



Dave Yost • Auditor of State



**PIKE COUNTY**  
**TABLE OF CONTENTS**

TITLE	PAGE
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position December 31, 2015 .....	15
Statement of Activities December 31, 2015.....	16
Fund Financial Statements	
Balance Sheet – Governmental Funds December 31, 2015.....	18
Reconciliation of Total Governmental Fund Balances To Net Position of Governmental Activities December 31, 2015.....	20
Statement of Revenues, Expenditures and Changes In Fund Balance Governmental Funds For the Year Ended December 31, 2015 .....	22
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds to The Statement of Activities For the Year Ended December 31, 2015.....	24
Statement of Revenues, Expenditures, and Changes In Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) General Fund For the Year Ended December 31, 2015.....	25
Statement of Revenues, Expenditures, and Changes In Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) Motor Vehicle and Gas Tax Fund For the Year Ended December 31, 2015 .....	26
Statement of Revenues, Expenditures, and Changes In Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) Board of Developmental Disabilities Fund For the Year Ended December 31, 2015 .....	27
Statement of Revenues, Expenditures, and Changes In Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) Job and Family Services Fund For the Year Ended December 31, 2015 .....	28

**PIKE COUNTY**  
**TABLE OF CONTENTS**  
**(Continued)**

TITLE	PAGE
Statement of Fund Net Position Proprietary Funds December 31, 2015.....	29
Statement of Revenues, Expenses and Changes In Net Position Proprietary Funds For the Year Ended December 31, 2015.....	30
Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2015.....	31
Statement of Fiduciary Net Position Fiduciary Funds December 31, 2015.....	33
Notes to the Financial Statements .....	35
Required Supplemental Information	
Schedule of the County’s Proportionate Share of Net Pension Liability – PERS.....	83
Schedule of the County’s Proportionate Share of Net Pension Liability – STRS .....	84
Schedule of County Contributions – PERS.....	86
Schedule of County Contributions – STRS.....	88
Federal Awards Expenditures Schedule (prepared by Management) .....	91
Notes to the Federal Awards Expenditures Schedule (prepared by Management) .....	93
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	95
Independent Auditor’s Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required By the Uniform Guidance .....	97
Schedule of Findings.....	101
Schedule of Prior Audit Findings.....	109
Corrective Action Plan.....	111



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Pike County  
230 Waverly Plaza  
Waverly, Ohio 45690

To the Board of County Commissioners:

### ***Report on the Financial Statements***

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 Pike County, Ohio (the County), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

**Summary of Opinions**

<b>Opinion Unit</b>	<b>Type of Opinion</b>
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Motor Vehicle and Gas Tax Fund	Unmodified
Board of Developmental Disabilities Fund	Unmodified
Job and Family Services Fund	Unmodified
Sewer Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

**Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, and Sewer fund**

We were unable to obtain the necessary assurances regarding the accuracy, completeness, existence, and valuation of the capital assets and related accumulated depreciation, depreciation expense and net investment in capital assets reported in the governmental activities, business-type activities, and the major Sewer Fund for the year ended December 31, 2015. Amounts reported for capital assets represented the following percentages of Total Assets for each opinion unit:

<b>Opinion Unit</b>	<b>Capital Asset Amount (net of accumulated depreciation)</b>	<b>Percentage of Total Assets</b>
Governmental Activities	\$52,548,444	60%
Business-Type Activities	2,333,127	75%
Major Sewer Fund	2,333,127	75%
<b>Opinion Unit</b>	<b>Depreciation Expense</b>	<b>Percentage of Total Expense</b>
Governmental Activities	\$2,761,269	9%
Business-Type Activities	105,408	15%
Major Sewer Fund	105,408	15%

<b>Opinion Unit</b>	<b>Net Investment in Capital Assets</b>	<b>Percentage of Net Position</b>
Governmental Activities	\$43,491,696	66%
Business-Type Activities	2,092,634	77%
Major Sewer Fund	2,092,634	77%

**Qualified Opinion**

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, and Sewer fund paragraph*, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the sewer fund of Pike County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, Motor Vehicle and Gas Tax, Board of Developmental Disabilities, Job and Family Services and the aggregate remaining fund information of Pike County, Ohio (the County), as of December 31, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Motor and Vehicle Gas Tax, Board of Developmental Disabilities, and the Job and Family Services funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 4 to the financial statements, during the year ended December 31, 2015, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis, and schedules of net pension liabilities and pension contributions* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the County's basic financial statements taken as a whole.

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2017, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 9, 2017

**Pike County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

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The discussion and analysis of Pike County's financial performance provides an overall view of the County's financial activities for the fiscal year ended December 31, 2015. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review notes to the basic financial statements, and the financial statements themselves, to enhance their understanding of the County's financial performance.

### **Financial Highlights**

Key financial highlights for 2015 are as follows:

- The County's net position decreased \$3,247,525 as a result of this year's operations. Net position of our business-type activities decreased \$139,114, and net position of our governmental activities decreased \$3,108,411.
- General revenues for governmental activities accounted for \$9,497,961 in revenue or 33.68 percent of all revenues. Program specific revenues for governmental activities in the form of charges for services and sales, grants and contributions accounted for \$19,288,226 or 66.32 percent of total revenues of \$29,082,920.
- The County had \$32,191,331 in expenses related to governmental activities; \$19,288,226 of these expenses was offset by program specific charges for services and sales, grants and contributions.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Pike County as a financial whole or as an entire operating entity. The statements then proceed to provide a detailed look at specific financial conditions.

The statement of net position and statement of activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column.

### ***Reporting the County as a Whole***

#### *Statement of Net Position and the Statement of Activities*

While this document contains a large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?"

The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the County's net position and changes in net position. This change in net position is important because it informs the reader whether, for the County as a whole, the financial position of the County is as strong as it once was. This is the result of many factors, some the County can control and some of which it cannot. Non-controllable financial factors include rising insurance costs, Workers Compensation costs, declining consumption based tax revenues due to the state and federal economic downturn, low rates of return on investments, revenue cuts and the restriction of revenue growth due to the political culture at the state and national levels. In addition, unfunded mandated programs are still problematic in all counties as are many other specific causative factors in which local government has little control over.

**Pike County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

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In the statement of net position and the statement of activities, the County is divided into two distinct kinds of activities:

- **Governmental Activities** - Most of the County's programs and services are reported here including public safety, public works, health, human services, conservation and recreation, economic development and assistance, legislative and executive, and judicial.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Pike County Sewer Fund is reported as a business-type activity.

***Reporting the County's Most Significant Funds***

***Fund Financial Statements***

Fund financial statements provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General Fund, Motor Vehicle and Gas Tax Fund, Board of Developmental Disabilities Fund, and the Job and Family Services Fund.

***Governmental Funds*** Most of the County's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance County operations. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

***Proprietary Funds*** Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

***Fiduciary Funds*** These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that of the proprietary funds.

**The County as a Whole**

Recall that the statement of net position provides the perspective of the County as a whole.

**Pike County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

**Government-Wide Financial Analysis**

You may recall that the statement of net position provides the perspective of the County as a whole. Table 1 provides a summary of the County's net position for 2015 compared to 2014:

Table 1

**Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014*</u>	<u>2015</u>	<u>2014*</u>	<u>2015</u>	<u>2014*</u>
<b><u>Assets:</u></b>						
Current and Other Assets	\$34,725,541	\$34,811,722	\$574,989	\$735,532	\$35,300,530	\$35,547,254
Capital Assets, Net	52,548,444	53,942,701	2,333,127	2,386,888	54,881,571	56,329,589
<i>Total Assets</i>	<u>87,273,985</u>	<u>88,754,423</u>	<u>2,908,116</u>	<u>3,122,420</u>	<u>90,182,101</u>	<u>91,876,843</u>
Deferred Outflows of Resources	1,473,538	946,108	17,585	15,184	1,491,123	961,292
<b><u>Liabilities:</u></b>						
Current and Other Liabilities	1,705,089	1,310,572	28,972	155,489	1,734,061	1,466,061
<i>Long-Term Liabilities:</i>						
Due within One Year	1,200,156	657,387	15,849	12,445	1,216,005	669,832
<i>    Due in More Than One Year:</i>						
Net Pension Liability	7,909,937	7,628,165	92,248	90,164	8,002,185	7,718,329
Other Amounts	7,466,725	7,182,019	240,767	194,148	7,707,492	7,376,167
<i>Total Liabilities</i>	<u>18,281,907</u>	<u>16,778,143</u>	<u>377,836</u>	<u>452,246</u>	<u>18,659,743</u>	<u>17,230,389</u>
Deferred Inflows of Resources	3,858,778	3,216,875	1,621	0	3,860,399	3,216,875
<b><u>Net Position:</u></b>						
Net Investments in Capital Assets	44,810,436	47,208,862	2,092,634	2,059,107	46,903,070	49,267,969
Restricted	17,464,674	14,672,930	0	0	17,464,674	14,672,930
Unrestricted	4,331,728	7,833,457	453,610	626,251	4,785,338	8,459,708
<i>Total Net Position</i>	<u>\$66,606,838</u>	<u>\$69,715,249</u>	<u>\$2,546,244</u>	<u>\$2,685,358</u>	<u>\$69,153,082</u>	<u>\$72,400,607</u>

\*As Restated

During 2015, the County adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of these financial statements will gain a clearer understanding of the County's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**Pike County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the County's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service,
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the County is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is included within the long-term liability section of the statement of net position.

In accordance with GASB 68, the County's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the County is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position for governmental activities at December 31, 2014 from \$76,496,578 to \$69,715,249.

For governmental activities, the decrease in capital assets is primarily a result of current year depreciation expense exceeding capital outlay. Current and other liabilities for governmental activities increased \$394,517 as a result of a decrease in accounts payable and contracts payable. Long-term liabilities in the governmental activities increased \$1,109,247 as a result of new debt issuance, which was partially offset by current year principal retirements.

**Pike County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

Business-type activities in 2015 had increases in cash and cash equivalents. Current and other liabilities of business-type activities decreased due to a decrease in contracts payable. Long-term liabilities in the business-type activities increased due to the issuance of new debt. Table 2 shows the changes in net position for 2015 compared to 2014.

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014*	2015	2014*	2015	2014*
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$3,460,928	\$4,140,826	\$575,418	\$609,827	\$4,036,346	\$4,750,653
Operating Grants & Contributions	13,349,608	12,487,485	92,377	0	13,441,985	12,487,485
Capital Grants & Contributions	2,477,690	5,253,920	0	917,913	2,477,690	6,171,833
<b>Total Program Revenues</b>	<b>19,288,226</b>	<b>21,882,231</b>	<b>667,795</b>	<b>1,527,740</b>	<b>19,956,021</b>	<b>23,409,971</b>
<i>General Revenues:</i>						
Property and Sales Taxes	8,343,802	8,379,020	0	0	8,343,802	8,379,020
Grants and Entitlements	174,478	1,609,884	0	0	174,478	1,609,884
Unrestricted Investment Earnings	154,522	123,281	0	0	154,522	123,281
Gain on Sale of Capital Assets	0	17,651	0	0	0	17,651
Other	1,121,892	814,162	3,378	10,943	1,125,270	825,105
<b>Total General Revenues</b>	<b>9,794,694</b>	<b>10,943,998</b>	<b>3,378</b>	<b>10,943</b>	<b>9,798,072</b>	<b>10,954,941</b>
<b>Total Revenues</b>	<b>29,082,920</b>	<b>32,826,229</b>	<b>671,173</b>	<b>1,538,683</b>	<b>29,754,093</b>	<b>34,364,912</b>
<b>Program Expenses:</b>						
<i>General Government:</i>						
Legislative & Executive	6,226,922	4,398,823	0	0	6,226,922	4,398,823
Judicial	1,296,893	1,441,964	0	0	1,296,893	1,441,964
Public Safety	4,169,710	3,929,897	0	0	4,169,710	3,929,897
Public Works	6,563,998	6,264,103	0	0	6,563,998	6,264,103
Health	5,809,516	5,007,658	0	0	5,809,516	5,007,658
Human Services	6,831,270	5,812,998	0	0	6,831,270	5,812,998
Conservation and Recreation	140,003	71,497	0	0	140,003	71,497
Economic Development and Assistance	968,356	513,641	0	0	968,356	513,641
Interest and Fiscal Charges	184,663	194,233	0	0	184,663	194,233
Pike County Sewer Fund	0	0	810,287	664,174	810,287	664,174
<b>Total Program Expenses</b>	<b>32,191,331</b>	<b>27,634,814</b>	<b>810,287</b>	<b>664,174</b>	<b>33,001,618</b>	<b>28,298,988</b>
<b>Changes in Net Position</b>	<b>(3,108,411)</b>	<b>5,191,415</b>	<b>(139,114)</b>	<b>874,509</b>	<b>(3,247,525)</b>	<b>6,065,924</b>
Net Position at January 1	69,715,249	N/A	2,685,358	N/A	72,400,607	N/A
Net Position at December 31	<b>\$66,606,838</b>	<b>\$69,715,249</b>	<b>\$2,546,244</b>	<b>\$2,685,358</b>	<b>\$69,153,082</b>	<b>\$72,400,607</b>

\*As Restated

**Pike County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$955,844 for governmental activities and \$15,184 for business-type activities computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of \$898,178. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities
Total 2015 program expenses under GASB 68	\$32,191,331	\$810,287
Pension expense under GASB 68	(884,211)	(13,967)
2015 contractually required contribution	1,056,328	12,663
Adjusted 2015 program expenses	32,363,448	808,983
Total 2014 program expenses under GASB 27	27,634,814	664,174
Increase in program expenses not related to pension	\$4,728,634	\$144,809

The decrease in capital grants and contributions is due to a decrease in capital grants received in the Pike Manufacturing Center, Airport Improvement, and Issue II programs. The increase in public works expenses is primarily due to an increase of work performed by the Motor Vehicle and Gas Tax program as well as the FEMA Flood Assistance program. The increase in human services expenses is directly related to an increase of services in the Job and Family Services program. The increase in Public Safety is due to increased services being provided in the Youth Services Subsidy, Emergency Medical Services, and Federal Highway Administration programs. The increase in economic development and assistance is directly related to an increase in operating grants in the Community Development program.

***Governmental Activities***

The statement of activities shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Pike County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

Table 3  
 Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
General Government - Legislative and Executive	\$6,226,922	\$4,398,823	\$4,959,814	\$3,407,036
General Government - Judicial	1,296,893	1,441,964	549,624	777,597
Public Safety	4,169,710	3,929,897	3,599,831	2,441,989
Public Works	6,563,998	6,264,103	3,013	(1,971,211)
Health	5,809,516	5,007,658	1,478,546	487,620
Human Services	6,831,270	5,812,998	1,888,681	644,766
Conservation and Recreation	140,003	71,497	140,003	64,096
Economic Development and Assistance	968,356	513,641	98,930	41,255
Interest and Fiscal Charges	184,663	194,233	184,663	(140,565)
<b>Total Expenses</b>	<b>\$32,191,331</b>	<b>\$27,634,814</b>	<b>\$12,903,105</b>	<b>\$5,752,583</b>

The County is dependent upon tax revenues for the funding of governmental activities. The majority of public safety, conservation and recreation, and general government expenses are supported through taxes and other general revenues. For all governmental activities, tax revenue generated by the community is by far the primary support for the County.

***Business-Type Activities***

Business-type activities include the Pike County Sewer Fund. This program had total revenues of \$671,173 and expenses of \$810,287 for the year 2015. As previously discussed, management reviews the operations and fees and sets the user fee structure. Business-type activities generally receive no support from tax revenues.

**Pike County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

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**The County's Funds**

Information about the County's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$31,437,306 and expenditures and other financing uses of \$31,951,755. The net change in fund balance for the year was most significant in the General Fund. The fund balance increased \$665,167 as a result of continued budgetary monitoring which kept expenditures below revenues.

The Board of Developmental Disabilities Fund had an increase of \$13,134 due to increases in property tax and grant revenues. The Motor Vehicle and Gas Tax had an increase in fund balance in the amount of \$180,108. The Job and Family Services Fund had a decrease of \$159,734.

***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.

During the course of the year 2015 the County amended its General Fund budget numerous times. The County uses department based budgeting and the budgeting systems are designed to tightly control total department budgets but provide flexibility for site management.

For the General Fund, original budget basis revenues were \$6,654,559, which was below final budget estimates of \$6,655,471. The increase is primarily due to increases to charges for services, and other revenues. Based upon a downward spiraling national and state economy, the County was pleased that actual revenue exceeded estimates for the calendar year. The increase in actual revenues is due mainly to an increase in taxes and intergovernmental revenues. Original budget basis expenditures were \$7,551,625, which was below final budget estimates of \$9,074,957, due mainly to increases in legislative and executive and public safety expenditures. Actual expenditures were monitored closely and resulted in lower than expected spending primarily for general government and public safety.

The County's 2015 ending unobligated General Fund cash balance was \$3,599,504 above the final budgeted amount.

**Pike County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of the 2015 the County had \$54,881,571 invested in land, construction in progress, furniture and fixtures, buildings and improvements, machinery and equipment, vehicles and infrastructure, of which \$52,548,444 was in governmental activities. Table 4 shows 2015 as compared to 2014 balances.

Table 4  
 Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$1,555,975	\$1,555,975	\$7,000	\$7,000	\$1,562,975	\$1,562,975
Construction in Progress	7,836,259	9,270,488	226,813	986,566	8,063,072	10,257,054
Furniture and Fixtures	162,357	131,534	0	0	162,357	131,534
Buildings and Improvements	6,153,100	6,531,281	20,287	20,287	6,173,387	6,551,568
Machinery and Equipment	629,205	791,828	19,798	19,798	649,003	811,626
Vehicles	818,218	197,566	8,034	8,034	826,252	205,600
Infrastructure	35,393,330	35,464,029	2,051,195	1,345,203	37,444,525	36,809,232
Total Expenses	<u>\$52,548,444</u>	<u>\$53,942,701</u>	<u>\$2,333,127</u>	<u>\$2,386,888</u>	<u>\$54,881,571</u>	<u>\$56,329,589</u>

See Note 11 to the basic financial statements for more information on the County's capital assets.

***Debt***

As of December 31, 2015 the County had \$7,797,127 in bonds and loans outstanding, with \$411,745 of this long term debt due within one year. See Notes 17 and 18 for more information regarding the County's debt. Table 5 summarizes long-term bonds and loans outstanding.

Table 5  
 Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
General Obligation Bonds	\$1,484,300	\$1,602,299	\$0	\$0
Revenue Bonds	2,510,800	2,632,800	0	0
OWDA Loans	14,625	16,875	240,493	194,482
USDA Loans	367,700	516,500	0	0
OPWC Loans	3,179,209	2,147,612	0	0
Total Expenses	<u>\$7,556,634</u>	<u>\$6,916,086</u>	<u>\$240,493</u>	<u>\$194,482</u>

**Pike County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

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The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt, shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000.

The County's legal debt margin as of December 31, 2015 is \$1,745,397.

**For the Future**

The County is continuing to monitor its finances closely due to the tightening of finances that Pike County and most other counties of comparable size have experienced for the past several years. The County heavily depends on its sales tax revenue in the budgeting process. The additional revenues generated from the sales tax increase have improved the cash financial condition of Pike County's General Fund. However, concern still exists for all departments whose primary revenue sources are generated from consumption based taxes due to the current state of the economy being experienced not only in Pike County, but throughout the United States.

In conclusion, the County has committed itself to fiscal responsibility and conservative financial management for many years. In addition, the County's systems of budgeting and internal controls are well regarded. All of the County's financial abilities and resources will be needed to meet the challenges of the future as all subdivisions of local government are entrenched in the battle of increasing general operating costs, decreasing revenues and the likelihood of sweeping tax law changes.

**Contacting the County's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional information contact Erica J. Snodgrass, CPA, County Auditor, 230 Waverly Plaza, Suite 200, Waverly, Ohio 45690, or e-mail at Erica.Snodgrass@pikecounty.oh.gov or telephone at (740) 947-4125.

**Pike County, Ohio**  
*Statement of Net Position*  
*December 31, 2015*

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$22,584,881	\$499,776	\$23,084,657
Cash and Cash Equivalents:			
in Segregated Accounts	42,422	0	42,422
with Fiscal Agents	714,703	0	714,703
Materials and Supplies	390,350	0	390,350
Receivables:			
Property Taxes	4,849,811	0	4,849,811
Sales Tax	761,895	0	761,895
Interest	16,152	0	16,152
Accounts	3,395	53,830	57,225
Intergovernmental	3,863,437	1,383	3,864,820
Prepaid Items	11,428	0	11,428
Loans Receivable (Net of Allowance)	1,487,067	20,000	1,507,067
Nondepreciable Capital Assets	9,392,234	233,813	9,626,047
Depreciable Capital Assets, net of depreciation	43,156,210	2,099,314	45,255,524
<i>Total Assets</i>	<u>87,273,985</u>	<u>2,908,116</u>	<u>90,182,101</u>
<b>Deferred Outflows of Resources</b>			
Pension	1,473,538	17,585	1,491,123
<b>Liabilities:</b>			
Accounts Payable	481,878	0	481,878
Accrued Wages and Benefits	167,808	2,640	170,448
Contracts Payable	198,966	21,431	220,397
Intergovernmental Payable	368,342	4,901	373,243
Claims Payable	21,870	0	21,870
Accrued Interest Payable	67,184	0	67,184
Notes Payable	399,041	0	399,041
<i>Long-Term Liabilities:</i>			
Due Within One Year	1,200,156	15,849	1,216,005
<i>Due In More Than One Year:</i>			
Net Pension Liability	7,909,937	92,248	8,002,185
Other Amounts Due In More Than One Year	7,466,725	240,767	7,707,492
<i>Total Liabilities</i>	<u>18,281,907</u>	<u>377,836</u>	<u>18,659,743</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes not Levied to Finance Current Year Operations	3,685,965	0	3,685,965
Pension	172,813	1,621	174,434
<i>Total Deferred Inflows of Resources</i>	<u>3,858,778</u>	<u>1,621</u>	<u>3,860,399</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	44,810,436	2,092,634	46,903,070
<i>Restricted for:</i>			
Debt Service	164,155	0	164,155
Capital Outlay	489,363	0	489,363
Community Development	2,719,778	0	2,719,778
Board of Developmental Disabilities	5,179,472	0	5,179,472
Motor Vehicle and Gas Tax	3,235,260	0	3,235,260
Emergency Medical Services	1,238,332	0	1,238,332
Child Support	618,734	0	618,734
Real Estate Assessment	920,982	0	920,982
Pike Senior Service	581,035	0	581,035
Children Services	1,022,911	0	1,022,911
Delinquent Real Estate	259,046	0	259,046
Other Purposes	1,035,606	0	1,035,606
Unrestricted	4,331,728	453,610	4,785,338
<i>Total Net Position</i>	<u>\$66,606,838</u>	<u>\$2,546,244</u>	<u>\$69,153,082</u>

**Pike County, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2015

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
<b>Primary Government:</b>				
Governmental Activities:				
<i>General Government:</i>				
Legislative and Executive	\$6,226,922	\$1,121,246	\$145,862	\$0
Judicial	1,296,893	500,543	246,726	0
Public Safety	4,169,710	498,384	71,495	0
Public Works	6,563,998	287,574	3,795,721	2,477,690
Health	5,809,516	657,273	3,673,697	0
Human Services	6,831,270	27,961	4,914,628	0
Conservation and Recreation	140,003	0	0	0
Economic Development and Assistance	968,356	367,947	501,479	0
Interest and Fiscal Charges	184,663	0	0	0
<i>Total Governmental Activities</i>	<u>32,191,331</u>	<u>3,460,928</u>	<u>13,349,608</u>	<u>2,477,690</u>
<b>Business-Type Activities:</b>				
Pike County Sewer Fund	810,287	575,418	92,377	0
<i>Total Business-Type Activities</i>	<u>810,287</u>	<u>575,418</u>	<u>92,377</u>	<u>0</u>
<i>Total Primary Government</i>	<u><u>\$33,001,618</u></u>	<u><u>\$4,036,346</u></u>	<u><u>\$13,441,985</u></u>	<u><u>\$2,477,690</u></u>

**General Revenues:**

*Property Taxes Levied for:*

- General Purposes
- Emergency Medical Services
- Board of Developmental Disabilities
- Children Services
- Senior Center
- Sales Tax
- Grants and Contributions Not Restricted to Specific Programs
- Unrestricted Investment Earnings
- Other

*Total General Revenues*

Changes in Net Position

*Net Position at Beginning of Year, As Restated*

*Net Position at End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
(\$4,959,814)	\$0	(\$4,959,814)
(549,624)	0	(549,624)
(3,599,831)	0	(3,599,831)
(3,013)	0	(3,013)
(1,478,546)	0	(1,478,546)
(1,888,681)	0	(1,888,681)
(140,003)	0	(140,003)
(98,930)	0	(98,930)
(184,663)	0	(184,663)
<u>(12,903,105)</u>	<u>0</u>	<u>(12,903,105)</u>
<u>0</u>	<u>(142,492)</u>	<u>(142,492)</u>
<u>0</u>	<u>(142,492)</u>	<u>(142,492)</u>
(12,903,105)	(142,492)	(13,045,597)
1,548,558	0	1,548,558
348,817	0	348,817
853,336	0	853,336
559,249	0	559,249
317,184	0	317,184
4,716,658	0	4,716,658
174,478	0	174,478
154,522	0	154,522
1,121,892	3,378	1,125,270
<u>9,794,694</u>	<u>3,378</u>	<u>9,798,072</u>
(3,108,411)	(139,114)	(3,247,525)
<u>69,715,249</u>	<u>2,685,358</u>	<u>72,400,607</u>
<u>\$66,606,838</u>	<u>\$2,546,244</u>	<u>\$69,153,082</u>

**Pike County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2015*

	General	Motor Vehicle and Gas Tax	Board of Developmental Disabilities
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$8,968,815	\$1,218,412	\$4,590,424
Cash and Cash Equivalents In Segregated Accounts	31,960	0	0
Cash and Cash Equivalents With Fiscal Agents	0	0	127,940
Receivables:			
Property Taxes	1,896,234	0	1,455,318
Sales Tax	761,895	0	0
Interest	16,152	0	0
Accounts	0	0	0
Interfund	531,567	0	25,000
Intergovernmental	393,401	1,878,878	607,354
Materials and Supplies Inventory	61,314	310,948	0
Prepaid Items	4,788	1,024	426
Loans Receivable (Net of Allowance)	0	0	0
<i>Total Assets</i>	<u>\$12,666,126</u>	<u>\$3,409,262</u>	<u>\$6,806,462</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts Payable	\$92,137	\$29,186	\$134,936
Accrued Wages and Benefits	42,689	0	31,978
Contracts Payable	0	26,906	0
Intergovernmental Payable	170,499	188	78,360
Accrued Interest Payable	0	0	0
Interfund Payable	0	644	0
Notes Payable	0	0	0
<i>Total Liabilities</i>	<u>305,325</u>	<u>56,924</u>	<u>245,274</u>
<b>Deferred Inflows of Resources:</b>			
Property Taxes not Levied to Finance Current Year Operations	1,298,104	0	1,196,282
Unavailable Revenue - Delinquent Taxes	610,370	0	256,197
Unavailable Revenue - Grants	124,617	1,218,774	383,507
<i>Total Deferred Inflows of Resources</i>	<u>2,033,091</u>	<u>1,218,774</u>	<u>1,835,986</u>
<b>Fund Balances:</b>			
Nonspendable	382,114	311,972	426
Restricted	0	1,821,592	4,724,776
Assigned	2,732,917	0	0
Unassigned	7,212,679	0	0
<i>Total Fund Balances (Deficit)</i>	<u>10,327,710</u>	<u>2,133,564</u>	<u>4,725,202</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$12,666,126</u>	<u>\$3,409,262</u>	<u>\$6,806,462</u>

See accompanying notes to the basic financial statements

<u>Job and Family Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$23,366	\$7,783,864	\$22,584,881
0	10,462	42,422
0	0	127,940
0	1,498,259	4,849,811
0	0	761,895
0	0	16,152
0	3,395	3,395
0	0	556,567
13,377	970,427	3,863,437
3,542	14,546	390,350
132	5,058	11,428
0	1,487,067	1,487,067
<u>\$40,417</u>	<u>\$11,773,078</u>	<u>\$34,695,345</u>
\$77,215	\$148,404	\$481,878
30,615	62,526	167,808
0	172,060	198,966
53,194	66,101	368,342
0	5,916	5,916
0	555,923	556,567
0	399,041	399,041
<u>161,024</u>	<u>1,409,971</u>	<u>2,178,518</u>
0	1,191,579	3,685,965
0	304,715	1,171,282
0	630,680	2,357,578
<u>0</u>	<u>2,126,974</u>	<u>7,214,825</u>
0	19,604	714,116
0	8,865,327	15,411,695
0	0	2,732,917
(120,607)	(648,798)	6,443,274
<u>(120,607)</u>	<u>8,236,133</u>	<u>25,302,002</u>
<u>\$40,417</u>	<u>\$11,773,078</u>	<u>\$34,695,345</u>

**Pike County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2015*

<b>Total Governmental Funds Balances</b>		\$25,302,002
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		52,548,444
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	1,171,282	
Intergovernmental	2,357,578	
Total	3,528,860	3,528,860
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		564,893
Long-term liabilities, including bonds, loans, capital lease obligations, and long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Capital Leases Payable	(120,106)	
Compensated Absences	(990,141)	
Interest Payable	(61,268)	
Revenue Bonds	(2,510,800)	
USDA Loans Payable	(367,700)	
General Obligation Bonds	(1,484,300)	
OWDA Loan Payable	(14,625)	
OPWC Loans Payable	(3,179,209)	
Total	(8,728,149)	(8,728,149)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	1,473,538	
Deferred Inflows - Pension	(172,813)	
Net Pension Liability	(7,909,937)	
Total		(6,609,212)
<b>Net Position of Governmental Activities</b>		<b>\$66,606,838</b>

See accompanying notes to the basic financial statements

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**Pike County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2015*

	General	Motor Vehicle and Gas Tax	Board of Developmental Disabilities
<b>Revenues:</b>			
Taxes	\$6,516,008	\$0	\$856,339
Intergovernmental	1,301,915	3,639,662	3,386,389
Interest	123,435	1,788	0
Charges for Services	832,792	241,614	621,872
Fees, License and Permits	4,375	0	0
Fines and Forfeitures	157,692	18,835	0
Other	563,580	173,866	28,111
<i>Total Revenues</i>	<u>9,499,797</u>	<u>4,075,765</u>	<u>4,892,711</u>
<b>Expenditures:</b>			
<i>Current:</i>			
<i>General Government:</i>			
Legislative and Executive	3,692,102	0	0
Judicial	1,031,500	0	0
Public Safety	3,102,606	0	0
Public Works	180,228	3,658,955	0
Health	310,263	0	4,997,417
Human Services	192,026	0	0
Conservation and Recreation	31,048	0	0
Economic Development and Assistance	0	0	0
Capital Outlay	7,971	0	0
<i>Debt Service:</i>			
Principal Retirement	25,269	238,036	16,111
Interest and Fiscal Charges	0	8,666	0
<i>Total Expenditures</i>	<u>8,573,013</u>	<u>3,905,657</u>	<u>5,013,528</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>926,784</u>	<u>170,108</u>	<u>(120,817)</u>
<b>Other Financing Sources (Uses):</b>			
Bonds Issued	0	0	122,900
Proceeds from Sale of Capital Assets	0	0	0
OPWC Loans Issued	0	0	0
Inception of Capital Lease	5,365	0	37,174
Transfers In	3,018	10,000	0
Transfers Out	(270,000)	0	(26,123)
<i>Total Other Financing Sources (Uses)</i>	<u>(261,617)</u>	<u>10,000</u>	<u>133,951</u>
<i>Net Change in Fund Balances</i>	665,167	180,108	13,134
<i>Fund Balances at Beginning of Year</i>	<u>9,662,543</u>	<u>1,953,456</u>	<u>4,712,068</u>
<i>Fund Balances at End of Year</i>	<u><u>\$10,327,710</u></u>	<u><u>\$2,133,564</u></u>	<u><u>\$4,725,202</u></u>

See accompanying notes to the basic financial statements

Job and Family Services	All Other Governmental Funds	Total Governmental Funds
\$0	\$1,225,126	\$8,597,473
3,572,297	4,333,723	16,233,986
0	29,070	154,293
0	1,531,586	3,227,864
0	140	4,515
0	52,022	228,549
3,264	353,071	1,121,892
<u>3,575,561</u>	<u>7,524,738</u>	<u>29,568,572</u>
0	890,683	4,582,785
0	243,435	1,274,935
0	1,445,195	4,547,801
0	62,530	3,901,713
0	361,110	5,668,790
3,808,539	2,148,806	6,149,371
0	0	31,048
0	951,385	951,385
0	3,412,513	3,420,484
21,715	388,924	690,055
1,305	183,291	193,262
<u>3,831,559</u>	<u>10,087,872</u>	<u>31,411,629</u>
<u>(255,998)</u>	<u>(2,563,134)</u>	<u>(1,843,057)</u>
0	0	122,900
0	3,165	3,165
0	1,144,607	1,144,607
15,397	0	57,936
109,372	417,736	540,126
(28,505)	(215,498)	(540,126)
<u>96,264</u>	<u>1,350,010</u>	<u>1,328,608</u>
(159,734)	(1,213,124)	(514,449)
39,127	9,449,257	25,816,451
<u>(\$120,607)</u>	<u>\$8,236,133</u>	<u>\$25,302,002</u>

**Pike County, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2015*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		(\$514,449)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:		
Capital Asset Additions	1,378,200	
Current Year Depreciation	<u>(2,761,269)</u>	
Total		(1,383,069)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
Proceeds from Sale of Capital Assets	(3,165)	
Loss on Sale of Capital Assets	<u>(8,023)</u>	
Total		(11,188)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Property Taxes	(10,469)	
Intergovernmental	<u>(475,412)</u>	
Total		(485,881)
Proceeds from the issuance of long term notes, bonds and loans in the statement of revenues, expenditures and changes in fund balances that are not reported as revenues in the statement of activities.		
		(1,267,507)
Repayment of loan and bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.		
		626,959
Repayment of capital leases obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.		
		63,096
New capital lease obligations in the statement of revenues, expenditures, and changes in fund balances that are reported as other financing sources are not reported as new revenues in the statement of activities.		
		(57,936)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Increase in Compensated Absences	(192,087)	
Decrease in Interest Payable	<u>8,599</u>	
Total		(183,488)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,056,328
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(884,211)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities.		
		<u>(67,065)</u>
<b>Net Change in Net Position of Governmental Activities</b>		<u><u>(\$3,108,411)</u></u>

**Pike County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Year Ended December 31, 2015*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Taxes	\$4,997,434	\$4,997,434	\$6,439,705	\$1,442,271
Charges for Services	560,575	561,081	633,976	72,895
Fees, Licenses and Permits	2,950	2,950	4,375	1,425
Fines and Forfeitures	155,000	155,000	169,785	14,785
Intergovernmental	671,000	671,000	1,284,028	613,028
Interest	80,000	80,000	125,809	45,809
Other	187,600	188,006	549,376	361,370
<i>Total Revenues</i>	6,654,559	6,655,471	9,207,054	2,551,583
<b>Expenditures:</b>				
<i>Current:</i>				
<i>General Government:</i>				
Legislative and Executive	3,551,666	4,144,658	3,661,536	483,122
Judicial	1,031,897	1,035,049	996,002	39,047
Public Safety	2,304,323	3,142,035	3,057,594	84,441
Public Works	118,546	185,424	169,248	16,176
Health	301,431	315,331	309,863	5,468
Human Services	209,602	212,711	189,297	23,414
Conservation and Recreation	34,160	39,749	32,254	7,495
<i>Total Expenditures</i>	7,551,625	9,074,957	8,415,794	659,163
<i>Excess of Revenues Over (Under) Expenditures</i>	(897,066)	(2,419,486)	791,260	3,210,746
<b>Other Financing Uses:</b>				
Advances In	0	0	335,647	335,647
Transfers Out	(271,777)	(387,777)	(243,372)	144,405
Advances Out	0	0	(91,294)	(91,294)
<i>Total Other Financing Uses</i>	(271,777)	(387,777)	981	388,758
<i>Net Change in Fund Balance</i>	(1,168,843)	(2,807,263)	792,241	3,599,504
<i>Fund Balance at Beginning of Year</i>	7,766,253	7,766,253	7,766,253	0
<i>Prior Year Encumbrances Appropriated</i>	206,880	206,880	206,880	0
<i>Fund Balance at End of Year</i>	\$6,804,290	\$5,165,870	\$8,765,374	\$3,599,504

See accompanying notes to the basic financial statements

**Pike County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*Motor Vehicle and Gas Tax Fund*  
*For the Year Ended December 31, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for Services	\$50,000	\$251,791	\$241,614	(\$10,177)
Fines and Forfeitures	20,000	20,000	20,906	906
Intergovernmental	3,200,000	3,362,000	3,563,161	201,161
Interest	0	0	2,159	2,159
Other	150,000	300,280	176,901	(123,379)
<i>Total Revenues</i>	3,420,000	3,934,071	4,004,741	70,670
<b>Expenditures:</b>				
<i>Current:</i>				
Public Works	4,065,570	5,070,023	4,246,512	823,511
<i>Debt Service:</i>				
Principal Retirements	147,000	242,000	238,036	3,964
Interest and Fiscal Charges	9,000	9,000	8,666	334
<i>Total Expenditures</i>	4,221,570	5,321,023	4,493,214	827,809
<i>Excess of Revenues Over (Under) Expenditures</i>	(801,570)	(1,386,952)	(488,473)	898,479
<b>Other Financing Sources:</b>				
Transfers In	0	0	10,000	10,000
<i>Total Other Financing Sources</i>	0	0	10,000	10,000
<i>Net Change in Fund Balance</i>	(801,570)	(1,386,952)	(478,473)	908,479
<i>Fund Balance at Beginning of Year</i>	1,014,006	1,014,006	1,014,006	0
<i>Prior Year Encumbrances Appropriated</i>	474,198	474,198	474,198	0
<i>Fund Balance at End of Year</i>	\$686,634	\$101,252	\$1,009,731	\$908,479

See accompanying notes to the basic financial statements

**Pike County, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
Board of Developmental Disabilities Fund  
For the Year Ended December 31, 2015*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$764,072	\$764,072	\$847,390	\$83,318
Charges for Services	496,000	496,000	621,872	125,872
Intergovernmental	2,478,360	2,355,460	3,198,316	842,856
Other	0	0	28,111	28,111
<i>Total Revenues</i>	<u>3,738,432</u>	<u>3,615,532</u>	<u>4,695,689</u>	<u>1,080,157</u>
<b>Expenditures:</b>				
<i>Current:</i>				
Health	4,772,531	5,405,423	4,841,825	563,598
<i>Total Expenditures</i>	<u>4,772,531</u>	<u>5,405,423</u>	<u>4,841,825</u>	<u>563,598</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,034,099)</u>	<u>(1,789,891)</u>	<u>(146,136)</u>	<u>1,643,755</u>
<b>Other Financing Sources:</b>				
Notes Issued	0	122,900	122,900	0
Transfers In	0	90,000	90,000	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>212,900</u>	<u>212,900</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(1,034,099)</u>	<u>(1,576,991)</u>	<u>66,764</u>	<u>1,643,755</u>
<i>Fund Balance Beginning of Year</i>	4,216,273	4,216,273	4,216,273	0
<i>Prior Year Encumbrances Appropriated</i>	<u>176,951</u>	<u>176,951</u>	<u>176,951</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$3,359,125</u></u>	<u><u>\$2,816,233</u></u>	<u><u>\$4,459,988</u></u>	<u><u>\$1,643,755</u></u>

See accompanying notes to the basic financial statements

**Pike County, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
Job and Family Services Fund  
For the Year Ended December 31, 2015*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$2,644,167	\$3,779,543	\$3,603,088	(\$176,455)
Other	1,200	1,200	3,264	2,064
<i>Total Revenues</i>	<u>2,645,367</u>	<u>3,780,743</u>	<u>3,606,352</u>	<u>(174,391)</u>
<b>Expenditures:</b>				
<i>Current:</i>				
Human Services	2,875,305	4,010,425	3,801,226	209,199
<i>Total Expenditures</i>	<u>2,875,305</u>	<u>4,010,425</u>	<u>3,801,226</u>	<u>209,199</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(229,938)</u>	<u>(229,682)</u>	<u>(194,874)</u>	<u>34,808</u>
<b>Other Financing Sources:</b>				
Transfers In	108,878	108,878	109,372	494
<i>Total Other Financing Sources</i>	<u>108,878</u>	<u>108,878</u>	<u>109,372</u>	<u>494</u>
<i>Net Change in Fund Balance</i>	(121,060)	(120,804)	(85,502)	34,314
<i>Fund Balance at Beginning of Year</i>	65,722	65,722	65,722	0
<i>Prior Year Encumbrances Appropriated</i>	<u>43,147</u>	<u>43,147</u>	<u>43,147</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>(\$12,191)</u>	<u>(\$11,935)</u>	<u>\$23,367</u>	<u>\$34,314</u>

See accompanying notes to the basic financial statements

**Pike County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2015*

	Business-Type Activities Enterprise Fund	Governmental Activities
	Pike County Sewer	Internal Service
<b>Assets:</b>		
<i>Current Assets:</i>		
Equity in Pooled Cash and Investments	\$499,776	\$0
Cash and Cash Equivalents with Fiscal Agents	0	586,763
Accounts Receivable	53,830	0
Intergovernmental Receivable	1,383	0
Loans Receivable	20,000	0
<i>Total Current Assets</i>	<u>574,989</u>	<u>586,763</u>
<i>Noncurrent Assets:</i>		
Nondepreciable Capital Assets	233,813	0
Depreciable Capital Assets, Net	2,099,314	0
<i>Total Noncurrent Assets</i>	<u>2,333,127</u>	<u>0</u>
<i>Total Assets</i>	<u>2,908,116</u>	<u>586,763</u>
<b>Deferred Outflows of Resources</b>	<u>17,585</u>	<u>0</u>
<b>Liabilities:</b>		
<i>Current Liabilities:</i>		
Accrued Wages and Benefits	2,640	0
Contracts Payable	21,431	0
Intergovernmental Payable	4,901	0
Claims Payable	0	21,870
Compensated Absences Payable - Current Portion	10,128	0
OWDA Loans Payable - Current Portion	5,721	0
<i>Total Current Liabilities</i>	<u>44,821</u>	<u>21,870</u>
<i>Noncurrent Liabilities</i>		
Long-Term Liabilities:		
Long-Term Notes Payable	234,772	0
Compensated Absences Payable	5,995	0
Net Pension Liability	92,248	0
<i>Total Noncurrent Liabilities</i>	<u>333,015</u>	<u>0</u>
<i>Total Liabilities</i>	<u>377,836</u>	<u>21,870</u>
<b>Deferred Inflows of Resources</b>		
Pension	<u>1,621</u>	<u>0</u>
<b>Net Position:</b>		
Net Investment in Capital Assets	2,092,634	0
Unrestricted	453,610	564,893
<i>Total Net Position</i>	<u>\$2,546,244</u>	<u>\$564,893</u>

See accompanying notes to the basic financial statements

**Pike County, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2015*

	Business-Type Activities Enterprise Fund	Governmental Activities
	Pike County Sewer	Internal Service
<b>Operating Revenues:</b>		
Charges for Services	\$575,418	\$3,212,455
Other	3,378	0
<i>Total Operating Revenues</i>	<u>578,796</u>	<u>3,212,455</u>
<b>Operating Expenses:</b>		
Personal Services	99,647	0
Fringe Benefits	93,720	0
Contractual Services	478,120	2,989,545
Materials and Supplies	30,901	0
Claims	0	290,204
Depreciation Expense	105,408	0
<i>Total Operating Expenses</i>	<u>807,796</u>	<u>3,279,749</u>
<i>Operating Loss</i>	(229,000)	(67,294)
<b>Nonoperating Revenues (Expenses):</b>		
Interest	0	229
Interest and Fiscal Charges	(2,491)	0
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(2,491)</u>	<u>229</u>
Net Loss Before Capital Contributions	(231,491)	(67,065)
Capital Contribution - Intergovernmental	<u>92,377</u>	<u>0</u>
<i>Change in Net Position</i>	(139,114)	(67,065)
<i>Net Position at Beginning of Year - as Restated</i>	<u>2,685,358</u>	<u>631,958</u>
<i>Net Position at End of Year</i>	<u><u>\$2,546,244</u></u>	<u><u>\$564,893</u></u>

See accompanying notes to the basic financial statements

**Pike County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2015

	Business-Type Activities Enterprise Fund	Governmental Activities
	Pike County Sewer	Internal Service
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$573,907	\$3,212,455
Cash Received from Others	3,378	0
Cash Payments to Suppliers for Goods and Services	(457,884)	(2,989,545)
Cash Payments to Employees for Services and Benefits	(353,033)	0
Cash Payments for Claims	0	(291,460)
<i>Net Cash Used for Operating Activities</i>	<u>(233,632)</u>	<u>(68,550)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Advances In	30,000	0
Advances Out	(327,697)	0
<i>Net Cash Used for Noncapital Financing Activities</i>	<u>(297,697)</u>	<u>0</u>
<b>Cash Flows from Investing Activities:</b>		
Interest on Investments	0	229
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Proceeds from OPWC Loans	54,359	0
Receipts from Capital Grants	284,509	0
Payments for Capital Acquisition	(51,647)	0
Principal Payments	(28,348)	0
Interest Payments	(4,352)	0
<i>Net Cash Provided by Capital and Related Financing Activities</i>	<u>254,521</u>	<u>0</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(276,808)	(68,321)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>776,584</u>	<u>655,084</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$499,776</u></u>	<u><u>\$586,763</u></u>

See accompanying notes to the basic financial statements.

**Pike County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2015  
(continued)

	Business-Type Activities Enterprise Fund	Governmental Activities
	Pike County Sewer	Internal Service
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</b>		
Operating Loss	(\$229,000)	(\$67,294)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</i>		
Depreciation	105,408	0
<i>Changes in Assets and Liabilities:</i>		
Increase in Accounts Receivable	(1,511)	0
Decrease in Prepaid Items	10,811	0
Increase in Deferred Outflows	(2,401)	0
Decrease in Accounts Payable	(12,960)	0
Decrease in Contracts Payable	(111,868)	0
Increase in Accrued Wages and Benefits	1,266	0
Increase in Compensated Absences Payable	4,012	0
Decrease in Claims Payable	0	(1,256)
Decrease in Intergovernmental Payable	(1,094)	0
Increase in Deferred Inflows	1,621	0
Increase in Net Pension Liability	2,084	0
Total Adjustments	(4,632)	(1,256)
<i>Net Cash Used for Operating Activities</i>	(233,632)	(68,550)

See accompanying notes to the basic financial statements

**Pike County, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*December 31, 2015*

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	<u>Agency</u>
<b>Assets:</b>	
Equity in Pooled Cash and Investments	\$1,433,571
Cash and Cash Equivalents in Segregated Accounts	556,225
Receivables:	
Taxes	20,155,729
Intergovernmental	<u>333,397</u>
<i>Total Assets</i>	<u><u>\$22,478,922</u></u>
<b>Liabilities:</b>	
Intergovernmental Payable	\$21,350,369
Undistributed Monies	917,373
Deposits Held and Due To Others	<u>211,180</u>
<i>Total Liabilities</i>	<u><u>\$22,478,922</u></u>

See accompanying notes to the basic financial statements

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**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION**

Pike County, Ohio (the County), was created in 1815. 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 County Auditor, County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, a Probate/Juvenile Court Judge and a County Court Judge.

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

**Reporting Entity**

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the County are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Pike County, this includes the Pike County Board of Developmental Disabilities, Pike County Community Development, Emergency Medical Services, Emergency Management Agency, Pike County Planning Commission, Children Services Board, and departments and activities that are directly operated by the elected County officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the organization's budget, the issuance of its debt or levying of its taxes. The County has no blended or discretely presented component units.

The County is associated with certain organizations which are defined as Jointly Governed Organizations or Related Organizations. These organizations are presented in Notes 20 and 21 to the basic financial statements. These organizations are:

- Buckeye Joint-County Self-Insurance Council
- Paint Valley Mental Health Alcohol and Drug Addiction Board of Pike, Fayette, Highland, Pickaway, and Ross Counties
- Hocking Valley Community Residential Center
- South Central Regional Juvenile Detention Center
- Ohio Valley Resource Conservation and Development Area, Inc.
- Job Training Partnership Consortium
- Private Industry Council
- Southern Ohio Development Initiative
- Southern Ohio Council of Governments
- Garnet A. Wilson Library of Pike County
- Pike Metropolitan Housing Authority
- Pike Adult Activities Center /dba Canal Industries

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION** (Continued)

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the districts listed below, the County serves as fiscal agent, but the districts are not fiscally dependent on the County. Accordingly, the activity of the following districts is presented as agency funds within the County's financial statements.

The Soil and Water Conservation District is statutorily created as a separate and distinct political subdivision of the State. The five supervisors of the Soil and Water Conservation District are elected officials authorized to contract and sue on behalf of the District. The supervisors adopt their own budget, authorize District expenditures, hire and fire its own staff, and do not rely on the County to approve operations.

Pike County Health District is governed by a five member Board of Health which oversees the operation of the Health District and is elected by a regional advisory council. The Board adopts its own budget, hires and fires its own staff, and is legally separate from the County. Although the County Commissioners serve as the taxing authority for the Health District, this is strictly a ministerial function. The County does not approve the fiscal operations of the District.

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

**Government-wide Financial Statements** - The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the primary government that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the County at year-end. Interfund receivables and payables within governmental activities have been eliminated to minimize the duplicating effect on assets and liabilities within the governmental and business-type activities total columns. As a general rule the effect of interfund services provided and used are not eliminated in the process of consolidation.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and for business-type activities of the County. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The County does not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges paid by the recipient of the goods or services and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION** (Continued)

**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 present financial information at a more detailed level. The governmental and enterprise fund financial statements focus on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Agency funds, which are a type of fiduciary fund, are used to account for assets held by the government as an agent for individuals, private organizations and other governments.

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. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds** - Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities plus deferred inflows of resources is reported as fund balance. The following are the County's major governmental funds:

**General Fund** - This fund is used to account for all financial resources of the County not accounted for or reported in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Motor Vehicle and Gas Tax Fund** - To account for revenues derived from motor vehicle licenses and gasoline taxes. Expenditures are restricted by state law to county road and bridge repair/improvement programs.

**Board of Developmental Disabilities Fund** - To account for the operation of a school for the developmentally disabled. Revenue sources are a county-wide property tax levy and federal and state grants.

**Job and Family Services Fund** - To account for various federal and state grants, as well as transfers from the general fund used to provide public assistance to general relief recipients and to pay providers of medical assistance and certain public social services.

The County's nonmajor governmental funds account for (1) grants and other resources whose use is restricted to a particular purpose; (2) the accumulation of resources for, and payment of, the principal, interest and related costs for the County's general long-term debt; and (3) financial resources used for the acquisition, construction or renovation of facilities (other than those financed by proprietary funds).

**Proprietary Funds** - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the County's intent is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The County's only enterprise fund is the following major fund:

**Pike County Sewer Fund** - To account for revenue received from user charges for sewer services provided to residents of Pike County. The costs of providing services are financed through user charges.

Internal service funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis. The County's internal service fund is used to provide self insurance for health care claims under \$3,000.

**Fiduciary Funds** - Fiduciary fund reporting focuses on net position and changes in net position. There are four types of fiduciary funds: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The only type of fiduciary fund the County uses is agency funds.

The agency funds account for assets held in a purely custodial capacity by the County as fiscal agent for other entities, and for various taxes, state-shared revenues and fines and forfeitures collected on behalf of and distributed to other local governments. Agency fund transactions typically involve only the receipt, temporary investment and distribution of these fiduciary resources.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applies to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. Pike County (the County and the primary government) follows GASB guidance as applicable to its governmental and business-type activities. The most significant of the County's accounting policies are described below.

**A. Basis of Presentation**

**Basis of Accounting and Measurement Focus** - Basis of accounting determines when transactions are captured in the financial records and reported on the financial statements. Measurement focus refers to what is expressed in reporting an entity's financial performance and position. A particular measurement focus is accomplished by considering which resources are measured.

Differences in the accrual and the modified accrual bases of accounting arise in the timing of recognition of revenue and the recording of unavailable revenue, and in the presentation of expenses versus expenditures. Under the non-GAAP budgetary basis, transactions are recorded when cash is received or disbursed.

**B. Measurement Focus**

**Government-wide Financial Statements** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities, and deferred inflows of resources associated with the operation of the County are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Financial Statements** - All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and others financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are prepared using the accrual basis of accounting. Agency funds, which are custodial in nature, do not measure results of operations and do not have a measurement focus.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

**Revenues-Exchange and Non-exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. Revenue from sales taxes is recognized in the period in which the sale occurs. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 7) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under this basis, the following revenue sources are considered to be both measurable and available at fiscal yearend: property taxes available as an advance, interest, and grants.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows and Deferred Inflows of Resources** - - In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, deferred outflows of resources are reported on the government-wide Statement of Net Position and include pension expense. A deferral for pension results from changes in Net Pension Liability not recognized as a component of current year pension expense. This amount is deferred and amortized over various periods as instructed by the pension plan administrators. Deferred outflows of resources related to pensions are explained further in Note 12.

In addition to liabilities, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred inflows of resources. The County reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the County these amounts consist of intergovernmental receivables, delinquent property taxes receivable which are not collected in the available period and pension. Property taxes for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance fiscal year 2016 operations, have been recorded as deferred inflows of resources. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to delinquent property taxes receivable and grants and entitlements not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Additionally, deferred inflows related to pensions are reported in the government-wide Statement of Net Position. Deferred inflows related to pensions result from changes in Net Pension Liability not recognized as a component of current year pension expense. Deferred inflows of resources related to pension are explained further in Note 12.

**Expenses/Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. On the modified accrual basis, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, provided current financial resources are to be used. As a result, compensated absences are not recorded as expenditures or liabilities until current financial resources are required. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**D. Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, 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 amounts that the County Commissioners may appropriate. The appropriation resolution is the Commissioners authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Commissioners. The legal level of control has been established by the Commissioners at the fund, function and object level within each department.

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

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The appropriation resolution is subject to amendment by the Commissioners throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represented the final appropriation amounts passed by the Commissioners during the year.

**E. Cash, Cash Equivalents, and Investments**

Cash balances of the County's funds, except cash held by a trustee or fiscal agent and in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the balance sheet and statement of net position.

Cash and cash equivalents that are held separately within departments of the County and not held with the County Treasurer are recorded on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts." Cash and cash equivalents and investments that are held by the Southern Ohio Council of Governments on behalf of the County's Board of Developmental Disabilities are recorded on the balance sheet as "Cash and Cash Equivalents with Fiscal Agents".

For reporting purposes, "Equity in Pooled Cash and Investments" is defined as cash on hand, demand deposits and investments held in the County treasury.

For cash flow reporting purposes, the County's proprietary funds consider cash and cash equivalents to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. "Equity in Pooled Cash and Investments" is considered to be cash and equivalents since these assets are available on demand.

Investments held by the Treasurer are stated at fair value using quoted market prices.

During fiscal year 2015, investments were limited to Federal Home Loan Bank Securities, Federal Home Loan Mortgage Corporation Securities, Federal Farm Credit Bank Securities, Federal National Mortgage Association Securities, Federal Home Loan Bank Discount Notes, US Treasury Notes, and Money Market Mutual Funds.

Under existing Ohio law, all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Distribution is made utilizing a formula based on the average month-end balance of cash and cash equivalents of all funds.

Interest is distributed to the General Fund, Motor Vehicle and Gas Tax, Law Enforcement Block Grant, and the Armintrout Special Revenue Funds, and the Pike Health Care Addition Capital Projects Fund. Interest earned during 2015 amounted to \$154,293 in the governmental funds. The County also received interest on the cash and cash equivalents with fiscal agent in the Internal Service Fund in the amount of \$229.

**F. Loans Receivable**

"Loans Receivable" consists of long-term revolving loans for housing and community development projects. The programs are primarily funded by a federal block grant, with a local match from the County. "Loans receivable" is offset by a credit to "Restricted Fund Balance." The expenditure is recorded when the loan is made.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Interfund Balances**

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All unpaid reimbursements between funds are reported as “due to/from other funds.” Interfund receivables and payables within governmental activities and within business-type activities have been eliminated in the government-wide statement of net position; any residual balances outstanding between the governmental activities and business-type activities are reported as “internal balances.”

**H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government wide statement of net position and in the respective fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of \$5,000 for all assets except infrastructure in which the County maintains a capitalization threshold of \$50,000. Public domain (“infrastructure”) general capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems have been capitalized for acquisitions during 2015 and previous fiscal years in accordance with GASB Statement No. 34. Interest incurred during the construction of assets is not capitalized. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	30 years
Improvements other than Buildings	5 years
Roads, Bridges, and Culverts (Infrastructure)	10-50 years
Furniture and Fixtures	10 years
Sewer and Water Lines (Infrastructure)	50 years
Machinery and Equipment	10 years
Vehicles	5 years

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are currently eligible to receive termination benefits and by those employees for whom it is probable will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end. This item is discussed in Note 14 to the basic financial statements.

Compensated absences are accrued when incurred in the government-wide financial statements and in proprietary funds. A liability for these amounts is recorded in governmental funds only if they have matured, for example as a result of employee resignations and retirements.

**J. Fund Balance**

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

**Nonspendable** – The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

**Assigned** – Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the County Commissioners. The County Auditor generally will assign monies through the issuance of purchase orders.

**Unassigned** – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**K. Net Position**

Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and the effect of deferred outflows and inflows related to the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions, or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Other purposes restricted net position include various grants and other resources restricted for various purposes. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Of the County's restricted net position, none are restricted by enabling legislation.

**L. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for sewer services. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the fund. Revenues and expenses not matching these definitions are reported as non-operating revenues and expenses.

**M. Short-Term Obligations**

Under Ohio Law, a debt retirement fund must be created and used for the payment of all debt principal and interest. Accounting principles generally accepted in the United States of America require bond anticipation notes to be reported as a liability in the fund which received the proceeds. To comply with GAAP reporting requirements, the County's debt retirement funds that are utilized to repay short term obligations reported on a budgetary basis have been included in the special revenue and capital projects funds on a GAAP basis.

**N. Pensions**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations All payables, accrued liabilities and long-term obligations are reported on the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the enterprise fund financial statements. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in full from current financial resources as obligations of the funds. Bonds, loans and capital leases are recognized as a liability on the fund financial statements when due.

**P. Interfund Transactions**

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods 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 revenues/expenses in proprietary funds. Interfund transfers within governmental activities are eliminated in the statement of activities. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Q. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 - CONVERSION OF OPERATIONS FROM BUDGET BASIS TO GAAP BASIS**

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The statements of revenues, expenditures and changes in fund balances - budget (budget basis) and actual – are presented in the basic financial statements for the General Fund and major special revenue funds. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment, or assignment of fund balance for governmental fund types (GAAP basis).

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

**NOTE 3 - CONVERSION OF OPERATIONS FROM BUDGET BASIS TO GAAP BASIS (Continued)**

4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Revolving loans made to eligible businesses and individuals are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. Certain funds are reported as part of the General fund on a GAAP basis, but are not reported as part of the General fund on the Budget basis.

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

Net Change in Fund Balance (Deficit)  
 General and Major Special Revenue Funds

	General	MVGT	Board of Developmental Disabilities	Job and Family Services
GAAP Basis	\$665,167	\$180,108	\$13,134	(\$159,734)
Net Adjustments for:				
Revenue Accruals	31,489	(71,024)	(197,022)	30,791
Expenditure Accruals	90,361	(306,874)	302,143	58,838
Other Sources (Uses)	235,970	0	78,949	(15,397)
Perspective Difference:				
Activity of Funds Reclassified For GAAP Reporting Purposes	(132,161)	0	0	0
Encumbrances	(98,585)	(280,683)	(130,440)	0
Budget Basis	<u>\$792,241</u>	<u>(\$478,473)</u>	<u>\$66,764</u>	<u>(\$85,502)</u>

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

**NOTE 4 – NEW GASB PRONOUNCEMENTS**

For 2015, the County implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	Governmental Activities	Business-Type Activities
Net Position - December 31, 2014	\$76,496,578	\$2,760,338
<i>Adjustments:</i>		
Net Pension Liability	(7,628,165)	(90,164)
Deferred Inflows	(109,008)	0
Deferred Outflows	955,844	15,184
<b>Restated Net Position - December 31, 2014</b>	<b>\$69,715,249</b>	<b>\$2,685,358</b>

Other than employer contributions subsequent to the measurement date, the County made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available for the Ohio Public Employees Retirement System. The necessary information was available for the State Teachers Retirement System of Ohio; therefore, the appropriate restatements were made for that program.

**NOTE 5 - ACCOUNTABILITY AND COMPLIANCE**

**Accountability - Fund Balance Deficits** - The following funds have a fund balance deficit as of December 31, 2015:

Job & Family Services Fund	\$120,607
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**Nonmajor Funds**

Special Revenue Fund

Marriage License Fund	543
FEMA Flood Assistance Grant Fund	311,798
Community Corrections Act Grant Fund	24,323
Memorial DO2 Victim/Witness Fund	14,614

Capital Projects Fund

Fairgrounds Improvement Fund	55,793
Pike Senior Services Fund	222,691
Airport Improvement Fund	16,018

These deficits are a result of the application of accounting principles generally accepted in the United States of America to the financial reporting of these funds. The General Fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. Short term advances and bond anticipation note proceeds used to finance the projects are not recognized as "other financing sources," but rather as a fund liability. The deficits will be eliminated when the notes are bonded and/or resources are provided for the retirement of the notes.

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**NOTE 6 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the County into two categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories.

Inactive monies may be deposited or invested in the following securities:

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

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

12. Notes issued by corporations incorporated and operating within the United States, or by depository institutions doing business under any state or United States authority and operating within the United States. Such investments shall not exceed fifteen percent of the County's total average portfolio and meet other requirements; and
13. A current unpaid or delinquent tax line of credit authorized under division (G) of section 135.341 of the Revised Code provided that all of the conditions for entering into such a line of credit under that division are satisfied.

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

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

**Cash on Hand** - At year end, the County had \$5,000 in undeposited cash on hand which is included on the financial statements of the County as part of "equity in pooled cash and investments."

**Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the County's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The County's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

The County's bank balance of \$16,728,391 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner as described above. Contrary to Ohio Law, the Pike County Treasurer had \$2,191,809 in uncollateralized monies.

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

**Investments**

As of December 31, 2015, the County had the following investments and maturities:

	Carrying/Fair Value	Weighted Average Maturity		
		Less Than One Year	1-2 Years	3-5 Years
Federal Home Loan Bank	\$1,539,436	\$950,005	\$0	\$589,431
Federal Home Loan Mortgage Corporation	3,119,640	460,039	1,131,874	1,527,727
Federal Farm Credit Bank	1,581,086	0	592,219	988,867
Federal National Mortgage Association	3,185,223	1,249,596	0	1,935,627
Money Market Mutual Fund	15,328	15,328	0	0
<b>Total Investments</b>	<b>\$9,440,713</b>	<b>\$2,674,968</b>	<b>\$1,724,093</b>	<b>\$5,041,652</b>

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County has no policy specifically dealing with interest rate risk. The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County’s investment policy allows the County to invest in accordance with the Ohio Revised Code (Ohio Law). Investments in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal Farm Credit Bank and Federal National Mortgage Association, were all rated AA+ by Standard & Poor’s and Aaa by Moody’s. Investment ratings for the Money Market Mutual Fund were rated AAAM by Standard & Poor’s.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The County places no limit on the amount the County may invest in any one issuer; however their investment policy does stress diversification to limit potential losses. The County has invested 16% in Federal Home Loan Bank, 33% in Federal Home Loan Mortgage Corporation, 17% in Federal Farm Credit Bank, 34% in Federal National Mortgage Association, and less than 1% in Money Market Mutual Fund.

Custodial credit risk - Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the County’s securities are either insured and registered in the name of the County or at least registered in the name of the County. The County has no policy specifically related to custodial credit risk, but requires the County to conform to requirements of Ohio law.

**NOTE 7 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the County. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2011. Real property taxes are payable annually or semiannually. The first payment is due January 20, with the remainder payable by June 20.

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**NOTE 7 - PROPERTY TAXES (Continued)**

Public utility real property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to itself its share of the taxes collected. The County records receipt of these taxes in various funds.

Accrued property taxes receivable represents delinquent taxes outstanding and real and public utility taxes which were measurable and unpaid as of December 31, 2015. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2015 operations.

The full tax rate for all County operations for the year ended December 31, 2015, was \$12.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2015 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$356,073,930
Public Utility Personal Property	<u>76,007,300</u>
Total Property Taxes	<u><u>\$432,081,230</u></u>

**NOTE 8 - PERMISSIVE SALES TAX**

In 1988, in accordance with Sections 5739.02 and 5741.02 of the Revised Code, the County Commissioners, by resolution, imposed a one percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the Office of Budget and Management the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The Tax Commissioner shall then, on or before the twentieth day of the month in which certification is made, provide for payment to the County.

Proceeds of the tax are credited entirely to the General Fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Sales and Use tax revenue for 2015 amounted to \$4,716,658.

**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2015, consisted of taxes, accounts (billings for user charged services), interest, loans, interfund, and due from other governments arising from grants, entitlements and shared revenues. All receivables (other than loans) are considered collectible in full.

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

**NOTE 9 – RECEIVABLES (Continued)**

The Department of Community Development loans money to eligible residents of Pike County to rehabilitate their residences. Part of the loan agreement states that the loan recipient will not sell their home for five years after such rehabilitation is completed. The Community Development office secures a lien against the property for this five year period. Over the course of the lien, 20 percent of the loan is forgiven each year for the duration of the five year lien. At the end of the fifth year, the entire loan amount is forgiven and the lien is taken off of the property.

Of the total loans receivable disclosed on the balance sheet, \$434,582 represents the amount of principal on the loans subject to forgiveness under the above agreement.

Other loans receivable represent low interest loans for development projects and home improvements granted to eligible County residents and businesses under the Community Development.

A summary of the principal items of intergovernmental receivables is as follows:

Governmental Activities	Amount
Major Funds:	
General Fund	\$393,401
Motor Vehicle and Gas Tax	1,878,878
Board of Developmental Disabilities Grants	607,354
Job and Family Services Grants	13,377
Non-major Funds:	
Child Support Enforcement	9,054
Community Development	603,149
Emergency Medical Services	12,156
Children Services	70,560
County Commissioners M&R	4,328
Pike Senior Services Levy	22,163
County Court Probation	355
Felony Delinquent Care & Custody	108,927
Federal Highway Adm-ER	105,612
Miscellaneous Special Grants	34,123
Total Non-major Funds	970,427
Total Governmental Activities	\$3,863,437

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

**NOTE 10 - RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2015, the County contracted with the Buckeye Joint-County Self-Insurance Council (a jointly governed organization, see Note 20) for liability, auto, and crime insurance. This jointly governed organization is a cost-sharing pool. The program has a \$0 to \$5,000 deductible per occurrence.

Coverage's provided by the program are as follows:

	<u>Aggregate</u>	<u>Each Occurrence</u>
General Liability	\$4,000,000	2,000,000
Public Officials	4,000,000	2,000,000
Law Enforcement	4,000,000	2,000,000
Automobile – Liability	0	2,000,000
Employee Benefits Liability	4,000,000	2,000,000

In addition, the County maintains separate replacement cost insurance on buildings and contents in the amount of \$31,874,169 and other property insurance including \$1,000,000 for extra expenses.

Health insurance was provided by a private carrier, Medical Mutual of Ohio for all claims \$3,000 and above. Claims under \$3,000 are provided through a self-insured program administered by a third party administrator, Patrick Benefit Administrators. The County maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program.

The claims liability of \$21,870 reported in the self-insurance fund at December 31, 2015, is estimated by the third-party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount for the past three years are as follows:

	<u>Beginning Year Balance</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Ending Year Balance</u>
2013	\$41,582	\$255,219	\$272,925	\$23,876
2014	23,876	337,098	337,848	23,126
2015	23,126	290,204	291,460	21,870

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. The County pays all elected officials' bonds by statute.

The County has not incurred significant reductions in insurance coverage from coverage in the prior year by major category of risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

**NOTE 11 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015:

	Balance at 01/01/15	Additions	Deletions	Balance at 12/31/15
<b>Governmental Activities:</b>				
<i>Non-Depreciable Capital Assets:</i>				
Land	\$1,555,975	\$0	\$0	\$1,555,975
Construction in Progress	9,270,488	0	1,434,229	7,836,259
Total Non-Depreciable Capital Assets	10,826,463	0	1,434,229	9,392,234
<i>Depreciable Capital Assets:</i>				
Furniture and Fixtures	415,406	42,074	9,850	447,630
Buildings and Improvements	10,550,153	0	0	10,550,153
Machinery and Equipment	3,780,435	289,415	145,787	3,924,063
Vehicles	3,459,223	1,046,711	73,990	4,431,944
Improvements other than Building	2,925,089	0	0	2,925,089
Infrastructure	51,743,441	1,434,229	0	53,177,670
Total Depreciable Capital Assets	72,873,747	2,812,429	229,627	75,456,549
<i>Less Accumulated Depreciation:</i>				
Furniture and Fixtures	(283,872)	(11,251)	(9,850)	(285,273)
Buildings and Improvements	(4,018,872)	(226,638)	0	(4,245,510)
Machinery and Equipment	(2,988,607)	(440,850)	(134,599)	(3,294,858)
Vehicles	(3,261,657)	(426,059)	(73,990)	(3,613,726)
Improvements other than Building	(2,925,089)	(151,543)	0	(3,076,632)
Infrastructure	(16,279,412)	(1,504,928)	0	(17,784,340)
Total Accumulated Depreciation	(29,757,509)	(2,761,269)	(218,439)	(32,300,339)
Net Depreciable Capital Assets	43,116,238	51,160	11,188	43,156,210
Governmental Activities - Capital Assets, Net	\$53,942,701	\$51,160	\$1,445,417	\$52,548,444

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

**NOTE 11 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

General Government:	
Legislative and Executive	\$1,651,368
Judicial	45,770
Public Safety	378,751
Public Works	376,791
Health	74,484
Human Services	125,150
Conservation and Recreation	108,955
Total Depreciation Expense	\$2,761,269

	Balance at 01/01/15	Additions	Deletions	Balance at 12/31/15
<b>Business-Type Activities:</b>				
<i>Non-Depreciable Capital Assets:</i>				
Land	\$7,000	\$0	\$0	\$7,000
Construction in Progress	986,566	51,647	811,400	226,813
Total Capital Assets, Not Being Depreciated	993,566	51,647	811,400	233,813
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	85,352	0	0	85,352
Machinery and Equipment	82,232	0	0	82,232
Vehicles	49,134	0	0	49,134
Infrastructure	3,136,474	811,400	0	3,947,874
Total Depreciable Capital Assets	3,353,192	811,400	0	4,164,592
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(65,065)	0	0	(65,065)
Machinery and Equipment	(62,434)	0	0	(62,434)
Vehicles	(41,100)	0	0	(41,100)
Infrastructure	(1,791,271)	(105,408)	0	(1,896,679)
Total Accumulated Depreciation	(1,959,870)	(105,408)	0	(2,065,278)
Net Depreciable Capital Assets	1,393,322	705,992	0	2,099,314
Business-Type Activities - Capital Assets, Net	\$2,386,888	\$757,639	\$811,400	\$2,333,127

**NOTE 12 - DEFINED BENEFIT RETIREMENT PLANS**

**Net Pension Liability**

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

**A. Ohio Public Employees Retirement System (OPERS)**

**Plan Description** - County employees, who are not certified teachers with the school for developmental disabilities, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

**NOTE 12 - DEFINED BENEFIT RETIREMENT PLANS (Continued)**

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):

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

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.0% 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 3.0%.

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

**NOTE 12 - DEFINED BENEFIT RETIREMENT PLANS (Continued)**

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

	State and Local	Law Enforcement
<b>2015 Statutory Maximum Contribution Rates</b>		
Employer	14.0%	18.1%
Employee	10.0%	**
<b>2015 Actual Contribution Rates</b>		
Employer:		
Pension	12.0%	16.1%
Post-employment Health Care Benefits	2.0%	2.0%
Total Employer	14.0%	18.1%
Employee	10.0%	13.0%

\*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2.0% greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County's contractually required pension contributions to OPERS were \$1,052,278 for 2015. Of this amount, \$99,817 is reported as an intergovernmental payable.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

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

	<b>OPERS</b>
Proportionate Share of the Net Pension Liability	\$7,379,353
Proportion of the Net Pension Liability	0.061183%
Pension Expense	\$868,737

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

**NOTE 12 - DEFINED BENEFIT RETIREMENT PLANS (Continued)**

At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>OPERS</b>
<b>Deferred Outflows of Resources</b>	
Net difference between projected and actual earnings on pension plan investments	\$393,739
County contributions subsequent to the measurement date	1,052,278
<b>Total Deferred Outflows of Resources</b>	<b>\$1,446,017</b>
<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	<b>\$129,641</b>

\$1,052,278 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<b>OPERS</b>
Year Ending December 31:	
2016	(\$38,618)
2017	(38,618)
2018	(88,428)
2019	(98,435)
<b>Total</b>	<b>(\$264,099)</b>

**Actuarial Assumptions - OPERS**

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

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

Future Salary Increases, including inflation	4.25% to 10.05% including wage inflation
COLA or Ad Hoc COLA	3.00%, simple
Investment Rate of Return	8.00%
Actuarial Cost Method	Individual Entry Age

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

**NOTE 12 - DEFINED BENEFIT RETIREMENT PLANS (Continued)**

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

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.31%
Domestic Equities	19.90%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	19.10%	7.40%
Other investments	18.00%	4.59%
Total	100.00%	5.62%

**Discount Rate**

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

**NOTE 12 - DEFINED BENEFIT RETIREMENT PLANS (Continued)**

**Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8.0%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7%) or one-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability	\$13,575,986	\$7,379,353	\$2,160,372

**B. State Teachers Retirement System (STRS)**

**Plan Description** – County licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at <http://www.strsoh.org>.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5% of the 14.0% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14.0% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**NOTE 12 - DEFINED BENEFIT RETIREMENT PLANS (Continued)**

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14.0% on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12.0% of their annual covered salary. The County was required to contribute 14.0%; the entire 14.0% was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The County's contractually required pension contributions to STRS were \$16,713 for 2015. All of this amount has been contributed as of the end of the year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>STRS</u>
Proportionate Share of the Net Pension Liability	\$622,832
Proportion of the Net Pension Liability	0.00225361%
Pension Expense	\$29,441

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

**NOTE 12 - DEFINED BENEFIT RETIREMENT PLANS (Continued)**

At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>STRS</b>
<b>Deferred Outflows of Resources</b>	
Differences between expected and actual experience	\$28,393
County contributions subsequent to the measurement date	16,713
<b>Total Deferred Outflows of Resources</b>	<b>\$45,106</b>
 <b>Deferred Inflows of Resources</b>	
Net difference between projected and actual earnings on pension plan investments	<b>\$44,793</b>

\$16,713 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<b>STRS</b>
Fiscal Year Ending June 30:	
2016	\$10,108
2017	10,108
2018	10,108
2019	(13,924)
<b>Total</b>	<b>\$16,400</b>

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected salary increases	2.75% at age 70 to 12.25% at age 20
Investment Rate of Return	7.75%, net of investment expenses
Cost-of-Living Adjustments (COLA)	2.00% simple applied as follows: for members retiring before August 1, 2013, 2.00% per year; for members retiring August 1, 2013, or later, 2.00% COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set-back four years, one year set-back from age 80 through 89, and not set-back from age 90 and above.

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

**NOTE 12 - DEFINED BENEFIT RETIREMENT PLANS (Continued)**

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2013.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00%	8.00%
International Equity	26.00%	7.85%
Alternatives	14.00%	8.00%
Fixed Income	18.00%	3.75%
Real Estate	10.00%	6.75%
Liquidity Reserves	1.00%	3.00%
Total	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75%) or one-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$865,160	\$622,832	\$417,907

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients are available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2014 CAFR for details.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy: The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local employer contributed at a rate of 14.00 percent of earnable salary and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not fund contributions to OPEB Plan.

**NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)**

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and combined plan was 2.0 percent during the calendar year of 2015. Effective January 2015, the portion of employer contributions allocated to healthcare remains at 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The County's required contributions that were allocated to fund postemployment benefits with OPERS for the years ended December 31, 2015, 2014 and 2013 were \$168,823, \$195,096, and \$101,453, respectively.

Changes to the Health Care preservation Plan (HCPP) were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**B. State Teachers Retirement System**

**Plan Description** – The State Teachers Retirement System of Ohio (STRS Ohio) administers a pension plan that is comprised of a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org), or by requesting a copy by calling (888) 227-7877.

**Funding Policy** – Under Ohio law, funding for postemployment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 0% of covered payroll was allocated to postemployment health care for the years ended June 30, 2015, 2014 and 2013. The 14% employer contribution rate is the maximum rate established under Ohio law.

The County's contributions allocated to fund postemployment health care benefits with STRS Ohio for the years ended December 31, 2015, 2014, 2013 were \$0, \$2,349, and \$2,138, respectively; 100% has been contributed for each of the three years.

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**NOTE 14 - OTHER EMPLOYEE BENEFITS**

**Compensated Absences** - County employees earn vacation and sick leave at varying rates depending on length of service and departmental policy. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with the County.

Accumulated, unused sick leave is paid up to a maximum of 240 hours, depending on length of service, to employees who retire.

**NOTE 15 - DEFERRED COMPENSATION**

Pike County employees and elected officials may participate in either the Ohio Public Employees Deferred Compensation program or the County Commissioners' Association of Ohio Deferred Compensation Program, both created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available to employees until termination, retirement, death or in the case of an unforeseeable emergency.

**NOTE 16 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

During 2015, the County entered into capitalized leases for the acquisition of copiers and a postage machine. In prior years, the County has entered into capitalized leases for the acquisition of copiers and hardware/software. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service in the basic financial statements for the General Fund and the Board of Developmental Disabilities, Job and Family Services, and Child Support Special Revenue Funds. These expenditures are reflected as program/object expenditures on a budgetary basis.

The capital assets acquired by the leases have been capitalized in the statement of net position for governmental activities in the amount of \$234,132 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position for governmental activities. Principal payments in fiscal year 2015 totaled \$63,096 in the governmental funds.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2015.

Year Ending December 31,	Long-Term Debt
2016	\$60,890
2017	32,233
2018	22,910
2019	10,994
2020	1,734
Total Minimum Lease Payments	128,761
Less: Amount Representing Interest	(8,655)
Present Value of Net Minimum Lease Payments	\$120,106

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**NOTE 17 - LONG-TERM DEBT**

The Ohio Public Works Commission (OPWC) loan issued in 1995 consists of money owed to the OPWC for construction of water lines on Lapparell Road. The total loan amount awarded was \$187,500. The OPWC loan is payable solely from the gross revenues of the Pike County Water fund.

The Ohio Public Works Commission (OPWC) loan issued in 1998 consists of money owed to the OPWC for replacement of Buchanan Road Bridge. The total loan amount awarded was \$205,000. The OPWC loan is payable solely from the gross revenues of the Motor Vehicle and Gas Tax fund.

The Ohio Public Works Commission (OPWC) loan issued in 1998 consists of money owed to the OPWC for replacement of Pike Lake Road Bridge. The total loan amount awarded was \$105,000. The OPWC loan is payable solely from the gross revenues of the Motor Vehicle and Gas Tax fund.

The Ohio Public Works Commission (OPWC) loan issued during 2014 consists of money owed to the OPWC for the replacement of Rapp-Montgomery road and bridge repairs. The total loan amount awarded was \$187,500. The loan will be repaid from the Motor Vehicle and Gas Tax fund.

The Ohio Public Works Commission (OPWC) loan issued in 2012 consists of money owed to OPWC for the River Road Emergency Slip Repair project. The total amount awarded was \$24,789. The OPWC loan is payable solely from the gross revenues of the Motor Vehicle and Gas Tax Fund.

The Ohio Public Works Commission (OPWC) loan issued in 2012 consists of money owed to OPWC for the Bridge Replacement & Salyers. The total amount awarded was \$300,000. The OPWC loan is payable solely from the gross revenues of the Motor Vehicle and Gas Tax Fund.

The Ohio Public Works Commission (OPWC) loan issued in 2002 consists of money owed to the OPWC for replacement of Pike Lake Road Bridge at Tanglewood Acres. The total loan amount awarded was \$47,563. The OPWC loan is payable solely from the gross revenues of the Motor Vehicle and Gas Tax fund.

The Ohio Public Works Commission (OPWC) loan issued in 2003 consists of money owed to the OPWC for replacement of Loy's Run Bridge. The total loan amount awarded was \$90,000. The OPWC loan is payable solely from the gross revenues of the Motor Vehicle and Gas Tax fund.

The Ohio Public Works Commission (OPWC) loan issued in 2004 consists of money owed to the OPWC for the replacement of Coal Dock Road Bridge. The total loan amount awarded was \$125,000. The OPWC loan is payable solely from the gross revenues of the Motor Vehicle and Gas Tax fund.

The Ohio Public Works Commission (OPWC) loan issued in 2005 consists of money owed to the OPWC for the replacement of Owl Creek Road Bridge. The total loan amount awarded was \$150,000. The OPWC loan is payable solely from the gross revenues of the Motor Vehicle and Gas Tax fund.

The Ohio Public Works Commission (OPWC) loan issued in 2006 consists of money owed to the OPWC for the replacement of Auerville Road Bridge. The total loan amount awarded was \$292,112. The OPWC loan is payable solely from the gross revenues of the Motor Vehicle and Gas Tax fund.

The Ohio Public Works Commission (OPWC) loan issued in 2004 consists of money owed to the OPWC for replacement of Buck Hollow Road Bridge. The total loan amount awarded was \$37,156. The OPWC loan is payable solely from the gross revenues of the Motor Vehicle and Gas Tax fund.

**NOTE 17 - LONG-TERM DEBT (Continued)**

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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The Ohio Public Works Commission (OPWC) loan issued during 2009 consists of money owed to the OPWC for the replacement of the Adams Road Bridge. The total loan amount awarded was \$185,000. The OPWC loan is payable solely from the gross revenues of the Motor Vehicle and Gas Tax fund.

The Ohio Public Works Commission (OPWC) loan issued during 2010 consists of money owed to the OPWC for the replacement of the Little Creek Water Line. The total loan amount awarded was \$225,000. The OPWC loan is payable solely from the gross revenues of the Motor Vehicle and Gas Tax fund.

The Ohio Public Works Commission (OPWC) loan issued during 2008 consists of money owed to the OPWC for the replacement of Morgan's Fork Road Bridge. The total loan amount awarded was \$250,000. The OPWC loan is payable solely from the gross revenues of the Motor Vehicle and Gas Tax fund.

The Ohio Public Works Commission (OPWC) loan issued in 2002 consists of money owed to the OPWC for replacement of River Road Bridge. The total loan amount awarded was \$125,000. The OPWC loan is payable solely from the gross revenues of the Motor Vehicle and Gas Tax fund.

The Ohio Public Works Commission (OPWC) loan issued during 2013 consists of money owed to the OPWC for the replacement of Multiple Box Culverts. The total loan amount awarded was \$581,695. The OPWC loan is payable solely from the gross revenues of the Motor Vehicle and Gas Tax fund.

The Ohio Public Works Commission (OPWC) loan issued in 2012 consists of money owed to OPWC for the Three Bridge Replacement project. The total amount awarded was \$550,000. The OPWC loan is payable solely from the gross revenues of the Motor Vehicle and Gas Tax Fund.

The Ohio Public Works Commission (OPWC) loan issued during 2015 consists of money owed to the OPWC for the Bridge Replacement and Road Repair. As of December 31, 2015, \$339,963 has been disbursed. No amortization is available at this time.

The Ohio Public Works Commission (OPWC) loan issued during 2015 consists of money owed to the OPWC for the Six Bridge Replacements. As of December 31, 2015, \$345,394 has been disbursed. No amortization is available at this time.

The Ohio Public Works Commission (OPWC) loan issued during 2015 consists of money owed to the OPWC for the Boswell Run Road Bridge Replacement. As of December 31, 2015, \$10,000 has been disbursed. No amortization is available at this time.

The Ohio Water Development Authority (OWDA) loan issued in 2002 consists of money owed to the OWDA for Water Pollution Control. The total loan amount awarded was \$45,000. The OWDA loan is payable solely from the gross revenues of the Community Development fund.

The Ohio Water Development Authority (OWDA) loan issued during 2012 consists of money owed to the OWDA for North Sewer System project. The total loan amount awarded was \$205,504. The OWDA loan is payable solely from the gross revenues of the Sewer fund.

The Ohio Water Development Authority (OWDA) loan issued during 2015 consists of money owed to the OWDA for North Gate Sanitary Sewer Extension project. The total loan amount awarded was \$54,359. The OWDA loan is payable solely from the gross revenues of the Sewer fund.

***NOTE 17 - LONG-TERM DEBT (Continued)***

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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The USDA Loan issued during 2008 was for the purpose of acquiring two dump trucks. The bond was issued in the amount of \$78,000 at an interest rate of 4.375%. The bonds will be repaid from the Debt Service fund.

The USDA loan issued in 2007 was for the purpose of purchasing Gradall equipment for the Pike County Engineer Department. The loan was issued in the amount of \$140,000 with an interest rate of 4.125 percent. The loan will be repaid from the Motor Vehicle and Gas Tax fund.

The USDA loan issued in 2007 was for the purpose of purchasing a Volvo backhoe for the Pike County Engineer Department. The loan was issued in the amount of \$39,000 with an interest rate of 4.375 percent. The loan will be repaid from the Motor Vehicle and Gas Tax fund.

The USDA loan issued in 2010 was for the purpose of airport hangar construction. The loan was issued in the amount of \$328,000 with an interest rate of 4.00 percent. The loan will be repaid Airport Hangers Debt Service Fund.

The USDA loan issued in 2010 was for the purpose of purchasing three International dump trucks for the Pike County Engineer Department. The loan was issued in the amount of \$130,000 with an interest rate of 4.00 percent. The loan will be repaid from the Motor Vehicle and Gas Tax fund.

The USDA loan issued in 2010 was for the purpose of purchasing a backhoe for the Pike County Engineer Department. The loan was issued in the amount of \$57,000 with an interest rate of 3.75 percent. The loan will be repaid from the Motor Vehicle and Gas Tax fund.

The Revenue Bond issued during 2009 was for the purpose of constructing a senior citizens center in the County. The bond was issued in the amount of \$2,200,000 at an interest rate of 3.50%. The bonds will be repaid from the Senior Center Levy Fund. Tax revenues of the Pike Senior Citizen Levy have been pledged to repay these debts. The net revenue available for this bond was \$262,236 and principal and interest paid was \$154,799 for 2015.

The Revenue Bond issued during 2014 was for the purpose of making improvements to the Family Health Center in the County. The bond was issued in the amount of \$850,000 at an interest rate of 3.65%. General revenues of the County along with revenues received from the operation of the Health Center have been pledged to repay these debts. The bonds will be repaid from the Debt Service fund.

The General Obligation Bonds issued in 2007 were for the purpose of repaying general obligation notes of the County. The bonds were issued in the amount of \$2,910,150, which includes \$405,000 in debt for the Pike County Health District at an interest rate of 4.4325%. Of the \$2,910,150, \$2,887,000 were issued in governmental activity funds with the remaining \$23,150 in business-type activities. The bonds will be repaid from the Debt Service fund and the Pike County Sewer Fund.

The DD Facility Bonds issued during 2015 was for the purpose of facility improvement. The bond was issued in the amount of \$122,900 at an interest rate of 3.35%. The bonds will be repaid from the Debt Service fund.

Compensated Absences (sick leave and vacation benefits) and other obligations related to employee compensation are paid from the fund from which the person is paid, with the most significant being the General fund , and the Community Development, Motor Vehicle and Gas Tax, Job and Family Services, Board of Developmental Disabilities, and Children Services. The Capital leases are paid from the General Fund and the Board of Developmental Disabilities, Job and Family Services and Child Support.

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

**NOTE 17 - LONG-TERM DEBT (Continued)**

The County's long-term obligations at year end consisted of the following:

	Outstanding at 01/01/15	Issued	Retired	Outstanding at 12/31/15	Amount Due In One Year
<i>Governmental Funds:</i>					
<i>Long-Term Obligations</i>					
<b>Laparell Road</b>					
Loan 0.00% - 1995					
Ohio Public Works Commission	\$9,375	\$0	\$9,375	0	\$0
<b>Buchanan Road</b>					
Loan 0.00% - 1998					
Ohio Public Works Commission	33,000	0	10,500	22,500	10,500
<b>Pike Lake Road</b>					
Loan 0.00% - 1998					
Ohio Public Works Commission	25,000	0	5,000	20,000	5,000
<b>Rapp-Montgomery Road and Bridges</b>					
Loan 0.00% - 2014					
Ohio Public Works Commission	128,266	59,234	3,606	183,894	7,212
<b>River Road Emergency Slip Repair</b>					
Loan 0.00% - 2012					
Ohio Public Works Commission	23,550	0	826	22,724	826
<b>Bridge Replacement &amp; Salyers</b>					
Loan 0.00% - 2012					
Ohio Public Works Commission	277,778	0	11,111	266,667	11,111
<b>Tanglewood Bridge</b>					
Loan 0.00% - 2002					
Ohio Public Works Commission	17,838	0	2,378	15,460	2,378
<b>Loy's Run</b>					
Loan 0.00% - 2003					
Ohio Public Works Commission	36,000	0	4,500	31,500	4,500
<b>Coal Dock Road</b>					
Loan 0.00% - 2004					
Ohio Public Works Commission	56,250	0	6,250	50,000	6,250
<b>Owl Creek Road</b>					
Loan 0.00% - 2005					
Ohio Public Works Commission	75,000	0	7,500	67,500	7,500
<b>Auerville Road</b>					
Loan 0.00% - 2006					
Ohio Public Works Commission	164,032	0	14,606	149,426	14,606
<b>Buck Hollow Road</b>					
Loan 0.00% - 2004					
Ohio Public Works Commission	16,719	0	1,858	14,861	1,858
<b>Adams Road Bridge</b>					
Loan 0.00% - 2009					
Ohio Public Works Commission	138,750	0	9,250	129,500	9,250
<b>Little Creek Water Line</b>					
Loan 0.00% - 2010					
Ohio Public Works Commission	195,000	0	7,500	187,500	7,500

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

**NOTE 17 - LONG-TERM DEBT (Continued)**

	Outstanding at 01/01/15	Issued	Retired	Outstanding at 12/31/15	Amount Due In One Year
<b>Morgan's Fork Road</b>					
Loan 0.00% - 2008					
Ohio Public Works Commission	162,500	0	12,500	150,000	12,500
<b>River Road</b>					
Loan 0.00% - 2002					
Ohio Public Works Commission	46,875	0	6,250	40,625	6,250
<b>Multiple Box Culvert Replacements</b>					
Loan 0.00% - 2013					
Ohio Public Works Commission	453,333	128,362	0	581,695	19,390
<b>Three Bridge Replacement</b>					
Loan 0.00% - 2012					
Ohio Public Works Commission	288,346	261,654	0	550,000	18,333
<b>Bridge Replacements and Road Repair</b>					
Loan 0.00% - 2015					
Ohio Public Works Commission	0	339,963	0	339,963	0
<b>Six Bridge Replacements</b>					
Loan 0.00% - 2015					
Ohio Public Works Commission	0	345,394	0	345,394	0
<b>Boswell Run Road Bridge Replacement</b>					
Loan 0.00% - 2015					
Ohio Public Works Commission	0	10,000	0	10,000	0
<b>OWDA - Water Pollution Control</b>					
Loan 0.00% - 2002					
OWDA/EPA Loan	16,875	0	2,250	14,625	2,250
<b>USDA - Dump Trucks</b>					
2008 - 4.375%	35,300	0	35,300	0	0
<b>USDA Loan - Gradall XL3100</b>					
2007 - 4.125%	48,100	0	48,100	0	0
<b>USDA Loan - Volvo Backhoe</b>					
2007 - 4.375%	9,200	0	9,200	0	0
<b>USDA Loan - Airport Hangar</b>					
2010 - 4.00%	303,200	0	6,900	296,300	7,100
<b>USDA Loan - International Dump Trucks</b>					
2010 - 4.00%	84,000	0	12,600	71,400	13,200
<b>USDA Loan - Backhoe</b>					
2010 - 3.75%	36,700	0	36,700	0	0
<b>Revenue Bonds</b>					
2009 - 3.50%	1,782,800	0	92,400	1,690,400	95,600
<b>Revenue Bonds</b>					
2014 - 3.65%	850,000	0	29,600	820,400	30,700
<b>General Obligation Bonds</b>					
2007 - 4.4325%	1,512,010	0	150,610	1,361,400	101,710
<b>DD Facility Bonds</b>					
2015 - 3.35%	0	122,900	0	122,900	10,500

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2015

**NOTE 17 - LONG-TERM DEBT (Continued)**

	Outstanding at 01/01/15	Issued	Retired	Outstanding at 12/31/15	Amount Due In One Year
<i>Other Long Term Obligations:</i>					
Compensated Absences	798,054	1,902,233	1,710,146	990,141	733,242
Capital Leases	125,266	57,936	63,096	120,106	60,890
<i>Net Pension Liability:</i>					
OPERS	7,122,514	164,591	0	7,287,105	0
STRS	505,651	117,181	0	622,832	0
Total Net Pension Liability	<u>7,628,165</u>	<u>281,772</u>	<u>0</u>	<u>7,909,937</u>	<u>0</u>
Total Governmental Obligations	<u><u>\$15,377,282</u></u>	<u><u>\$3,509,448</u></u>	<u><u>\$2,309,912</u></u>	<u><u>\$16,576,818</u></u>	<u><u>\$1,200,156</u></u>

Business-Type Activities  
Long-Term Obligations

**North Sewer System**

Loan 1.50% - 2012

Ohio Water Development Authority	\$194,482	\$0	\$5,636	\$188,846	\$5,721
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**North Gate Sanitary Sewer Extension**

Loan 1.50% - 2015

Ohio Water Development Authority	0	54,359	2,712	51,647	0
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Compensated Absences	12,111	15,488	11,476	16,123	0
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*Net Pension Liability:*

OPERS	<u>90,164</u>	<u>2,084</u>	<u>0</u>	<u>92,248</u>	<u>10,128</u>
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Total Business-Type Activities	<u><u>\$296,757</u></u>	<u><u>\$71,931</u></u>	<u><u>\$19,824</u></u>	<u><u>\$348,864</u></u>	<u><u>\$15,849</u></u>
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	OPWC Tanglewood	OWDA Water Pollution	OPWC River Road	OPWC Buck Hollow	OPWC Adams Road	OPWC Buchanan Road
2016	\$2,378	\$2,250	\$6,250	\$1,858	\$9,250	\$7,125
2017	2,378	2,250	6,250	1,858	9,250	3,750
2018	2,378	2,250	6,250	1,858	9,250	3,750
2019	2,378	2,250	6,250	1,858	9,250	3,750
2020	2,378	2,250	6,250	1,858	9,250	3,750
2021-2025	3,570	3,375	9,375	5,571	46,250	3,750
2026-2029	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>37,000</u>	<u>0</u>
Total	<u><u>\$15,460</u></u>	<u><u>\$14,625</u></u>	<u><u>\$40,625</u></u>	<u><u>\$14,861</u></u>	<u><u>\$129,500</u></u>	<u><u>\$25,875</u></u>

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2015

**NOTE 17 - LONG-TERM DEBT (Continued)**

	OPWC Pike Lake Road	OPWC Loy's Run	OPWC Coal Dock Road	OPWC Owl Creek	OPWC Auerville	OPWC Morgan's Fork Road
2016	\$5,000	\$4,500	\$6,250	\$7,500	\$14,606	\$12,500
2017	5,000	4,500	6,250	7,500	14,606	12,500
2018	5,000	4,500	6,250	7,500	14,606	12,500
2019	2,500	4,500	6,250	7,500	14,606	12,500
2020	2,500	4,500	6,250	7,500	14,606	12,500
2021-2025	0	9,000	18,750	30,000	73,030	62,500
2026-2029	0	0	0	0	3,366	25,000
<b>Total</b>	<b>\$20,000</b>	<b>\$31,500</b>	<b>\$50,000</b>	<b>\$67,500</b>	<b>\$149,426</b>	<b>\$150,000</b>

	OWDA North Sewer		General Obligation - Governmental		OPWC Little Creek	USDA - Airport Hangar	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2016	\$5,721	\$2,811	\$101,710	\$68,576	\$7,500	\$7,100	\$11,853
2017	5,807	2,725	106,800	60,948	7,500	7,400	11,568
2018	5,894	2,638	112,150	55,602	7,500	7,700	11,272
2019	5,983	2,549	0	0	7,500	8,000	10,964
2020	6,072	2,459	0	0	7,500	8,300	10,644
2021-2025	31,763	10,896	609,780	198,981	37,500	46,800	47,956
2026-2030	34,229	8,431	430,960	63,210	37,500	57,200	37,796
2031-2035	36,884	5,776	0	0	37,500	69,400	25,428
2036-2040	39,744	2,914	0	0	37,500	84,400	10,388
2041-2045	16,749	315	0	0	0	0	0
<b>Total</b>	<b>\$188,846</b>	<b>\$41,514</b>	<b>\$1,361,400</b>	<b>\$447,317</b>	<b>\$187,500</b>	<b>\$296,300</b>	<b>\$177,869</b>

	Revenue Bond		USDA - Dump Trucks 2010		DD Facility Bond		Consolidated General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$95,600	\$59,165	\$13,200	\$2,856	\$10,500	\$4,291	\$67,691	\$2,640
2017	99,000	55,818	13,700	2,334	11,000	3,818	0	0
2018	102,400	52,353	14,300	1,780	11,200	3,444	0	0
2019	106,000	48,769	14,800	1,208	11,700	3,064	0	0
2020	109,800	45,059	15,400	616	12,000	2,673	0	0
2021-2025	609,000	164,913	0	0	66,500	6,928	0	0
2026-2029	568,600	50,611	0	0	0	0	0	0
<b>Total</b>	<b>\$1,690,400</b>	<b>\$476,688</b>	<b>\$71,400</b>	<b>\$8,794</b>	<b>\$122,900</b>	<b>\$24,218</b>	<b>\$67,691</b>	<b>\$2,640</b>

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

**NOTE 17 - LONG-TERM DEBT (Continued)**

	OPWC River Road Emergency Slip	OPWC Bridge Replacement & Slayers	Revenue Bond 2015		OPWC Three Bridge Replacements	OPWC Rapp- Montgomery Road & Bridge	OPWC Multiple Box Culvert Replacement
			Principal	Interest			
2016	\$826	\$11,111	\$30,700	\$30,444	\$18,333	\$7,212	\$19,390
2017	826	11,111	31,800	29,224	18,333	7,212	19,390
2018	826	11,111	32,900	28,048	18,333	7,212	19,390
2019	826	11,111	34,200	26,830	18,333	7,212	19,390
2020	826	11,111	35,400	25,634	18,333	7,212	19,390
2021-2025	4,130	55,556	197,400	107,241	91,667	36,057	96,949
2026-2030	4,130	55,556	236,100	67,934	91,667	36,057	96,949
2031-2035	4,130	55,556	221,900	20,915	91,667	36,057	96,949
2036-2040	4,130	44,444	0	0	91,667	36,057	96,949
2041-2045	2,074	0	0	0	91,667	3,606	96,949
Total	<u>\$22,724</u>	<u>\$266,667</u>	<u>\$820,400</u>	<u>\$336,270</u>	<u>\$550,000</u>	<u>\$183,894</u>	<u>\$581,695</u>

The County's legal margin as of December 31, 2015 is \$1,745,397.

**NOTE 18 - NOTES PAYABLE**

A summary of the note transactions for the year ended December 31, 2015 follows:

	Outstanding at 01/01/15	Issued	Retired	Outstanding at 12/31/15
<i>Capital Projects Funds</i>				
<i>Non-Major Funds</i>				
Fairgrounds Improvement	\$67,000	\$55,000	\$67,000	\$55,000
Pike Senior Services	321,350	276,350	321,350	276,350
Real Estate	90,289	67,691	90,289	67,691
Total Non-Major Capital Project Funds	<u>478,639</u>	<u>399,041</u>	<u>478,639</u>	<u>399,041</u>
Total Governmental Obligations	<u>\$478,639</u>	<u>\$399,041</u>	<u>\$478,639</u>	<u>\$399,041</u>

All of the notes are backed by the full faith and credit of Pike County. The note liability is reflected in the fund which received the proceeds and will be retired from the general revenues of the County. All the notes scheduled to mature have interest rates of 3.50 percent.

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

**NOTE 19 – INTERFUND TRANSACTIONS**

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to 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 revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. These transfers comply with all applicable laws.

Transfers made during the year ended December 31, 2015, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<i>Major Funds:</i>		
General Fund	\$3,018	\$270,000
Motor Vehicle & Gas Tax Fund	10,000	0
Board of Developmental Disabilities Fund	0	26,123
Job and Family Services Fund	109,372	28,505
Non-Major Governmental Funds	417,736	215,498
Total All Funds	<u>\$540,126</u>	<u>\$540,126</u>

Interfund balances at December 31, 2015, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<i>Major Funds:</i>		
General Fund	\$531,567	\$0
Motor Vehicle & Gas Tax Fund	0	644
Board of Developmental Disabilities Fund	25,000	0
Non-Major Governmental Funds	0	555,923
Total All Funds	<u>\$556,567</u>	<u>\$556,567</u>

These balances primarily resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payment is made.

**NOTE 20 – JOINTLY GOVERNED ORGANIZATIONS**

**A. Buckeye Joint-County Self-Insurance Council**

The Buckeye Joint-County Self Insurance Council is a jointly governed organization that serves Athens, Hocking, Jackson, Meigs, Monroe, Morgan, Noble, Perry, Pike, Vinton, and Washington Counties and was formed as an insurance purchasing pool for the purpose of providing general liability, law enforcement, professional and fleet insurance. Member counties provide operating resources to the organization base on actuarially determined rates. The degree of control exercised by any participating government is limited to its representation on the Board. Pike County does not have any ongoing interest or responsibility in the organization.

*Ohio Government Risk Management Plan*

The Buckeye Joint-County Self Insurance Council belongs to the Ohio Government Risk Management Plan; an unincorporated non-profit association with approximately 500 public entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage's, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverage's and reinsures these coverage's. The Plan retains a small portion of the risk as identified in the Plan's financials presented on the website at [www.ohioplan.com](http://www.ohioplan.com). The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**B. Paint Valley Mental Health Alcohol and Drug Addiction Board of Pike, Fayette, Highland, Pickaway and Ross Counties**

The Paint Valley Mental Health Alcohol and Drug Addiction Board of Pike, Fayette, Highland, Pickaway and Ross Counties is a jointly governed organization that is responsible for developing, coordinating, modernizing, funding, monitoring and evaluating a community-based mental health and substance abuse program. The Board consists of eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health and four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services. The remaining members are appointed by the County Commissioners of Pike, Fayette, Highland, Pickaway, and Ross Counties in the same proportion as each County's population bears to the total population of the five counties combined. The Board receives revenue from the participating counties and receives federal and state funding through grant monies which are applied for and received by the Board of Trustees.

Pike County cannot significantly influence operations of the Board, who has sole budgetary authority and controls surpluses and deficits. Pike County has no ongoing financial interest or responsibility. During 2015, Pike County contributed \$349,949 to the program.

**NOTE 20 – JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**C. Hocking Valley Community Residential Center**

Hocking Valley Community Residential Center is a jointly governed organization created to construct and operate the Center for the rehabilitation of juvenile felony offenders. The multi-county agreement members are Pike, Hocking, Fairfield, Washington, Lawrence, Meigs, Jackson, Athens, Gallia, Vinton and Scioto Counties. The Juvenile Judge of each County is the County's representative to the Board of Advisors which in turns selects the superintendent of the Center.

The participating counties shall not be obligated to furnish funds for the construction or operation of the Center. All funds will be from the State of Ohio. Pike County does not have financial interest or responsibility.

**D. South Central Regional Juvenile Detention Center**

The South Central Regional Juvenile Detention Center is a jointly governed organization that was created as a holding place for juvenile offenders waiting for disposition by the respective Juvenile Courts of the member counties. The current members include Pike, Ross, Jackson, Fayette, Vinton and Highland Counties. The Center's Board consists of one member from each participating county that is appointed by the Juvenile Court Judge or a County Commissioner from each county. The joint Board selects the superintendent as the Center's administrator.

The Center's revenue is from per diem charges for inmates to the respective counties and a percentage of the county tax base to the total tax base. Ross County is the fiscal officer of the Center. Pike County does not have any financial interest or responsibility. During 2015, Pike County contributed \$90,861 to the Center.

**E. Ohio Valley Resource Conservation and Development Area, Inc.**

The Ohio Valley Resource Conservation and Development Area, Inc. is a jointly governed organization that is operated as a non-profit corporation. The Ohio Valley Resource Conservation and Development Area, Inc. were created to aid regional planning to participating counties. Pike County, along with Ross, Vinton, Highland, Brown, Adams, Scioto, Jackson, Gallia, and Lawrence Counties each appoints three members to the thirty member Council. The Council selects an administrator to oversee operations.

Each county contributes \$100 annually; other revenues are from USDA grants. Pike County does not have any financial interest or responsibilities nor can it significantly influence the management of the Center.

**F. Job Training Partnership Consortium**

The Governor has designated Pike, Scioto, Adams, Jackson, Highland and Brown Counties as a Service Delivery Area. A Job Training Partnership Agreement between Pike, Scioto, Adams, Jackson, Highland and Brown Counties Consortium and the Private Industry Council (PIC) was entered into pursuant to the provisions of the Job Training Partnership Act of 1982 (the Act) Public Law 97-300. The objective of the JTPA is to provide job training and related assistance to economically disadvantaged individuals and others who face significant employment barriers. Funds for the operations of the JTPA are received through grant revenue from the State of Ohio. Scioto County has been designated by the PIC, pursuant to Section 103 (b) (1) (B) of the Act, to serve as the grant recipient of all JTPA funds and any other federal, state or private funds which it is legally empowered to accept on behalf of the PIC.

Each Board of County Commissioners must choose a Chief Elected Official (CEO) to represent the County in the JTPA. The CEO is responsible for approving job training plans, grants, policies and operating guidelines for the administration of the programs, delegation of duties for the programs and appointment/termination of the Director of the Job Training Partnership Office. Pike County does not have any financial interest or responsibility.

**NOTE 20 – JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**G. Private Industry Council (PIC)**

The PIC is a jointly governed organization consisting of representatives from the private and public sectors of Pike, Scioto, Adams, Jackson and Brown Counties appointed by the County Commissioners from each county. The Board of Trustees is the governing board of the PIC. The Board of Trustees elects a President, Vice President, Secretary, Treasurer and an Executive Director. The President may execute, without limitation, contracts, bonds, notes, debentures, deeds, mortgages and other obligations in the name of the PIC. The County does not have any financial interest or responsibility. The Private Industry Council received no contributions from the County during 2015.

**H. Southern Ohio Development Initiative**

Southern Ohio Development Initiative was created with assistance from the U.S. Department of Energy to assist in the development of industrial areas to offset the potential downsizing and privatization of the Uranium Enrichment Plant in Piketon, Ohio. It is a legally separate, not for profit corporation with representatives from each of the counties impacted by the events at the Piketon Plant. The Counties involved in this initiative are Pike, Ross, Scioto and Jackson Counties. The County has no ability to impose its will on the organization nor is a burden/benefit relationship in existence. The Initiative received no contributions from the County during 2015.

**I. Southern Ohio Council of Governments**

The Pike County Board of DD is a member of the Southern Ohio Council of Governments (the “Council”), which is a jointly governed organization created under Ohio Revised Code Section 167.01. The governing body consists of a fifteen member board with each participating County represented by its Director of its Board of Developmental Disabilities. Member counties include: Adams, Athens, Brown, Clinton, Fayette, Gallia, Highland, Jackson, Lawrence, Meigs, Pickaway, Pike, Ross, Scioto, and Vinton Counties. The Council acts as fiscal agent for the Pike County Board of Developmental Disabilities’ supportive living program monies. The County had a \$127,939 balance on hand with the Council which includes investments at cost. Financial statements can be obtained by writing to the Southern Ohio Council of Governments, VA Medical Center, Building 8, 17273 State Route 104, Chillicothe, Ohio, 45601.

**NOTE 21 - RELATED ORGANIZATIONS**

**A. Garnet A. Wilson Library of Pike County**

The Garnet A. Wilson Library of Pike County is a political subdivision that is governed by a board of trustees appointed by the County Commissioners. The County has no ability to impose its will on the organization nor is a burden/benefit relationship in existence. The Library received no contributions from the County during 2015.

**B. Pike Metropolitan Housing Authority**

The Pike Metropolitan Housing Authority is a political subdivision that consists of five members. One member is appointed by the probate court, one member by the court of common pleas, one member by the board of county commissioners, and two members by the chief executive officer of the most populous city included in the district, in accordance with the last preceding federal census. The County has no ability to impose its will on the organization nor is a burden/benefit relationship in existence. The Authority received \$121,717 from the County during 2015.

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**NOTE 21 - RELATED ORGANIZATIONS (Continued)**

**C. Pike Adult Activities Center**

The Pike Adult Activities Center is a nonprofit organization that is governed by a self appointed Board. The Pike Adult Activities Center provides services to adults in Pike County and has a contract with Pike County Board of DD to provide certain services to these adults. The County has no ability to impose its will on the organization nor is a burden/benefit relationship in existence. The amount of payments made by the County to the Pike Adult Activities Center was \$15,131 for 2015 for goods and services plus the annual contract amount.

**NOTE 22 - CONTINGENT LIABILITIES**

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the County.

The Auditor of State's office is currently performing an on-going special audit over the department of Job and Family Services child support collections activity. The results of this review are pending.

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

**NOTE 23 – FUND BALANCES**

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

	General	Motor Vehicle & Gas Tax	Board of Developmental Disabilites	Job and Family Services	All Other Governmental Funds	Total Governmental Funds
<i>Nonspendable:</i>						
Materials & Supplies Inventory	\$61,314	\$310,948	\$0	\$0	\$14,546	\$386,808
Prepaid Items	4,788	1,024	426	0	5,058	11,296
Unclaimed Monies	316,012	0	0	0	0	316,012
Total Nonspendable	<u>382,114</u>	<u>311,972</u>	<u>426</u>	<u>0</u>	<u>19,604</u>	<u>714,116</u>
<i>Restricted:</i>						
Loans	0	0	0	0	1,487,067	1,487,067
Capital Projects	0	0	0	0	767,847	767,847
Debt Service	0	0	0	0	164,155	164,155
Community Development	0	0	0	0	776,026	776,026
Law Enforcement	0	0	0	0	98,916	98,916
Children Services	0	0	0	0	1,115,064	1,115,064
Child Support Enforcement	0	0	0	0	629,797	629,797
Motor Vehicle Gas Tax	0	1,821,592	0	0	0	1,821,592
Court Services	0	0	0	0	409,011	409,011
Senior Citizens	0	0	0	0	481,293	481,293
Board of Developmental Disabilities	0	0	4,724,776	0	0	4,724,776
Emergency Medical Services	0	0	0	0	1,161,349	1,161,349
Real Estate Assessment	0	0	0	0	906,276	906,276
Other Federal and State Programs	0	0	0	0	868,526	868,526
Total Restricted	<u>0</u>	<u>1,821,592</u>	<u>4,724,776</u>	<u>0</u>	<u>8,865,327</u>	<u>15,411,695</u>
<i>Assigned:</i>						
Future Appropriations	1,995,195	0	0	0	0	1,995,195
Encumbrances	98,585	0	0	0	0	98,585
Certificate of Title	628,750	0	0	0	0	628,750
General Government	10,387	0	0	0	0	10,387
Total Assigned	<u>2,732,917</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,732,917</u>
<i>Unassigned</i>	<u>7,212,679</u>	<u>0</u>	<u>0</u>	<u>(120,607)</u>	<u>(648,798)</u>	<u>6,443,274</u>
Total Fund Balances	<u><u>\$10,327,710</u></u>	<u><u>\$2,133,564</u></u>	<u><u>\$4,725,202</u></u>	<u><u>(\$120,607)</u></u>	<u><u>\$8,236,133</u></u>	<u><u>\$25,302,002</u></u>

**Pike County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**NOTE 24 – ENCUMBRANCES**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$98,585
Motor Vehicle and Gas Tax Fund	208,683
Board of Developmental Disabilities Fund	130,440
CDBG Revolving Loan Fund	38,283
Real Estate Assessment Fund	110,346
Children's Services Fund	30,767
Airport Improvement Fund	88,275
Emergency Medical Services Fund	42,100

**NOTE 25 – SUBSEQUENT EVENT**

In September 2015, the Department of Energy announced to end the American Centrifuge Test Demonstration and Operation (ACTDO) contract at the Portsmouth Gaseous Diffusion Plant in Piketon. At the present time no determination has been made regarding the financial impact of this action.

On January 28, 2016, the Board of Commissioners approved a resolution providing for the issuance of \$231,350 taxable various purpose Senior Center Bond Anticipation Note, Series 2016 by the County of Pike, Ohio in anticipation of the issuance of bonds, for the purpose of acquiring land and building, equipping and furnishing a Senior Center.

On January 28, 2016, the Board of Commissioners approved a resolution authorizing the issuance of a \$43,000 County Fairground Facility Bond Anticipation Note.

On June 20, 2016, the Board of Commissioners approved a resolution declaring it necessary to levy a one-half mill renewal tax and a one mill renewal tax for the purpose of providing Emergency Medical Services within Pike County.

On July 28, 2016, the Board of Commissioners approved to renew the Note at First National Bank in the amount of \$45,093.76 for the De La Pena building, to mature on July 28, 2017.

**Pike County, Ohio**  
*Required Supplementary Information*  
*Schedule of the County's Proportionate Share of Net Pension Liability*  
*Ohio Public Employees Retirement System - Traditional Plan*  
*Last Two Years (1)*

	2014	2013
County's Proportion of the Net Pension Liability	0.06118300%	0.06118300%
County's Proportionate Share of the Net Pension Liability	\$7,379,353	\$7,212,679
County Covered-Employee Payroll	\$7,810,197	\$10,615,575
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	94.48%	67.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented as of the County's measurement date which is the prior fiscal year.

**Pike County, Ohio**  
*Required Supplementary Information*  
*Schedule of the County's Proportionate Share of Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Two Years (1)*

	2015	2014	2013
County's Proportion of the Net Pension Liability	0.00225361%	0.00207886%	0.00207886%
County's Proportionate Share of the Net Pension Liability	\$622,832	\$505,651	\$602,328
County Covered-Employee Payroll	\$241,557	\$253,031	\$230,200
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	257.84%	199.84%	261.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.09%	74.71%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the County's measurement date which is the prior fiscal year.

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**Pike County, Ohio**  
*Required Supplementary Information*  
*Schedule of County Contributions*  
*Ohio Public Employees Retirement System - Traditional Plan*  
*Last Ten Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i><u>OPERS - Law Enforcement</u></i>				
Contractually Required Contribution	\$154,474	\$113,628	\$170,509	\$155,148
Contributions in Relation to the Contractually Required Contribution	<u>(154,474)</u>	<u>(113,628)</u>	<u>(170,509)</u>	<u>(155,148)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered-Employee Payroll	\$959,466	\$705,764	\$997,129	\$1,100,340
Contributions as a Percentage of Covered-Employee Payroll	16.10%	16.10%	17.10%	14.10%
<i><u>OPERS - All Others</u></i>				
Contractually Required Contribution	\$897,804	\$852,532	\$1,250,398	\$1,137,753
Contributions in Relation to the Contractually Required Contribution	<u>(897,804)</u>	<u>(852,532)</u>	<u>(1,250,398)</u>	<u>(1,137,753)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered-Employee Payroll	\$7,481,700	\$7,104,433	\$9,618,446	\$11,377,530
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%	10.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$140,654	\$153,664	\$148,026	\$144,791	\$136,577	\$132,364
<u>(140,654)</u>	<u>(153,664)</u>	<u>(148,026)</u>	<u>(144,791)</u>	<u>(136,577)</u>	<u>(132,364)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$997,546	\$1,193,970	\$1,220,330	\$1,392,221	\$1,170,326	\$1,064,875
14.10%	12.87%	12.13%	10.40%	11.67%	12.43%
\$1,031,463	\$1,126,870	\$1,085,526	\$1,061,797	\$1,001,567	\$970,673
<u>(1,031,463)</u>	<u>(1,126,870)</u>	<u>(1,085,526)</u>	<u>(1,061,797)</u>	<u>(1,001,567)</u>	<u>(970,673)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$10,314,630	\$12,520,778	\$12,770,894	\$15,168,529	\$11,994,814	\$10,550,793
10.00%	9.00%	8.50%	7.00%	8.35%	9.20%

**Pike County, Ohio**  
*Required Supplementary Information*  
*Schedule of County Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Years*

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	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$33,818	\$32,894	\$29,926	\$25,319
Contributions in Relation to the Contractually Required Contribution	<u>(33,818)</u>	<u>(32,894)</u>	<u>(29,926)</u>	<u>(25,319)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
County Covered-Employee Payroll	\$241,557	\$253,031	\$230,200	\$194,762
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$22,354	\$20,811	\$13,315	\$12,087	\$12,102	\$12,324
<u>(22,354)</u>	<u>(20,811)</u>	<u>(13,315)</u>	<u>(12,087)</u>	<u>(12,102)</u>	<u>(12,324)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$171,954	\$160,085	\$102,423	\$92,977	\$93,092	\$94,800
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

Federal Grantor / Pass through Grantor / Program Title	Federal CFDA Number	Pass-Through Grant Number	Pass-Thru Subrecipient	Expenditures
<b><u>U.S. Department of Agriculture</u></b>				
<i>Passed through Ohio Department of Job and Family Services:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1617-11-5567	\$0	\$264,639
<b>Total U.S. Department of Agriculture</b>			<u>0</u>	<u>264,639</u>
<b><u>United States Department of Commerce</u></b>				
<i>Direct from Federal Government:</i>				
Investments for Public Works and Economic Development Facilities	11.300	N	0	126,007
<b>Total U.S. Department of Commerce</b>			<u>0</u>	<u>126,007</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>				
<i>Passed through Ohio Department of Development:</i>				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii:				
Community Development Program	14.228	B-F-14-1CI-1	0	115,865
Community Development Program	14.228	B-F-13-1CI-1	0	5,500
Appalachian Regional Commission Program	14.228	B-C-13-1CI-1	0	81,398
Community Development Program	14.228	B-P-13-1CI-1	0	182,751
Neighborhood Stabilization Program	14.228	B-W-13-1CI-1	0	97,552
Revolving Loan Programs (Note F)	14.228	N/A	121,717	392,989
Total Community Development Block Grant			<u>121,717</u>	<u>876,055</u>
HOME Investment Partnerships Program:				
HOME Investment Partnership Program	14.239	B-C-13-1CI-2	0	169,748
Revolving Loan Programs (Note F)	14.239	N/A	0	20,413
Total HOME Investment Partnerships Program			<u>0</u>	<u>190,161</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>121,717</u>	<u>1,066,216</u>
<b><u>U.S. Department of Transportation</u></b>				
<i>Direct from the Federal Government:</i>				
Airport Improvement Program	20.106	3-39-0088-1013	0	1,642
Airport Improvement Program	20.106	3-39-0088-011-2014	0	1,437,224
Total Airport Improvement Program			<u>0</u>	<u>1,438,866</u>
<i>Passed Through Ohio Department of Transportation:</i>				
Highway Planning and Construction	20.205	PID #91366	0	3,396
Highway Planning and Construction	20.205	PID #101423	0	87,988
Highway Planning and Construction	20.205	PID #101943	0	14,228
Total Highway Planning and Construction			<u>0</u>	<u>105,612</u>
<i>Passed Through Ohio Department of Public Safety:</i>				
State and Community Highway Safety	20.600	STEP-2015-66-00-00-00505-00	0	1,651
National Priority Safety Programs	20.616	IDEP-2015-66-00-00-00418-00	0	3,287
<b>Total U.S. Department of Transportation</b>			<u>0</u>	<u>1,549,416</u>
<b><u>U.S. Department of Education</u></b>				
<i>Passed through Ohio Department of Education:</i>				
<i>Special Education Cluster:</i>				
Special Education - Grants to States	84.027	6B-SF	0	9,813
Special Education - Preschool Grants	84.173	PG-S1	0	302
Total Special Education Cluster			<u>0</u>	<u>10,115</u>
<i>Passed through Ohio Department of Health:</i>				
Special Education - Grants for Infants and Families FY12	84.181	N/A	0	59,171
<b>Total U.S. Department of Education</b>			<u>0</u>	<u>69,286</u>

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

Federal Grantor / Pass through Grantor / Program Title	Federal CFDA Number	Pass-Through Grant Number	Pass-Thru Subrecipient	Expenditures
<b><u>U.S. Department of Homeland Security</u></b>				
<i>Passed through Ohio Emergency Management Agency:</i>				
Emergency Management Performance Grants	97.042	EMW-2014-EP-00064	0	4,577
<b>Total U.S. Department of Homeland Security</b>			<b>0</b>	<b>4,577</b>
<b><u>U.S. Department of Health and Human Services</u></b>				
<i>Passed through Ohio Department of Job and Family Services:</i>				
Promoting Safe and Stable Family	93.556	N/A	0	7,451
Child Support Enforcement	93.563	G-1415-11-5414	0	266,466
Child Welfare Services - State Grants	93.645	N/A	0	50,742
Foster Care Title IV-E	93.658	N/A	0	398,754
Adoption Assistance	93.659	N/A	0	119,310
Child Abuse Prevention Grants	93.590	N/A	0	2,000
<i>Temporary Assistance for Needy Families:</i>				
Temporary Assistance for Needy Families	93.558	G-1415-11-5414	0	1,801,273
<b>Total Temporary Assistance for Needy Families</b>			<b>0</b>	<b>1,801,273</b>
<i>Child Care and Development Block Grant Cluster:</i>				
Child Care and Development Block Grant	93.575	G-1415-11-5414	0	61,176
<b>Total Child Care and Development Block Grant Cluster</b>			<b>0</b>	<b>61,176</b>
<i>Passed through Ohio Department of Job &amp; Family Services:</i>				
<i>Medical Assistance Program:</i>				
Title XIX	93.778	G-1415-11-5414	0	490,235
<i>Passed through Ohio Department of Developmental Disabilities:</i>				
<i>Medical Assistance Program:</i>				
Title XIX Medicaid Administrative Claiming	93.778	N/A	0	166,326
<b>Total Medical Assistance Program</b>			<b>0</b>	<b>656,561</b>
<i>Passed through Ohio Department of Job &amp; Family Services:</i>				
<i>Social Services Block Grant</i>				
Social Services Block Grant	93.667	G-1415-11-5414	0	267,553
<i>Passed through Ohio Department of Developmental Disabilities:</i>				
<i>Social Services Block Grant</i>				
Social Services Block Grant	93.667	N/A	0	26,610
<b>Total Social Services Block Grant</b>			<b>0</b>	<b>294,163</b>
<i>Passed through the Ohio Department of Health:</i>				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Progra	93.505	N/A	0	238,374
<b>Total U.S. Department of Health and Human Services</b>			<b>0</b>	<b>3,896,270</b>
<b><u>U.S. Department of Justice</u></b>				
<i>Passed through Ohio Office of Criminal Justice Services:</i>				
Edward Byrne Memorial Justice Assistance Grant	16.738	2012-JG-A02-V6034	0	14,614
<b>Total U.S. Department of Justice</b>			<b>0</b>	<b>14,614</b>
<b>Total Federal Awards Expenditures</b>			<b>\$121,717</b>	<b>\$6,991,025</b>

See the accompanying notes to the schedule of federal awards expenditures.

**Pike County, Ohio**  
*Notes to the Schedule of Expenditures of Federal Awards*  
*For the year ended December 31, 2015*

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**NOTE A – BASIS OF PRESENTATION**

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

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS WITHOUT CONTINUING COMPLIANCE REQUIREMENTS**

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property.

**NOTE D – MATCHING REQUIREMENTS**

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

**NOTE E – TRANSFERS BETWEEN FEDERAL PROGRAMS**

During fiscal year 2015, the County made allowable transfers of **\$244,242** from the Social Services Block Grant (SSBG) (93.667) program to Temporary Assistance for Needy Families (TANF) (93.558) program. The Schedule shows the County spent approximately **\$267,553** on the Social Services Block Grant program. The amount reported for the Social Services Block Grant program on the Schedule excludes the amount transferred TANF program. The amount transferred to the TANF program is included as TANF expenditures when disbursed. The following table shows the gross amount drawn for the Social Services Block Grant program during fiscal year 2015 and the amount transferred to the Temporary Assistance for Needy Families program.

Social Services Block Grant	\$511,795
Transferred to Temporary Assistance for Needy Families	<u>(244,242)</u>
<b>Total Social Services Block Grant</b>	<b>\$267,553</b>

**Pike County, Ohio**  
*Notes to the Schedule of Expenditures of Federal Awards*  
*For the year ended December 31, 2015*

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**NOTE F – REVOLVING LOAN PROGRAMS**

Community Development Revolving Loan Programs must report as part of their federal schedule expenditures related to any new loans made, administrative costs paid and the fund balance of the revolving loan program. Also any expenditure made from the programs that have been approved by ODOD to be used for another purpose other than loans must be reported. The B-F-14-1CI-1 received a grant of monies from an old revolving loan fund in 2015 of \$30,365. Expenditures of \$121,717 from an old revolving loan fund were approved by ODOD to be passed to the Metropolitan Housing Authority. New loans made, administrative costs and fund balances totaled \$270,912 for CDBG and \$20,413 for HOME.



# Dave Yost • Auditor of State

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

Pike County  
230 Waverly Plaza  
Waverly, Ohio 45690

To the Board of County Commissioners::

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pike County, (the County) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 9, 2017, ],which was qualified for Governmental Activities, Business-Type Activities, and the Sewer Fund because we were unable to obtain the necessary assurances regarding the accuracy, completeness, existence, and valuation of the capital assets and related accumulated depreciation, depreciation expense and net investment in capital assets, and wherein we noted the County adopted new accounting guidance in Governmental Accounting Standards Board Statement No 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No.27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider material weaknesses. We consider findings 2015-001 through 2015-003 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2015-002, 2015-004 and 2015-005.

***Entity's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 9, 2017



# Dave Yost • Auditor of State

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

Pike County  
230 Waverly Plaza  
Waverly, Ohio 45690

To the Board of County Commissioners:

### ***Report on Compliance for Each Major Federal Program***

We have audited Pike County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Pike County's major federal programs for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings and questioned costs identifies the County's major federal programs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### ***Basis for Qualified Opinion on Community Development Block Grant***

As described in findings 2015-006 through 2015-008 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-006	14.228	Community Development Block Grant	Reporting
2015-007	14.228	Community Development Block Grant	Cash Management
2015-008	14.228	Community Development Block Grant	Allowable Costs

Compliance with these requirements is necessary, in our opinion, for the County to comply with the requirements applicable to this program.

***Qualified Opinion on Community Development Block Grant***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Community Development Block Grant* paragraph, Pike County complied, in all material respects, with the requirements referred to above that could directly and materially affect its Community Development Block Grant for the year ended December 31, 2015.

***Unmodified Opinion on Each of the Other Major Federal Programs***

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

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

***Report on Internal Control over Compliance***

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses, described in the accompanying schedule of findings and questioned costs as items 2015-006 through 2015-008.

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

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



Dave Yost  
Auditor of State

Columbus, Ohio

March 9, 2017

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**PIKE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**2 CRF §200.515**  
**DECEMBER 31, 2015**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified except for Governmental Activities – Qualified Business-Type Activities – Qualified Sewer Fund - Qualified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified on Cash Management and Allowable Costs for CDBG Unmodified all others
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR §200.516(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #14.228 CDBG CFDA #20.106 Airport Improvement Program Assistance CFDA #93.778 Medical Assistance Program
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2015-001**

**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. All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

We noted the following conditions related to the County accounting and financial reporting:

- The County financial statements did not include all General fund transactions. As result: General fund revenue, transfer-in, and advances-in accounts were understated by a net amount of \$404,959; expenditure, transfer-out, and advances-out accounts were understated by a net amount of \$110,294; and cash was understated by \$294,665.
- The County incorrectly classified the General fund balance as unassigned; instead of, assigned in the amount of \$1,995,195.
- The County understated Sewer fund contractual services expenses and overstated the Sewer fund cash balance by \$228,005.
- The County overstated Sewer fund contracts payable and contractual services expenses by \$61,422.
- The Sewer fund financial statements did not reflect principal payments made of \$20,000, contractual services expenses of \$12,700 and supplies expenses of \$11,608.
- The County misclassified \$58,566 in Sewer fund loan proceeds as intergovernmental revenue.
- The County misclassified \$641,710 in Pike County Board of Developmental Disabilities Fund charges for services and other revenue as intergovernmental revenue.
- The County understated beginning 2015 Governmental Activity Net Pension Liability by \$1,587,645.

The County has posted these adjustments to the financial statements and accounting records where appropriate.

Inaccurate recording of transactions reduces management's ability to monitor County resources and increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

We recommend that the County accurately reports financial transactions that reflect their accounting records.

**Officials' Response:**

The County purchased a new accounting system that will help with coding and posting error.

**FINDING NUMBER 2015-002**

**Noncompliance/Material Weakness**

Ohio Administrative Code Section 117-02-2-02(A) requires the County to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The County is also responsible for the design and implementation of an internal control process that provides reasonable assurance as to the integrity of its financial reporting and the efficiency and effectiveness of its operation.

The County did not maintain complete records of capital assets and related depreciation that supported amounts presented on the financial statements.

Failure to maintain detailed, accurate and complete capital assets records could result in difficulties locating assets, monitoring useful lives, and ensuring adequate reporting of asset activity. This could also result in financial statement errors, and increases the risk of undetected loss or misappropriation of County capital assets.

We recommend the following related to capital assets:

- Review of the County policy on capital assets to ensure it is designed to document the initial receipt of donated assets, accurately value purchased assets, record accurate depreciation, record accurate disposals and help ensure accuracy and completeness of their capital asset records continuously throughout the year.
- Implement of procedures to support policy compliance.
- Maintain of capital asset information sufficient to account for specific assets.
- Ensure that capital asset activity and balances are accurately reflected in the financial statements.
- Consider engaging an independent appraisal firm to establish thorough and accurate initial capital asset records.
- Implement a tagging system to ensure accountability for individual assets and facilitate verification of the completeness and accuracy of capital asset records.
- Implement the use of forms for use in dispositions or transfers of capital assets.

**Officials' Response:**

The County is in the process of contracting with a valuation company to do a complete inventory of all the county's capital assets.

**FINDING NUMBER 2015-003**

**Material Weakness**

Ohio Revised Code Section 319.14 requires the county auditor in part to “keep an accurate account current with the county treasurer, showing all moneys paid into the treasury, the amount of such moneys, the time when, by whom, from what source, and to what fund paid, and showing all moneys paid out, the amount of such moneys, the time when, to whom, for what purpose, and from what fund paid.”

Ohio Revised Code Section 321.09 requires that each business day, the county treasurer “shall make a statement to the county auditor for the preceding day, showing the amount of taxes received and credited to the various undivided tax funds, the amount received on auditor’s draft, the amount received from all other sources, the total amount deposited in the depository, the total amount paid by check on the depository, the total amount paid out in cash, the balance in the depository, and the balance in the county treasury.”

The County Auditor and County Treasurer communicated the required information, with the exception of the financial activity and balances of the payroll clearing fund. During the audit period, certain electronic payments were not recorded in the payroll clearing fund on the County Auditor records. These electronic payments subsequently reduced the bank balance, and although the County Auditor and County Treasurer fund balances reconciled (for all funds except the payroll clearing fund), the County Treasurer in May 2015 noted unidentified reconciling items that prevented an accurate reconciliation with the bank. The County Treasurer contracted with the Local Government Services (LGS) division of the Auditor of State to assist in the reconciliation process. After extensive research, LGS determined that the County fund balances exceeded the bank balances at December 31, 2015 by \$1,039,290. The County Auditor subsequently determined that the electronic payments were never deducted from the payroll clearing fund. The County Auditor and County Treasurer have both recorded the electronic payments in their accounting records; the County Auditor and County Treasurer fund balances reconcile, and the County Treasurer balances reconcile with the bank at December 31, 2015.

Strong monitoring practices of County financial activities are an essential responsibility of management, and completing timely, accurate reconciliations are an integral part of that responsibility. Lack of timely follow up on issues identified during the monitoring process increases the risk that errors, theft and fraud could occur and not be detected in a timely manner. We recommend that the County Auditor and County Treasurer include the payroll clearing fund in their reconciliation process. We also recommend that the County Auditor and County Treasurer work together to resolve any issues with the reconciliation between their respective fund balances, and any issues with the Treasurer’s reconciliation with the bank, in a timely manner.

**Officials’ Response:**

The County purchased a new accounting system that will assist with the reconciliation between the two departments. In addition, the County will be reconciling the payroll clearing account on a regular basis.

**FINDING NUMBER 2015-004**

**Noncompliance**

Ohio Revised Code Section 135.18, states, in part, that the treasurer of a political subdivision shall require the institution designated as a public depository to pledge to an deposit with the treasurer, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above the portion or amount of such moneys as is at that time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

The County Treasurer had \$14,453,861 on deposit in government accounts at First National Bank at December 31, 2015. These deposits were partially secured by FDIC insurance of \$250,000 and the Treasurer accounts are also covered by \$12,012,052 of pledged securities. Therefore, contrary to Ohio law, the Pike County Treasurer had \$2,191,809, in uncollateralized monies.

**Officials' Response:**

When this issue was discovered, the County Treasurer discussed with the bank and moved funds to other investment accounts in order for County deposits to have adequate collateral.

**FINDING NUMBER 2015-005**

**Noncompliance**

During the period of December 26, 2013 through October 31, 2014, the Pike County Jobs and Family Services (PCJFS) department issued 976 receipts and collected \$182,838.95 in child support payments. However, during this period, the PCJFS only deposited \$181,138.95 resulting in a variance of \$1,700. We identified eight receipts totaling \$1,700 for child support payments paid in cash that were not posted to the Ohio Department of Jobs and Family Services financial management system and were not deposited into the bank. We determined six of the eight receipts totaling \$1,280 were issued by Amber McKee.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Amber McKee totaling \$1,280 for public money collected but unaccounted for and in favor of Pike County Jobs and Family Services fund.

**Officials' Response:**

Job and Family Services director has reviewed and modified the internal controls over cash management.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2015-006
<b>CFDA Title and Number</b>	Community Development Block Grants, #14.228
<b>Federal Award Identification Number/Year</b>	B-F-14-I-CI-1 / B-P-13-1CI-4
<b>Federal Agency</b>	United States Department of Housing and Urban Development
<b>Pass-Through Agency</b>	Ohio Department of Development
<b>Repeat Finding from Prior Audit?</b>	No

**FINDING NUMBER 2015-006  
 (Continued)**

**Noncompliance/Material Weakness**

**2 CFR Part 200 Subpart F** sets forth standards for the audit of non-federal entities expending Federal Awards. The auditee shall identify, in its accounts, all Federal awards expended and the Federal Programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

2 CFR Part 200 Subpart F states, in part, the auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements.

The County does not have a system in place to identify and monitor the federal award expenditures. The county relies on the various departments that manage each award to provide expenditure data and grant agreements to the accounting firm which compile the information of the schedule. The procedures utilized to prepare the County's Schedule of Federal Awards Expenditures were inadequate, as such, the County's Schedule of Federal Awards Expenditures presented for audit did not accurately list all federal expenditures expended by the County. We identified numerous errors during our review of the schedules completed by the various departments of the County, including the overstatement of a Community Development Block Grant CFDA 14.228 in the amount of \$250,000. Inaccurate completion of the federal departmental schedules could lead to inaccurate reporting of federal expenditures by the County, and possible loss of federal funding. Adjustments were made to the County's Schedule of Federal Awards Expenditures for the errors noted above.

We recommend that the County develop a system to identify federal award expenditures and monitor its agreements for federal program periodically during the year to ensure that all federal funds are being properly reported on the Schedule of Federal Awards Expenditures.

**Officials' Response:**

The Grants Office director is developing a system to identify federal award expenditures and monitor its agreements with federal programs.

<b>Finding Number</b>	2015-007
<b>CFDA Title and Number</b>	Community Development Block Grants, #14.228
<b>Federal Award Identification Number/Year</b>	B-F-14-I-CI-1 / B-P-13-1CI-4
<b>Federal Agency</b>	United States Department of Housing and Urban Development
<b>Pass-Through Agency</b>	Ohio Department of Development
<b>Repeat Finding from Prior Audit?</b>	Yes Finding Number 2014-002

**Noncompliance/Material Weakness**

24 CFR 85.21 subsection (c) indicates grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of funds and their disbursement by the grantee or subgrantee. As provided in subsection (i), except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act (31 U.S.C. 6501 et seq.) and the Indian Self-Determination Act (23 U.S.C. 450) grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal Agency. The grantee or subgrantee may keep interest amounts up to \$100 per year for administrative expenses.

**FINDING NUMBER 2015-007  
 (Continued)**

Community Development Block Grant (CDBG) funds were not expended within 15 days to a fund balance of less than \$5,000 for two drawdowns of CDBG grant funding received during the audit period. Fund balances ranged from \$26,672 to \$86,771. Also, the County did not have procedures in place to quarterly monitor whether interest earned on federal funds exceeded \$100 in a year. Interest earned on federal funds exceeding \$100 may be required to be returned to the grantor. Also, it was noted that an oversight review was performed by ODSA on the CDBG ARC Program (B-P-13-1CI-4) and the review resulted in the County being required to repay \$53,762.22 due to a project pro-rata violation. Furthermore, it was noted the CDBG Community Development Grant Program (B-F-14-1CI-1) had \$5,500 in funds not drawn by the required date resulting in the reduction of these funds from available grant funds.

We recommend the grant coordinator develop a cash management system to ensure compliance with the 15 day rule and the monitoring of any interest earned on federal funds. Also, grant drawdowns should be monitored to ensure that projects funding sources are properly pro-rates and projects are started and completed within the time frame specified by the grant agreement.

**Officials' Response:**

The Grants Office director will monitor cash needs more closely to help ensure the prompt disbursement of grant funds.

<b>Finding Number</b>	2015-008		
<b>CFDA Title and Number</b>	Community Development Block Grants, #14.228		
<b>Federal Award Identification Number / Year</b>	B-F-14-I-CI-1		
<b>Federal Agency</b>	United States Department of Housing and Urban Development		
<b>Pass-Through Entity</b>	Ohio Department of Development		
<b>Repeat Finding from Prior Audit?</b>	<b>NO</b>	<b>Finding Number (if repeat)</b>	

**Noncompliance/Material Weakness/Questioned Costs**

2 CFR Part 225 provides guidelines on allowable costs. As part of a monitoring review performed by the Office of Community Development (OCD), Pike County was found not to be in compliance with the following Community Development Block Grant (CDBG) regulations at the present time: 24 C.F.R. Part 85 and OMB Circular A-87 as set forth in the Ohio CDBG Small Cities Handbook (Chapter 6).

Per monitoring review of CDBG grant (B-F-14-1CI-1) by the Office of Community Development (OCD), the County was awarded \$91,000 in the prior year 2014 funds; \$72,800 of which was expended for the purchase and distribution of fire protection equipment for the County's fire departments, and \$18,200 of which was awarded for administration and the County's fair housing program. \$5,500 of administration and fair housing program funds were not drawn prior to the February 29, 2016 deadline; therefore those funds have been canceled.

The County provided documentation of the receipt and distribution of the fire protection equipment, referencing each item's cost and location. The purchase of equipment with CDBG funds is generally ineligible (24 CFR Section 570.207(1), but HUD makes an exception for fire protection (24 CFR Section 570.201(c). It was determined in the monitoring review by OCD that the majority of the CDBG purchased equipment was distributed to the Pike County Sheriff's Office and two local police departments. This is not an eligible use of CDBG funds.

**FINDING NUMBER 2015-008  
(Continued)**

The County documented the expenditure of \$72,800 in prior year 2014 CDBG Allocation funds for the \$117,517 total project cost. \$25,730 of fire protection equipment was given to eligible recipients and was allowed to be retained by the County. The County must return the difference of \$47,070 (\$72,800 - \$25,730) to OCD.

The County's prior year 2014 application included a commitment of \$25,000 from the CDBG Economic Development Revolving Loan Fund (RLF) for a portion of the local match. However, County was unable to document whether these funds were disbursed to complete the project. The RLF must adhere to the same eligibility requirements as other CDBG programs. If the County used RLF funds to purchase equipment for any entity other than a fire department, the County must reimburse the RLF account and submit documentation of the transaction to OCD. However, our audit procedures indicated that \$30,365.50 was spent from the Revolving Fund (#2167) for the purchase of this equipment that was provided to ineligible recipients. Therefore, we determined this amount should be reimbursed to the Revolving Loan Fund and the County should submit documentation of the transaction to OCD.

We recommend the County return the required \$47,070 to OCD, return the \$30,365.50 to the Revolving Loan Fund and provide documentation to OCD and ensure future grant costs are only used to benefit eligible recipients.

**Officials Response:**

The Grants Office director will review the eligible criteria to ensure only eligible recipients are receiving funds.

**PIKE COUNTY FINANCIAL CONDITION  
PIKE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS [AND QUESTIONED COSTS]  
2 CFR 200.511(b)  
DECEMBER 31, 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Significant Deficiency – Incorrect posting and reporting of various items.	Not Corrected	Repeated as 2015-001
2014-002	Noncompliance/Material Weakness – Cash Management – Formula Grant activities were not started in required time frame, resulting in County being required to pay back a portion.	Not Corrected	Repeated as 2015-007
2014-003	Noncompliance/Material Weakness – OMB Circular A133, Subpart C, Section .300(a) – County did not maintain separate fund for the Developmental Disabilities Social Services Block Grant.	Not Corrected	No new fund was established. Finding was not repeated since grant was not tested in 2015.
2014-004	Material Weakness - Pike County Developmental Disabilities and Job and Family Services lacked controls over Eligibility Determinations for individuals receiving SSBG services, such as eligibility forms tested not being signed by the Eligibility Determiner or marked as approved or denied.	Partially Corrected	Job and Family Services portion was corrected, but not Developmental Disabilities. Finding was not repeated since grant was not tested in 2015.

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**PIKE COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
DECEMBER 31, 2015**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2015-001	The County purchased a new accounting system that will help with coding and posting error.	October 3, 2016	Erica J. Snodgrass, CPA, County Auditor
2015-002	The County is in the process of contracting with a valuation company to do a complete inventory of all the county's capital assets	August 1, 2017	Erica J. Snodgrass, CPA, County Auditor
2015-003	The County purchased a new accounting system that will assist with the reconciliation between the two departments. In addition, the County will be reconciling the payroll clearing account on a regular basis.	October 3, 2016	Erica J. Snodgrass, CPA, County Auditor Donald E. Davis, County Treasurer
2015-004	When this issue was discovered, the County Treasurer discussed with the bank and moved funds to other investment accounts in order for County deposits to have adequate collateral.	March 22, 2017	Donald E. Davis, County Treasurer
2015-005	Job and Family Services Director has reviewed and modified the internal controls over cash management.	December 31, 2014	Sondra Lawhorn, Director Job and Family Services
2015-006	The Grants Office director is developing a system to identify federal award expenditures and monitor its agreements with federal programs.	August 31, 2017	Gary Arnett, Development Director
2015-007	The Grants Office director will monitor cash needs more closely to help ensure the prompt disbursement of grant funds.	August 31, 2017	Gary Arnett, Development Director
2015-008	The Grants Office director will review the eligible criteria to ensure only eligible recipients are receiving funds.	August 31, 2017	Gary Arnett, Development Director

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# Dave Yost • Auditor of State

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  
APRIL 4, 2017