STATES DEPARTMENT OF LABOR				
<i>Passed through the Montgomery County WIA Area 7</i>				
<u>Jobs and Family Services</u>				
Workforce Investment Act Cluster:				
Workforce Investment Act - Adult	17.258		78,354	
Workforce Investment Act - Adult Administrative	17.258		3,496	
Workforce Investment - Adult Total			81,850	
Workforce Investment Act - Youth	17.259		43,761	
Workforce Investment Act - Youth Administrative	17.259		1,953	
Workforce Investment - Youth Total			45,714	
Workforce Investment Act - Dislocated Worker	17.260		135,992	
Workforce Investment Act - Dislocated Worker Administrative	17.260		6,067	
Workforce Investment - Dislocated Worker Total			142,059	
Workforce Investment Act - Veterans' Employment Program	17.802		1,442	
Workforce Investment Act - Veterans' Employment Program Administrative	17.802		64	
Workforce Investment - Veterans' Employment Program Total			1,506	
Reed Act One Stop Program	17.225		18,005	
Reed Act One Stop Program Administrative	17.225		802	
Workforce Investment - Reed Act One Stop Program Total			18,807	
Total Department of Labor			289,936	
UNITED STATES DEPARTMENT OF TRANSPORTATION				
<i>Direct Program</i>				
Airport Improvement Program	20.106	3-39-0110-0203	81,293	
Airport Improvement Program	20.106	3-39-0110-0304	107,472	
Airport Improvement Program	20.106	3-39-0110-0405	255,505	
Total Airport Improvement Program			444,270	
<i>Passed through the Ohio Department of Transportation</i>				
<u>County Engineer</u>				
Highway Planning and Construction	20.205	05N026	348,534	
Total Department of Transportation			792,804	

**FINANCIAL CONDITION
PUTNAM COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disburse- ments	Non-cash Disburse- ments
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities</i>				
<u>Mental Retardation and Developmental Disabilities Board</u>				
Medical Assistance Program	93.778	CAFS	152,097	
Medical Assistance Program	93.778	TCM	27,531	
Social Services Block Grant	93.667		25,971	
<i>Passed through the Ohio Department of Jobs and Family Services</i>				
<u>Jobs and Family Services Department</u>				
Child Welfare Services	93.645		46,691	
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services</i>				
<u>Alcohol, Drug Addiction, and Mental Health Services Board</u>				
Block Grants for Prevention and Treatment of Substance Abuse	93.959		107,209	
Medical Assistance Program	93.778		12,464	
<i>Passed through the Ohio Department of Mental Health</i>				
<u>Alcohol, Drug Addiction, and Mental Health Services Board</u>				
Block Grants for Community Mental Health Services	93.958		42,430	
Social Services Block Grant	93.667		12,014	
Medical Assistance Program	93.778		237,658	
Total Medical Assistance Program			<u>429,750</u>	
Total Social Service Block Grants			<u>37,985</u>	
Total Department of Health and Human Services			<u>664,065</u>	
UNITED STATES DEPARTMENT OF HOMELAND SECURITY				
<i>Passed through the Ohio Adjutant General's Department of Emergency Management</i>				
<u>Emergency Management Agency</u>				
State Domestic Preparedness Equipment Support Program	16.007		46,883	
Homeland Security Grant Program	97.004		112,792	
Total State Domestic Preparedness Equipment Support Program			<u>159,675</u>	
Emergency Management Performance Grants	97.042		22,638	
Total Department of Homeland Security			<u>182,313</u>	
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 2,938,343</u>	<u>\$ 1,887</u>

The accompanying notes are an integral part of this schedule

**FINANCIAL CONDITION
PUTNAM COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

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

NOTE C - CHILD NUTRITION CLUSTER

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

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At December 31, 2005, the County had no significant food commodities in inventory.

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

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). There were no such initial loans made during 2005. Loans repaid, including interest, are used to make additional loans. No additional loans were made during 2005. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by machinery and equipment and by land and buildings. At December 31, 2005, the gross amount of loans outstanding under this program was \$466,628.

NOTE E - MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

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

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

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Putnam County (the County) as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 11, 2006, wherein, we noted the County uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the County's management dated October 11, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the County's management dated October 11, 2006, we reported other matters related to noncompliance we deemed immaterial.

One Government Center / Room 1420 / Toledo, OH 43604-2246
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www.auditor.state.oh.us

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

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

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

Betty Montgomery
Auditor of State

October 11, 2006



**Auditor of State
Betty Montgomery**

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

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

To the Board of County Commissioners:

Compliance

We have audited the compliance of Putnam County (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Putnam County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2005. In a separate letter to the County's management dated October 11, 2006, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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



Betty Montgomery
Auditor of State

October 11, 2006

**FINANCIAL CONDITION
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 ' .505
DECEMBER 31, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grant CFDA # 14.228 Airport Improvement Program CFDA # 20.106
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2005-001

Noncompliance Citation

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

**FINDING NUMBER 2005-001
(Continued)**

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

Officials' Response

In 2002, the Putnam County Auditor advised the Putnam County Board of Commissioners the Auditor's Office would be following the modified 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 modified cash basis of accounting.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

**FINANCIAL CONDITION
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	OAC §117-2-3(B) reporting on basis other than generally accepted accounting principles	No	Finding has not been corrected and is repeated in this report as item 2005-001.



**Auditor of State
Betty Montgomery**

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FINANCIAL CONDITION

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 9, 2006**