



Dave Yost • Auditor of State

**PIKE COUNTY GENERAL HEALTH DISTRICT
PIKE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Pike County General Health District
Pike County
116 South Market Street
Waverly, Ohio 45690

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Pike County General Health District, Pike County, Ohio (the Health District) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Health District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Health District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Health District as of December 31, 2016 and 2015, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Pike County General Health District, Pike County as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2017, on our consideration of the Health District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

December 5, 2017

PIKE COUNTY GENERAL HEALTH DISTRICT
Combined Statement of Cash Receipts, Cash Disbursements
and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2016

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<u>Cash Receipts:</u>			
Intergovernmental	\$184,447	\$89,829	\$274,276
Charges for Services	0	108	108
Fines, Licenses and Permits	132,923	184,351	317,274
Miscellaneous	0	16	16
Total Cash Receipts	<u>317,370</u>	<u>274,304</u>	<u>591,674</u>
<u>Cash Disbursements:</u>			
<i>Current:</i>			
<i>Health:</i>			
Salaries	183,937	149,183	333,120
Fringe Benefits	102,283	54,235	156,518
Supplies	11,840	2,964	14,804
Remittances to State	0	71,240	71,240
Contract Services	14,818	18,464	33,282
Travel	3,143	6,801	9,944
Utilities	18,349	0	18,349
Other	97,408	6,331	103,739
Total Cash Disbursements	<u>431,778</u>	<u>309,218</u>	<u>740,996</u>
Total Cash Receipts Over Cash Disbursements	<u>(114,408)</u>	<u>(34,914)</u>	<u>(149,322)</u>
Fund Cash Balances, January 1	<u>192,633</u>	<u>266,490</u>	<u>459,123</u>
<i>Fund Cash Balances, December 31:</i>			
Restricted	0	231,576	231,576
Assigned	51,937	0	51,937
Unassigned	26,288	0	26,288
<i>Fund Cash Balances, December 31</i>	<u><u>\$78,225</u></u>	<u><u>\$231,576</u></u>	<u><u>\$309,801</u></u>

See accompanying notes to the financial statements.

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PIKE COUNTY GENERAL HEALTH DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

Pike County General Health District (the District), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A seven-member Board and a Health Commissioner govern the District. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services and issues health-related licenses and permits.

Pike County serves as fiscal agent for the District.

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

Basis of Accounting

These financial statements follow the basis of accounting permitted by the financial reporting provisions of the Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the financial reporting provisions of the Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Deposits and Investments

As required by the Ohio Revised Code, the Pickaway County Treasurer is the custodian of the District's deposits. The County holds the District's assets in the County's deposit and investment pool, valued at the County Treasurer's reported carrying amount.

Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

General Fund - The General Fund is the general operating fund. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Funds - These funds account for and report proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Funds:

Public Health Infrastructure Fund - This fund receives grants to fund emergency preparedness for Pike County.

Solid Waste Fund - This fund receives license fees for landfill solid waste licenses.

PIKE COUNTY GENERAL HEALTH DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Summary of Significant Accounting Policies - (continued)

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations – Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control and appropriations may not exceed estimated resources. The District Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources – Estimated Resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

Encumbrances – The Ohio Revised code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled, and re-appropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 2.

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable: The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

Committed: Trustees can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned: Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted or committed*. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the General Fund, assigned amounts represent intended uses established by Board of Trustees or a District official delegated that authority by resolution, or by State Statute.

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

PIKE COUNTY GENERAL HEALTH DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Summary of Significant Accounting Policies - (continued)

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

Property, Plant and Equipment

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Note 2 – Budgetary Activity

The District’s budgetary activity for the years ending December 31, 2016 was as follows:

2016 Budgeted vs. Actual Receipts			
	Receipts		
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$331,970	\$317,370	(\$14,600)
Special Revenue	293,580	274,304	(19,276)
<i>Total</i>	\$625,550	\$591,674	(\$33,876)

2016 Budgeted vs. Actual Budgetary Basis Disbursements			
	Appropriation Authority	Budgetary Disbursements	Variance
General	\$512,000	\$431,778	\$80,222
Special Revenue	300,526	309,218	8,692
<i>Total</i>	\$812,526	\$740,996	\$88,914

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Pike County Safe Communities fund by \$12,339; Sewage Treatment System fund by \$8,548; Hospital Disaster Preparedness fund by \$7,481; Food Service fund by \$9,718; Swimming Pool fund by \$16,390; and Construction Demolition by \$753 for the year ended December 31, 2016.

PIKE COUNTY GENERAL HEALTH DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3- Defined Benefit Pension Plans

Ohio Public Employees Retirement System (OPERS)

Plan Description – All District employees participate in the Ohio Public Employee Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit plan with defined contribution features. While members (District employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS’ Traditional Plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

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

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

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

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

PIKE COUNTY GENERAL HEALTH DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3- Defined Benefit Pension Plans - (continued)

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

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

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
 2016 Actual Contribution Rates	
Employer:	
Pension	12.0%
Post-employment Health Care Benefits	2.0
 Total Employer	 14.0%
 Employee	 10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District’s contractually required contribution was \$47,798 for year 2016.

Note 5 – Risk Management

The District is insured through Pike County, its fiscal agent. Pike County belongs to the Buckeye Administrators, Inc., a risk sharing pool among twenty eight counties in Ohio. The coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials’ errors and omissions liability insurance.

Note 6 – Contingent Liabilities

The amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. The grantor 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 7 – Subsequent Events

On February 16, 2016, Pike General Health District signed a capital lease agreement with the County for the purchase of the former Health District building. The Board of Health will receive \$150,000 for 5 years.

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PIKE COUNTY GENERAL HEALTH DISTRICT
Combined Statement of Cash Receipts, Cash Disbursements
and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2015

	Governmental Fund Types		
	General	Special Revenue	Totals
<u>Cash Receipts:</u>			
Intergovernmental	\$402,961	\$137,320	\$540,281
Charges for Services	0	150	150
Fines, Licenses and Permits	108,354	163,935	272,289
Miscellaneous	20,620	209	20,829
Total Cash Receipts	<u>531,935</u>	<u>301,614</u>	<u>833,549</u>
<u>Cash Disbursements:</u>			
<i>Current:</i>			
<i>Health:</i>			
Salaries	236,394	166,686	403,080
Fringe Benefits	80,756	71,195	151,951
Supplies	12,467	3,363	15,830
Remittances to State	0	66,297	66,297
Contract Services	33,737	26,739	60,476
Travel	9,296	11,641	20,937
Utilities	18,921	0	18,921
Other	80,369	881	81,250
<i>Debt Service:</i>			
Principal Retirement	54,687	0	54,687
Interest and Fiscal Charges	1,272	0	1,272
Total Cash Disbursements	<u>527,899</u>	<u>346,802</u>	<u>874,701</u>
Total Cash Receipts Over Cash Disbursements	4,036	(45,188)	(41,152)
<u>Other Financing Sources (Uses):</u>			
Transfers In	0	62,045	62,045
Transfers Out	(62,045)	0	(62,045)
Total Other Financing Sources (Uses)	<u>(62,045)</u>	<u>62,045</u>	<u>0</u>
Net Change in Fund Cash Balances	(58,009)	16,857	(41,152)
Fund Cash Balances, January 1	<u>250,642</u>	<u>249,633</u>	<u>500,275</u>
<i>Fund Cash Balances, December 31:</i>			
Restricted	0	266,490	266,490
Assigned	180,030	0	180,030
Unassigned	12,603	0	12,603
Fund Cash Balances, December 31	<u><u>\$192,633</u></u>	<u><u>\$266,490</u></u>	<u><u>\$459,123</u></u>

See accompanying notes to the financial statements.

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PIKE COUNTY GENERAL HEALTH DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

Pike County General Health District (the District), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A seven-member Board and a Health Commissioner govern the District. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services and issues health-related licenses and permits.

Pike County serves as fiscal agent for the District.

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

Basis of Accounting

These financial statements follow the basis of accounting permitted by the financial reporting provisions of the Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the financial reporting provisions of the Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Deposits and Investments

As required by the Ohio Revised Code, the Pickaway County Treasurer is the custodian of the District's deposits. The County holds the District's assets in the County's deposit and investment pool, valued at the County Treasurer's reported carrying amount.

Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

General Fund - The General Fund is the general operating fund. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Funds - These funds account for and report proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Funds:

Public Health Infrastructure Fund - This fund receives grants to fund emergency preparedness for Pike County.

Solid Waste Fund - This fund receives license fees for landfill solid waste licenses.

PIKE COUNTY GENERAL HEALTH DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 – Summary of Significant Accounting Policies - (continued)

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations – Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control and appropriations may not exceed estimated resources. The District Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources – Estimated Resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

Encumbrances – The Ohio Revised code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled, and re-appropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 2.

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable: The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

Committed: Trustees can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned: Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted or committed*. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the General Fund, assigned amounts represent intended uses established by Board of Trustees or a District official delegated that authority by resolution, or by State Statute.

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

PIKE COUNTY GENERAL HEALTH DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 – Summary of Significant Accounting Policies - (continued)

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

Property, Plant and Equipment

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Note 2 – Budgetary Activity

The District's budgetary activity for the years ending December 31, 2015 was as follows:

2015 Budgeted vs. Actual Receipts			
	Receipts		
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$321,885	\$531,935	\$210,050
Special Revenue	298,950	363,659	64,709
<i>Total</i>	\$620,835	\$895,594	\$274,759

2015 Budgeted vs. Actual Budgetary Basis Disbursements			
	Appropriation Authority	Budgetary Disbursements	
Fund Type			Variance
General	\$593,367	\$589,944	\$3,423
Special Revenue	370,370	346,802	23,568
<i>Total</i>	\$963,737	\$936,746	\$26,991

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$173,379; Pike County Safe Communities fund by \$12,396; Sewage Treatment System fund by \$27,391; Hospital Disaster Preparedness fund by \$14,856; Food Service fund by \$5,117 for the year ended December 31, 2015.

PIKE COUNTY GENERAL HEALTH DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 3- Intergovernmental Funding

The County apportions the excess of the District's ap propriations over other estimated receipts among the townships and municipalities co mposing the Distri ct, based on their taxable property valuations. The County withholds the apportioned excess fro m property tax s ettlements and distributes it to t he District. The fina ncial statements present these amounts as intergovernmental receipts.

The County Commissioners serve as a special taxin g authority for a special levy outside the ten mill limitation to provide the District with sufficient funds for health progr ams. The levy generated \$233,674 in 201 5. The financial statements present these amounts as intergovernmental receipts.

Note 4- Defined Benefit Pension Plans

Ohio Public Employees Retirement System (OPERS)

Plan Description – All District e mployees partici pate in the O hio Public Em ployee Retirement System (OPERS). OPERS administers three separate pension plans. The Trad itional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Mem ber-Directed Plan is a defi ned contribution plan and the Co mbined Plan is a cost-sharing, multiple-employer defined benefit plan with defined contribution features. While members (District employees) may elect the Me mber-Directed Plan and the Co mbined Plan, substantially all employee members are in OPERS' Traditional Plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPE RS issues a stand-alone financial report that includes financial state ments, required supple mentary information and detailed inform ation about OPE RS' fi duciary net positi on that m ay be obtained by vising <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Colum bus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

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

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

PIKE COUNTY GENERAL HEALTH DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 4- Defined Benefit Pension Plans - (continued)

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

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was \$53,947 for year 2015.

Note 5 – Risk Management

The District is insured through Pike County, its fiscal agent. Pike County belongs to the Buckeye Administrators, Inc., a risk sharing pool among twenty eight counties in Ohio. The coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

PIKE COUNTY GENERAL HEALTH DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 6 – Capital Lease

The capital lease obligation relates to making improvements to the Health District Building. The District entered into this lease on May 1, 2006. As part of the agreement, Pike County, as lessor, contributed \$450,000 to the Board of Health Renovation Fund to make improvements to the Health District Building. Contractors were paid by the District as work progressed.

The lease meets the criteria of a capital lease as defined by Governmental Accounting Standards Board codification section L 105, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The District paid off this lease in 2015.

Note 7 – Contingent Liabilities

The amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. The grantor 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.



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

Pike County General Health District
Pike County
116 South Market Street
Waverly, Ohio 45690

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Pike County General Health District, Pike County, (the Health District) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2017 wherein we noted the Health District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Health District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-002

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

December 5, 2017

**PIKE COUNTY GENERAL HEALTH DISTRICT
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Material Weakness

Governments are required to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

We identified the following conditions in the District's financial statements:

- Intergovernmental receipts in the amount of \$56,212 in 2015 and \$133,351 in 2016 were reported as Fines, Licenses, and Permits in the General fund.
- Miscellaneous revenue of \$20,324 in 2015 was incorrectly reported as Fines, Licenses and Permits in the General Fund.
- The General fund balance was incorrectly classified as unassigned instead of assigned in the amount of \$180,030 in 2015 and \$51,937 in 2016.
- The Board overstated unassigned in the General fund by \$115,929 in 2016.
- The Board overstated restricted in the Special Revenue fund by \$35,215 in 2016.

The District did not reconcile the fiscal agent records to the health department records, resulting in the following errors:

- A 2016 intergovernmental receipt of \$1,822 recorded in Pike County's Byrne Justice Assistance Grant Fund was not recorded in the Safe Communities Fund.
- The District incorrectly recorded transfers in 2016 resulting in the following 2016 material misstatements: Fines, Licenses and Permits and Intergovernmental receipts were understated by \$34,820 and \$27,220 respectively, and Transfers In were overstated by \$62,045 in the Special Revenue funds; Transfers Out were overstated by \$62,045 and Other disbursements were understated by \$62,045 in the General fund.
- Certain Special Revenue fund receipts were not posted accurately and individual Special Revenue 2016 fund balances required adjustments totaling \$2,930.

The District corrected the financial statements and accounting records where appropriate.

We recommend the Fiscal Officer ensure amounts on the annual financial report are properly reported in the correct classifications and funds.

Officials' Response:

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

FINDING NUMBER 2016-002

Material Weakness/Noncompliance

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

As of December 31, 2015, the following funds had expenditures and encumbrances which exceeded appropriations.

Fund	Appropriation Authority	Budgetary Disbursements	Variance
General	\$416,565	\$589,944	\$(173,379)
Pike County Safe Communities	10,545	22,941	(12,396)
Sewage Treatment System	35,300	62,691	(27,391)
Hospital Disaster Preparedness	30,225	45,081	(14,856)
Food Service	60,400	65,517	(5,117)

As of December 31, 2016, the following funds had expenditures and encumbrances which exceeded appropriations.

Fund	Appropriation Authority	Budgetary Disbursements	Variance
Pike County Safe Communities	\$9,510	\$21,849	\$(12,339)
Sewage Treatment System	28,975	37,523	(8,548)
Hospital Disaster Preparedness	28,550	36,031	(7,481)
Food Service	59,950	69,668	(9,718)
Swimming Pool	2,200	18,590	(16,390)
Construction Demolition	5,000	5,753	(753)

We recommend the Fiscal Officer monitor the original permanent appropriations, as well as any amendments, along with expenditures and encumbrances, to ensure that expenditures do not exceed appropriations.

Officials' Response:

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

**PIKE COUNTY GENERAL HEALTH DISTRICT
PIKE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2012-001	Material Weakness: Improper Classification of various receipts and disbursements	Not Corrected	Reissued as Finding 2016-001

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PIKE COUNTY GENERAL HEALTH DISTRICT

PIKE 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
DECEMBER 28, 2017