

**REPORT OF THE AUDIT OF THE
PIKE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2016**



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable William M. Deskins, Pike County Judge/Executive

Members of the Pike County Fiscal Court

The enclosed report prepared by RFH, PLLC presents the financial statement of Pike County, Kentucky, for the year ended June 30, 2016.

We engaged RFH, PLLC to perform the audit of this financial statement. We worked closely with the firm during our report review process; RFH, PLLC evaluated the Pike County Fiscal Court's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Mike Harmon
Auditor of Public Accounts

Enclosure



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EXECUTIVE SUMMARY
AUDIT OF THE
PIKE COUNTY FISCAL COURT

June 30, 2016

RFH, PLLC has completed the audit of the Pike County Fiscal Court for fiscal year ended June 30, 2016.

They have issued an unmodified opinion, based on their audit on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Pike County Fiscal Court.

In accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), they have issued an unmodified opinion on the compliance requirements that are applicable to Pike County Fiscal Court's major federal program: Disaster Grants - Public Assistance (CFDA #97.036).

Financial Condition:

The Pike County Fiscal Court had total receipts of \$30,197,127, disbursements of \$37,052,226, and financing obligation proceeds of \$4,520,756 in fiscal year 2016. This resulted in a total ending fund balance of \$4,056,560, which is a decrease of \$2,334,343 from the prior year.

Report Findings:

- 2016-001 The Fiscal Court Did Not Pay Invoices Presented To The Court Within 30 Days Of Receipt
- 2016-002 The Fiscal Court Did Not Submit An Accurate Fourth Quarter Report To The Department For Local Government Within The Required Timeframe
- 2016-003 The Fiscal Court Did Not Perform Bank Reconciliations Each Month
- 2016-004 The Fiscal Court Did Not Record Transfers As They Occurred In The Accounting Software

Deposits:

The fiscal court deposits were insured and collateralized by bank securities or bonds.

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To the People of Kentucky

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Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Pike County Fiscal Court for the year ended June 30, 2016, and the related notes to the financial statement, which collectively comprise the Pike County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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Auditors' Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As described more fully in Note 1, the financial statement is prepared by the Pike County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Pike County Fiscal Court as of June 30, 2016, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Pike County Fiscal Court as of June 30, 2016, and its cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Pike County Fiscal Court. The Budgetary Comparison Schedules, Capital Asset Schedule, and the Schedule of Expenditure of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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Other Matters (Continued)

Supplementary Information (Continued)

The accompanying Budgetary Comparison Schedules, Capital Asset Schedule, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules, Capital Asset Schedule, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statement as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2017, on our consideration of the Pike County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Pike County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying Schedule of Findings and Questioned Costs included herein, which discuss the following report findings:

- 2016-001 The Fiscal Court Did Not Pay Invoices Presented To The Court Within 30 Days Of Receipt
- 2016-002 The Fiscal Court Did Not Submit An Accurate Fourth Quarter Report To The Department For Local Government Within The Required Timeframe
- 2016-003 The Fiscal Court Did Not Perform Bank Reconciliations Each Month
- 2016-004 The Fiscal Court Did Not Record Transfers As They Occurred In The Accounting Software

Respectfully submitted,



RFH, PLLC
Lexington, Kentucky
October 19, 2017

PIKE COUNTY OFFICIALS

For The Year Ended June 30, 2016

Fiscal Court Members:

William M. Deskins	County Judge/Executive
Vernon Johnson	Magistrate
Leo Murphy	Magistrate
Kenneth Robinson	Magistrate
Lloyd Hilman Dotson	Magistrate
Bobby Varney	Magistrate
Jeff Anderson	Magistrate

Other Elected Officials:

Howard Keith Hall	County Attorney
Freddie Lewis	Jailer
Rhonda Taylor	County Clerk
Anna Pinson Spears	Circuit Court Clerk
Rodney Scott	Sheriff
Lonnie Osbourne	Property Valuation Administrator
Russell Roberts	Coroner

Appointed Personnel:

Johnda Billiter	County Treasurer
Frankie Stacy	Finance Commissioner

PIKE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2016

PIKE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2016

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 6,978,362	\$	\$
In Lieu Tax Payments	44,020	129	
Excess Fees	670,675		
Licenses and Permits	287,458		
Intergovernmental	1,098,006	4,940,428	3,067,230
Charges for Services	13,431		231,966
Miscellaneous	146,088	923,061	19,809
Interest	1,258	9	
Total Receipts	<u>9,239,298</u>	<u>5,863,627</u>	<u>3,319,005</u>
DISBURSEMENTS			
General Government	3,715,636		
Protection to Persons and Property	549,567		3,361,878
General Health and Sanitation	207,751		
Social Services	224,847		
Recreation and Culture	287,435		
Roads	79,007	6,288,089	
Airports			
Other Transportation Facilities and Services			
Debt Service	1,354,146		
Capital Projects	597		
Administration	1,850,336	1,540,331	1,264,638
Total Disbursements	<u>8,269,322</u>	<u>7,828,420</u>	<u>4,626,516</u>
Excess (Deficiency) of Receipts Over Disbursements			
Before Other Adjustments to Cash (Uses)	<u>969,976</u>	<u>(1,964,793)</u>	<u>(1,307,511)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds	1,495,132	809,417	
Transfers From Other Funds	485,452	2,275,009	1,499,407
Transfers To Other Funds	<u>(4,736,818)</u>	<u>(1,130,703)</u>	<u>(308,419)</u>
Total Other Adjustments to Cash (Uses)	<u>(2,756,234)</u>	<u>1,953,723</u>	<u>1,190,988</u>
Net Change in Fund Balance	(1,786,258)	(11,070)	(116,523)
Fund Balance - Beginning	1,842,128	16,072	118,937
Fund Balance - Ending	<u>\$ 55,870</u>	<u>\$ 5,002</u>	<u>\$ 2,414</u>
Composition of Fund Balance			
Bank Balance	\$ 2,394,533	\$ 5,002	\$ 2,414
Plus: Deposits In Transit	11,572		
Less: Outstanding Checks	(2,350,235)		
Certificates of Deposit			
Fund Balance - Ending	<u>\$ 55,870</u>	<u>\$ 5,002</u>	<u>\$ 2,414</u>

The accompanying notes are an integral part of the financial statement.

PIKE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2016
(Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	Forestry Fund	Maintenance Garage Fund	Local Government Economic Development Fund	Solid Waste Fund
\$	\$ 6,808	\$	\$	\$
3,768,474				289,212
4,961				4,651,132
19,897		46,704	139,275	500,128
			329	506
<u>3,793,332</u>	<u>6,808</u>	<u>46,704</u>	<u>139,604</u>	<u>5,440,978</u>
380,882	5,719		15,813	
528,312				
270,258				5,527,955
908,330				
637,218				
92,381				
36,900		1,100,687		
203				
292,250		327,833		1,883,626
<u>3,146,734</u>	<u>5,719</u>	<u>1,428,520</u>	<u>15,813</u>	<u>7,411,581</u>
646,598	1,089	(1,381,816)	123,791	(1,970,603)
				2,216,207
		1,340,061		1,060,000
(915,928)				(1,432,913)
<u>(915,928)</u>		<u>1,340,061</u>		<u>1,843,294</u>
(269,330)	1,089	(41,755)	123,791	(127,309)
285,037	23,454	47,273	265,638	3,649,387
<u>\$ 15,707</u>	<u>\$ 24,543</u>	<u>\$ 5,518</u>	<u>\$ 389,429</u>	<u>\$ 3,522,078</u>
\$ 15,707	\$ 24,543	\$ 5,518	\$ 389,429	\$ 67,697 5,988
				3,448,393
<u>\$ 15,707</u>	<u>\$ 24,543</u>	<u>\$ 5,518</u>	<u>\$ 389,429</u>	<u>\$ 3,522,078</u>

The accompanying notes are an integral part of the financial statement.

PIKE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2016
(Continued)

	Unbudgeted Funds			Total Funds
	General Obligation Bond Fund	Public Properties Corporation Fund	Jail Commissary Fund	
RECEIPTS				
Taxes	\$	\$	\$	\$ 6,985,170
In Lieu Tax Payments				44,149
Excess Fees				670,675
Licenses and Permits				287,458
Intergovernmental		2,147,827		15,311,177
Charges for Services				4,901,490
Miscellaneous			199,931	1,994,893
Interest	1	12		2,115
Total Receipts	<u>1</u>	<u>2,147,839</u>	<u>199,931</u>	<u>30,197,127</u>
DISBURSEMENTS				
General Government				4,118,050
Protection to Persons and Property				4,439,757
General Health and Sanitation				6,005,964
Social Services				1,133,177
Recreation and Culture			306,019	1,230,672
Roads				6,367,096
Airports				92,381
Other Transportation Facilities and Services				1,137,587
Debt Service	1,864,856	2,145,388		5,364,593
Capital Projects		1,798		2,395
Administration		1,540		7,160,554
Total Disbursements	<u>1,864,856</u>	<u>2,148,726</u>	<u>306,019</u>	<u>37,052,226</u>
Excess (Deficiency) of Receipts Over Disbursements				
Adjustments to Cash (Uses)	<u>(1,864,855)</u>	<u>(887)</u>	<u>(106,088)</u>	<u>(6,855,099)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds				4,520,756
Transfers From Other Funds	1,864,852			8,524,781
Transfers To Other Funds				(8,524,781)
Total Other Adjustments to Cash (Uses)	<u>1,864,852</u>			<u>4,520,756</u>
Net Change in Fund Balance	(3)	(887)	(106,088)	(2,334,343)
Fund Balance - Beginning	3,615	10,332	129,030	6,390,903
Fund Balance - Ending	<u>\$ 3,612</u>	<u>\$ 9,445</u>	<u>\$ 22,942</u>	<u>\$ 4,056,560</u>
Composition of Fund Balance				
Bank Balance	\$ 3,612	\$ 9,445	\$ 22,942	\$ 2,940,842
Plus: Deposits In Transit				17,560
Less: Outstanding Checks				(2,350,235)
Certificates of Deposit				3,448,393
Fund Balance - Ending	<u>\$ 3,612</u>	<u>\$ 9,445</u>	<u>\$ 22,942</u>	<u>\$ 4,056,560</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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PIKE COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2016

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Pike County includes all budgeted and unbudgeted funds under the control of the Pike County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

Pike County Interlocal 911 Board and Pike County Golf Management Corporation would have been included in the reporting entity under accounting principles generally accepted in the United State of America (GAAP) as established by the Governmental Accounting Standards Board. However under the regulatory basis they are no longer are required components of the reporting entity.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Forestry Fund - The primary purpose of this fund is to account for collections and disbursements of taxes relating to fire protection.

Maintenance Garage Fund - The purpose of this fund is to account for expenses for the maintenance garage.

Local Government Economic Development Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Solid Waste Fund - The primary purpose of this fund is to account for the activities of the solid waste collection services in Pike County and account for the operation of the Ford's Branch landfill. The primary sources of receipts for this fund are solid waste collection services and landfill disposal fees.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

General Obligation Bond Fund - The purpose of this fund is to account for debt service requirements of the General Obligation Refunding Bonds. The Department for Local Government does not require the fiscal court to report or budget this fund.

Public Properties Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1). The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of this fund.

The State Local Finance Officer does not require the Public Properties Corporation Fund or the General Obligation Bond Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Pike County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Pike County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Pike County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by

PIKE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2016.

	General Fund	Road Fund	Jail Fund	LGEA Fund	Solid Waste	Total Transfers In
General Fund	\$	\$ 485,452	\$	\$	\$	\$ 485,452
Road Fund	2,017,074	26,096		231,839		2,275,009
Jail Fund	1,499,407					1,499,407
Maintenance Garage		619,155			720,906	1,340,061
Solid Waste	1,060,000					1,060,000
General Obligation Bond Fund	160,337		308,419	684,089	712,007	1,864,852
Total Transfers Out	\$ 4,736,818	\$ 1,130,703	\$ 308,419	\$ 915,928	\$ 1,432,913	\$ 8,524,781

PIKE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 3. Transfers (Continued)

Reason for transfers:

To move resources from and to the general fund and other funds, for budgetary purposes, to the funds that will expend them.

Note 4. Agency Trust Funds

Trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2016, was \$17,494.

Note 5. Short-term Debt

A. Boom Truck #38

On December 15, 2014, the Pike County Fiscal Court entered into a 12 month lease agreement with the Kentucky Association of Counties Leasing Trust Program for a solid waste boom truck. The principal amount of the lease was \$126,700. The interest rate was 3.750 percent. The lease agreement balance at June 30, 2015, was \$63,976 and final payment was made in December 2015.

B. Truck #40

On September 15, 2015, the Pike County Fiscal Court entered into a two month lease agreement with the Kentucky Association of Counties Leasing Trust Program for a pickup truck. The principal amount of the lease was \$29,346. The interest rate was 3.25 percent. The lease balance was paid in full in November 2015.

C. Trucks #39

On July 29, 2015, the Pike County Fiscal Court entered into an 18 month lease agreement with the Magnolia Bank Trust Program for several trucks. The principal amount of the lease was \$1,258,276. The interest rate was LIBOR plus two percent. The lease agreement balance was paid in full at June 30, 2016.

D. Bond Anticipation Note

On September 25, 2015, the Pike County fiscal Court borrowed \$1,500,000 under a bond anticipation note from a local bank. The note was due December 25, 2015, and bears interest at a rate of 2.272 percent. The county repaid the note on February 24, 2016.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 5. Short-term Debt (Continued)

E. Changes in Short-term Debt

Short-term Debt activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligation	\$ 63,976	\$ 2,782,754	\$ 2,846,730	\$ 0	\$ 0
Total Short-term Debt	<u>\$ 63,976</u>	<u>\$ 2,782,754</u>	<u>\$ 2,846,730</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note 6. Long-term Debt

A. Improvement Bonds, Series 2005

On March 24, 2006, the Pike County Fiscal Court, issued \$6,400,000 in general obligation improvement bonds for improvements to the Hall of Justice. The bonds require semiannual interest payments due March 1 and September 1 and one principal payment each year due March 1. On April 17, 2013, the county issued a General Obligation Refunding Bond Series 2013 to eliminate this debt; however, the Series 2005 bond is not callable until September 1, 2015. Per the Series 2013 Bond agreement, an escrow account was established and \$5,802,787 was deposited into that account to refund the bond to meet the principal and interest requirements. The county will not recognize this debt. Also, the county made two payments in the succeeding fiscal years totaling \$315,025 and has satisfied the terms of the agreement. The escrow agent paid the bond off on September 1, 2015.

B. Public Properties Corporation First Mortgage Revenue Bonds, Series 2010

On August 5, 2010, the Pike County Fiscal Court, issued \$30,925,000 in revenue bonds for the building of the new Judicial Center. The bonds require semiannual interest payments due March 1 and September 1 and one principal payment each year due March 1. The bonds will mature August 1, 2029. As of June 30, 2016, the principal amount outstanding was \$23,270,000. Bond payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2017	\$ 1,315,000	\$ 831,536
2018	1,355,000	791,488
2019	1,400,000	748,412
2020	1,445,000	702,181
2021	1,495,000	652,537
2022-2026	8,325,000	2,407,887
2027-2030	<u>7,935,000</u>	<u>650,700</u>
Totals	<u>\$ 23,270,000</u>	<u>\$ 6,784,741</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 6. Long-term Debt (Continued)

C. Revenue Refunding Bond, Series 2012

In August 2012, the Pike County Fiscal Court, issued \$7,345,000 in general obligation-refunding bonds to refinance four outstanding debt issues. The bonds require semiannual interest payments due March 1 and September 1 and one principal payment each year due September 1. The bonds will mature September 1, 2019. As of June 30, 2016, the principal amount outstanding was \$2,640,000. Bond payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2017	\$ 730,000	\$ 45,500
2018	745,000	30,750
2019	760,000	15,700
2020	405,000	4,050
Totals	<u>\$ 2,640,000</u>	<u>\$ 96,000</u>

D. Revenue Refunding Bond, Series 2013

In April 2013, the Pike County Fiscal Court, issued \$7,340,000 in general obligation-refunding bonds to refinance the 2005 Improvement Bonds and for Courthouse Energy Savings improvements. The bonds require semiannual interest payments due March 1 and September 1 and one principal payment each year due September 1. The bonds will mature on March 1, 2036. As of June 30, 2016, the principal amount outstanding was \$6,740,000. Bond payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2017	\$ 290,000	\$ 175,856
2018	295,000	172,956
2019	300,000	167,056
2020	310,000	161,056
2021	320,000	154,856
2022-2026	1,720,000	670,794
2027-2031	1,795,000	441,406
2032-2036	1,710,000	181,975
Totals	<u>\$ 6,740,000</u>	<u>\$ 2,125,955</u>

E. PNCEF Lease

On December 4, 2015, the Pike County Fiscal Court entered into a seven year lease agreement with the PNCEF for several trucks. The principal amount of the lease was \$1,738,002. The interest rate was 3.5562 percent. The lease agreement balance was \$1,682,140 at June 30, 2016. Lease payments for the remaining years are as follows:

PIKE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 6. Long-term Debt (Continued)

E. PNCEF Lease (Continued)

Fiscal Year Ended June 30	Principal	Scheduled Interest
2017	\$ 231,918	\$ 54,136
2018	238,391	45,784
2019	245,045	37,198
2020	251,886	28,373
2021	258,915	19,303
2022-2023	401,985	11,390
Totals	<u>\$ 1,628,140</u>	<u>\$ 196,184</u>

F. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 11,000,000	\$	\$ 1,620,000	\$ 9,380,000	\$ 1,620,000
Revenue Bonds	24,545,000		1,275,000	23,270,000	1,275,000
Financing Obligations		1,738,002	109,862	1,628,140	231,919
Total Long-term Debt	<u>\$ 35,545,000</u>	<u>\$ 1,738,002</u>	<u>\$ 3,004,862</u>	<u>\$ 34,278,140</u>	<u>\$ 3,126,919</u>

Note 7. Conduit Debt

From time to time the county has issued debt instruments to provide financial assistance to local agencies for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Pike County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the debt is not reported as a liability in the accompanying financial statement. As of June 30, 2016, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 8. Employee Retirement System

Plan Description

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members

PIKE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 8. Employee Retirement System (Continued)

Plan Description (Continued)

employed in non-hazardous duty positions in the county. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.06 percent.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute five percent (nonhazardous) of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2014 was \$1,561,115, FY 2015 was \$1,459,083, and FY 2016 was \$1,413,361.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar

PIKE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 8. Employee Retirement System (Continued)

amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KRS also issues a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/Employers/Resources/Pages/GASB.aspx>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 9. Deferred Compensation

The Pike County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 10. Health Reimbursement Account/Flexible Spending Account

The Pike County Fiscal Court established a flexible spending account to provide employees an additional health benefit. The county suspended the benefit in fiscal year 2015 and reinstated it in fiscal year 2016. The balance of the plan is \$13,040 and will be applied to the next fiscal year.

Note 11. Insurance

For the fiscal year ended June 30, 2016, Pike County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 12. Closure and Post-Closure Care Costs of Municipal Solid Waste Landfill

Sections 2 and 3 of 401 KAR 48:310 require the owner or operator of a landfill to have a detailed written estimate, in current dollars, of the cost of hiring a third party to close the solid waste disposal site and to conduct each phase of closure care monitoring and maintenance in accordance with the closure plan. The Ford's Branch Landfill closure plan currently calls for six phases. As of February 6, 2017, the 2016 annual survey indicated approximately 46% of phase five of the landfill capacity had been used.

Pike County must comply with established state and federal closure procedures and must perform maintenance and monitoring procedures at the site for 30 years after closure. Estimated closure costs total \$3,267,652, and estimated post closure care costs total \$50,705 per year for 30 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Since the financial statements are prepared on a modified cash basis of accounting, no liability has been recognized for closure or post closure costs.

The fiscal court is required by state and federal laws and regulations to make annual contributions to finance closure and post-closure care. The fiscal court annually deposits \$130,000 of solid waste receipts into an account reserved for the landfill closing. At June 30, 2016, the Ford's Branch Landfill Closing Account had a cash balance of \$3,448,393.

The Ford's Branch Landfill phase four was completed in 2011, and phase five is scheduled to close in 2023. It is anticipated that sufficient funds will be available in the Ford's Branch Landfill Closing Account to pay estimated closure and post-closure costs.

Note 13. Related Party Transactions

The county entered into the following related party transactions, which were approved by the fiscal court.

The county expended \$227,584 with a business for cleaning supplies. The treasurer's spouse is employed by the business that provided the cleaning supplies.

The county expended \$200 with a business for towing services. A magistrate's son owns the business that provided the towing services.

The county expended \$118 for oil changes at a business owned by the deputy judge/executive.

The county expended \$3,398 for gasoline at a gas station owned by the road commissioner.

Note 14. Prior Period Adjustment

The prior balance of capital assets was increased by \$158,125. This adjustment has no effect on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis. Instead, it is presented as supplementary information in the Schedule of Capital Assets.

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

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PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 8,776,752	\$ 7,808,547	\$ 6,978,362	\$ (830,185)
In Lieu Tax Payments	42,351	51,371	44,020	(7,351)
Excess Fees	586,379	776,017	670,675	(105,342)
Licenses and Permits	288,805	288,805	287,458	(1,347)
Intergovernmental	4,482,031	4,750,045	1,098,006	(3,652,039)
Charges for Services	21,625	22,199	13,431	(8,768)
Miscellaneous	74,140	151,614	146,088	(5,526)
Interest	2,250	2,250	1,258	(992)
Total Receipts	<u>14,274,333</u>	<u>13,850,848</u>	<u>9,239,298</u>	<u>(4,611,550)</u>
DISBURSEMENTS				
General Government	3,823,154	4,413,739	3,715,636	698,103
Protection to Persons and Property	759,158	792,605	549,567	243,038
General Health and Sanitation	2,909,420	3,055,177	207,751	2,847,426
Social Services	331,449	331,449	224,847	106,602
Recreation and Culture	247,000	295,633	287,435	8,198
Roads	92,928	74,606	79,007	(4,401)
Debt Service		1,514,484	1,354,146	160,338
Capital Projects		597	597	
Administration	1,942,445	1,909,465	1,850,336	59,129
Total Disbursements	<u>10,105,554</u>	<u>12,387,755</u>	<u>8,269,322</u>	<u>4,118,433</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>4,168,779</u>	<u>1,463,093</u>	<u>969,976</u>	<u>(493,117)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		1,500,000	1,495,132	(4,868)
Transfers From Other Funds		511,548	485,452	(26,096)
Transfers To Other Funds	(5,701,791)	(5,316,769)	(4,736,818)	579,951
Total Other Adjustments to Cash (Uses)	<u>(5,701,791)</u>	<u>(3,305,221)</u>	<u>(2,756,234)</u>	<u>548,987</u>
Net Change in Fund Balance	(1,533,012)	(1,842,128)	(1,786,258)	55,870
Fund Balance - Beginning	<u>1,533,012</u>	<u>1,842,128</u>	<u>1,842,128</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 55,870</u>	<u>\$ 55,870</u>

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	\$ 113	\$ 129	\$ 129	\$
Intergovernmental	4,514,645	5,632,611	4,940,428	(692,183)
Miscellaneous	733,792	950,309	923,061	(27,248)
Interest		9	9	
Total Receipts	<u>5,248,550</u>	<u>6,583,058</u>	<u>5,863,627</u>	<u>(719,431)</u>
DISBURSEMENTS				
Roads	6,954,954	7,410,642	6,288,089	1,122,553
Administration	<u>1,648,515</u>	<u>1,648,515</u>	<u>1,540,331</u>	<u>108,184</u>
Total Disbursements	<u>8,603,469</u>	<u>9,059,157</u>	<u>7,828,420</u>	<u>1,230,737</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,354,919)</u>	<u>(2,476,099)</u>	<u>(1,964,793)</u>	<u>511,306</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			809,417	809,417
Transfers From Other Funds	3,650,730	3,650,730	2,275,009	(1,375,721)
Transfers To Other Funds	<u>(679,155)</u>	<u>(1,190,703)</u>	<u>(1,130,703)</u>	<u>60,000</u>
Total Other Adjustments to Cash (Uses)	<u>2,971,575</u>	<u>2,460,027</u>	<u>1,953,723</u>	<u>(506,304)</u>
Net Change in Fund Balance	(383,344)	(16,072)	(11,070)	5,002
Fund Balance - Beginning	<u>383,344</u>	<u>16,072</u>	<u>16,072</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,002</u>	<u>\$ 5,002</u>

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 2,707,290	\$ 3,118,907	\$ 3,067,230	\$ (51,677)
Charges for Services	153,000	246,913	231,966	(14,947)
Miscellaneous	18,000	27,565	19,809	(7,756)
Total Receipts	<u>2,878,290</u>	<u>3,393,385</u>	<u>3,319,005</u>	<u>(74,380)</u>
DISBURSEMENTS				
Protection to Persons and Property	3,299,147	3,427,662	3,361,878	65,784
Debt Service	381,819	381,819		381,819
Administration	1,202,248	1,202,248	1,264,638	(62,390)
Total Disbursements	<u>4,883,214</u>	<u>5,011,729</u>	<u>4,626,516</u>	<u>385,213</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,004,924)</u>	<u>(1,618,344)</u>	<u>(1,307,511)</u>	<u>310,833</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,884,429	1,499,407	1,499,407	
Transfers To Other Funds			(308,419)	(308,419)
Total Other Adjustments to Cash (Uses)	<u>1,884,429</u>	<u>1,499,407</u>	<u>1,190,988</u>	<u>(308,419)</u>
Net Change in Fund Balance	(120,495)	(118,937)	(116,523)	2,414
Fund Balance - Beginning	<u>120,495</u>	<u>118,937</u>	<u>118,937</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,414</u>	<u>\$ 2,414</u>

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 6,344,481	\$ 6,374,286	\$ 3,768,474	\$ (2,605,812)
Charges for Services	6,250	6,250	4,961	(1,289)
Miscellaneous Revenues		19,897	19,897	
Total Receipts	<u>6,350,731</u>	<u>6,400,433</u>	<u>3,793,332</u>	<u>(2,607,101)</u>
DISBURSEMENTS				
General Government	509,781	509,781	380,882	128,899
Protection to Persons and Property	831,923	831,923	528,312	303,611
General Health and Sanitation	307,241	307,241	270,258	36,983
Social Services	918,254	983,782	908,330	75,452
Recreation and Culture	1,028,474	1,032,247	637,218	395,029
Roads	19,950	19,950		19,950
Airports	109,197	109,197	92,381	16,816
Other Transportation Facilities and Services	40,000	40,000	36,900	3,100
Debt Service	684,089	684,089	203	683,886
Capital Projects	4,447	4,447		4,447
Administration	354,841	354,841	292,250	62,591
Total Disbursements	<u>4,808,197</u>	<u>4,877,498</u>	<u>3,146,734</u>	<u>1,730,764</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,542,534</u>	<u>1,522,935</u>	<u>646,598</u>	<u>(876,337)</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(1,807,972)</u>	<u>(1,807,972)</u>	<u>(915,928)</u>	<u>892,044</u>
Total Other Adjustments to Cash (Uses)	<u>(1,807,972)</u>	<u>(1,807,972)</u>	<u>(915,928)</u>	<u>892,044</u>
Net Change in Fund Balance	(265,438)	(285,037)	(269,330)	15,707
Fund Balance - Beginning	<u>265,438</u>	<u>285,037</u>	<u>285,037</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,707</u>	<u>\$ 15,707</u>

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	FORESTRY FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 7,000	\$ 7,000	\$ 6,808	\$ (192)
Total Receipts	<u>7,000</u>	<u>7,000</u>	<u>6,808</u>	<u>(192)</u>
DISBURSEMENTS				
Protection to Persons and Property	30,308	30,454	5,719	24,735
Total Disbursements	<u>30,308</u>	<u>30,454</u>	<u>5,719</u>	<u>24,735</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(23,308)</u>	<u>(23,454)</u>	<u>1,089</u>	<u>24,543</u>
Net Change in Fund Balance	(23,308)	(23,454)	1,089	24,543
Fund Balance - Beginning	<u>23,308</u>	<u>23,454</u>	<u>23,454</u>	<u></u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 24,543</u>	<u>\$ 24,543</u>

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

MAINTENANCE GARAGE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$ 46,704	\$ 46,704	\$
Total Receipts		46,704	46,704	
DISBURSEMENTS				
Other Transportation Facilities and Services	1,102,953	1,136,267	1,100,687	35,580
Administration	330,991	330,991	327,833	3,158
Total Disbursements	1,433,944	1,467,258	1,428,520	38,738
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,433,944)	(1,420,554)	(1,381,816)	38,738
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,400,061	1,400,061	1,340,061	(60,000)
Total Other Adjustments to Cash (Uses)	1,400,061	1,400,061	1,340,061	(60,000)
Net Change in Fund Balance	(33,883)	(20,493)	(41,755)	(21,262)
Fund Balance - Beginning	33,883	20,493	47,273	26,780
Fund Balance - Ending	\$ 0	\$ 0	\$ 5,518	\$ 5,518

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Miscellaneous Revenues	\$ 149,730	\$ 177,225	\$ 139,275	\$ (37,950)
Interest	250	328	329	1
Total Receipts	<u>149,980</u>	<u>177,553</u>	<u>139,604</u>	<u>(37,949)</u>
DISBURSEMENTS				
General Government	452,985	356,798	15,813	340,985
Total Disbursements	<u>452,985</u>	<u>356,798</u>	<u>15,813</u>	<u>340,985</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(303,005)</u>	<u>(179,245)</u>	<u>123,791</u>	<u>303,036</u>
Net Change in Fund Balance	(303,005)	(179,245)	123,791	303,036
Fund Balance - Beginning	<u>303,005</u>	<u>179,245</u>	<u>265,638</u>	<u>86,393</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 389,429</u>	<u>\$ 389,429</u>

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	SOLID WASTE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$	\$	\$	\$
Intergovernmental	96,015	289,212	289,212	
Charges for Services	4,558,000	4,645,565	4,651,132	5,567
Miscellaneous	364,985	547,640	500,128	(47,512)
Interest	300	507	506	(1)
Total Receipts	<u>5,019,300</u>	<u>5,482,924</u>	<u>5,440,978</u>	<u>(41,946)</u>
DISBURSEMENTS				
General Health and Sanitation	4,519,433	5,067,622	5,527,955	(460,333)
Administration	1,953,771	1,953,771	1,883,626	70,145
Total Disbursements	<u>6,473,204</u>	<u>7,021,393</u>	<u>7,411,581</u>	<u>70,145</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,453,904)</u>	<u>(1,538,469)</u>	<u>(1,970,603)</u>	<u>28,199</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		83,445	2,216,207	2,132,762
Transfers From Other Funds	1,974,604	1,974,604	1,060,000	(914,604)
Transfers To Other Funds	<u>(720,906)</u>	<u>(720,906)</u>	<u>(1,432,913)</u>	<u>(712,007)</u>
Total Other Adjustments to Cash (Uses)	<u>1,253,698</u>	<u>1,337,143</u>	<u>1,843,294</u>	<u>506,151</u>
Net Change in Fund Balance	(200,206)	(201,326)	(127,309)	74,017
Fund Balance - Beginning	<u>200,206</u>	<u>201,326</u>	<u>3,649,387</u>	<u>3,448,061</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,522,078</u>	<u>\$ 3,522,078</u>

PIKE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2016

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

Note 2. Excess of Disbursements Over Appropriations

The general fund roads disbursements exceeded budget by \$4,401. The overall fund was under budget.

The jail fund administrative disbursements exceeded budget by \$62,390. The overall fund was under budget.

The solid waste general health and sanitation disbursements exceeded budget by \$460,333. This amount was completely offset by the issuance of debt that was also unbudgeted. The overall fund was under budget.

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PIKE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016

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PIKE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 809,068	\$ 5,908,250	\$	\$ 6,717,318
Construction in Progress	32,259,623		32,259,623	
Land Improvements	2,367,320			2,367,320
Buildings	25,047,075	32,259,623	5,908,250	51,398,448
Vehicles and Equipment	16,640,106	1,943,740	1,941,613	16,642,233
Infrastructure (Restated*)	136,044,658	1,712,225	1,740,194	136,016,689
Total Capital Assets	<u>\$ 213,167,850</u>	<u>\$ 41,823,838</u>	<u>\$ 41,849,680</u>	<u>\$ 213,142,008</u>

*-Beginning infrastructure was restated by \$158,125.

PIKE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2016

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 25,000	10-70
Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	5-7
Infrastructure	\$ 20,000	2-40

PIKE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2016

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PIKE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Provided to Subrecipient	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Natural Resources Conservation Service - Watershed Protection and Flood Prevention Program				
Emergency Watershed Protection Program	10.923	68-5C16-11	\$	\$ 228,020
Emergency Watershed Protection Program- Floodplain Easements	10.923	68-5C16-10-190		18,200
Total U.S. Department of Agriculture				246,220
<u>U.S. Department of Homeland Security</u>				
<i>Passed-Through State Department of Military Affairs</i>				
Flood Mitigation Assistance	97.029	PO2-095-1500001675-1		162,000
Disaster Grants - Public Assistance May 2009 Flood	97.036	FEMA-1841-DR-KY		5,383
Disaster Grants - Public Assistance August 2014 Flood	97.036	FEMA-4196-DR-KY		84,560
Disaster Grants - Public Assistance March 2015 Flood	97.036	FEMA-4218-DR-KY		352,223
Disaster Grants - Public Assistance April 2015 Flood	97.036	FEMA-4217-DR-KY		228,212
Total				670,378
Hazard Mitigation Grant Program April 2012 Flood Buyout	97.039	PON2-095-1300002443-2		19,302
Hazard Mitigation Grant Program April 2012 Flood Buyout	97.039	FEMA-4217-DR-KY		6,000
Total				25,302
Emergency Management Performance Grants 2014 Performance Grant	97.042	PON2-095-1500000654-3		26,058
<i>Passed-Through State Office of Homeland Security</i>				
Homeland Security Grant Program Radio and Repeaters Upgrade	97.067	PO2-094-1600002219-1		15,000
Homeland Security Grant Program Tazers	97.067	PO2-094-1600004994-1		8,054
Total				23,054
Total U.S. Department of Homeland Security				906,792
Total Expenditures of Federal Awards			\$ 0	\$ 1,153,012

PIKE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2016

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Pike County, Kentucky under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Pike County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Pike County, Kentucky.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Determination of Major Program

The Type A program for the fiscal court is any program for which total expenditures of federal awards exceed \$750,000 for fiscal year 2016 or were deemed high risk. The major program tested was:

- Disaster Grants - Public Assistance - CFDA #97.036

Note 4. Subrecipients

No federal funds were passed through to subrecipients.

Note 5. Noncash Expenditures

There were no noncash expenditures of federal awards for fiscal year 2016.

Note 6. Indirect Cost Rate

The Pike County Fiscal Court has not adopted an indirect cost rate.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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The Honorable William M. Deskins, Pike County Judge/Executive
Members of the Pike County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditors' Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Pike County Fiscal Court for the fiscal year ended June 30, 2016 and the related notes to the financial statement which collectively comprise the Pike County Fiscal Court's financial statement and have issued our report thereon dated October 19, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Pike County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Pike County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pike County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003 and 2016-004 to be material weaknesses.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pike County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002.

Views of Responsible Official and Planned Corrective Action

Pike County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

RFH

RFH, PLLC
Lexington, Kentucky
October 19, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH UNIFORM GUIDANCE**

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The Honorable William M. Deskins, Pike County Judge/Executive
Members of the Pike County Fiscal Court

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With Uniform Guidance

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the Pike County Fiscal Court's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Pike County Fiscal Court's major federal programs for the year ended June 30, 2016. The Pike County Fiscal Court's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Pike County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Pike County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Pike County Fiscal Court's compliance.

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With Uniform Guidance
(Continued)

Opinion on Each Major Federal Program

In our opinion, the Pike County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the Pike County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Pike County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pike County Fiscal Court'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, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



RFH, PLLC
Lexington, Kentucky
October 19, 2017

PIKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2016

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PIKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2016

Section I: Summary of Auditor's Results

Type of auditor's report issued: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major federal programs: Unmodified		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

CFDA Numbers and Name of Federal Program or Cluster

97.036 Disaster Grants - Public Assistance
--

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Is the auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

PIKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2016
(Continued)

Section II: Financial Statement Findings

State Laws and Regulations

2016-001 The Fiscal Court Did Not Pay Invoices Presented To The Court Within 30 Days Of Receipt

The Pike County Fiscal Court did not pay six invoices out of the selection tested, within 30 days.

According to the county, the fiscal court sometimes has to wait for money to come. They also pay only once a month so some of the invoices could have been presented after the cut-off for one meeting and it may be five or six weeks until the next payment meeting. The fiscal court lacks sufficient oversight and policies and procedures to ensure bills are paid timely. As a result, some vendors were paid outside of the 30-day window.

KRS 65.140 states, “[u]nless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor’s invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor’s subcontractor.”

We recommend the fiscal court implement sufficient oversight and policies and procedures to ensure invoices are paid timely.

Views of Responsible Official and Planned Corrective Action:

We try to pay all bills each month and timely. We pay once a month.

2016-002 The Fiscal Court Did Not Submit An Accurate Fourth Quarter Report To The Department For Local Government Within The Required Timeframe

The fiscal court did not submit an accurate fourth quarter financial statement timely to the Department for Local Government (DLG). The county treasurer submitted the fourth quarter report to DLG, but it was submitted late on August 27, 2016, and it contained significant errors. Due to the lack of internal controls over bank reconciliations and internal transfers, many material transactions were not captured in the accounting system at the time the fourth quarter financial statement was initially submitted. All but one fund reported incorrect cash balances and, in total, understated expenditures by approximately \$5,480,000.

According to the county treasurer, the fiscal court had problems implementing new accounting software which delayed reporting.

Failure to submit these reports accurately and timely significantly increases the risk of misappropriation of assets and prevents DLG from knowing the financial position of the county. Additionally, when quarterly reporting is not accurate, the fiscal court is not properly informed and cannot manage the county properly.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to submit quarterly reports to the Department for Local Government by the 30th day following the close of each quarter.

We recommend the fiscal court implement sufficient oversight and policies and procedures to ensure the county treasurer prepares and presents accurate quarterly reports for review and to ensure the quarterly reports are submitted timely in the future.

PIKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2016
(Continued)

Section II: Financial Statement Findings (Continued)

State Laws and Regulations (Continued)

2016-002 The Fiscal Court Did Not Submit An Accurate Fourth Quarter Report To The Department For Local Government Within The Required Timeframe (Continued)

Views of Responsible Official and Planned Corrective Action:

Treasurer will make a better effort to submit them timely now that the software is being fully implemented.

Internal Control - Material Weaknesses

2016-003 The Fiscal Court Did Not Perform Bank Reconciliations Each Month

The Pike County Treasurer did not complete bank reconciliations for the fiscal year ended June 30, 2016, until October 2017. Additionally, the fiscal court did not perform sufficient oversight or implement internal controls to ensure reconciliations were completed monthly.

According to the county treasurer, the fiscal court had problems implementing new accounting software which delayed the entry of certain transactions. Without these transactions, bank reconciliations could not be completed. Additionally, the fiscal court failed to establish appropriate oversight for the county treasurer's reconciliation activities. The fiscal court did not establish relevant review procedures to determine if the county treasurer was submitting complete and accurate reconciliations on a monthly basis.

The fiscal court's failure to establish a review of the county treasurer's reconciliations resulted in incorrect reporting of the county's financial position for the fiscal year ended June 30, 2016. As a result, the fiscal court also did not have accurate financial information in order to plan for the subsequent fiscal year.

The Department for Local Government has established minimum requirements for officials handling public funds, which include the preparation of monthly bank reconciliations that include the bank balance and a listing of all outstanding reconciling items (deposits in transit, outstanding checks, investments, etc.). Good internal controls dictate sufficient internal control be put into place to ensure accurate and complete financial reconciliations and reporting.

We recommend the fiscal court provide sufficient oversight and implement internal controls to ensure bank reconciliations are prepared by the county treasurer and submitted for review by the second court meeting of each month.

Views of Responsible Official and Planned Corrective Action:

Treasurer is working on getting them up to date and agrees to submit them by the second court meeting each month. The software is fully implemented.

2016-004 The Fiscal Court Did Not Record Transfers As They Occurred In The Accounting Software

The Pike County Treasurer did not record interfund transfers as they were approved by the fiscal court for the year ended June 30, 2016 until October 2017 and the fiscal court did not exercise appropriate oversight to ensure the execution of transfers.

PIKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2016
(Continued)

Section II: Financial Statement Findings (Continued)

Internal Control - Material Weaknesses (Continued)

2016-004 The Fiscal Court Did Not Record Transfers as They Occurred in the Accounting Software
 (Continued)

According to the county treasurer, the fiscal court had problems implementing new accounting software which delayed bank reconciliations and interfund transfers. As a result, the fiscal court did not have a complete set of accounting records during the year. Because transfers were not appropriately recorded in the accounting software, cash balances for all but one fund were incorrect and the fiscal court could not properly manage their budgets and cash flow.

KRS 68.020(4) requires the county treasurer to “keep an accurate detailed account of all money received and disbursed by him for the county” and “keep books of accounts of the financial transactions of the county in the manner required by the uniform system of accounting prescribed by the state local finance officer.” Additionally, county treasurers are required by the Department for Local Government’s *County Budget Preparation and State Local Finance Officer Policy Manual* to prepare financial reports that include all receipts, claims allowed, and cash balances. Furthermore, good internal controls require sufficient oversight from the governing body to ensure all financial transactions are recorded correctly and timely.

We recommend the fiscal court implement sufficient oversight and internal controls to ensure financial reports prepared by the county treasurer include all financial activity and that interfund transfers are recorded in the accounting records as they are approved and occur. The fiscal court should require monthly reporting by the county treasurer that is reviewed for accuracy.

Views of Responsible Official and Planned Corrective Action:

Treasurer is working on getting them up to date and agrees to submit them by the second court meeting each month. The software is now fully implemented.

Section III: Federal Award Findings and Questioned Costs

None.

Section IV: Summary Schedule of Prior Audit Findings

None.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM**

PIKE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2016**

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

PIKE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2016

The Pike County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

William M. Deskins

County Judge/Executive

Johnna B. Billiter

County Treasurer