



**Auditor of State  
Betty Montgomery**



**PIKE COUNTY GENERAL HEALTH DISTRICT  
PIKE COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Pike County General Health District  
Pike County  
229 Valley View Drive  
Waverly, Ohio 45690

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pike County General Health District, Pike County, Ohio (the District), as of and for the years ended December 31, 2004 and 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pike County General Health District, as of December 31, 2004 and 2003, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund and Public Health Nursing Fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

For the years ended December 31, 2004 and 2003, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

December 22, 2005

**Pike County General Health District**  
**Pike County, Ohio**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2004 and 2003*  
*Unaudited*

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This discussion and analysis of the Pike County General Health District's (the District) financial performance provides an overall review of the District's financial activities for the years ended December 31, 2004 and 2003, within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

### **Highlights**

Key highlights for 2004 and 2003 are as follows:

The District's receipts are primarily from licenses, fees and permits, intergovernmental receipts, and property taxes. These receipts represent 99.7 and 99.9 percent of the total cash received for governmental activities during 2004 and 2003. The remaining receipts are attributed to miscellaneous receipts.

The District's disbursements are primarily for salaries and wages, and fringe benefits disbursements. These disbursements represent 71.7 and 69.7 percent of the total cash disbursed for governmental activities during 2004 and 2003. The remaining disbursements are attributed to contract services, materials and supplies, equipment and other.

### **Using the Basic Financial Statements**

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

### **Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

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

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

### **Basis of Accounting**

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

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

**Pike County General Health District**  
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**Reporting the District as a Whole**

The statement of net assets and the statement of activities reflect how the District did financially during 2004 and 2003, within the limitations of the modified cash basis of accounting. The statement of net assets presents the cash balances of the governmental activities of the District at year end. The statement of activities compares cash disbursements with program receipts for its governmental program. Program receipts include charges paid by the recipient of the program services and for grant monies received. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how its governmental activity draws from the District's general receipts.

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

In the statement of net assets and the statement of activities, we present the District in one type of activity:

Governmental Activities – All of the District's basic services are reported here. Charges for services, operating grants and contributions, and property taxes make up the vast majority of District receipts.

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

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

Governmental Funds – All of the District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the fund financial statements. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. For 2004 and 2003, the District's major governmental funds are the General Fund and the Public Health Nursing Fund. The programs reported in its governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.



**Pike County General Health District**  
**Pike County, Ohio**  
*Management's Discussion and Analysis*  
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**The District as a Whole**

Table 1 provides a summary of the District's net assets for 2004 compared to 2003 on a modified cash basis:

	Governmental Activities		
	2004	2003	2002
<i>Assets</i>			
Equity in County Treasury	\$1,733,587	\$1,623,248	\$1,719,885
Total Assets	<u>\$1,733,587</u>	<u>\$1,623,248</u>	<u>\$1,719,885</u>
<i>Net Assets</i>			
Restricted	\$1,437,988	\$1,274,697	\$1,217,492
Unrestricted	295,599	348,551	502,393
Total Net Assets	<u>\$1,733,587</u>	<u>\$1,623,248</u>	<u>\$1,719,885</u>

Net assets of governmental activities increased \$110,339 (6.8 percent) from 2003 to 2004 and decreased \$96,637 (5.7 percent) from 2002 to 2003. The primary reasons contributing to these changes in cash balances are as follows:

- For 2003 to 2004, receipts increased by \$151,559 due primarily to an increase in licenses, permits and fees receipts of \$184,774 which was partially offset by slight decreases in other receipt categories.
- For 2002 to 2003, receipts decreased by \$481,881 due primarily to a decrease in licenses, fees, and permits receipts of \$355,762.

Table 2 reflects the changes in net assets in 2004 and 2003. Since the District did not prepare financial statements in this format for 2002, a comparative analysis of government-wide data has not been presented to fiscal year 2002. In future years, when prior year information is available, a comparative analysis will be presented for three years.

**Pike County General Health District**  
**Pike County, Ohio**  
*Management's Discussion and Analysis*  
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Unaudited

Table 2  
Change in Net Assets

	Governmental Activities	
	2004	2003
<i>Receipts:</i>		
<i>Program Receipts:</i>		
Charges for Services	\$1,229,392	\$1,044,618
Operating Grants and Contributions	227,313	246,569
<b>Total Program Receipts</b>	<b>1,456,705</b>	<b>1,291,187</b>
<i>General Receipts:</i>		
Property Taxes	245,073	252,211
Grants and Entitlements not Restricted To Specific Programs	445,529	456,420
Miscellaneous	6,681	2,611
<b>Total General Receipts</b>	<b>697,283</b>	<b>711,242</b>
<b>Total Receipts</b>	<b>2,153,988</b>	<b>2,002,429</b>
<i>Disbursements:</i>		
<i>Current:</i>		
Health	2,013,909	2,048,567
Capital Outlay	29,740	50,499
<b>Total Disbursements</b>	<b>2,043,649</b>	<b>2,099,066</b>
<i>Net Increase (Decrease) in Net Assets</i>	110,339	(96,637)
<i>Net Assets, January 1</i>	1,623,248	1,719,885
<i>Net Assets, December 31</i>	<b>\$1,733,587</b>	<b>\$1,623,248</b>

Program receipts represent 67.6 and 64.5 percent of total receipts in 2004 and 2003, and are primarily comprised of charges for services and operating grants and contributions.

General receipts represent 32.4 and 35.5 percent of the District's total receipts for 2004 and 2003. These receipts consist of property taxes, general grant receipts, and miscellaneous receipts.

Disbursements consist primarily of health and capital outlay disbursements.

**Pike County General Health District**  
**Pike County, Ohio**  
*Management's Discussion and Analysis*  
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**Governmental Activities**

If you look at the Statement of Activities, as referenced in the table of contents, you will see that the first column lists the major services provided by the District. The next column identifies the costs of providing these services. The next two columns of the Statement, entitled Program Cash Receipts, identifies amounts paid by people who are directly charged for services provided and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided from sources other than charges for services and operating grants. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3 for both 2004 and 2003.

Table 3  
Governmental Activities

	Total Cost Of Services 2004	Net Cost Of Services 2004	Total Cost Of Services 2003	Net Cost Of Services 2003
Health	\$2,013,909	\$557,204	\$2,048,567	\$757,380
Capital Outlay Community Preparedness	29,740	29,740	50,499	50,499
Total Disbursements	<u>\$2,043,649</u>	<u>\$586,944</u>	<u>\$2,099,066</u>	<u>\$807,879</u>

**The District's Funds**

Total receipts were \$2,153,988 and total disbursements were \$2,043,649 in 2004. Total receipts were \$2,002,429 and total disbursements were \$2,099,066 in 2003.

For 2004, the General Fund had an excess of disbursements over receipts of \$50,952 while the Public Health Nursing Fund had an excess of receipts over disbursements of \$50,061. Other governmental funds accounted for the majority of the net increase in fund balances for 2004.

For 2003, the General Fund had an excess of disbursements over receipts of \$186,669 while the Public Health Nursing Fund had an excess of receipts over disbursements of \$18,535. Other governmental funds also had an excess of receipts over disbursements which helped to offset some of the net decrease in fund balances for 2003.

For 2004, the General Fund final disbursements were budgeted at \$951,500 while actual disbursements were \$893,930. Although receipts exceeded expectations, appropriations were not increased. The District kept spending close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$59,008 for 2004.

For 2003, the General Fund final disbursements were budgeted at \$1,040,000 while actual disbursements were \$1,024,580. Although receipts exceeded expectations, appropriations were not increased. The District kept spending close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$159,117 for 2003.

**Pike County General Health District**  
**Pike County, Ohio**  
*Management's Discussion and Analysis*  
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**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Linda Murphy, Fiscal Officer, 229 Valley View Drive, Waverly, Ohio 45690.

**Pike County General Health District**  
**Pike County, Ohio**  
*Statement of Net Assets - Modified Cash Basis*  
*As of December 31, 2004 and 2003*

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Assets		
Equity in County Treasury	<u>\$1,733,587</u>	<u>\$1,623,248</u>
Total Assets	<u><u>\$1,733,587</u></u>	<u><u>\$1,623,248</u></u>
Net Assets		
Restricted for Other Purposes	\$1,437,988	\$1,274,697
Unrestricted	<u>295,599</u>	<u>348,551</u>
Total Net Assets	<u><u>\$1,733,587</u></u>	<u><u>\$1,623,248</u></u>

See accompanying notes to the basic financial statements.

**Pike County General Health District**  
**Pike County, Ohio**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2004*

		Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Health	\$2,013,909	\$1,229,392	\$227,313	(\$557,204)
Capital Outlay	29,740	0	0	(29,740)
Total Governmental Activities	\$2,043,649	\$1,229,392	\$227,313	(586,944)
		General Receipts:		
		Property Taxes Levied for General Health District Purposes		245,073
		Grants and Entitlements not Restricted to Specific Programs		445,529
		Miscellaneous		6,681
		Total General Receipts		697,283
		Change in Net Assets		110,339
		Net Assets Beginning of Year		1,623,248
		Net Assets End of Year		\$1,733,587

See accompanying notes to the basic financial statements

**Pike County General Health District**  
**Pike County, Ohio**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2003*

		Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Health	\$2,048,567	\$1,044,618	\$246,569	(\$757,380)
Capital Outlay	50,499	0	0	(50,499)
Total Governmental Activities	\$2,099,066	\$1,044,618	\$246,569	(807,879)
		General Receipts:		
		Property Taxes Levied for General Health District Purposes		252,211
		Grants and Entitlements not Restricted to Specific Programs		456,420
		Miscellaneous		2,611
		Total General Receipts		711,242
		Change in Net Assets		(96,637)
		Net Assets Beginning of Year		1,719,885
		Net Assets End of Year		\$1,623,248

See accompanying notes to the basic financial statements

**Pike County General Health District**  
**Pike County, Ohio**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*As of December 31, 2004*

	<u>General</u>	<u>Public Health Nursing</u>	<u>Other Non-major</u>	<u>Totals</u>
Assets				
Equity in County Treasury	\$295,599	\$1,096,954	\$341,034	\$1,733,587
Total Assets	295,599	1,096,954	341,034	1,733,587
Fund Balances				
Reserved:				
Reserved for Encumbrances	6,056	21,826	3,790	31,672
Unreserved:				
Undesignated, Reported in:				
General Fund	289,543	0	0	289,543
Special Revenue Funds	<u>0</u>	<u>1,075,128</u>	<u>337,244</u>	<u>1,412,372</u>
Total Fund Balances	<u>\$295,599</u>	<u>\$1,096,954</u>	<u>\$341,034</u>	<u>\$1,733,587</u>

See accompanying notes to the basic financial statements



**Pike County General Health District**  
**Pike County, Ohio**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*As of December 31, 2003*

	<u>General</u>	<u>Public Health Nursing</u>	<u>Other Non-major</u>	<u>Totals</u>
Assets				
Equity in County Treasury	\$348,551	\$1,046,893	\$227,804	\$1,623,248
Total Assets	348,551	1,046,893	227,804	1,623,248
Fund Balances				
Reserved:				
Reserved for Encumbrances	5,275	34,577	1,175	41,027
Unreserved:				
Undesignated, Reported in:				
General Fund	343,276	0	0	343,276
Special Revenue Funds	0	1,012,316	226,629	1,238,945
Total Fund Balances	<u>\$348,551</u>	<u>\$1,046,893</u>	<u>\$227,804</u>	<u>\$1,623,248</u>

See accompanying notes to the basic financial statements

**Pike County General Health District**  
**Pike County, Ohio**  
*Statement of Cash Receipts, Disbursements and Changes*  
*in Modified Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2004*

	General	Public Health Nursing	Other Non-major	Totals
Receipts				
Property and Other Local Taxes	\$245,073	\$0	\$0	\$245,073
Intergovernmental	445,529	0	227,313	672,842
Licenses, Fees & Permits	127,639	910,081	191,672	1,229,392
Miscellaneous	6,681	0	0	6,681
<b>Total Receipts</b>	<b>824,922</b>	<b>910,081</b>	<b>418,985</b>	<b>2,153,988</b>
Disbursements				
Current:				
Health:				
Salaries and Wages	499,865	427,632	118,059	1,045,556
Fringe Benefits	224,528	157,060	38,111	419,699
Contract Services	10,700	149,287	59,962	219,949
Materials and Supplies	20,931	21,328	3,894	46,153
Equipment	11,014	9,237	9,489	29,740
Other	108,836	95,476	78,240	282,552
<b>Total Disbursements</b>	<b>875,874</b>	<b>860,020</b>	<b>307,755</b>	<b>2,043,649</b>
Change in Fund Balances Before Advances	(50,952)	50,061	111,230	110,339
Advances In	10,000	0	12,000	22,000
Advances Out	(12,000)	0	(10,000)	(22,000)
<b>Net Change in Fund Balances</b>	<b>(52,952)</b>	<b>50,061</b>	<b>113,230</b>	<b>110,339</b>
Fund Balances Beginning of Year	348,551	1,046,893	227,804	1,623,248
<b>Fund Balances End of Year</b>	<b>\$295,599</b>	<b>\$1,096,954</b>	<b>\$341,034</b>	<b>\$1,733,587</b>

See accompanying notes to the basic financial statements

**Pike County General Health District**  
**Pike County, Ohio**  
*Statement of Cash Receipts, Disbursements and Changes*  
*in Modified Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2003*

	General	Public Health Nursing	Other Non-major	Totals
<b>Receipts</b>				
Property and Other Local Taxes	\$252,211	\$0	\$0	\$252,211
Intergovernmental	456,420	38,818	207,751	702,989
Licenses, Fees & Permits	121,832	863,657	59,129	1,044,618
Miscellaneous	0	2,611	0	2,611
<b>Total Receipts</b>	<b>830,463</b>	<b>905,086</b>	<b>266,880</b>	<b>2,002,429</b>
<b>Disbursements</b>				
<b>Current:</b>				
<b>Health:</b>				
Salaries and Wages	570,579	431,257	52,575	1,054,411
Fringe Benefits	241,940	146,707	19,073	407,720
Contract Services	29,644	161,494	26,412	217,550
Materials and Supplies	14,129	23,947	1,645	39,721
Equipment	8,874	18,567	23,058	50,499
Other	151,966	104,579	72,620	329,165
<b>Total Disbursements</b>	<b>1,017,132</b>	<b>886,551</b>	<b>195,383</b>	<b>2,099,066</b>
<b>Change in Fund Balances Before</b>				
Transfers and Advances	(186,669)	18,535	71,497	(96,637)
Transfers In	0	0	23	23
Transfers Out	(23)	0	0	(23)
Advances In	35,000	0	2,150	37,150
Advances Out	(2,150)	0	(35,000)	(37,150)
<b>Net Change in Fund Balances</b>	<b>(153,842)</b>	<b>18,535</b>	<b>38,670</b>	<b>(96,637)</b>
Fund Balances Beginning of Year - As Restated	502,393	1,028,358	189,134	1,719,885
Fund Balances End of Year	\$348,551	\$1,046,893	\$227,804	\$1,623,248

See accompanying notes to the basic financial statements

**Pike County General Health District**  
**Pike County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*For the Year Ended December 31, 2004*

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Receipts and Other Financing Sources	\$760,470	\$760,470	\$834,922	\$74,452
Disbursements and Other Financing Uses	951,500	951,500	893,930	57,570
Net Change in Fund Balance	(191,030)	(191,030)	(59,008)	132,022
Fund Balance Beginning of Year	343,276	343,276	343,276	0
Prior Year Encumbrances Appropriated	5,275	5,275	5,275	0
Fund Balance End of Year	<u>\$157,521</u>	<u>\$157,521</u>	<u>\$289,543</u>	<u>\$132,022</u>

	Public Health Nursing Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Receipts and Other Financing Sources	\$900,000	\$900,000	\$910,081	\$10,081
Disbursements and Other Financing Uses	1,242,000	1,242,000	881,846	360,154
Net Change in Fund Balance	(342,000)	(342,000)	28,235	370,235
Fund Balance Beginning of Year	1,012,316	1,012,316	1,012,316	0
Prior Year Encumbrances Appropriated	34,577	34,577	34,577	0
Fund Balance End of Year	<u>\$704,893</u>	<u>\$704,893</u>	<u>\$1,075,128</u>	<u>\$370,235</u>

**Pike County General Health District**  
**Pike County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*For the Year Ended December 31, 2003*

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Receipts and Other Financing Sources	\$623,470	\$623,470	\$865,463	\$241,993
Disbursements and Other Financing Uses	1,040,000	1,040,000	1,024,580	15,420
Net Change in Fund Balance	(416,530)	(416,530)	(159,117)	257,413
Fund Balance Beginning of Year	494,155	494,155	494,155	0
Prior Year Encumbrances Appropriated	8,238	8,238	8,238	0
Fund Balance End of Year	<u>\$85,863</u>	<u>\$85,863</u>	<u>\$343,276</u>	<u>\$257,413</u>

	Public Health Nursing Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Receipts and Other Financing Sources	\$950,000	\$950,000	\$905,086	(\$44,914)
Disbursements and Other Financing Uses	1,368,000	1,368,000	921,128	446,872
Net Change in Fund Balance	(418,000)	(418,000)	(16,042)	401,958
Fund Balance Beginning of Year	998,583	998,583	998,583	0
Prior Year Encumbrances Appropriated	29,775	29,775	29,775	0
Fund Balance End of Year	<u>\$610,358</u>	<u>\$610,358</u>	<u>\$1,012,316</u>	<u>\$401,958</u>

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**PIKE COUNTY GENERAL HEALTH DISTRICT  
PIKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

The Pike County General Health District, Pike County, Ohio (the District), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A seven-member Board and a Health Commissioner govern the District. The District is responsible for the administration of all health programs established by the Ohio Revised Code, the Ohio Department of Health, and the Public Health Council. Services provided by the District include, but are not limited to, the inspection and licensing of public health programs, community nursing activities, the control of communicable diseases, immunization clinics, environmental health programs and home health activities.

By law, the Pike County Auditor is the fiscal agent of the District.

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

B. Cash

As required by Ohio Revised Code, the County Treasurer is custodian for the District's cash. The District's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount. As of December 31, 2004 and 2003, the District's share of the County's Cash and Investment Pool was \$1,733,587 and \$1,623,248. All risks associated with deposits and investments held at the Treasurer's Office are the responsibility of Pike County.

C. Fund Accounting

The District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific District functions or activities. The operation of each fund is accounted for within a separate set of self-balancing set of accounts.

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The following are the District's major governmental funds:

*General Fund*

The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Public Health Nursing Fund*

The Public Health Nursing Fund accounts for monies received from various licenses, fees and permits used to fund the public health nursing program.

**PIKE COUNTY GENERAL HEALTH DISTRICT  
PIKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Basis of Presentation

For fiscal years 2004 and 2003 the District has implemented the provisions of GASB 34 for financial reporting on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. However, there are no adjustments to beginning fund balances since the basis of accounting has not changed. The District's basic financial statements consist of government-wide statements, including a statement of net assets and statement of activities, and fund financial statements that provide a more detailed level of financial information.

E. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include all financial activities of the District.

The statement of net assets-modified cash basis presents the modified cash basis financial condition of governmental activities of the District at year-end. The statement of activities-modified cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services identifiable to a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the District. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general cash receipts of the District.

F. Fund Financial Statements

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

G. Basis of Accounting

The District prepares its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.



**PIKE COUNTY GENERAL HEALTH DISTRICT  
PIKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

G. Basis of Accounting (Continued)

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

H. Cash Receipts—Exchange and Non-exchange Transactions

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the year in which the resources are received.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On a cash basis, receipts from property taxes are recognized in the year in which the monies have been received. On a cash basis, receipts from grants, entitlements and donations are recognized in the year in which the monies have been received.

I. Cash Disbursements

On the cash basis of accounting, disbursements are recognized at the time payments are made.

J. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure and amendments thereto. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

**PIKE COUNTY GENERAL HEALTH DISTRICT  
PIKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Capital Assets (Property, Plant and Equipment) and Depreciation**

Acquisitions of capital assets are recorded as disbursements when paid. However, under the modified cash basis of accounting, capital assets and the related depreciation are not reported separately on the basic financial statements.

**L. Compensated Absences (Accumulated Leave)**

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

**M. Interfund Transactions**

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements 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. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. In the government-wide financial statements, transfers within governmental activities are eliminated.

**N. Net Cash Assets**

Net cash assets represent the difference between assets and liabilities. Net cash assets consist of cash receipts reduced by cash disbursements for the current year. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Restricted for Other Purposes is comprised of net assets restricted for grants. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**2. INTERGOVERNMENTAL RECEIPTS**

The County apportions the excess of the District's appropriations over other estimated receipts among the townships and municipalities composing the District, based on their taxable property valuations. The County withholds the apportioned excess from property tax settlements and distributes it to the District. These amounts are included in intergovernmental receipts on the accompanying financial statements.

**3. LEVIED TAXES**

The County Commissioners are serving as a special taxing authority to levy a special levy outside the ten-mill limitation to provide the District with sufficient funds to carry out health programs. The levy generated \$245,073 in 2004 and \$252,211 in 2003. This amount is reflected as Property and Other Local Taxes receipts on the accompanying basic financial statements.

**PIKE COUNTY GENERAL HEALTH DISTRICT  
PIKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003  
(Continued)**

**4. RETIREMENT SYSTEM**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.

The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.

The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

The 2004 member contribution rate was 8.5%. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The 2004 employer contribution rate for local government employer units was 13.55% of covered payroll. The District's contributions to OPERS for all employees for the years ended December 31, 2004, 2003, and 2002, were \$150,820, \$136,870, and \$150,229, respectively; 100 percent has been contributed for 2004, 2003, and 2002.

**5. POSTEMPLOYMENT BENEFITS**

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

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12.

**PIKE COUNTY GENERAL HEALTH DISTRICT  
PIKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003  
(Continued)**

**5. POSTEMPLOYMENT BENEFITS (Continued)**

A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the rate was 13.55% of covered payroll for both fiscal years 2004 and 2003; 4.0% was used to fund health care for the year 2004 and 5.0% was used to fund health care for the year 2003.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

Summary of Assumptions:

Actuarial Review - The assumptions and calculations below were based on OPERS' latest Actuarial Reviews performed as of December 31, 2003.

Funding Method - An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method - All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

Investment Return - The investment assumption rate for 2003 was 8.00%.

Active Employee Total Payroll - An annual increase of 4.0%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from .50% to 6.30%.

Health Care - Health care cost were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEBs are advance-funded on an actuarially determined basis. The number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,885 for 2004. The employer contributions that were used to fund postemployment benefits were \$712,526 for 2004. \$10.5 billion represents the actuarial value of OPERS' net assets available for OPEBs at December 31, 2003.

The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

**PIKE COUNTY GENERAL HEALTH DISTRICT  
PIKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003  
(Continued)**

**5. POSTEMPLOYMENT BENEFITS (Continued)**

OPERS Retirement Board adopts a Health Care Preservation Plan:

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

**6. RISK MANAGEMENT**

**Risk Pool Membership**

The District belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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 coverages, 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 issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<b>2004</b>	<b>2003</b>
Assets	\$6,685,522	\$5,402,167
Liabilities	\$2,227,808	\$1,871,123
Members' Equity	\$4,457,714	\$3,531,044

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**PIKE COUNTY GENERAL HEALTH DISTRICT  
PIKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003  
(Continued)**

**7. BUDGETARY BASIS FUND BALANCES**

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances. The table below presents those differences for the District's Major Funds for 2004 and 2003:

Fiscal Year 2004	<u>General Fund</u>	<u>Public Health Nursing Fund</u>
Budgetary Basis		
Fund Balances	\$289,543	\$1,075,128
Encumbrances	<u>6,056</u>	<u>21,826</u>
Fund           Cash		
Balances	\$295,599	\$1,096,954
 Fiscal Year 2003		
	<u>General Fund</u>	<u>Public Health Nursing Fund</u>
Budgetary Basis		
Fund Balances	\$343,276	\$1,012,316
Encumbrances	<u>5,275</u>	<u>34,577</u>
Fund           Cash		
Balances	\$348,551	\$1,046,893

**8. PRIOR PERIOD ADJUSTMENTS**

The Wellness Block Grant Fund and Welcome Home Grant Fund were eliminated from the financial statements, since these funds were determined to actually be Special Revenue Funds of the Pike County Family and Children First Council. The Ohio Children's Trust Implementation Fund was determined to be a Special Revenue Fund of the District but was reported as an Agency Fund in the prior audit.

	<u>Other Non-Major</u>	<u>Agency</u>
Fund Balance at December 31, 2002	\$186,516	\$3,202
Restatement Amount	<u>2,618</u>	<u>(3,202)</u>
Fund Balance at January 1, 2003	<u>\$189,134</u>	<u>\$ 0</u>

**9. SUBSEQUENT EVENTS**

At the Board meeting held on June 16, 2005, the Board approved the purchase of land/real estate for a new office building for \$500,000. At the Board meeting held on September 15, 2005, the Board approved the proposal from the DLZ company for the renovation of the new office building in the amount of \$434,000, which would include the façade and canopy.



**Auditor of State  
Betty Montgomery**

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

Pike County General Health District  
Pike County  
229 Valley View Drive  
Waverly, Ohio 45690

To the Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pike County General Health District, Pike County, Ohio (the District), as of and for the years ended December 31, 2004 and 2003, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 22, 2005, wherein we noted the District revised its financial statement presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated December 22, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated December 22, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

We intend this report solely for the information and use of management and the Board of Health. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

December 22, 2005





**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**GENERAL HEALTH DISTRICT**

**PIKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 9, 2006**