



Dave Yost • Auditor of State

PIKE COUNTY
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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, 2016, 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

Opinion Unit	Type of Opinion
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, 2016. Amounts reported for capital assets represented the following percentages of Total Assets for each opinion unit:

Opinion Unit	Capital Asset Amount (net of accumulated depreciation)	Percentage of Total Assets
Governmental Activities	\$51,781,086	60%
Business-Type Activities	2,256,533	74%
Major Sewer Fund	2,256,533	74%
Opinion Unit	Depreciation Expense	Percentage of Total Expense
Governmental Activities	\$2,819,239	9%
Business-Type Activities	105,408	13%
Major Sewer Fund	105,408	13%

Opinion Unit	Net Investment in Capital Assets	Percentage of Net Position
Governmental Activities	\$42,571,775	67%
Business-Type Activities	1,995,700	75%
Major Sewer Fund	1,995,700	75%

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, 2016, 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 funds and the aggregate remaining fund information of Pike County, Ohio (the County), as of December 31, 2016, 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.

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 schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 1, 2018, 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.



Dave Yost
Auditor of State

Columbus, Ohio

March 1, 2018

Pike County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

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, 2016. 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 2016 are as follows:

- The County's net position decreased \$1,518,899 as a result of this year's operations. Net position of our business-type activities increased \$940,144, and net position of our governmental activities decreased \$2,459,043.
- General revenues for governmental activities accounted for \$11,393,878 in revenue or 37.19 percent of all revenues. Program specific revenues for governmental activities in the form of charges for services and sales, grants and contributions accounted for \$19,240,198 or 62.81 percent of total revenues of \$30,634,076.
- The County had \$33,039,357 in expenses related to governmental activities; \$19,240,198 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 2016?"

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, 2016
Unaudited

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, 2016
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 2016 compared to 2015:

Table 1

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015
<u>Assets:</u>						
Current and Other Assets	\$34,330,549	\$34,725,541	\$1,532,308	\$574,989	\$35,862,857	\$35,300,530
Capital Assets, Net	51,764,503	52,548,444	2,347,785	2,333,127	54,112,288	54,881,571
<i>Total Assets</i>	<u>86,095,052</u>	<u>87,273,985</u>	<u>3,880,093</u>	<u>2,908,116</u>	<u>89,975,145</u>	<u>90,182,101</u>
Deferred Outflows of Resources	6,822,669	1,473,538	56,618	17,585	6,879,287	1,491,123
<u>Liabilities:</u>						
Current and Other Liabilities	1,641,412	1,705,089	26,228	28,972	1,667,640	1,734,061
<i>Long-Term Liabilities:</i>						
Due within One Year	1,307,331	1,200,156	19,105	15,849	1,326,436	1,216,005
<i>Due in More Than One Year:</i>						
Net Pension Liability	14,107,800	7,909,937	141,003	92,248	14,248,803	8,002,185
Other Amounts	8,116,183	7,466,725	261,263	240,767	8,377,446	7,707,492
<i>Total Liabilities</i>	<u>25,172,726</u>	<u>18,281,907</u>	<u>447,599</u>	<u>377,836</u>	<u>25,620,325</u>	<u>18,659,743</u>
Deferred Inflows of Resources	3,597,200	3,858,778	2,724	1,621	3,599,924	3,860,399
<u>Net Position:</u>						
Net Investments in Capital Assets	43,309,266	44,810,436	2,086,952	2,092,634	45,396,218	46,903,070
Restricted	18,779,598	17,464,674	0	0	18,779,598	17,464,674
Unrestricted	2,058,931	4,331,728	1,399,436	453,610	3,458,367	4,785,338
<i>Total Net Position</i>	<u>\$64,147,795</u>	<u>\$66,606,838</u>	<u>\$3,486,388</u>	<u>\$2,546,244</u>	<u>\$67,634,183</u>	<u>\$69,153,082</u>

During 2016, 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.

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.

Pike County, Ohio
Management's Discussion and Analysis
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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

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 decreased \$63,677 as a result of a decrease in accounts payable and contracts payable. Long-term liabilities in the governmental activities increased as a result of the change in estimate for net pension liability.

Business-type activities in 2016 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 change in estimate for net pension liability. Table 2 shows the changes in net position for 2016 compared to 2015.

Pike County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$3,932,540	\$3,460,928	\$577,837	\$575,418	\$4,510,377	\$4,036,346
Operating Grants & Contributions	13,477,941	13,349,608	0	92,377	13,477,941	13,441,985
Capital Grants & Contributions	1,829,717	2,477,690	1,017,618	0	2,847,335	2,477,690
Total Program Revenues	19,240,198	19,288,226	1,595,455	667,795	20,835,653	19,956,021
<i>General Revenues:</i>						
Property and Sales Taxes	9,211,660	8,343,802	0	0	9,211,660	8,343,802
Grants and Entitlements	519,387	174,478	0	0	519,387	174,478
Unrestricted Investment Earnings	149,528	154,522	0	0	149,528	154,522
Gain on Sale of Capital Assets	7,072	0	0	0	7,072	0
Other	1,506,231	1,121,892	3,975	3,378	1,510,206	1,125,270
Total General Revenues	11,393,878	9,794,694	3,975	3,378	11,397,853	9,798,072
Total Revenues	30,634,076	29,082,920	1,599,430	671,173	32,233,506	29,754,093
Program Expenses:						
<i>General Government:</i>						
Legislative & Executive	7,253,244	6,226,922	0	0	7,253,244	6,226,922
Judicial	1,796,073	1,296,893	0	0	1,796,073	1,296,893
Public Safety	6,366,085	4,169,710	0	0	6,366,085	4,169,710
Public Works	4,425,042	6,563,998	0	0	4,425,042	6,563,998
Health	4,921,117	5,809,516	0	0	4,921,117	5,809,516
Human Services	7,413,976	6,831,270	0	0	7,413,976	6,831,270
Conservation and Recreation	168,966	140,003	0	0	168,966	140,003
Economic Development and Assistance	512,686	968,356	0	0	512,686	968,356
Interest and Fiscal Charges	182,168	184,663	0	0	182,168	184,663
Pike County Sewer Fund	0	0	713,048	810,287	713,048	810,287
Total Program Expenses	33,039,357	32,191,331	713,048	810,287	33,752,405	33,001,618
Net Position before Transfers	(2,405,281)	(3,108,411)	886,382	(139,114)	(1,518,899)	(3,247,525)
Transfers	(53,762)	0	53,762	0	0	0
Changes in Net Position	(2,459,043)	(3,108,411)	940,144	(139,114)	(1,518,899)	(3,247,525)
Net Position at January 1	66,606,838	69,715,249	2,546,244	2,685,358	69,153,082	72,400,607
Net Position at December 31	\$64,147,795	\$66,606,838	\$3,486,388	\$2,546,244	\$67,634,183	\$69,153,082

Pike County, Ohio
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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 decrease in public works expenses is primarily due to an decrease of work performed for road and bridge improvements. 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 decrease in economic development and assistance is directly related to a decrease 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 governmental 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.

Table 3
 Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
General Government - Legislative and Executive	\$7,253,244	\$6,226,922	\$5,736,452	\$4,959,814
General Government - Judicial	1,796,073	1,296,893	1,304,991	549,624
Public Safety	6,366,085	4,169,710	5,254,085	3,599,831
Public Works	4,425,042	6,563,998	(1,841,118)	3,013
Health	4,921,117	5,809,516	866,986	1,478,546
Human Services	7,413,976	6,831,270	2,049,289	1,888,681
Conservation and Recreation	168,966	140,003	168,966	140,003
Economic Development and Assistance	512,686	968,356	77,340	98,930
Interest and Fiscal Charges	182,168	184,663	182,168	184,663
Total Expenses	\$33,039,357	\$32,191,331	\$13,799,159	\$12,903,105

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 \$1,599,430 and expenses of \$713,048 for the year 2016. 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.

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 \$32,667,529 and expenditures and other financing uses of \$33,064,141. The net change in fund balance for the year was most significant in the General Fund. The fund balance decreased \$1,476,646 as a result of an increase in expenditures.

Pike County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

The Board of Developmental Disabilities Fund had an increase of \$287,314 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 \$868,884. The Job and Family Services Fund had an increase of \$49,284.

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 2016 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 \$6,996,534, which was below final budget estimates of \$6,999,534. 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 \$7,915,994, which was below final budget estimates of \$10,877,658, 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 expenditures.

The County's 2016 ending unobligated General Fund cash balance was \$3,963,457 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of the 2016 the County had \$54,112,288 invested in land, construction in progress, furniture and fixtures, buildings and improvements, machinery and equipment, vehicles and infrastructure, of which \$51,764,503 was in governmental activities. Table 4 shows 2016 as compared to 2015 balances.

Table 4
 Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$1,555,975	\$1,555,975	\$7,000	\$7,000	\$1,562,975	\$1,562,975
Construction in Progress	782,915	7,836,259	255,627	226,813	1,038,542	8,063,072
Furniture and Fixtures	156,501	162,357	0	0	156,501	162,357
Buildings and Improvements	5,774,919	6,153,100	20,287	20,287	5,795,206	6,173,387
Machinery and Equipment	223,289	629,205	19,798	19,798	243,087	649,003
Vehicles	606,112	818,218	8,034	8,034	614,146	826,252
Infrastructure	42,664,792	35,393,330	2,037,039	2,051,195	44,701,831	37,444,525
Total Capital Assets	\$51,764,503	\$52,548,444	\$2,347,785	\$2,333,127	\$54,112,288	\$54,881,571

See Note 12 to the basic financial statements for more information on the County's capital assets.

Pike County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Debt

As of December 31, 2016 the County had \$8,400,377 in bonds and loans outstanding, with \$420,284 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	
	2016	2015	2016	2015
General Obligation Bonds	\$1,369,800	\$1,484,300	\$0	\$0
Revenue Bonds	2,384,500	2,510,800	0	0
OWDA Loans	12,375	14,625	260,833	240,493
USDA Loans	289,200	367,700	0	0
OPWC Loans	4,083,669	3,179,209	0	0
Total Debt Outstanding	\$8,139,544	\$7,556,634	\$260,833	\$240,493

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, 2016 is \$1,241,133.

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, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$21,826,177	\$496,257	\$22,322,434
Cash and Cash Equivalents:			
in Segregated Accounts	11,367	0	11,367
with Fiscal Agents	857,631	0	857,631
Materials and Supplies	338,986	0	338,986
Receivables:			
Property Taxes	4,464,897	0	4,464,897
Sales Tax	858,029	0	858,029
Interest	247	0	247
Accounts	3,107	55,260	58,367
Intergovernmental	4,374,628	977,115	5,351,743
Prepaid Items	10,968	0	10,968
Loans Receivable (Net of Allowance)	1,584,512	3,676	1,588,188
Nondepreciable Capital Assets	2,338,890	262,627	2,601,517
Depreciable Capital Assets, net of depreciation	49,425,613	2,085,158	51,510,771
<i>Total Assets</i>	<u>86,095,052</u>	<u>3,880,093</u>	<u>89,975,145</u>
Deferred Outflows of Resources			
Pension	6,822,669	56,618	6,879,287
Liabilities:			
Accounts Payable	373,278	0	373,278
Accrued Wages and Benefits	231,099	3,930	235,029
Contracts Payable	226,527	17,326	243,853
Intergovernmental Payable	386,403	4,972	391,375
Claims Payable	38,347	0	38,347
Accrued Interest Payable	66,315	0	66,315
Notes Payable	319,443	0	319,443
<i>Long-Term Liabilities:</i>			
Due Within One Year	1,307,331	19,105	1,326,436
<i>Due In More Than One Year:</i>			
Net Pension Liability	14,107,800	141,003	14,248,803
Other Amounts Due In More Than One Year	8,116,183	261,263	8,377,446
<i>Total Liabilities</i>	<u>25,172,726</u>	<u>447,599</u>	<u>25,620,325</u>
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	3,310,564	0	3,310,564
Pension	286,636	2,724	289,360
<i>Total Deferred Inflows of Resources</i>	<u>3,597,200</u>	<u>2,724</u>	<u>3,599,924</u>
Net Position:			
Net Investment in Capital Assets	43,309,266	2,086,952	45,396,218
<i>Restricted for:</i>			
Debt Service	35,461	0	35,461
Capital Outlay	754,125	0	754,125
Other Purposes	17,990,012	0	17,990,012
Unrestricted	2,058,931	1,399,436	3,458,367
<i>Total Net Position</i>	<u>\$64,147,795</u>	<u>\$3,486,388</u>	<u>\$67,634,183</u>

See accompanying notes to the basic financial statements

Pike County, Ohio
Statement of Activities
For the Year Ended December 31, 2016

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Functions/Programs				
Primary Government:				
Governmental Activities:				
<i>General Government:</i>				
Legislative and Executive	\$7,253,244	\$1,144,066	\$372,726	\$0
Judicial	1,796,073	433,530	57,552	0
Public Safety	6,366,085	875,759	236,241	0
Public Works	4,425,042	354,320	4,082,123	1,829,717
Health	4,921,117	570,433	3,483,698	0
Human Services	7,413,976	119,086	5,245,601	0
Conservation and Recreation	168,966	0	0	0
Economic Development and Assistance	512,686	435,346	0	0
Interest and Fiscal Charges	182,168	0	0	0
<i>Total Governmental Activities</i>	<u>33,039,357</u>	<u>3,932,540</u>	<u>13,477,941</u>	<u>1,829,717</u>
Business-Type Activities:				
Pike County Sewer Fund	713,048	577,837	0	1,017,618
<i>Total Business-Type Activities</i>	<u>713,048</u>	<u>577,837</u>	<u>0</u>	<u>1,017,618</u>
<i>Total Primary Government</i>	<u>\$33,752,405</u>	<u>\$4,510,377</u>	<u>\$13,477,941</u>	<u>\$2,847,335</u>

General Revenues:

Property Taxes Levied for:

 General Purposes

 Public Safety

Sales Tax

Grants and Contributions Not Restricted to Specific Programs

Gain on Sale of Capital Assets

Unrestricted Investment Earnings

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

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
(\$5,736,452)	\$0	(\$5,736,452)
(1,304,991)	0	(1,304,991)
(5,254,085)	0	(5,254,085)
1,841,118	0	1,841,118
(866,986)	0	(866,986)
(2,049,289)	0	(2,049,289)
(168,966)	0	(168,966)
(77,340)	0	(77,340)
(182,168)	0	(182,168)
<u>(13,799,159)</u>	<u>0</u>	<u>(13,799,159)</u>
<u>0</u>	<u>882,407</u>	<u>882,407</u>
<u>0</u>	<u>882,407</u>	<u>882,407</u>
(13,799,159)	882,407	(12,916,752)
3,853,343	0	3,853,343
289,485	0	289,485
5,068,832	0	5,068,832
519,387	0	519,387
7,072	0	7,072
149,528	0	149,528
1,506,231	3,975	1,510,206
<u>11,393,878</u>	<u>3,975</u>	<u>11,397,853</u>
<u>(53,762)</u>	<u>53,762</u>	<u>0</u>
<u>11,340,116</u>	<u>57,737</u>	<u>11,397,853</u>
(2,459,043)	940,144	(1,518,899)
<u>66,606,838</u>	<u>2,546,244</u>	<u>69,153,082</u>
<u>\$64,147,795</u>	<u>\$3,486,388</u>	<u>\$67,634,183</u>

Pike County, Ohio

*Balance Sheet
Governmental Funds
December 31, 2016*

	General	Motor Vehicle and Gas Tax	Board of Developmental Disabilities
Assets:			
Equity in Pooled Cash and Investments	\$8,087,593	\$2,212,208	\$4,678,845
Cash and Cash Equivalents In Segregated Accounts	0	0	0
Cash and Cash Equivalents With Fiscal Agents	0	0	38,635
Receivables:			
Property Taxes	1,963,021	0	1,124,282
Sales Tax	858,029	0	0
Interest	0	247	0
Accounts	0	0	0
Interfund	28,585	0	0
Intergovernmental	374,928	1,890,273	1,207,559
Materials and Supplies Inventory	1,901	319,848	0
Prepaid Items	4,848	1,024	0
Loans Receivable (Net of Allowance)	0	0	0
<i>Total Assets</i>	<u>\$11,318,905</u>	<u>\$4,423,600</u>	<u>\$7,049,321</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts Payable	\$90,544	\$34,612	\$42,086
Accrued Wages and Benefits	56,324	0	39,653
Contracts Payable	0	167,625	0
Intergovernmental Payable	184,042	60	78,636
Accrued Interest Payable	0	0	0
Interfund Payable	0	76	0
Notes Payable	0	0	0
<i>Total Liabilities</i>	<u>330,910</u>	<u>202,373</u>	<u>160,375</u>
Deferred Inflows of Resources:			
Property Taxes not Levied to Finance Current Year Operations	1,364,465	0	869,236
Unavailable Revenue - Delinquent Taxes	772,466	1,218,779	861,621
Unavailable Revenue - Grants	0	0	145,573
<i>Total Deferred Inflows of Resources</i>	<u>2,136,931</u>	<u>1,218,779</u>	<u>1,876,430</u>
Fund Balances:			
Nonspendable	357,969	320,872	0
Restricted	0	2,681,576	5,012,516
Assigned	3,971,606	0	0
Unassigned	4,521,489	0	0
<i>Total Fund Balances (Deficit)</i>	<u>8,851,064</u>	<u>3,002,448</u>	<u>5,012,516</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$11,318,905</u>	<u>\$4,423,600</u>	<u>\$7,049,321</u>

See accompanying notes to the basic financial statements

Job and Family Services	Other Governmental Funds	Total Governmental Funds
\$41,131	\$6,806,400	\$21,826,177
0	11,367	11,367
0	0	38,635
0	1,377,594	4,464,897
0	0	858,029
0	0	247
0	3,107	3,107
0	2,903	31,488
31,719	870,149	4,374,628
0	17,237	338,986
110	4,986	10,968
0	1,584,512	1,584,512
<u>\$72,960</u>	<u>\$10,678,255</u>	<u>\$33,543,041</u>
\$47,207	\$158,829	\$373,278
38,867	96,255	231,099
0	58,902	226,527
58,209	65,456	386,403
0	5,638	5,638
0	31,412	31,488
0	319,443	319,443
<u>144,283</u>	<u>735,935</u>	<u>1,573,876</u>
0	1,076,863	3,310,564
0	300,995	3,153,861
0	453,777	599,350
<u>0</u>	<u>1,831,635</u>	<u>7,063,775</u>
110	22,223	701,174
0	8,369,020	16,063,112
0	0	3,971,606
<u>(71,433)</u>	<u>(280,558)</u>	<u>4,169,498</u>
<u>(71,323)</u>	<u>8,110,685</u>	<u>24,905,390</u>
<u>\$72,960</u>	<u>\$10,678,255</u>	<u>\$33,543,041</u>

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Pike County, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2016*

Total Governmental Funds Balances		\$24,905,390
<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.		51,764,503
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	3,153,861	
Intergovernmental	599,350	
Total	3,753,211	3,753,211
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.		780,649
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	(166,350)	
Compensated Absences	(1,117,620)	
Interest Payable	(60,677)	
Revenue Bonds	(2,384,500)	
USDA Loans Payable	(289,200)	
General Obligation Bonds	(1,369,800)	
OWDA Loan Payable	(12,375)	
OPWC Loans Payable	(4,083,669)	
Total	(9,484,191)	(9,484,191)
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	6,822,669	
Deferred Inflows - Pension	(286,636)	
Net Pension Liability	(14,107,800)	
Total		(7,571,767)
Net Position of Governmental Activities		\$64,147,795

See accompanying notes to the basic financial statements

Pike County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Motor Vehicle and Gas Tax	Board of Developmental Disabilities
Revenues:			
Taxes	\$7,167,583	\$0	\$873,037
Intergovernmental	896,880	3,601,256	3,224,048
Interest	147,035	2,019	0
Charges for Services	924,197	303,214	536,715
Fees, License and Permits	3,675	0	0
Fines and Forfeitures	166,052	18,784	0
Other	627,908	259,704	88,270
<i>Total Revenues</i>	<u>9,933,330</u>	<u>4,184,977</u>	<u>4,722,070</u>
Expenditures:			
<i>Current:</i>			
<i>General Government:</i>			
Legislative and Executive	4,635,197	0	0
Judicial	1,357,922	0	0
Public Safety	4,283,822	0	0
Public Works	154,973	3,607,748	0
Health	0	0	4,374,738
Human Services	207,035	0	0
Conservation and Recreation	58,087	0	0
Economic Development and Assistance	0	0	0
Capital Outlay	1,022	0	0
<i>Debt Service:</i>			
Principal Retirement	41,869	205,489	15,344
Interest and Fiscal Charges	1,277	2,856	0
<i>Total Expenditures</i>	<u>10,741,204</u>	<u>3,816,093</u>	<u>4,390,082</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(807,874)</u>	<u>368,884</u>	<u>331,988</u>
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	0	0	0
OPWC Loans Issued	0	0	0
Inception of Capital Lease	125,306	0	0
Transfers In	3,500	500,000	3,606
Transfers Out	(797,578)	0	(48,280)
<i>Total Other Financing Sources (Uses)</i>	<u>(668,772)</u>	<u>500,000</u>	<u>(44,674)</u>
<i>Net Change in Fund Balances</i>	(1,476,646)	868,884	287,314
<i>Fund Balances at Beginning of Year</i>	<u>10,327,710</u>	<u>2,133,564</u>	<u>4,725,202</u>
<i>Fund Balances at End of Year</i>	<u><u>\$8,851,064</u></u>	<u><u>\$3,002,448</u></u>	<u><u>\$5,012,516</u></u>

See accompanying notes to the basic financial statements

Job and Family Services	All Other Governmental Funds	Total Governmental Funds
\$0	\$1,178,324	\$9,218,944
3,513,530	4,319,217	15,554,931
0	260	149,314
0	1,968,197	3,732,323
0	120	3,795
0	52,065	236,901
331,991	198,358	1,506,231
<u>3,845,521</u>	<u>7,716,541</u>	<u>30,402,439</u>
0	1,001,939	5,637,136
0	290,814	1,648,736
0	1,684,906	5,968,728
0	169,704	3,932,425
0	341,227	4,715,965
3,857,558	2,245,463	6,310,056
0	0	58,087
0	506,002	506,002
0	2,420,599	2,421,621
21,845	257,650	542,197
430	178,196	182,759
<u>3,879,833</u>	<u>9,096,500</u>	<u>31,923,712</u>
<u>(34,312)</u>	<u>(1,379,959)</u>	<u>(1,521,273)</u>
0	7,072	7,072
0	1,046,045	1,046,045
0	0	125,306
111,475	468,086	1,086,667
<u>(27,879)</u>	<u>(266,692)</u>	<u>(1,140,429)</u>
<u>83,596</u>	<u>1,254,511</u>	<u>1,124,661</u>
49,284	(125,448)	(396,612)
<u>(120,607)</u>	<u>8,236,133</u>	<u>25,302,002</u>
<u>(\$71,323)</u>	<u>\$8,110,685</u>	<u>\$24,905,390</u>

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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, 2016*

Net Change in Fund Balances - Total Governmental Funds (\$396,612)

***Amounts reported for governmental activities in the
statement of activities are different because:***

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	2,035,298	
Current Year Depreciation	<u>(2,819,239)</u>	
Total		(783,941)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property Taxes	1,982,579	
Intergovernmental	<u>(1,758,228)</u>	
Total		224,351

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. (1,046,045)

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. 463,135

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. 79,062

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. (125,306)

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	(127,479)	
Decrease in Interest Payable	<u>591</u>	
Total		(126,888)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 1,412,863

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (2,375,418)

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. 215,756

Net Change in Net Position of Governmental Activities (\$2,459,043)

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)
General Fund
For the Year Ended December 31, 2016*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$4,797,434	\$5,147,434	\$7,071,449	\$1,924,015
Charges for Services	579,100	582,100	704,360	122,260
Fees, Licenses and Permits	3,200	3,200	3,675	475
Fines and Forfeitures	155,000	155,000	173,113	18,113
Intergovernmental	1,110,600	760,600	943,664	183,064
Interest	80,000	80,000	163,187	83,187
Other	271,200	271,200	575,345	304,145
<i>Total Revenues</i>	<u>6,996,534</u>	<u>6,999,534</u>	<u>9,634,793</u>	<u>2,635,259</u>
Expenditures:				
<i>Current:</i>				
<i>General Government:</i>				
Legislative and Executive	3,327,954	4,756,447	4,177,332	579,115
Judicial	1,138,293	1,403,683	1,363,373	40,310
Public Safety	2,829,734	4,284,863	4,215,148	69,715
Public Works	115,550	142,610	134,730	7,880
Health	269,380	0	0	0
Human Services	204,795	228,209	205,613	22,596
Conservation and Recreation	30,288	61,846	53,781	8,065
<i>Debt Service:</i>				
Principal Retirement	0	0	146	(146)
<i>Total Expenditures</i>	<u>7,915,994</u>	<u>10,877,658</u>	<u>10,150,123</u>	<u>727,535</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(919,460)</u>	<u>(3,878,124)</u>	<u>(515,330)</u>	<u>3,362,794</u>
Other Financing Uses:				
Transfers In	0	0	3,500	3,500
Proceeds from Sale of Capital Assets	1,500	1,500	0	(1,500)
Advances In	0	0	1,163,819	1,163,819
Transfers Out	(469,467)	(905,374)	(797,578)	107,796
Advances Out	0	0	(672,952)	(672,952)
<i>Total Other Financing Uses</i>	<u>(467,967)</u>	<u>(903,874)</u>	<u>(303,211)</u>	<u>600,663</u>
<i>Net Change in Fund Balance</i>	(1,387,427)	(4,781,998)	(818,541)	3,963,457
<i>Fund Balance at Beginning of Year</i>	7,867,874	7,867,874	7,867,874	0
<i>Prior Year Encumbrances Appropriated</i>	98,585	98,585	98,585	0
<i>Fund Balance at End of Year</i>	<u>\$6,579,032</u>	<u>\$3,184,461</u>	<u>\$7,147,918</u>	<u>\$3,963,457</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)
Motor Vehicle and Gas Tax Fund
For the Year Ended December 31, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$0	\$270,610	\$303,214	\$32,604
Fines and Forfeitures	20,000	20,000	18,784	(1,216)
Intergovernmental	2,088,277	3,200,000	3,589,866	389,866
Interest	0	0	1,772	1,772
Other	811,723	541,113	259,704	(281,409)
<i>Total Revenues</i>	<u>2,920,000</u>	<u>4,031,723</u>	<u>4,173,340</u>	<u>141,617</u>
Expenditures:				
<i>Current:</i>				
Public Works	4,132,000	5,326,322	3,473,759	1,852,563
<i>Debt Service:</i>				
Principal Retirements	162,000	162,000	205,489	(43,489)
Interest and Fiscal Charges	6,000	6,000	2,856	3,144
<i>Total Expenditures</i>	<u>4,300,000</u>	<u>5,494,322</u>	<u>3,682,104</u>	<u>1,812,218</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,380,000)</u>	<u>(1,462,599)</u>	<u>491,236</u>	<u>1,953,835</u>
Other Financing Sources:				
Transfers In	500,000	500,000	500,000	0
<i>Total Other Financing Sources</i>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(880,000)	(962,599)	991,236	1,953,835
<i>Fund Balance at Beginning of Year</i>	1,009,731	1,009,731	1,009,731	0
<i>Prior Year Encumbrances Appropriated</i>	208,683	208,683	208,683	0
<i>Fund Balance at End of Year</i>	<u>\$338,414</u>	<u>\$255,815</u>	<u>\$2,209,650</u>	<u>\$1,953,835</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)
Board of Developmental Disabilities Fund
For the Year Ended December 31, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$2,485,670	\$2,485,670	\$873,037	(\$1,612,633)
Charges for Services	0	0	536,715	536,715
Intergovernmental	2,628,691	2,628,691	2,970,823	342,132
Other	21,500	21,500	88,270	66,770
<i>Total Revenues</i>	<u>5,135,861</u>	<u>5,135,861</u>	<u>4,468,845</u>	<u>(667,016)</u>
Expenditures:				
<i>Current:</i>				
Health	4,303,603	4,778,471	4,361,335	417,136
<i>Total Expenditures</i>	<u>4,303,603</u>	<u>4,778,471</u>	<u>4,361,335</u>	<u>417,136</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>832,258</u>	<u>357,390</u>	<u>107,510</u>	<u>(249,880)</u>
Other Financing Sources:				
Notes Issued	511,125	511,125	0	(511,125)
Advances In	0	0	25,000	25,000
Transfers Out	(39,244)	(62,257)	(48,280)	13,977
Transfers In	0	90,000	3,606	(86,394)
<i>Total Other Financing Sources</i>	<u>471,881</u>	<u>538,868</u>	<u>(19,674)</u>	<u>(558,542)</u>
<i>Net Change in Fund Balance</i>	<u>1,304,139</u>	<u>896,258</u>	<u>87,836</u>	<u>(808,422)</u>
<i>Fund Balance Beginning of Year</i>	<u>4,459,988</u>	<u>4,459,988</u>	<u>4,459,988</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>130,440</u>	<u>130,440</u>	<u>130,440</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$5,894,567</u>	<u>\$5,486,686</u>	<u>\$4,678,264</u>	<u>(\$808,422)</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, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$3,001,293	\$4,575,436	\$3,495,188	(\$1,080,248)
Other	216,200	216,200	331,991	115,791
<i>Total Revenues</i>	<u>3,217,493</u>	<u>4,791,636</u>	<u>3,827,179</u>	<u>(964,457)</u>
Expenditures:				
<i>Current:</i>				
Human Services	2,906,300	4,143,423	3,893,010	250,413
<i>Total Expenditures</i>	<u>2,906,300</u>	<u>4,143,423</u>	<u>3,893,010</u>	<u>250,413</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>311,193</u>	<u>648,213</u>	<u>(65,831)</u>	<u>(714,044)</u>
Other Financing Sources:				
Transfers In	0	109,866	111,475	1,609
Advances In	0	0	30,000	30,000
Transfers Out	0	(27,879)	(27,879)	0
Advances Out	0	(30,000)	(30,000)	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>51,987</u>	<u>83,596</u>	<u>31,609</u>
<i>Net Change in Fund Balance</i>	<u>311,193</u>	<u>700,200</u>	<u>17,765</u>	<u>(682,435)</u>
<i>Fund Balance at Beginning of Year</i>	<u>23,367</u>	<u>23,367</u>	<u>23,367</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$334,560</u>	<u>\$723,567</u>	<u>\$41,132</u>	<u>(\$682,435)</u>

See accompanying notes to the basic financial statements

Pike County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2016

	Business-Type Activities Enterprise Fund	Governmental Activities
	Pike County Sewer	Internal Service
Assets:		
<i>Current Assets:</i>		
Equity in Pooled Cash and Investments	\$496,257	\$0
Cash and Cash Equivalents with Fiscal Agents	0	818,996
Accounts Receivable	55,260	0
Intergovernmental Receivable	977,115	0
Loans Receivable	3,676	0
<i>Total Current Assets</i>	<u>1,532,308</u>	<u>818,996</u>
<i>Noncurrent Assets:</i>		
Nondepreciable Capital Assets	262,627	0
Depreciable Capital Assets, Net	2,085,158	0
<i>Total Noncurrent Assets</i>	<u>2,347,785</u>	<u>0</u>
<i>Total Assets</i>	<u>3,880,093</u>	<u>818,996</u>
Deferred Outflows of Resources		
Pension	56,618	0
Liabilities:		
<i>Current Liabilities:</i>		
Accrued Wages and Benefits	3,930	0
Contracts Payable	17,326	0
Intergovernmental Payable	4,972	0
Claims Payable	0	38,347
Compensated Absences Payable - Current Portion	13,384	0
OWDA Loans Payable - Current Portion	5,721	0
<i>Total Current Liabilities</i>	<u>45,333</u>	<u>38,347</u>
<i>Noncurrent Liabilities</i>		
Long-Term Liabilities:		
Long-Term Notes Payable	255,112	0
Compensated Absences Payable	6,151	0
Net Pension Liability	141,003	0
<i>Total Noncurrent Liabilities</i>	<u>402,266</u>	<u>0</u>
<i>Total Liabilities</i>	447,599	38,347
Deferred Inflows of Resources		
Pension	2,724	0
Net Position:		
Net Investment in Capital Assets	2,086,952	0
Unrestricted	1,399,436	780,649
<i>Total Net Position</i>	<u>\$3,486,388</u>	<u>\$780,649</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, 2016*

	Business-Type Activities Enterprise Fund	Governmental Activities
	Pike County Sewer	Internal Service
Operating Revenues:		
Charges for Services	\$577,837	\$3,990,223
Other	3,975	0
<i>Total Operating Revenues</i>	<u>581,812</u>	<u>3,990,223</u>
Operating Expenses:		
Personal Services	114,648	0
Fringe Benefits	88,076	0
Contractual Services	373,786	3,441,129
Materials and Supplies	26,904	0
Claims	0	333,552
Depreciation	105,408	0
<i>Total Operating Expenses</i>	<u>708,822</u>	<u>3,774,681</u>
<i>Operating (Loss) Gain</i>	(127,010)	215,542
Nonoperating Revenues (Expenses):		
Interest	0	214
Interest and Fiscal Charges	(4,226)	0
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(4,226)</u>	<u>214</u>
Net (Loss) Gain Before Capital Contributions and Transfers	(131,236)	215,756
Capital Contribution - Intergovernmental	1,017,618	0
Transfers In	53,762	0
<i>Change in Net Position</i>	940,144	215,756
<i>Net Position at Beginning of Year</i>	<u>2,546,244</u>	<u>564,893</u>
<i>Net Position at End of Year</i>	<u><u>\$3,486,388</u></u>	<u><u>\$780,649</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, 2016

	Business-Type Activities Enterprise Fund	Governmental Activities
	Pike County Sewer	Internal Service
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$576,407	\$3,990,223
Cash Received from Others	3,975	0
Cash Payments to Suppliers for Goods and Services	(404,795)	(3,441,129)
Cash Payments to Employees for Services and Benefits	(187,126)	0
Cash Payments for Claims	0	(317,075)
Cash Payments for Other Expenses	0	0
<i>Net Cash Used for Operating Activities</i>	<u>(11,539)</u>	<u>232,019</u>
Cash Flows from Noncapital Financing Activities:		
Transfers In	53,762	0
Cash Flows from Investing Activities:		
Interest on Investments	0	214
Cash Flows from Capital and Related Financing Activities:		
Proceeds from OWDA Loans	28,814	0
Receipts from Capital Grants	41,886	0
Payments for Capital Acquisition	(103,742)	0
Principal Payments	(8,474)	0
Interest Payments	(4,226)	0
<i>Net Cash Provided by Capital and Related Financing Activities</i>	<u>(45,742)</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(3,519)	232,233
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>499,776</u>	<u>586,763</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$496,257</u></u>	<u><u>\$818,996</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, 2016
(continued)

	Business-Type Activities Enterprise Fund	Governmental Activities
	Pike County Sewer	Internal Service
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating (Loss) Gain	(\$127,010)	\$215,542
<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	(1,430)	0
Increase in Deferred Outflows of Resources	(39,033)	0
Decrease in Contracts Payable	(4,105)	0
Increase in Accrued Wages and Benefits	1,290	0
Increase in Compensated Absences Payable	3,412	0
Increase in Claims Payable	0	16,477
Increase in Intergovernmental Payable	71	0
Increase in Deferred Inflows of Resources	1,103	0
Increase in Net Pension Liability	48,755	0
Total Adjustments	115,471	16,477
<i>Net Cash Used for Operating Activities</i>	(\$11,539)	\$232,019

See accompanying notes to the basic financial statements

Pike County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2016

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	\$1,589,309
Cash and Cash Equivalents in Segregated Accounts	471,462
Receivables:	
Taxes	20,125,228
Intergovernmental	<u>82,812</u>
<i>Total Assets</i>	<u><u>\$22,268,811</u></u>
Liabilities:	
Intergovernmental Payable	\$21,019,756
Undistributed Monies	1,036,053
Deposits Held and Due To Others	<u>213,002</u>
<i>Total Liabilities</i>	<u><u>\$22,268,811</u></u>

See accompanying notes to the basic financial statements

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 21 and 22 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, 2016

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, 2016

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, 2016

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 reimbursement for qualified 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.

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 13.

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, 2016, but which were levied to finance fiscal year 2017 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 13.

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, 2016

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 2016, 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 2016 amounted to \$149,314 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 \$214.

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.

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 2016 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 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, 2016

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	(\$1,476,646)	\$868,884	\$287,314	\$49,284
Net Adjustments for:				
Revenue Accruals	(12,341)	(11,637)	(253,225)	(18,342)
Expenditure Accruals	242,204	133,989	28,747	(13,177)
Other Sources (Uses)	365,561	0	25,000	0
Perspective Difference:				
Activity of Funds Reclassified For GAAP Reporting Purposes	62,681	0	0	0
Budget Basis	(\$818,541)	\$991,236	\$87,836	\$17,765

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 4 – NEW GASB PRONOUNCEMENTS

For fiscal year 2016, the County implemented GASB Statement No. 72, “Fair Value Measurement and Application”, GASB Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 38”, GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Government,” GASB Statement No. 77, “Tax Abatement Disclosures,” and GASB Statement No. 78, “Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans. The implementation of GASB Statements Nos. 72, 73, 76, 77 and 78 had no effect on the prior period fund balances of the County.

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE

Accountability - Fund Balance Deficits - The following funds have a fund balance deficit as of December 31, 2016:

Job & Family Services Fund	\$71,323
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Nonmajor Funds

Special Revenue Fund

Dog & Kennel	6,547
Marriage License Fund	451
Community Corrections Act Grant Fund	20,423
Memorial DO2 Victim/Witness Fund	8,237
Airport Community Day Fund	7,144
ODH MIECHV Pike DD Grant Fund	7,695

Capital Projects Fund

Fairgrounds Improvement Fund	43,504
Pike Senior Services Fund	176,495
Airport Improvement Fund	19,579

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, 2016

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, 2016

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 \$11,271,606 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner as described above.

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Investments

As of December 31, 2016, 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	\$593,748	\$0	\$593,748	\$0
Federal Home Loan Mortgage Corporation	5,651,154	0	0	5,651,154
Federal Farm Credit Bank	1,577,486	594,751	0	982,735
Federal National Mortgage Association	6,657,616	0	3,736,899	2,920,717
Money Market Mutual Fund	3,275	3,275	0	0
Total Investments	\$14,483,279	\$598,026	\$4,330,647	\$9,554,606

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 4% in Federal Home Loan Bank, 39% in Federal Home Loan Mortgage Corporation, 10% in Federal Farm Credit Bank, 46% 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.

For fiscal year 2016, Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” was effective. This GASB pronouncement had no effect on beginning net position. Accordingly, the County has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the County’s recurring fair value measurements as of June 30, 2016.

All of the County’s investments are valued using pricing sources as provided by the investments managers (Level 2 inputs)

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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.

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 proceeding 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, 2016. 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 2016 operations.

The full tax rate for all County operations for the year ended December 31, 2016, was \$14.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$358,071,880
Public Utility Personal Property	<u>77,155,190</u>
Total Property Taxes	<u><u>\$435,227,070</u></u>

NOTE 8 – TAX ABATEMENTS

For the year ended December 31, 2016, the County implemented GASB Statement No. 77, Tax Abatement Disclosures. A tax abatement is defined as a reduction in tax revenues that result from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forego tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the County or the citizens of the County. The County has entered into such agreements. A description of the County's abatement programs where the County has promised to forego taxes follows:

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 8 – TAX ABATEMENTS - (Continued)

Community Reinvestment Area (CRA) Program

The Ohio Community Reinvestment Area program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. Community Reinvestment Areas (CRA) are areas of land in which property owners can receive tax incentives for investing in real property improvements. In order to use the Community Reinvestment program, a city, village, or county petitions to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing has traditionally been discouraged. Once the area is confirmed by the Directory of ODSA, communities may offer real property tax exemptions to taxpayers that invest in that area.

The County determines the type of development to support by specifying the eligibility of residential, commercial and/or industrial projects. The County negotiates property tax exemptions on new property tax from investment for up to one hundred percent (100%) for up to fifteen years based on the amount of investments made to renovate or construct buildings within a CRA. Taxes are abated as the increase in assessed value resulting from the investment is not included (or included at a lesser amount) in the assessed value used for property tax computation for the taxpayer. For commercial projects, job retention and/or creation is also required. Agreements must be in place before the project begins. Provisions for recapturing property tax exemptions, which can be used at the discretion of the County, are pursuant to ORC Section 9.66(C)(1) and 9.66(C)(2).

A Summary of the taxes foregone on the County’s abatement programs for the year ended December 31, 2016 as follows:

Program	Tax Abated	Amount
Community Reinvestment Areas	Property Tax	\$16,887

NOTE 9 - 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 2016 amounted to \$5,068,832.

NOTE 10 – RECEIVABLES

Receivables at December 31, 2016, 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, 2016

NOTE 10 – 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, \$1,584,512 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	\$374,928
Motor Vehicle and Gas Tax	1,890,273
Board of Developmental Disabilities Grants	1,207,559
Job and Family Services	31,719
Non-major Funds:	
Child Support Enforcement	7,233
Community Development	188,115
Emergency Medical Services	12,156
Children Services	27,840
County Commissioners M&R	5,824
Pike Senior Services Levy	22,163
Community Corrections Act Grant	27,790
Felony Delinquent Care & Custody	35,929
State Issue II Grant	229,341
State - LTIP	313,758
Total Non-major Funds	870,149
Total Governmental Activities	\$4,374,628

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 11 - 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 2016, the County contracted with the Buckeye Joint-County Self-Insurance Council (a jointly governed organization, see Note 21) 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 \$31,075,723 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 health reimbursement program administered by a third party administrator, Patrick Benefit Administrators. The County maintains an internal service fund to account for and finance its uninsured risks of loss in this program.

The claims liability of \$38,347 reported in the internal service fund at December 31, 2016, 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>
2014	\$23,876	\$337,098	\$337,848	\$23,126
2015	23,126	290,204	291,460	21,870
2016	21,870	333,552	317,075	38,347

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, 2016

NOTE 12 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016:

	Balance at 01/01/16	Additions	Deletions	Balance at 12/31/16
Governmental Activities:				
<i>Non-Depreciable Capital Assets:</i>				
Land	\$1,555,975	\$0	\$0	\$1,555,975
Construction in Progress	7,836,259	1,739,629	8,792,973	782,915
Total Non-Depreciable Capital Assets	9,392,234	1,739,629	8,792,973	2,338,890
<i>Depreciable Capital Assets:</i>				
Furniture and Fixtures	447,630	5,995	0	453,625
Buildings and Improvements	13,475,242	0	0	13,475,242
Machinery and Equipment	3,924,063	38,816	0	3,962,879
Vehicles	4,431,944	267,441	49,600	4,649,785
Infrastructure	53,177,670	8,776,390	0	61,954,060
Total Depreciable Capital Assets	75,456,549	9,088,642	49,600	84,495,591
<i>Less Accumulated Depreciation:</i>				
Furniture and Fixtures	(285,273)	(11,851)	0	(297,124)
Buildings and Improvements	(7,322,142)	(378,181)	0	(7,700,323)
Machinery and Equipment	(3,294,858)	(444,732)	0	(3,739,590)
Vehicles	(3,613,726)	(479,547)	(49,600)	(4,043,673)
Infrastructure	(17,784,340)	(1,504,928)	0	(19,289,268)
Total Accumulated Depreciation	(32,300,339)	(2,819,239)	(49,600)	(35,069,978)
Net Depreciable Capital Assets	43,156,210	6,269,403	0	49,425,613
Governmental Activities - Capital Assets, Net	\$52,548,444	\$8,009,032	\$8,792,973	\$51,764,503

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 12 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

General Government:	
Legislative and Executive	\$1,655,251
Judicial	45,770
Public Safety	378,751
Public Works	426,546
Health	74,484
Human Services	129,482
Conservation and Recreation	108,955
Total Depreciation Expense	\$2,819,239

	Balance at 01/01/16	Additions	Deletions	Balance at 12/31/16
Business-Type Activities:				
<i>Non-Depreciable Capital Assets:</i>				
Land	\$7,000	\$0	\$0	\$7,000
Construction in Progress	226,813	28,814	0	255,627
Total Capital Assets, Not Being Depreciated	233,813	28,814	0	262,627
<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	3,947,874	91,252	0	4,039,126
Total Depreciable Capital Assets	4,164,592	91,252	0	4,255,844
<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	(1,896,679)	(105,408)	0	(2,002,087)
Total Accumulated Depreciation	(2,065,278)	(105,408)	0	(2,170,686)
Net Depreciable Capital Assets	2,099,314	(14,156)	0	2,085,158
Business-Type Activities - Capital Assets, Net	\$2,333,127	\$14,658	\$0	\$2,347,785

NOTE 13 - 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, 2016

NOTE 13 - 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):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
<u>Age and Service Requirements:</u> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<u>Age and Service Requirements:</u> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<u>Age and Service Requirements:</u> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<u>Formula:</u> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<u>Formula:</u> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<u>Formula:</u> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
Law Enforcement	Law Enforcement	Law Enforcement
<u>Age and Service Requirements:</u> Age 52 with 15 years of service credit	<u>Age and Service Requirements:</u> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<u>Age and Service Requirements:</u> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<u>Formula:</u> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<u>Formula:</u> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<u>Formula:</u> 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, 2016

NOTE 13 - 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
2015 Statutory Maximum Contribution Rates		
Employer	14.0%	18.1%
Employee	10.0%	**
 2016 Actual Contribution Rates		
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 \$1,041,581 for 2016. Of this amount, \$83,523 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, 2015, 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, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. 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:

	OPERS
Proportionate Share of the Net Pension Liability	\$13,536,912
Proportion of the Net Pension Liability	0.0781520%
Pension Expense	\$2,406,140

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 13 - DEFINED BENEFIT RETIREMENT PLANS (Continued)

At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred Outflows:	
Net difference between projected and actual earnings on pension plan investments	\$3,979,006
Changes in proportion and differences between County contributions and proportionate share of contributions	1,350,348
County contributions subsequent to the measurement date	1,412,394
Total Deferred Outflows of Resources	\$6,741,748
Deferred Inflows of Resources	
Differences between expected and actual experience	\$261,559
Total Deferred Inflows of Resources	\$261,559

\$1,421,394 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year Ending December 31:	
2017	\$1,493,302
2018	1,556,926
2019	1,117,117
2020	900,450
Total	\$5,067,795

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.

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 13 - DEFINED BENEFIT RETIREMENT PLANS (Continued)

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, 2015, 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

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 0.4 percent for 2015.

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 13 - DEFINED BENEFIT RETIREMENT PLANS (Continued)

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 2015 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	20.70%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	18.30%	7.40%
Other investments	18.00%	4.59%
Total	100.00%	5.67%

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.

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	\$21,567,607	\$13,536,911	\$6,763,274

Changes Between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the County's net position liability is expected to be significant.

NOTE 13 - DEFINED BENEFIT RETIREMENT PLANS (Continued)

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 26 years of service, or 31 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.

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.

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 13 - DEFINED BENEFIT RETIREMENT PLANS (Continued)

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, 2016, 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 2016 contribution rates were equal to the statutory maximum rates.

The County's contractually required pension contributions to STRS were \$32,559 for 2016. This entire 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, 2016, 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	\$711,891
Proportion of the Net Pension Liability	0.00212676%
Pension Expense	\$11,194

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 13 - DEFINED BENEFIT RETIREMENT PLANS (Continued)

At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	STRS
Deferred Outflows of Resources	
Differences between expected and actual experience	\$29,738
Net difference between projected and actual investment earnings	61,505
Changes in proportion and differences between County contributions and proportionate share of contributions	30,516
County contributions subsequent to the measurement date	15,780
Total Deferred Outflows of Resources	\$137,539
Deferred Inflows of Resources	
Changes in proportion and differences between County contributions and proportionate share of contributions	\$27,801

\$15,780 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS
Fiscal Year Ending June 30:	
2017	\$18,430
2018	18,430
2019	40,598
2020	16,500
Total	\$93,958

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, 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.

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 13 - DEFINED BENEFIT RETIREMENT PLANS (Continued)

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.

Actuarial assumptions used in the June 30, 2016, 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2016. 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, 2016. 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, 2016.

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	\$946,045	\$711,891	\$514,368

NOTE 14 - 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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

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. Please see the Plan Statement in the OPERS 2015 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 2016, 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 14 - POSTEMPLOYMENT BENEFITS (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 decreased to 1.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

The County's required contributions that were allocated to fund postemployment benefits with OPERS for the years ended December 31, 2016, 2015 and 2014 were \$164,969, \$168,823, and \$195,096, respectively.

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, 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, 2016, 2015 and 2014. 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, 2016, 2015, 2014 were \$0, \$0, and \$2,349, 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, 2016

NOTE 15 - 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 16 - 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 17 - 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 \$376,680 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 2016 totaled \$79,062 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, 2016.

Year Ending December 31,	Long-Term Debt
2017	\$69,645
2018	60,322
2019	35,604
2020	8,300
2021	2,793
Total Minimum Lease Payments	176,664
Less: Amount Representing Interest	(10,164)
Present Value of Net Minimum Lease Payments	\$166,500

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 18 - LONG-TERM DEBT

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.

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.

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 18 - LONG-TERM DEBT (Continued)

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 Public Works Commission (OPWC) loan issued during 2016 consists of money owed to the OPWC for the County Wide Paving Project 2016 Phase I. As of December 31, 2016, \$700,000 has been disbursed. No amortization is available at this time.

The Ohio Public Works Commission (OPWC) loan issued during 2016 consists of money owed to the OPWC for the County Wide Paving Project 2016 Phase II. As of December 31, 2016, \$89,331 has been disbursed. No amortization is available at this time.

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 18 - LONG-TERM DEBT (Continued)

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 2016 consists of money owed to the OWDA for North Gate Sanitary Sewer Extension project. The total loan amount awarded was \$85,845. The OWDA loan is payable solely from the gross revenues of the Sewer 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 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 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, 2016

NOTE 18 - LONG-TERM DEBT (Continued)

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

	Outstanding at 01/01/16	Issued	Retired	Outstanding at 12/31/16	Amount Due In One Year
<i>Governmental Funds:</i>					
<i>Long-Term Obligations</i>					
Buchanan Road					
Loan 0.00% - 1998					
Ohio Public Works Commission	\$22,500	\$0	\$3,750	18,750	\$3,750
Pike Lake Road					
Loan 0.00% - 1998					
Ohio Public Works Commission	20,000	0	5,000	15,000	5,000
Rapp-Montgomery Road and Bridges					
Loan 0.00% - 2014					
Ohio Public Works Commission	183,894	0	7,211	176,683	7,212
River Road Emergency Slip Repair					
Loan 0.00% - 2012					
Ohio Public Works Commission	22,724	0	827	21,897	826
Bridge Replacement & Salyers					
Loan 0.00% - 2012					
Ohio Public Works Commission	266,667	0	11,111	255,556	11,111
Tanglewood Bridge					
Loan 0.00% - 2002					
Ohio Public Works Commission	15,460	0	2,380	13,080	2,378
Loy's Run					
Loan 0.00% - 2003					
Ohio Public Works Commission	31,500	0	4,500	27,000	4,500
Coal Dock Road					
Loan 0.00% - 2004					
Ohio Public Works Commission	50,000	0	6,250	43,750	6,250
Owl Creek Road					
Loan 0.00% - 2005					
Ohio Public Works Commission	67,500	0	7,500	60,000	7,500
Auerville Road					
Loan 0.00% - 2006					
Ohio Public Works Commission	149,426	0	17,976	131,450	14,605
Buck Hollow Road					
Loan 0.00% - 2004					
Ohio Public Works Commission	14,861	0	1,857	13,004	1,858
Adams Road Bridge					
Loan 0.00% - 2009					
Ohio Public Works Commission	129,500	0	9,250	120,250	9,250
Little Creek Water Line					
Loan 0.00% - 2010					
Ohio Public Works Commission	187,500	0	7,500	180,000	7,500
Morgan's Fork Road					
Loan 0.00% - 2008					
Ohio Public Works Commission	150,000	0	12,500	137,500	12,500

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 18 - LONG-TERM DEBT (Continued)

	Outstanding at 01/01/16	Issued	Retired	Outstanding at 12/31/16	Amount Due In One Year
River Road					
Loan 0.00% - 2002					
Ohio Public Works Commission	40,625	0	6,250	34,375	6,250
Multiple Box Culvert Replacements					
Loan 0.00% - 2013					
Ohio Public Works Commission	581,695	0	19,390	562,305	19,390
Three Bridge Replacement					
Loan 0.00% - 2012					
Ohio Public Works Commission	550,000	0	18,333	531,667	18,333
Bridge Replacements and Road Repair					
Loan 0.00% - 2015					
Ohio Public Works Commission	339,963	137,052	0	477,015	15,900
Six Bridge Replacements					
Loan 0.00% - 2015					
Ohio Public Works Commission	345,394	119,662	0	465,056	0
Boswell Run Road Bridge Replacement					
Loan 0.00% - 2015					
Ohio Public Works Commission	10,000	0	0	10,000	0
County Wide Paving Project 2016 Phase I					
Loan 0.00% - 2016					
Ohio Public Works Commission	0	700,000	0	700,000	0
County Wide Paving Project 2016 Phase II					
Loan 0.00% - 2016					
Ohio Public Works Commission	0	89,331	0	89,331	0
OWDA - Water Pollution Control					
Loan 0.00% - 2002					
OWDA/EPA Loan	14,625	0	2,250	12,375	2,250
USDA Loan - Airport Hangar					
2010 - 4.00%	296,300	0	7,100	289,200	7,400
USDA Loan - International Dump Trucks					
2010 - 4.00%	71,400	0	71,400	0	0
Revenue Bonds					
2009 - 3.50%	1,690,400	0	95,600	1,594,800	99,000
Revenue Bonds					
2014 - 3.65%	820,400	0	30,700	789,700	31,800
General Obligation Bonds					
2007 - 4.4325%	1,361,400	0	104,000	1,257,400	109,000
DD Facility Bonds					
2015 - 3.35%	122,900	0	10,500	112,400	11,000
<i>Other Long Term Obligations:</i>					
Compensated Absences	990,141	1,810,220	1,682,741	1,117,620	827,176
Capital Leases	120,106	125,306	79,062	166,350	65,592
<i>Net Pension Liability:</i>					
OPERS	7,287,105	6,108,804	0	13,395,909	0
STRS	622,832	89,059	0	711,891	0
Total Net Pension Liability	7,909,937	6,197,863	0	14,107,800	0
Total Governmental Obligations	<u>\$16,576,818</u>	<u>\$9,179,434</u>	<u>\$2,224,938</u>	<u>\$23,531,314</u>	<u>\$1,307,331</u>

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 18 - LONG-TERM DEBT (Continued)

<u>Business-Type Activities</u> <u>Long-Term Obligations</u>	<u>Outstanding at</u> <u>01/01/16</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding at</u> <u>12/31/16</u>	<u>Amount Due</u> <u>In One Year</u>
North Sewer System					
Loan 1.50% - 2012					
Ohio Water Development Authority	\$188,846	\$0	\$5,720	\$183,126	\$5,721
North Gate Sanitary Sewer Extension					
Loan 1.50% - 2015					
Ohio Water Development Authority	51,647	28,814	2,754	77,707	0
Compensated Absences	16,123	16,797	13,385	19,535	13,384
<i>Net Pension Liability:</i>					
OPERS	92,248	48,755	0	141,003	0
Total Business-Type Activities	<u>\$348,864</u>	<u>\$94,366</u>	<u>\$21,859</u>	<u>\$421,371</u>	<u>\$19,105</u>

	OPWC Tanglewood	OWDA Water Pollution	OPWC River Road	OPWC Buck Hollow	OPWC Adams Road	OPWC Buchanan Road
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	2,378	2,250	6,250	1,858	9,250	3,750
2022-2026	1,190	1,125	3,125	3,714	46,250	0
2027-2029	0	0	0	0	27,750	0
Total	<u>\$13,080</u>	<u>\$12,375</u>	<u>\$34,375</u>	<u>\$13,004</u>	<u>\$120,250</u>	<u>\$18,750</u>

	OPWC Pike Lake Road	OPWC Loy's Run	OPWC Coal Dock Road	OPWC Owl Creek	OPWC Auerville	OPWC Morgan's Fork Road
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	0	4,500	6,250	7,500	14,606	12,500
2022-2026	0	4,500	12,500	22,500	58,420	62,500
2027-2029	0	0	0	0	0	12,500
Total	<u>\$15,000</u>	<u>\$27,000</u>	<u>\$43,750</u>	<u>\$60,000</u>	<u>\$131,450</u>	<u>\$137,500</u>

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 18 - LONG-TERM DEBT (Continued)

	OWDA North Sewer		General Obligation - Governmental		OPWC Little Creek	USDA - Airport Hangar	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
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	6,164	2,368	0	0	7,500	8,700	10,312
2022-2026	32,242	10,417	609,780	198,981	37,500	48,700	46,084
2027-2031	34,744	7,916	430,960	63,210	37,500	59,400	35,508
2032-2036	37,439	5,221	0	0	37,500	72,200	22,652
2037-2041	40,343	2,315	0	0	30,000	68,800	7,012
2042-2045	8,437	95	0	0	0	0	0
Total	\$183,125	\$38,703	\$1,259,690	\$378,741	\$180,000	\$289,200	\$166,016

	Revenue Bond		DD Facility Bond	
	Principal	Interest	Principal	Interest
2017	\$99,000	\$55,818	\$11,000	\$3,818
2018	102,400	52,353	11,200	3,444
2019	106,000	48,769	11,700	3,064
2020	109,800	45,059	12,000	2,673
2021	113,600	41,216	12,400	2,259
2022-2026	630,300	143,599	54,100	4,669
2027-2029	433,700	30,709	0	0
Total	\$1,594,800	\$417,523	\$112,400	\$19,927

	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			
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	826	11,111	36,700	24,254	18,333	7,212	19,390
2022-2026	4,130	55,556	204,600	99,936	91,667	36,057	96,949
2027-2031	4,130	55,556	244,700	59,197	91,667	36,057	96,949
2032-2036	4,130	55,556	169,400	12,703	91,667	36,057	96,949
2037-2041	4,130	33,333	0	0	91,667	32,452	96,949
2042-2045	1,247	0	0	0	73,334	0	77,559
Total	\$21,897	\$255,556	\$789,700	\$305,826	\$531,667	\$176,683	\$562,305

The County's legal margin as of December 31, 2016 is \$1,241,133.

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 19 - NOTES PAYABLE

A summary of the note transactions for the year ended December 31, 2016 follows:

	<u>Outstanding at 01/01/16</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding at 12/31/16</u>
<i>Capital Projects Funds</i>				
<u><i>Non-Major Funds</i></u>				
Fairgrounds Improvement	\$55,000	\$43,000	\$55,000	\$43,000
Pike Senior Services	276,350	231,350	276,350	231,350
Real Estate	67,691	45,093	67,691	45,093
Total Non-Major Capital Project Funds	<u>399,041</u>	<u>319,443</u>	<u>399,041</u>	<u>319,443</u>
Total Governmental Obligations	<u>\$399,041</u>	<u>\$319,443</u>	<u>\$399,041</u>	<u>\$319,443</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.

NOTE 20 - 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, 2016, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<i>Major Funds:</i>		
General Fund	\$3,500	\$797,578
Motor Vehicle & Gas Tax Fund	500,000	0
Board of Developmental Disabilities Fund	3,606	48,280
Job and Family Services Fund	111,475	27,879
Pike County Sewer	53,762	0
Non-Major Governmental Funds	<u>468,086</u>	<u>266,692</u>
Total All Funds	<u>\$1,140,429</u>	<u>\$1,140,429</u>

Interfund balances at December 31, 2016, consist of the following individual fund receivables and payables:

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 20 – INTERFUND TRANSACTIONS (Continued)

	Interfund Receivable	Interfund Payable
<i>Major Funds:</i>		
General Fund	\$28,585	\$0
Motor Vehicle & Gas Tax Fund	0	76
Non-Major Governmental Funds	2,903	31,412
Total All Funds	\$31,488	\$31,488

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 21 – 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. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

NOTE 21 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2016, Pike County contributed \$363,393 to the program.

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 2016, Pike County contributed \$100,925 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.

NOTE 21 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

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.

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 2016.

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 2016.

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 22 - 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 2016.

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 \$38,283 from the County during 2016.

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 \$15,254 for 2016 for goods and services plus the annual contract amount.

NOTE 23 - 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.

NOTE 24 - 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:

Pike County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 24 – FUND BALANCES (Continued)

	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	\$1,901	\$319,848	\$0	\$0	\$17,237	\$338,986
Prepaid Items	4,848	1,024	0	110	4,986	10,968
Unclaimed Monies	351,220	0	0	0	0	351,220
Total Nonspendable	<u>357,969</u>	<u>320,872</u>	<u>0</u>	<u>110</u>	<u>22,223</u>	<u>701,174</u>
<i>Restricted:</i>						
Loans	0	0	0	0	1,584,512	1,584,512
Capital Projects	0	0	0	0	439,967	439,967
Debt Service	0	0	0	0	96,138	96,138
Community Development	0	0	0	0	1,019,812	1,019,812
Law Enforcement	0	0	0	0	114,837	114,837
Children Services	0	0	0	0	1,048,991	1,048,991
Child Support Enforcement	0	0	0	0	676,685	676,685
Motor Vehicle Gas Tax	0	2,681,576	0	0	0	2,681,576
Court Services	0	0	0	0	445,364	445,364
Senior Citizens	0	0	0	0	541,062	541,062
Board of Developmental Disabilities	0	0	5,012,516	0	0	5,012,516
Emergency Medical Services	0	0	0	0	695,968	695,968
Real Estate Assessment	0	0	0	0	891,328	891,328
Other Federal and State Programs	0	0	0	0	814,356	814,356
Total Restricted	<u>0</u>	<u>2,681,576</u>	<u>5,012,516</u>	<u>0</u>	<u>8,369,020</u>	<u>16,063,112</u>
<i>Assigned:</i>						
Future Appropriations	3,431,242	0	0	0	0	3,431,242
Certificate of Title	538,811	0	0	0	0	538,811
General Government	1,553	0	0	0	0	1,553
Total Assigned	<u>3,971,606</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,971,606</u>
<i>Unassigned</i>	<u>4,521,489</u>	<u>0</u>	<u>0</u>	<u>(71,433)</u>	<u>(280,558)</u>	<u>4,169,498</u>
Total Fund Balances	<u><u>\$8,851,064</u></u>	<u><u>\$3,002,448</u></u>	<u><u>\$5,012,516</u></u>	<u><u>(\$71,323)</u></u>	<u><u>\$8,110,685</u></u>	<u><u>\$24,905,390</u></u>

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.

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 Three Years (1)

	2015	2014	2013
County's Proportion of the Net Pension Liability	0.07815200%	0.06118300%	0.06118300%
County's Proportionate Share of the Net Pension Liability	\$13,536,912	\$7,379,353	\$7,212,679
County Covered-Employee Payroll	\$8,441,166	\$7,810,197	\$10,615,575
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	160.37%	94.48%	67.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	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 Four years (1)

	2016	2015	2014	2013
County's Proportion of the Net Pension Liability	0.00212676%	0.00225361%	0.00207886%	0.00207886%
County's Proportionate Share of the Net Pension Liability	\$711,891	\$622,832	\$505,651	\$602,328
County Covered-Employee Payroll	\$232,564	\$241,557	\$253,031	\$230,200
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	306.11%	257.84%	199.84%	261.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.78%	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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i><u>OPERS - Law Enforcement</u></i>					
Contractually Required Contribution	\$203,271	\$154,474	\$113,628	\$170,509	\$155,148
Contributions in Relation to the Contractually Required Contribution	<u>(203,271)</u>	<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>	<u>\$0</u>
County Covered-Employee Payroll	\$1,262,553	\$959,466	\$705,764	\$997,129	\$1,100,340
Contributions as a Percentage of Covered-Employee Payroll	16.10%	16.10%	16.10%	17.10%	14.10%
<i><u>OPERS - All Others</u></i>					
Contractually Required Contribution	\$1,209,123	\$897,804	\$852,532	\$1,250,398	\$1,137,753
Contributions in Relation to the Contractually Required Contribution	<u>(1,209,123)</u>	<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>	<u>\$0</u>
County Covered-Employee Payroll	\$10,076,025	\$7,481,700	\$7,104,433	\$9,618,446	\$11,377,530
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	13.00%	10.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$140,654	\$153,664	\$148,026	\$144,791	\$136,577
<u>(140,654)</u>	<u>(153,664)</u>	<u>(148,026)</u>	<u>(144,791)</u>	<u>(136,577)</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
14.10%	12.87%	12.13%	10.40%	11.67%
\$1,031,463	\$1,126,870	\$1,085,526	\$1,061,797	\$1,001,567
<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>\$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
10.00%	9.00%	8.50%	7.00%	8.35%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$32,559	\$33,818	\$32,894	\$29,926	\$25,319
Contributions in Relation to the Contractually Required Contribution	<u>(32,559)</u>	<u>(33,818)</u>	<u>(32,894)</u>	<u>(29,926)</u>	<u>(25,319)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered-Employee Payroll	\$232,564	\$241,557	\$253,031	\$230,200	\$194,762
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$22,354	\$20,811	\$13,315	\$12,087	\$12,102
<u>(22,354)</u>	<u>(20,811)</u>	<u>(13,315)</u>	<u>(12,087)</u>	<u>(12,102)</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
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, 2016

Federal Grantor / Pass through Grantor / Program Title	Federal CFDA Number	Pass-Through Grant Number	Pass-Thru Subrecipient	Expenditures
<u>U.S. Department of Agriculture</u>				
<i>Passed through Ohio Department of Job and Family Services:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Prog	10.561	G-1617-11-5568	\$0	\$347,865
Total Supplemental Nutrition Assistance Program			0	347,865
Total U.S. Department of Agriculture			<u>0</u>	<u>347,865</u>
<u>U.S. Department of Housing and Urban Development</u>				
<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-15-1CI-1	0	89,414
CHIP Home Repair	14.228	B-C-15-1CI-1	0	70,326
Total Community Development Block Grant			0	159,740
HOME Investment Partnerships Program:				
HOME Investment Partnership Program	14.239	B-C-15-1C1-2	0	136,734
Total HOME Investment Partnerships Program			0	136,734
Total U.S. Department of Housing and Urban Development			<u>0</u>	<u>296,474</u>
<u>U.S. Department of Transportation</u>				
<i>Direct from the Federal Government:</i>				
Airport Improvement Program	20.106	3-39-0088-1013	0	13,738
Airport Improvement Program	20.106	3-39-0099-012-2016	0	248,168
Total Airport Improvement Program			0	261,906
<i>Passed Through Ohio Department of Transportation:</i>				
<i>Highway Planning and Construction Cluster:</i>				
Highway Planning and Construction	20.205	PID #101423	0	35,862
Highway Planning and Construction	20.205	PID #103843	0	10,878
Highway Planning and Construction	20.205	PID #103844	0	2,903
Highway Planning and Construction	20.205	PID #103846	0	5,328
Highway Planning and Construction	20.205	PID #103918	0	40,087
Total Highway Planning and Construction Cluster			0	95,058
<i>Passed Through Ohio Department of Public Safety:</i>				
<i>Highway Safety Cluster:</i>				
State and Community Highway Safety	20.600	STEP-2017-66-00-00-00583-00	0	733
National Priority Safety Programs	20.616	IDEP-2017-66-00-00-00567-00	0	947
Total Highway Safety Cluster			0	1,680
Total U.S. Department of Transportation			<u>0</u>	<u>358,644</u>
<u>U.S. Department of Education</u>				
<i>Passed through Ohio Department of Education:</i>				
<i>Special Education Cluster:</i>				
Special Education - Grants to States	84.027	6B-SF	0	10,019
Total Special Education Cluster			0	10,019
<i>Passed through Ohio Department of Health:</i>				
Special Education Grants for Infants and Families	84.181	N/A	0	33,285
<i>Passed through Ohio Department of Disabilities:</i>				
Special Education Grants for Infants and Families	84.181	N/A	0	7,924
Total Special Education Grants for Infants and Families			0	41,209
Total U.S. Department of Education			<u>0</u>	<u>51,228</u>

(Continued)

PIKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

Federal Grantor / Pass through Grantor / Program Title	Federal CFDA Number	Pass-Through Grant Number	Pass-Thru Subrecipient	Expenditures
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through Ohio Department of Job and Family Services:</i>				
Promoting Safe and Stable Family	93.556	N/A	0	11,590
Child Support Enforcement	93.563	G-1617-11-5568	0	309,050
Child Welfare Services - State Grants	93.645	N/A	0	50,645
Foster Care Title IV-E	93.658	N/A	0	491,825
Adoption Assistance	93.659	N/A	0	132,226
Children's Health Insurance Program	93.767	G-1617-11-5568	0	1,379
Temporary Assistance for Needy Families Cluster:				
Temporary Assistance for Needy Families	93.558	G-1617-11-5568	0	1,418,661
Total Temporary Assistance for Needy Families Cluster			0	1,418,661
Child Care and Development Block Grant Cluster:				
Child Care and Development Block Grant	93.575	G-1617-11-5568	0	47,604
Total Child Care and Development Block Grant Cluster			0	47,604
<i>Passed through Ohio Department of Job & Family Services:</i>				
Medical Assistance Program Cluster:				
Title XIX	93.778	G-1617-11-5568	0	594,262
<i>Passed through Ohio Department of Developmental Disabilities:</i>				
Medical Assistance Program:				
Title XIX Medicaid Administrative Claiming	93.778	N/A	0	138,155
Total Medical Assistance Program Cluster			0	732,417
<i>Passed through Ohio Department of Job & Family Services:</i>				
Social Services Block Grant	93.667	G-1617-11-5568	0	234,988
Social Services Block Grant	93.667	N/A	0	136,931
<i>Passed through Ohio Department of Developmental Disabilities:</i>				
Social Services Block Grant	93.667	N/A	0	29,078
Total Social Services Block Grant			0	400,997
<i>Passed through the Ohio Department of Health:</i>				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Progr	93.505	N/A	0	174,880
Total U.S. Department of Health and Human Services			0	3,771,274
<u>U.S. Department of Justice</u>				
<i>Passed through Ohio Office of Criminal Justice Services:</i>				
Edward Byrne Memorial Justice Assistance Grant	16.738	2012-JG-A02-V6034	0	23,636
Total U.S. Department of Justice			0	23,636
Total Federal Awards Expenditures			\$0	\$4,849,121

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

PIKE COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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, 2016. 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, 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 – 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 D – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) AND HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT PROGRAMS WITH REVOLVING LOAN CASH BALANCE

The current cash balance on the County's local program income accounts as of December 31, 2016 are \$205,545 for CDBG and \$11,748 for HOME.

NOTE E – COUNTY BOARD OF DEVELOPMENTAL DISABILITIES COST REPORT SETTLEMENT MAC AMOUNT

During the calendar year, the County Board of Developmental Disabilities received a settlement payment for the 2011 Cost Report from the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA #93.778) in the amount of \$2,235. The Cost Report Settlement payment was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This revenue is not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expenses occurred in a prior reporting period.

NOTE F – TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2016, the County made allowable transfers of \$200,000 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 \$234,988 on the Social Services Block Grant program. The amount reported for the Social Services Block Grant program on the Schedule excludes the amount transferred to 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 2016 and the amount transferred to the Temporary Assistance for Needy Families program.

Social Services Block Grant	\$434,988
Transferred to Temporary Assistance for Needy Families	<u>(200,000)</u>
Total Social Services Block Grant	\$234,988



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, 2016, 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 1, 2018, 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.

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 that we consider material weaknesses. We consider findings 2016-001 through 2016-004 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 as items 2016-003 and 2016-004.

Entity's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings. 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 1, 2018



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, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the county's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Community Development Block Grant

As described in finding 2016-005 in the accompanying schedule of findings, the County did not comply with requirements regarding cash management applicable to its CFDA 14.228 Community Development Block Grant major federal program. Compliance with this requirement is necessary, in our opinion, for the County to comply with 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, 2016.

The County's response to our noncompliance finding is described in the accompanying schedule of findings and / or corrective action plan. We did not audit the County's response and, accordingly, we express no opinion on it.

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 for the year ended December 31, 2016.

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 a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2016-005.

The County's response to our internal control over compliance finding is described in the accompanying schedule of findings and / or corrective action plan. We did not audit the County's response and, accordingly, we express no opinion on it.

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.

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 1, 2018

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PIKE COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2016

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified except for Governmental Activities – Qualified Business-Type Activities – Sewer Fund - Qualified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified on Cash Management for CDBG Unmodified all others
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Community Development Block Grants, CFDA #14.228 Foster Care, CFDA #93.658 Temporary Assistance to Needy Families, CFDA 93.558
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2016-001

Material Weakness

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

We noted the following conditions in the following opinion units related to the County's accounting and financial reporting:

Governmental Activities

- The County understated net pension liability, deferred outflows for pension, deferred inflows and related expenses for pension by \$2,519,305, \$2,161,540, \$51,550 and \$409,315 respectively.
- The County misclassified operating grants and contributions as grants and contributions not restricted in the amount of \$3,481,811.
- The County misclassified grants and entitlements not restricted as operating grants and contributions in the amount of \$728,756.
- The County understated intergovernmental receivables and capital grants and contributions revenue by \$420,817.
- The County overstated long term liabilities and capital assets by \$693,584 and \$16,583 respectively, and understated grants and contributions revenues by \$677,001.
- The County made errors in financial reporting in the Statement of Net Position balances and Statement of Activities transaction line item account in amounts ranging from \$1,822 to \$728,756.

General Fund

- The County incorrectly classified fund balance as unassigned; instead of, assigned in the amount of \$2,223,980.
- The County made errors in financial reporting in the Balance Sheet and Statement of Revenues, Expenditures and Changes Fund Balances in amounts ranging from \$8,211 to \$250,549.

Board of Developmental Disabilities

- The County overstated taxes receivable and property taxes not levied to finance current year operations by \$287,380.
- The County overstated property tax revenue and understated intergovernmental revenue by \$314,210.
- The County overstated other revenue and understated charges for services by \$536,595.

**FINDING NUMBER 2016-001
(Continued)**

Jobs and Family Services

- The County understated intergovernmental receivables and intergovernmental revenue by \$31,719.

Remaining Fund Information

- The County understated intergovernmental revenue in the amount of \$850,403, overstated loan proceeds in the amount of \$693,584, overstated capital outlay expenditures in the amount of \$16,583, understated intergovernmental receivables by \$420,817, understated unavailable revenue in the amount of \$245,593, understated contractual services expenditures by \$740,961, understated charges for service revenue by \$739,385 and overstated claims expenditures by \$1,576, and overstated cash by \$1,822.

Sewer Fund

- The County understated intergovernmental receivable in the amount of \$757,625.
- The County overstated charges for services revenue in the amount of \$63,305.
- The County understated intergovernmental revenue in the amount of \$762,529.
- The County made errors in financial reporting in the Statement of Net Position balances and Statement of Revenue, Expenses and Changes in Net Position in amounts ranging from \$3,000 to \$93,077.

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 report financial transactions that reflect their accounting records.

Officials' Response:

The County is working with each department to ensure they are correctly coding items for the new accounting system to avoid posting errors.

FINDING NUMBER 2016-002

Material Weakness

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. The County did not always ensure that budgetary amounts, as authorized by the Board of Commissioners and approved by the County Budget Commission, were reconciled to the budgetary amounts posted to the accounting system.

**FINDING NUMBER 2016-002
 (Continued)**

This resulted in incorrect amounts being recorded in the accounting system and inaccurate budgetary information available to County officials for their monitoring. Further, this resulted in the budget vs. actual statements being misstated.

Variances between approved amounts and amounts recorded in the accounting system at December 31, 2016 were as follows:

Fund	Per Original Amended Certificates	Per Accounting System	Variance
Developmental Disabilities Fund	\$5,736,986	\$4,442,168	(\$1,294,818)

Fund	Per Final Amended Certificates	Per Accounting System	Variance
Developmental Disabilities Fund	\$5,736,986	\$4,442,168	(\$1,294,818)

Fund	Per Approved Appropriations	Per Accounting System	Variance
General Fund	\$11,783,032	\$12,352,089	\$569,057
Motor Vehicle License Tax Fund	\$5,620,406	\$5,494,322	(\$126,084)
Developmental Disabilities	\$4,850,312	\$4,840,728	(\$9,584)

County officials should be monitoring the budgetary activity to ensure approved budgetary amounts are properly recorded in the accounting system in order to make informed decisions regarding County finances.

The County has adjusted the financial statements and accounting records where appropriate.

We recommend the County implement procedures to ensure approved budgetary amounts are accurately posted to the accounting system and reported on the financial statements.

Officials' Response:

The Auditor will monitor the budgetary activity to ensure the approved budgetary amounts are recorded in the accounting system.

FINDING NUMBER 2016-003

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 operations.

The County did not maintain complete records of capital assets and related depreciation that supported amounts presented on the financial statements, which resulted in a qualified opinion.

Amounts reported for capital assets represented the following percentages of Total Assets for each opinion unit:

Opinion Unit	Capital Asset Amount (net of accumulated depreciation)	Percentage of Total Assets
Governmental Activities	\$51,781,086	60%
Business-Type Activities	2,256,533	74%
Major Sewer Fund	2,256,533	74%
Opinion Unit	Depreciation Expense	Percentage of Total Expense
Governmental Activities	\$2,819,239	9%
Business-Type Activities	105,408	13%
Major Sewer Fund	105,408	13%

Opinion Unit	Net Investment in Capital Assets	Percentage of Net Position
Governmental Activities	\$42,571,775	67%
Business-Type Activities	1,995,700	75%
Major Sewer Fund	1,995,700	75%

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 procedures to support policy compliance.
- Maintain capital asset information sufficient to account for specific assets.

**FINDING NUMBER 2016-003
(Continued)**

- 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 has contracted with a valuation company to do a complete inventory of all the county's capital assets.

FINDING NUMBER 2016-004

Noncompliance/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."

We did not see evidence that the County Auditor and County Treasurer reconciled differences between the records maintained by their individual offices required by Ohio Revised Code Sections 319.14 and 321.09. 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, 2016 by \$281,299. Auditors determined that of this variance:

- \$229,009 was related to outstanding checks which had cleared the bank and electronic fund transfers which had been deducted, but were reported as outstanding items at year-end.
- \$170,298 related to outstanding deposits which had been recorded by the bank but not the County Auditor or County Treasurer.
- \$59,659 related to an undetermined variance between the County Auditor records and County Treasurer records regarding the payroll clearing account balance.

The County has not corrected the financial statements. While the error is not material, if the County does not implement a process for timely reconciliation between the Auditor and Treasurer the potential exists for material errors in the future.

**FINDING NUMBER 2016-004
 (Continued)**

Timely reconciliation of the reports required by Ohio law prepared by the County Auditor and County Treasurer is essential for the county officials to fulfill their responsibility to account for public funds. Lack of daily communication, timely reconciliations, and timely follow-up on issues identified during this 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 work together through daily communication of the information required by Ohio law and resolve any differences between their reconciled fund balances or between the Treasurers reconciled balance and the bank in a timely manner. We also recommend that the County Auditor and County Treasurer include the payroll clearing account in their reconciliation process.

Officials' Response:

The County's new accounting system will assist with the reconciliation between the two departments.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS			
Finding Number	2016-005		
CFDA Title and Number	Community Development Block Grants, #14.228		
Federal Award Identification Number / Year	B-C-15-1CI-1 / B-F-15-1CI-1		
Federal Agency	United States Department of Housing and Urban Development		
Pass-Through Entity	Ohio Department of Development		
Repeat Finding from Prior Audit?	Yes	Finding Number (if repeat)	2015-007

Noncompliance/Material Weakness – Cash Management

2 CFR section 2400.101 gives regulatory effect to the Department of Housing and Urban Development for 2 CFR 200.305 subsection (c) which 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 \$500 per year for administrative expenses.

ODSA OCD Grant Operations and Financial Management Policy and Procedures indicates grantees must develop a cash management system to minimize the time elapsed between the funds transfer from OCD and funds disbursed by the grantee, in compliance with 2 CFR 200.305. Implementing the cash management system shall ensure disbursed OCD funds-on-hand balance is less than \$5,000 within 30 days of receiving the funds.

FINDING NUMBER 2016-005
(Continued)

Community Development Block Grant (CDBG) funds were not expended within 30 days to a fund balance of less than \$5,000 for five drawdowns of CDBG grant funding received during the audit period. Fund balances ranged from \$12,113 to \$14,474. Also, the County did not have procedures in place to quarterly monitor whether interest earned on federal funds exceeded \$500 in a year. Interest earned on federal funds exceeding \$500 may be required to be returned to the grantor. We qualified our opinion for this matter.

We recommend the grant coordinator develop a cash management system to ensure compliance with the 30 day rule and the monitoring of any interest earned on federal funds.

Officials' Response:

The director will review and modify the internal controls over cash management.

PIKE COUNTY BOARD OF COMMISSIONERS

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 pikecountycommissioners@yahoo.com

Members of the Board of Commissioners
 Fred Foster, Chairman
 Blaine Beekman, Vice Chair
 Tony Montgomery, Member
 April Elliott, Clerk
 Angie Burggraf, Secretary

PIKE COUNTY FINANCIAL CONDITION PIKE COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS 2 CFR 200.511(b) DECEMBER 31, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	2014 Material Weakness - Incorrect posting and reporting of various items.	Not Corrected	Repeated as 2016-001
2015-002	2015 Noncompliance/Material Weakness - Ohio Administrative Code Section 117-02-2-02(A) – Capital Asset records not properly maintained.	Not Corrected	Repeated as 2016-003
2015-003	2015 Material Weakness - Ohio Revised Code Section 319.14 and 321.09 – County Auditor and County Treasurer did not reconcile payroll clearing account and County Treasurer did not reconcile it to the bank.	Not Corrected	Repeated as 2016-004
2015-004	2015 Noncompliance - Ohio Revised Code Section 135.18 – County deposits were not fully collateralized.	Corrective Action Taken and Finding is Fully Corrected	
2015-005	2015 Noncompliance - Ohio Rev. Code Section 117.28, a finding for recovery was 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.	Not Corrected	Not fully repaid.
2015-006	2015 Noncompliance/Material Weakness - 2 CFR Part 200 Subpart F - County's Schedule of Federal Awards Expenditures presented for audit did not accurately list all federal expenditures expended by the County.	Not Corrected	Partially corrected, reported in management letter.

PIKE COUNTY BOARD OF COMMISSIONERS

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2015-007	2014 Noncompliance/Material Weakness - 24 CFR 85.21 subsection (c) - 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.	Not Corrected	Repeated as 2016-005
2015-008	2015 Noncompliance/Material Weakness/Questioned Costs 2 CFR Part 225 – Ineligible use of CDBG funds requiring the County return \$47,070 to OCD, and return \$30,365.50 to the Revolving Loan Fund.	Corrective Action Taken and Finding is Fully Corrected	

PIKE COUNTY BOARD OF COMMISSIONERS

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PIKE COUNTY

CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

DECEMBER 31, 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The County is working with each department to ensure they are correctly coding items for the new accounting system to avoid posting errors.	12/31/18	Erica Snodgrass, County Auditor
2016-002	The Auditor will monitor the budgetary activity to ensure the approved budgetary amounts are recorded in the accounting system.	12/31/18	Erica Snodgrass, County Auditor
2016-003	The County has contracted with a valuation company to do a complete inventory of all the county's capital assets.	12/31/18	Erica Snodgrass, County Auditor
2016-004	The County's new accounting system will assist with the reconciliation between the two departments.	12/31/18	Erica Snodgrass, County Auditor
2016-005	The director will review and modify the internal controls over cash management.	12/31/18	Gary Arnett, Community 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
MARCH 15, 2018