

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

**For The Fiscal Year Ended
June 30, 2015**



**MIKE HARMON
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EXECUTIVE SUMMARY

AUDIT OF THE
PIKE COUNTY FISCAL COURT

June 30, 2015

The Auditor of Public Accounts has completed the audit of the Pike County Fiscal Court for fiscal year ended June 30, 2015.

We have issued an unmodified opinion, based on our audit on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Pike County Fiscal Court. In accordance with OMB Circular A-133, we have issued an unmodified opinion on the compliance requirements that are applicable to Pike County's major federal program: Disaster Grants - Public Assistance (CFDA #97.036).

Financial Condition:

The Pike County Fiscal Court had total receipts of \$30,865,255 and disbursements of \$34,251,249 in fiscal year 2015. This resulted in a total ending fund balance of \$6,390,903, which is a decrease of \$2,323,458 from the prior year.

Deposits:

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable William M. Deskins, Pike County Judge/Executive
Members of the Pike County Fiscal Court

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 Pike County, Kentucky, for the year ended June 30, 2015, 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.

Auditor's 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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Auditor's 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 of the financial statement, 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, 2015, 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 Pike County, Kentucky as of June 30, 2015, and its cash receipts and disbursements, 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 Pike County Fiscal Court. The budgetary comparison schedules, capital asset schedule, and the Schedule of Expenditure of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 June 1, 2016 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.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

June 1, 2016

PIKE COUNTY OFFICIALS

For The Year Ended June 30, 2015

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

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	Chief Financial Officer

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

For The Year Ended June 30, 2015

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

For The Year Ended June 30, 2015

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 5,495,239	\$	\$
In Lieu Tax Payments	54,390	227	
Excess Fees	712,796		
Licenses and Permits	288,301		
Intergovernmental	1,431,278	4,293,656	2,801,980
Charges for Services	20,285		228,226
Miscellaneous	93,960	865,848	42,155
Interest	2,878	9	
Total Receipts	<u>8,099,127</u>	<u>5,159,740</u>	<u>3,072,361</u>
DISBURSEMENTS			
General Government	3,607,815		
Protection to Persons and Property	573,897		3,355,759
General Health and Sanitation	330,024		
Social Services	209,607		
Recreation and Culture	251,378		
Roads	77,451	5,534,367	
Airports			
Other Transportation Facilities and Services			
Debt Service		785,340	
Capital Projects			
Administration	1,707,321	1,582,657	1,154,886
Total Disbursements	<u>6,757,493</u>	<u>7,902,364</u>	<u>4,510,645</u>
Excess (Deficiency) of Receipts Over Disbursements			
Before Other Adjustments to Cash (Uses)	<u>1,341,634</u>	<u>(2,742,624)</u>	<u>(1,438,284)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds		785,340	
Payment to Bond Escrow Agent			(156,750)
Transfers From Other Funds		2,333,577	1,865,695
Transfers To Other Funds	(2,323,973)	(698,508)	(217,469)
Total Other Adjustments to Cash (Uses)	<u>(2,323,973)</u>	<u>2,420,409</u>	<u>1,491,476</u>
Net Change in Fund Balance	(982,339)	(322,215)	53,192
Fund Balance - Beginning	2,824,467	338,287	65,745
Fund Balance - Ending	<u>\$ 1,842,128</u>	<u>\$ 16,072</u>	<u>\$ 118,937</u>
Composition of Fund Balance			
Bank Balance	\$ 1,484,506	\$ 122,759	\$ 180,186
Plus: Deposits In Transit	569,029		
Less: Outstanding Checks	(211,407)	(106,687)	(61,249)
Certificates of Deposit			
Fund Balance - Ending	<u>\$ 1,842,128</u>	<u>\$ 16,072</u>	<u>\$ 118,937</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, 2015
(Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	Forestry Fund	Solid Waste Fund	Local Government Economic Development Fund	Maintenance Garage Fund
\$	\$ 6,893	\$	\$	\$
6,695,457		108,827		
9,600		4,605,488		
40,099		571,739	112,298	84,843
		1,912	279	
<u>6,745,156</u>	<u>6,893</u>	<u>5,287,966</u>	<u>112,577</u>	<u>84,843</u>
395,827	5,719		400,000	
855,738				
303,163		3,168,956		
774,290				
735,704				
113,603				
37,863				1,266,040
		433,946		
<u>353,343</u>		<u>1,931,807</u>		<u>341,039</u>
<u>3,569,531</u>	<u>5,719</u>	<u>5,534,709</u>	<u>400,000</u>	<u>1,607,079</u>
<u>3,175,625</u>	<u>1,174</u>	<u>(246,743)</u>	<u>(287,423)</u>	<u>(1,522,236)</u>
		433,946		
1,267,908		1,075,333		1,463,767
(4,963,507)		(1,454,779)		
<u>(3,695,599)</u>		<u>54,500</u>		<u>1,463,767</u>
(519,974)	1,174	(192,243)	(287,423)	(58,469)
805,011	22,280	3,841,630	553,061	105,742
<u>\$ 285,037</u>	<u>\$ 23,454</u>	<u>\$ 3,649,387</u>	<u>\$ 265,638</u>	<u>\$ 47,273</u>
\$ 361,416	\$ 23,454	\$ 238,008	\$ 265,638	\$ 89,863
		173		
(76,379)		(36,855)		(42,590)
		3,448,061		
<u>\$ 285,037</u>	<u>\$ 23,454</u>	<u>\$ 3,649,387</u>	<u>\$ 265,638</u>	<u>\$ 47,273</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, 2015
(Continued)

	Unbudgeted Funds			Total Funds
	General Obligation Bond Fund	Public Properties Corporation Fund	Jail Commissary Fund	
RECEIPTS				
Taxes	\$	\$	\$	\$ 5,502,132
In Lieu Tax Payments				54,617
Excess Fees				712,796
Licenses and Permits				288,301
Intergovernmental		2,149,652		17,480,850
Charges for Services				4,863,599
Miscellaneous			146,924	1,957,866
Interest	3	13		5,094
Total Receipts	<u>3</u>	<u>2,149,665</u>	<u>146,924</u>	<u>30,865,255</u>
DISBURSEMENTS				
General Government				4,409,361
Protection to Persons and Property				4,785,394
General Health and Sanitation				3,802,143
Social Services				983,897
Recreation and Culture			110,536	1,097,618
Roads				5,611,818
Airports				113,603
Other Transportation Facilities and Services				1,303,903
Debt Service	1,651,956	2,148,112		5,019,354
Capital Projects	50,666	899		51,565
Administration		1,540		7,072,593
Total Disbursements	<u>1,702,622</u>	<u>2,150,551</u>	<u>110,536</u>	<u>34,251,249</u>
Excess (Deficiency) of Receipts Over Disbursements				
Adjustments to Cash (Uses)	<u>(1,702,619)</u>	<u>(886)</u>	<u>36,388</u>	<u>(3,385,994)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds				1,219,286
Payment to Bond Escrow Agent				(156,750)
Transfers From Other Funds	1,651,956			9,658,236
Transfers To Other Funds				(9,658,236)
Total Other Adjustments to Cash (Uses)	<u>1,651,956</u>			<u>1,062,536</u>
Net Change in Fund Balance	(50,663)	(886)	36,388	(2,323,458)
Fund Balance - Beginning	54,278	11,218	92,642	8,714,361
Fund Balance - Ending	<u>\$ 3,615</u>	<u>\$ 10,332</u>	<u>\$ 129,030</u>	<u>\$ 6,390,903</u>
Composition of Fund Balance				
Bank Balance	\$ 3,615	\$ 10,332	\$ 129,567	\$ 2,909,344
Deposits In Transit				569,202
Less Outstanding Checks			(537)	(535,704)
Certificates of Deposit				3,448,061
Ending Fund Balance	<u>\$ 3,615</u>	<u>\$ 10,332</u>	<u>\$ 129,030</u>	<u>\$ 6,390,903</u>

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

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PIKE COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

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.

The following entities: 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 States of America (GAAP) as established by the Government 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 Government 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 and 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, 2015
(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 source 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 government, 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.

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.

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.

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

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), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those 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, 2015
(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 Government 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 Pike County Fiscal Court.

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

PIKE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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 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, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2015.

	General Fund	Road Fund	Jail Fund	LGEA Fund	Solid Waste Fund	Total Transfers In
Road Fund	\$ 225,000	\$	\$	\$ 2,108,577	\$	\$ 2,333,577
Jail Fund	748,578			1,117,117		1,865,695
LGEA Fund	1,267,908					1,267,908
Solid Waste Fund				1,075,333		1,075,333
Maintenance Garage		698,508			765,259	1,463,767
General Obligation Bond Fund	82,487		217,469	662,480	689,520	1,651,956
Total Transfers Out	<u>\$ 2,323,973</u>	<u>\$ 698,508</u>	<u>\$ 217,469</u>	<u>\$ 4,963,507</u>	<u>\$ 1,454,779</u>	<u>\$ 9,658,236</u>

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, 2015 was \$94,435.

Note 5. Short-term Debt

A. Dump Trucks #37

On August 15, 2014, Pike County Fiscal Court entered into an eighteen month lease agreement with the Kentucky Association of Counties Leasing Trust Program for eight Mack trucks. The principal amount of the lease was \$1,092,586. The county pays 73% from the Road Fund and 27% from the Solid Waste fund. This is based on the usage by each department. The interest rate was 2.80%. The lease agreement was paid in full in June 2015.

B. Boom Truck #38

On December 15, 2014, Pike County Fiscal Court entered into a twelve 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%. The lease agreement balance at June 30, 2015 was \$63,976 and final payment will be made on December 20, 2015.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Short-term Debt (Continued)

C. Changes in Short-term Debt

Short-term Debt activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligation	\$	\$ 1,219,286	\$ 1,155,310	\$ 63,976	\$ 63,976
Total Short-term Debt	\$ 0	\$ 1,219,286	\$ 1,155,310	\$ 63,976	\$ 63,976

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, 2015, the principal amount outstanding was \$24,545,000. Bond payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 1,275,000	\$ 870,388
2017	1,315,000	831,536
2018	1,355,000	791,488
2019	1,400,000	748,412
2020	1,445,000	702,181
2021-2025	8,025,000	2,707,124
2026-2030	9,730,000	1,004,000
Totals	\$ 24,545,000	\$ 7,655,129

PIKE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(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, 2015, the principal amount outstanding was \$3,970,000. Bond payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 1,330,000	\$ 66,100
2017	730,000	45,500
2018	745,000	30,750
2019	760,000	15,700
2020	405,000	4,050
Totals	<u>\$ 3,970,000</u>	<u>\$ 162,100</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, 2015, the principal amount outstanding was \$7,030,000. Bond payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 290,000	\$ 178,756
2017	290,000	175,856
2018	295,000	172,956
2019	300,000	167,056
2020	310,000	161,056
2021-2025	1,680,000	706,994
2026-2030	1,850,000	492,662
2031-2035	1,650,000	236,600
2036	365,000	12,775
Totals	<u>\$ 7,030,000</u>	<u>\$ 2,304,711</u>

E. John Deere Lease-Purchase

On May 20, 2010, Pike County Fiscal Court entered into a lease-purchase agreement with John Deere Credit to purchase a John Deere Dozer. The principal amount of the lease-purchase agreement was \$260,124. The agreement requires monthly payments due on the 20th of each month with an interest rate of 3.95%. As of June 30, 2015 the lease was paid in full.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Long-term Debt (Continued)

F. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 12,380,000	\$	\$ 1,380,000	\$11,000,000	\$ 1,620,000
Revenue Bonds	25,785,000		1,240,000	24,545,000	1,275,000
Financing Obligations	51,607		51,607		
Total Long-term Debt	<u>\$ 38,216,607</u>	<u>\$ 0</u>	<u>\$ 2,671,607</u>	<u>\$35,545,000</u>	<u>\$ 2,895,000</u>

Note 7. Employee Retirement System

A. 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. This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous and 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 17.67 percent.

The county's contribution for FY 2013 was \$1,643,412, FY 2014 was \$1,561,115, and FY 2015 was \$1,459,083.

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) and eight percent (hazardous) 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) and seven and one-half percent (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 7. Employee Retirement System (Continued)

A. Plan Description (Continued)

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 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.

B. Net Pension Liability

As promulgated by GASB Statement No. 68 the total pension liability for CERS was determined by an actuarial valuation as of June 30, 2014. The total net pension liability for all employers participating in CERS was determined by an actuarial valuation as of June 30, 2014, measured as of the same date and is as follows: non-hazardous \$3,244,377,000 and hazardous \$1,201,825,000, for a total net pension liability of \$4,446,202,000 as of June 30, 2014. Based on these requirements, Pike County's proportionate share of the net pension liability as of June 30, 2015 is:

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Non-Hazardous	<u>\$ 13,064,000</u>	<u>\$ 11,546,000</u>
Totals	<u>\$ 13,064,000</u>	<u>\$ 11,546,000</u>

The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at www.kyret.ky.gov or can be obtained as described in the paragraph above.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 8. 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 9. 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 for fiscal year 2015. The balance of the plan is \$49,890 and will be applied to the next fiscal year.

Note 10. Insurance

For the fiscal year ended June 30, 2015, 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 a 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.

Note 11. 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 June 30, 2015, 98% of phase four of the landfill capacity had been used, and 36% 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, 2015, the Ford's Branch Landfill Closing Account had a cash balance of \$3,446,891.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 11. Closure and Post-Closure Care Costs of Municipal Solid Waste Landfill (Continued)

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 12. Related Party Transactions

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

The county expended \$167,778 with a business for cleaning supplies. The treasurer's spouse is employed by the business that provided the cleaning supplies.

The county expended \$1,875 with a business for towing services. A magistrate's son owns the business that provided the towing services.

The county expended \$215 for oil changes at a business owned by the deputy judge/executive.

The county expended \$5,763 for gasoline at a gas station owned by the road commissioner. He was appointed in January 2015, and this figure includes amounts from the start of his employment through June 30, 2015.

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 4,954,554	\$ 5,495,239	\$ 5,495,239	\$
In Lieu Tax Payments	42,710	54,390	54,390	
Excess Fees	683,263	712,796	712,796	
Licenses and Permits	288,805	288,302	288,301	(1)
Intergovernmental	2,665,094	3,811,151	1,431,278	(2,379,873)
Charges for Services	36,625	39,016	20,285	(18,731)
Miscellaneous	77,040	97,407	93,960	(3,447)
Interest	2,250	2,470	2,878	408
Total Receipts	<u>8,750,341</u>	<u>10,500,771</u>	<u>8,099,127</u>	<u>(2,401,644)</u>
DISBURSEMENTS				
General Government	6,344,329	5,572,176	3,607,815	1,964,361
Protection to Persons and Property	745,738	770,339	573,897	196,442
General Health and Sanitation	1,198,890	2,020,918	330,024	1,690,894
Social Services	123,679	410,125	209,607	200,518
Recreation and Culture	210,000	286,027	251,378	34,649
Roads	93,139	85,851	77,451	8,400
Administration	1,819,531	1,938,314	1,707,321	230,993
Total Disbursements	<u>10,535,306</u>	<u>11,083,750</u>	<u>6,757,493</u>	<u>4,326,257</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,784,965)</u>	<u>(582,979)</u>	<u>1,341,634</u>	<u>1,924,613</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds				
Transfers To Other Funds	<u>(748,578)</u>	<u>(2,241,486)</u>	<u>(2,323,973)</u>	<u>(82,487)</u>
Total Other Adjustments to Cash (Uses)	<u>(748,578)</u>	<u>(2,241,486)</u>	<u>(2,323,973)</u>	<u>(82,487)</u>
Net Change in Fund Balance	(2,533,543)	(2,824,465)	(982,339)	1,842,126
Fund Balance Beginning	<u>2,533,543</u>	<u>2,824,465</u>	<u>2,824,467</u>	<u>2</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,842,128</u>	<u>\$ 1,842,128</u>

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	\$ 158	\$ 227	\$ 227	\$
Intergovernmental	4,740,484	5,398,648	4,293,656	(1,104,992)
Miscellaneous	733,792	910,847	865,848	(44,999)
Interest		9	9	
Total Receipts	<u>5,474,434</u>	<u>6,309,731</u>	<u>5,159,740</u>	<u>(1,149,991)</u>
DISBURSEMENTS				
Roads	5,229,684	6,613,475	5,534,367	1,079,108
Debt Service			785,340	(785,340)
Capital Projects	80,414	80,414		80,414
Administration	1,603,323	1,589,199	1,582,657	6,542
Total Disbursements	<u>6,913,421</u>	<u>8,283,088</u>	<u>7,902,364</u>	<u>380,724</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,438,987)</u>	<u>(1,973,357)</u>	<u>(2,742,624)</u>	<u>(769,267)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			785,340	785,340
Transfers From Other Funds	1,851,929	2,333,577	2,333,577	
Transfers To Other Funds	(673,508)	(698,508)	(698,508)	
Total Other Adjustments to Cash (Uses)	<u>1,178,421</u>	<u>1,635,069</u>	<u>2,420,409</u>	<u>785,340</u>
Net Change in Fund Balance	(260,566)	(338,288)	(322,215)	16,073
Fund Balance Beginning	260,566	338,288	338,287	(1)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,072</u>	<u>\$ 16,072</u>

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,693,634	\$ 2,810,641	\$ 2,801,980	\$ (8,661)
Charges for Services	181,700	228,726	228,226	(500)
Miscellaneous	20,000	42,155	42,155	
Total Receipts	<u>2,895,334</u>	<u>3,081,522</u>	<u>3,072,361</u>	<u>(9,161)</u>
DISBURSEMENTS				
Protection to Persons and Property	3,268,283	3,479,589	3,355,759	123,830
Debt Service	374,219	374,219		374,219
Administration	1,164,374	1,159,154	1,154,886	4,268
Total Disbursements	<u>4,806,876</u>	<u>5,012,962</u>	<u>4,510,645</u>	<u>502,317</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,911,542)</u>	<u>(1,931,440)</u>	<u>(1,438,284)</u>	<u>493,156</u>
Other Adjustments to Cash (Uses)				
Payment to Bond Escrow Agent			(156,750)	(156,750)
Transfers From Other Funds	1,851,329	1,865,695	1,865,695	
Transfers To Other Funds			(217,469)	(217,469)
Total Other Adjustments to Cash (Uses)	<u>1,851,329</u>	<u>1,865,695</u>	<u>1,491,476</u>	<u>(374,219)</u>
Net Change in Fund Balance	(60,213)	(65,745)	53,192	118,937
Fund Balance Beginning	<u>60,213</u>	<u>65,745</u>	<u>65,745</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 118,937</u>	<u>\$ 118,937</u>

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 8,068,105	\$ 7,161,287	\$ 6,695,457	\$ (465,830)
Charges for Services	6,525	6,525	9,600	3,075
Miscellaneous Revenues		34,610	40,099	5,489
Total Receipts	<u>8,074,630</u>	<u>7,202,422</u>	<u>6,745,156</u>	<u>(457,266)</u>
DISBURSEMENTS				
General Government	397,473	401,002	395,827	5,175
Protection to Persons and Property	783,979	1,044,390	855,738	188,652
General Health and Sanitation	323,261	359,446	303,163	56,283
Social Services	774,641	842,194	774,290	67,904
Recreation and Culture	939,942	1,083,123	735,704	347,419
Roads	19,950	19,950		19,950
Airports	103,319	114,319	113,603	716
Other Transportation Facilities and Services	40,000	69,654	37,863	31,791
Debt Service	684,137	662,480		662,480
Capital Projects	29,549	4,447		4,447
Administration	442,277	373,310	353,343	19,967
Total Disbursements	<u>4,538,528</u>	<u>4,974,315</u>	<u>3,569,531</u>	<u>1,404,784</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>3,536,102</u>	<u>2,228,107</u>	<u>3,175,625</u>	<u>947,518</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		1,267,908	1,267,908	
Transfers To Other Funds	(4,030,013)	(4,301,027)	(4,963,507)	(662,480)
Total Other Adjustments to Cash (Uses)	<u>(4,030,013)</u>	<u>(3,033,119)</u>	<u>(3,695,599)</u>	<u>(662,480)</u>
Net Change in Fund Balance	(493,911)	(805,012)	(519,974)	285,038
Fund Balance Beginning	493,911	805,012	805,011	(1)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 285,037</u>	<u>\$ 285,037</u>

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

FORESTRY FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 8,345	\$ 8,345	\$ 6,893	\$ (1,452)
Total Receipts	<u>8,345</u>	<u>8,345</u>	<u>6,893</u>	<u>(1,452)</u>
DISBURSEMENTS				
General Government	36,237	30,625	5,719	24,906
Total Disbursements	<u>36,237</u>	<u>30,625</u>	<u>5,719</u>	<u>24,906</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(27,892)</u>	<u>(22,280)</u>	<u>1,174</u>	<u>23,454</u>
Other Adjustments to Cash (Uses)				
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	(27,892)	(22,280)	1,174	23,454
Fund Balance Beginning	<u>27,892</u>	<u>22,280</u>	<u>22,280</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 23,454</u>	<u>\$ 23,454</u>

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

SOLID WASTE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 1,000	\$	\$	\$
Intergovernmental	101,656	121,014	108,827	(12,187)
Charges for Services	4,899,000	4,672,556	4,605,488	(67,068)
Miscellaneous	364,985	587,965	571,739	(16,226)
Interest	300	374	1,912	1,538
Total Receipts	<u>5,366,941</u>	<u>5,381,909</u>	<u>5,287,966</u>	<u>(93,943)</u>
DISBURSEMENTS				
General Health and Sanitation	4,331,658	4,310,388	3,168,956	1,141,432
Debt Service			433,946	(433,946)
Administration	2,012,500	1,984,270	1,931,807	52,463
Total Disbursements	<u>6,344,158</u>	<u>6,294,658</u>	<u>5,534,709</u>	<u>52,463</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(977,217)</u>	<u>(912,749)</u>	<u>(246,743)</u>	<u>(41,480)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			433,946	433,946
Transfers From Other Funds	1,075,333	1,075,333	1,075,333	
Transfers To Other Funds	(715,259)	(765,259)	(1,454,779)	(689,520)
Total Other Adjustments to Cash (Uses)	<u>360,074</u>	<u>310,074</u>	<u>54,500</u>	<u>(255,574)</u>
Net Change in Fund Balance	(617,143)	(602,675)	(192,243)	410,432
Fund Balance Beginning	<u>617,143</u>	<u>602,675</u>	<u>3,841,630</u>	<u>3,238,955</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,649,387</u>	<u>\$ 3,649,387</u>

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous Revenues	\$ 149,730	\$ 149,730	\$ 112,298	\$ (37,432)
Interest	750	750	279	(471)
Total Receipts	150,480	150,480	112,577	(37,903)
DISBURSEMENTS				
General Government	703,410	703,541	400,000	303,541
Total Disbursements	703,410	703,541	400,000	303,541
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(552,930)	(553,061)	(287,423)	265,638
Other Adjustments to Cash (Uses)				
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	(552,930)	(553,061)	(287,423)	265,638
Fund Balance Beginning	552,930	553,061	553,061	
Fund Balance - Ending	\$ 0	\$ 0	\$ 265,638	\$ 265,638

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

MAINTENANCE GARAGE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$ 84,842	\$ 84,843	\$ 1
Total Receipts		84,842	84,843	1
DISBURSEMENTS				
Other Transportation Facilities and Services	1,147,264	1,308,635	1,266,040	42,595
Administration	337,506	345,717	341,039	4,678
Total Disbursements	1,484,770	1,654,352	1,607,079	47,273
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,484,770)	(1,569,510)	(1,522,236)	47,274
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,388,767	1,463,767	1,463,767	
Total Other Adjustments to Cash (Uses)	1,388,767	1,463,767	1,463,767	
Net Change in Fund Balance	(96,003)	(105,743)	(58,469)	47,274
Fund Balance Beginning	96,003	105,743	105,742	(1)
Fund Balance - Ending	\$ 0	\$ 0	\$ 47,273	\$ 47,273

PIKE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

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 Government 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 Appropriations

Road Fund Debt Service and Solid Waste Fund Debt Service exceeded budgeted appropriations by \$785,340 and \$433,946, respectively. The county did not properly budget for and record the proceeds of a \$1,219,286 financing obligation agreements with the Kentucky Association of Counties Finance Corporation and the debt service associated with the purchase of vehicles.

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PIKE COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015

PIKE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Land and Land Improvements	\$ 809,068	\$	\$	\$ 809,068
Construction in Progress	32,124,840	134,783		32,259,623
Land Improvements	2,348,767	18,552		2,367,319
Buildings	24,989,300	57,775		25,047,075
Vehicles and Equipment	15,936,702	766,805	63,401	16,640,106
Infrastructure	135,922,044	1,332,898	1,368,408	135,886,534
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets	<u>\$ 212,130,721</u>	<u>\$ 2,310,813</u>	<u>\$ 1,431,809</u>	<u>\$213,009,725</u>

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

June 30, 2015

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.

	Capitalization Threshold	Useful Life (Years)
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

PIKE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2015

Federal Grantor CFDA #	Program Title	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Natural Resources Conservation Service - Watershed Protection and Flood Prevention Program			
10.923	Emergency Watershed Protection Program	68-5C16-11	\$ 133,648
10.923	Emergency Watershed Protection Program- Floodplain Easements	68-5C16-10-190	<u>80,877</u>
Total U.S. Department of Agriculture			<u><u>214,525</u></u>
<u>U.S. Department of Homeland Security</u>			
<i>Passed-Through State Department of Military Affairs</i>			
97.036	Disaster Grants - Public Assistance July 2010 Flood	FEMA-1925-DR-KY *	58,039
97.036	Disaster Grants - Public Assistance August 2014 Flood	FEMA-4196-DR-KY *	511,679
97.036	Disaster Grants - Public Assistance February 2015 Snow	FEMA-4216-DR-KY *	82,415
97.036	Disaster Grants - Public Assistance March 2015 Flood	FEMA-4218-DR-KY *	72,335
97.036	Disaster Grants - Public Assistance April 2015 Flood	FEMA-4217-DR-KY *	74,127
97.039	Hazard Mitigation Grant Program May 2009 Flood Buyout	PON2-095-1100002780-1	36,133
97.039	Hazard Mitigation Grant Program July 2010 Flood Buyout	PON2-095-1300000008-2	450
97.039	Hazard Mitigation Grant Program April 2012 Flood Buyout	PON2-095-1300002443-2	172,510
97.042	Emergency Management Assistance Program 2014 Performance Grant	PON2-095-1500000654-3	27,352
97.044	Assistance to Firefighters Grant Program FY 2010 Safety Training Trailer	EMW-2010-FR-00065	1,608
<i>Passed-Through State Office of Homeland Security</i>			
97.067	Homeland Security Grant Program Body Armour Vests	PON2-094-1500004974-1	5,894
97.067	Homeland Security Grant Program Mobile Command Trailer	PON2-094-1500002454-1	40,000
97.067	Homeland Security Grant Program Radio and Repeaters Upgrade	PON2-094-1400003481-2	<u>791</u>
Total U.S. Department of Homeland Security			<u><u>1,083,333</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 1,297,858</u></u>

*Tested as Major Program or Cluster.

PIKE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2015

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Pike County, Kentucky and is presented on a regulatory cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 - Determination of Major Program

The Type A program for the fiscal year is any program for which total expenditures of federal awards exceed \$300,000 for fiscal year 2015 or were deemed high risk. The major program tested was:

- Disaster Grants - Public Assistance - CFDA #97.036

Note 3 - Noncash Expenditures

There were no noncash expenditures of federal awards for fiscal year 2015.

**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***



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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 Auditor's 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, 2015 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 June 1, 2016.

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 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.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

June 1, 2016

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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 OMB Circular A-133

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) Circular A-133 *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, 2015. 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 each of its major 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 with those requirements.

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, 2015.



Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133
(Continued)

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

June 1, 2016

PIKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2015

PIKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2015

Section I: Summary of Auditor's Results

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Is any noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" 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 not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any audit findings disclosed that are required to be reported in accordance with <u>U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, Section .510(a)</u> ?	<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:	\$300,000
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, 2015
(Continued)

Section II: Findings - Financial Statement Audit

State Laws and Regulations

None.

Internal Control - Material Weaknesses

None.

Internal Control - Significant Deficiencies

None.

Section III: Findings and Questioned Costs - Major Federal Awards Program Audit

None.

Section IV: Summary Schedule of Prior Audit Findings

None.

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

PIKE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2015**

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM

PIKE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

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

Jhnda B. Billiter

County Treasurer

