

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

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



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT OF THE**  
**LIVINGSTON COUNTY FISCAL COURT**

**June 30, 2016**

The Auditor of Public Accounts has completed the audit of the Livingston County Fiscal Court for the fiscal year ended June 30, 2016.

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

**Financial Condition:**

The Livingston County Fiscal Court had total receipts of \$6,571,318 and disbursements of \$7,059,610 in fiscal year 2016. This resulted in a total ending fund balance of \$4,026,547, which is a decrease of \$377,293 from the prior year.

**Findings:**

- 2016-001 The Fiscal Court Lacks Adequate Segregation Of Duties Over Accounting Processes
- 2016-002 Cash Transfers Are Not Properly Approved Prior To Transfer
- 2016-003 The Fiscal Court Lacks Proper Oversight Of The Payroll Account
- 2016-004 The Fiscal Court Did Not Properly Reconcile Each Fund
- 2016-005 The Fiscal Court Did Not Maintain Proper Records For The Public Properties Corporation Fund And County Library Bond Fund
- 2016-006 The Fiscal Court Lacks Adequate Internal Controls Over Debt Reporting
- 2016-007 The Fiscal Court Did Not Adhere To Bidding Requirements, Monitor Small Projects, Or Maintain Adequate Documentation For Items Purchased At State Contract Price
- 2016-008 The Fiscal Court Lacks Adequate Internal Controls Over Payroll
- 2016-009 The Fiscal Court Failed To Correctly Pay Retirement To CERS
- 2016-010 The Fiscal Court Did Not Have Adequate Controls Over Reporting Of Capital Assets To Ensure Accuracy

**Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities.

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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 Chris Lasher, Livingston County Judge/Executive  
Members of the Livingston 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 the Livingston County Fiscal Court, for the year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Livingston 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.

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



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

As described in Note 1 of the financial statement, the financial statement is prepared by the Livingston 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 Livingston 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 Livingston County Fiscal Court as of June 30, 2016, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of 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 Livingston County Fiscal Court. The Budgetary Comparison Schedules and Capital Asset Schedule 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.

The accompanying Budgetary Comparison Schedules and Capital Asset Schedule 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 and Capital Asset Schedule are fairly stated in all material respects in relation to the financial statement as a whole.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2017, on our consideration of the Livingston 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 Livingston 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 Responses included herein, which discusses the following report findings:

- 2016-001 The Fiscal Court Lacks Adequate Segregation Of Duties Over Accounting Processes
- 2016-002 Cash Transfers Are Not Properly Approved Prior To Transfer
- 2016-003 The Fiscal Court Lacks Proper Oversight Of The Payroll Account
- 2016-004 The Fiscal Court Did Not Properly Reconcile Each Fund
- 2016-005 The Fiscal Court Did Not Maintain Proper Records For The Public Properties Corporation Fund And County Library Bond Fund
- 2016-006 The Fiscal Court Lacks Adequate Internal Controls Over Debt Reporting
- 2016-007 The Fiscal Court Did Not Adhere To Bidding Requirements, Monitor Small Projects, Or Maintain Adequate Documentation For Items Purchased At State Contract Price
- 2016-008 The Fiscal Court Lacks Adequate Internal Controls Over Payroll
- 2016-009 The Fiscal Court Failed To Correctly Pay Retirement To CERS
- 2016-010 The Fiscal Court Did Not Have Adequate Controls Over Reporting Of Capital Assets To Ensure Accuracy

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

September 8, 2017

LIVINGSTON COUNTY OFFICIALS

For The Year Ended June 30, 2016

**Fiscal Court Members:**

Chris Lasher	County Judge/Executive
Marvin Buford	Magistrate
Brad Hunter	Magistrate
Terry Stringer	Magistrate
Franklin Walker	Magistrate

**Other Elected Officials:**

Billy Riley	County Attorney
Benjamin Guill	Jailer
Sonya Williams	County Clerk
Debbie Knoth	Circuit Court Clerk
Bobby Davidson	Sheriff
Elisha Harp	Property Valuation Administrator
Jeff Armstrong	Coroner

**Appointed Personnel:**

Kristine Quertermous	County Treasurer
Tracy Mitchell	Chief Financial Officer
Kayla Curry	Occupational Tax Administrator

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

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

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

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

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 1,046,634	\$	\$
In Lieu Tax Payments	339,259		
Excess Fees	105,178		
Licenses and Permits	22,159		
Intergovernmental	62,643	1,406,165	88,788
Charges for Services	16,581		
Miscellaneous	38,019	7,257	982
Interest	41,165	1,557	
Total Receipts	<u>1,671,638</u>	<u>1,414,979</u>	<u>89,770</u>
<b>DISBURSEMENTS</b>			
General Government	571,228		
Protection to Persons and Property	23,273		178,450
General Health and Sanitation	14,287	22,000	
Social Services	7,424		
Recreation and Culture	7,080		
Roads		1,041,481	
Debt Service			
Administration	462,295	314,279	26,809
Total Disbursements	<u>1,085,587</u>	<u>1,377,760</u>	<u>205,259</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>586,051</u>	<u>37,219</u>	<u>(115,489)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Bond Proceeds			
Bond Premium			
Underwriter Discount			
Cost of Issuance			
Deposited with Paying Agent			
Transfers From Other Funds	134,823		150,000
Transfers To Other Funds	(908,656)		
Total Other Adjustments to Cash (Uses)	<u>(773,833)</u>		<u>150,000</u>
Net Change in Fund Balance	(187,782)	37,219	34,511
Fund Balance - Beginning (Restated)	939,878	560,696	39,745
Fund Balance - Ending	<u>\$ 752,096</u>	<u>\$ 597,915</u>	<u>\$ 74,256</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 775,696	\$ 654,166	\$ 81,424
Less: Outstanding Checks	(23,600)	(56,251)	(7,168)
Fund Balance - Ending	<u>\$ 752,096</u>	<u>\$ 597,915</u>	<u>\$ 74,256</u>

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

LIVINGSTON 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	Sheriff Department Fund	Occupational Tax Fund	911 Fund	Kentucky Land Grant Fund
\$ 38,428	\$	\$ 1,397,632	\$ 123,901	\$
733,203				
2,624			85	
12,734	247,070		1,353	
457		3,411		
<u>787,446</u>	<u>247,070</u>	<u>1,401,043</u>	<u>125,339</u>	
117,655	466,842	162,195		
34,260		1,061,607	436,451	
161,403				
8,342				
80,834		82,798		
		358,238		
19,992	97,930		100,606	
<u>422,486</u>	<u>564,772</u>	<u>1,664,838</u>	<u>537,057</u>	
<u>364,960</u>	<u>(317,702)</u>	<u>(263,795)</u>	<u>(411,718)</u>	
	319,000		405,000	
<u>(133,871)</u>		<u>(185,000)</u>		
<u>(133,871)</u>	<u>319,000</u>	<u>(185,000)</u>	<u>405,000</u>	
231,089	1,298	(448,795)	(6,718)	
49,402	9,286	1,816,445	17,904	105,266
<u>\$ 280,491</u>	<u>\$ 10,584</u>	<u>\$ 1,367,650</u>	<u>\$ 11,186</u>	<u>\$ 105,266</u>
\$ 290,301	\$ 11,224	\$ 1,367,942	\$ 108,786	\$ 105,266
(9,810)	(640)	(292)	(97,600)	
<u>\$ 280,491</u>	<u>\$ 10,584</u>	<u>\$ 1,367,650</u>	<u>\$ 11,186</u>	<u>\$ 105,266</u>

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

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

	<u>Budgeted Funds</u>		
	<u>Tourism Fund</u>	<u>Judicial Center Fund</u>	<u>Special Reserve Fund</u>
<b>RECEIPTS</b>			
Taxes	\$ 26,962	\$	\$
In Lieu Tax Payments			
Excess Fees			
Licenses and Permits			
Intergovernmental		235,389	
Charges for Services			
Miscellaneous		1,030	
Interest	59		1,545
Total Receipts	<u>27,021</u>	<u>236,419</u>	<u>1,545</u>
<b>DISBURSEMENTS</b>			
General Government	22,834	191,377	
Protection to Persons and Property			
General Health and Sanitation			
Social Services			
Recreation and Culture			
Roads			
Debt Service			
Administration		42,330	
Total Disbursements	<u>22,834</u>	<u>233,707</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>4,187</u>	<u>2,712</u>	<u>1,545</u>
<b>Other Adjustments to Cash (Uses)</b>			
Bond Proceeds			
Bond Premium			
Underwriter Discount			
Cost of Issuance			
Deposited with Paying Agent			
Transfers From Other Funds		36,700	
Transfers To Other Funds			
Total Other Adjustments to Cash (Uses)		<u>36,700</u>	
Net Change in Fund Balance	4,187	39,412	1,545
Fund Balance - Beginning (Restated)	21,646	17,450	736,490
Fund Balance - Ending	<u>\$ 25,833</u>	<u>\$ 56,862</u>	<u>\$ 738,035</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 29,833	\$ 63,739	\$ 738,035
Less Outstanding Checks	<u>(4,000)</u>	<u>(6,877)</u>	
Ending Fund Balance	<u>\$ 25,833</u>	<u>\$ 56,862</u>	<u>\$ 738,035</u>

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

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

<u>Unbudgeted Funds</u>		
<u>County Library Bond Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Total Funds</u>
\$	\$	\$ 2,633,557
		339,259
		105,178
		22,159
	569,035	3,095,223
		19,290
		308,445
4	9	48,207
<u>4</u>	<u>569,044</u>	<u>6,571,318</u>
		1,532,131
		1,734,041
		197,690
		15,766
		170,712
		1,399,719
265,827	677,282	943,109
<u>1</u>	<u>2,200</u>	<u>1,066,442</u>
<u>265,828</u>	<u>679,482</u>	<u>7,059,610</u>
<u>(265,824)</u>	<u>(110,438)</u>	<u>(488,292)</u>
	5,270,000	5,270,000
	569,187	569,187
	(65,138)	(65,138)
	(45,950)	(45,950)
	(5,617,100)	(5,617,100)
265,827		1,311,350
<u>(83,823)</u>		<u>(1,311,350)</u>
<u>182,004</u>	<u>110,999</u>	<u>110,999</u>
(83,820)	561	(377,293)
89,632		4,403,840
<u>\$ 5,812</u>	<u>\$ 561</u>	<u>\$ 4,026,547</u>
\$ 5,812	\$ 561	\$ 4,232,785
		(206,238)
<u>\$ 5,812</u>	<u>\$ 561</u>	<u>\$ 4,026,547</u>

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

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TO THE FINANCIAL STATEMENT**

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**LIVINGSTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2016**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Livingston County includes all budgeted and unbudgeted funds under the control of the Livingston 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 Livingston County Ambulance Service District would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However under the regulatory basis it is no longer a required component of the reporting entity. Audited financial statements for the Livingston County Ambulance Service District may be requested by contacting the Livingston County Ambulance Service District P.O Box 70, Smithland, KY.

**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.

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

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Budgeted Funds (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.

Sheriff Department Fund - The primary purpose if this fund is to account for expenses related to the sheriff's department. The primary source of receipts for this fund is reimbursements from the sheriff department for payroll expenses.

Occupational Tax Fund - The primary purpose of this fund is to account for occupational taxes collected and associated expenditures. The primary source of receipts for this fund is occupational taxes.

911 Fund - The primary purpose of this fund is to account for some emergency equipment expenses of the county. The primary sources of receipts for this fund are federal and state grants and 911 surcharges.

Kentucky Land Grant Fund - The primary purpose of this fund is to account for grants received for land purchases and improvements and related expenses.

Tourism Fund - The primary purpose of this fund is to account for tourism contributions and related expenses.

Judicial Center Fund - The primary purpose of this fund is to account for the expenses of the county judicial center. The primary sources of receipts are AOC payments and other reimbursements.

Special Reserve Fund - The primary purpose of this fund is to act as a savings account for the fiscal court.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

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 the construction of public buildings.

County Library Bond Fund - The purpose of this fund is to account for the payments made for debt on the library facility.

**LIVINGSTON 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 public properties corporation fund and the county library bond fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**E. Livingston County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting Livingston 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 Livingston 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 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).

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

**Note 1. Summary of Significant Accounting Policies (Continued)**

**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 fiscal court 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	Occupational Tax Fund	LGEA Fund	County Library Bond Fund	Total Transfers In
General Fund	\$	\$ 51,000	\$	\$ 83,823	\$ 134,823
Jail Fund	150,000				150,000
Sheriff Department Fund	280,000	39,000			319,000
911 Fund	310,000	95,000			405,000
Judicial Center Fund	36,700				36,700
County Library Bond Fund	131,956		133,871		265,827
Total Transfers Out	<u>\$ 908,656</u>	<u>\$ 185,000</u>	<u>\$ 133,871</u>	<u>\$ 83,823</u>	<u>\$ 1,311,350</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.

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

**Note 4. Long-term Debt**

**A. Public Properties Corporation First Mortgage Revenue Bonds**

The Livingston County Public Properties Corporation issued First Mortgage Revenue Bonds, Series 2007 dated July 11, 2007, for \$8,925,000 to be used for the construction of a Judicial Center. Interest is payable semi-annually for 20 years and varies from 4.0 percent to 4.125 percent. The Livingston County Public Properties Corporation has leased the building to the Commonwealth of Kentucky, Administrative Office of the Courts (AOC), and AOC is providing the debt service payments as prescribed in the aforementioned lease. These bonds were partially defeased by the County of Livingston Public Properties Corporation Lease Revenue Refunding Bonds, Series 2015 (See Note 4.C.). The principal balance as of June 30, 2016, was \$1,225,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 390,000	\$ 41,413
2018	410,000	25,412
2019	425,000	8,606
Totals	<u>\$ 1,225,000</u>	<u>\$ 75,431</u>

**B. General Obligation Refunding Bonds (Library and Offices Project), Series 2015**

The Livingston County Fiscal Court issued the County of Livingston, Kentucky General Obligation Refunding Bonds (Library and Offices Project), Series 2015, dated April 21, 2015 in the principal amount of \$3,270,000 for the purpose of refunding for debt service savings the outstanding County of Livingston, Kentucky General Obligation Bonds, Taxable Series 2010 (Build America Bonds Direct Payment to Issuer) (Refunded Bonds). Interest on the bonds varying from 1 to 3 percent is payable each May 1 and November 1, beginning November 1, 2015. The principal balance as of June 30, 2016, was \$3,075,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 195,000	\$ 66,963
2018	200,000	65,012
2019	200,000	62,613
2020	205,000	59,812
2021	205,000	56,225
2022-2026	1,100,000	214,756
2027-2030	970,000	71,419
Totals	<u>\$ 3,075,000</u>	<u>\$ 596,800</u>

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

**Note 4. Long-term Debt (Continued)**

**C. Public Properties Corporation Lease Revenue Refunding Bonds Series 2015**

The Livingston County Public Properties Corporation issued County of Livingston Public Properties Corporation Lease Revenue Refunding Bonds, Series 2015, in the principal amount of \$5,270,000. The bonds were issued for refunding a portion of the issuer's County of Livingston Public Properties Corporation Lease Revenue Bonds, Series 2007 that mature on and after August 1, 2019. Interest varies from 3.125 to 5.0 percent and is payable semi-annually on February 1 and August 1 of each year commencing February 1, 2016. The Livingston County Public Properties Corporation has leased the building to the Commonwealth of Kentucky, Administrative Office of the Courts (AOC), and AOC is providing the debt service payments as prescribed in the aforementioned lease. The principal balance as of June 30, 2016, was \$5,270,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$	\$ 227,775
2018		227,775
2019		227,775
2020	320,000	219,775
2021	450,000	200,525
2022-2026	2,635,000	630,250
2027-2029	1,865,000	88,138
Totals	<u>\$ 5,270,000</u>	<u>\$ 1,822,013</u>

**D. Ledbetter Sewer System**

On November 9, 2007, the county entered into a refinancing of a financing obligation with Kentucky Association of Counties Leasing Trust (KACoLT) for the financing of a sewer system project for the Ledbetter Water District, Livingston County, Kentucky. The original lease was dated July 1, 2005, for \$3,300,000. During 2007, the Ledbetter Water District paid a lump sum payment of \$2,020,715. The principal amount of the refinanced lease is \$1,184,285 with repayment to be made over a 30 year period starting in November 2007. The Ledbetter Water District has pledge their revenues for repayment of the note and are repaying the note to KACoLT. As of June 30, 2016, the balance on the note was \$1,079,285. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 30,000	\$ 45,367
2018	30,000	44,107
2019	35,000	42,756
2020	35,000	41,328
2021	35,000	39,837
2022-2026	210,000	174,329
2027-2031	270,000	124,753
2032-2036	350,000	60,434
2037-2039	84,285	2,661
Totals	<u>\$ 1,079,285</u>	<u>\$ 575,572</u>

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

**Note 4. Long-term Debt (Continued)**

**E. Hospital and Health Care Services Project**

In May 2006, Livingston County entered into a financing agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) to finance the renovation of the Livingston Hospital and Health Care Services facility. The principal of the lease is \$1,000,000 with repayment to be made over a twenty year period starting in June 2006. Livingston County has entered into an agreement with Livingston Hospital and Health Care Services, Inc for repayment of the note with KACoLT and has filed a lien on the property until the note is retired. Livingston Hospital and Health Care Services, Inc is repaying the note and as of June 30, 2016, the balance was \$625,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 48,000	\$ 25,890
2018	48,000	30,844
2019	54,000	28,120
2020	60,000	24,944
2021	60,000	21,632
2022-2026	<u>355,000</u>	<u>52,718</u>
Totals	<u>\$ 625,000</u>	<u>\$ 184,148</u>

**F. Ambulance**

On January 23, 2013, the Livingston County Fiscal Court entered into a financing obligation with Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of an ambulance in the amount of \$168,710. The principal balance is to be paid annually at an interest rate of 3.196 percent over the term of five years. The maturity date of the obligation is January 20, 2018. The ambulance district is repaying the note and as of June 30, 2016, the balance was \$55,662. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 34,909	\$ 1,271
2018	<u>20,753</u>	<u>222</u>
Totals	<u>\$ 55,662</u>	<u>\$ 1,493</u>

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

**Note 4. Long-term Debt (Continued)**

**G. EMS Equipment**

On February 17, 2012, the Livingston County Fiscal Court entered into a financing obligation with Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of Emergency Management Service (EMS) equipment in the amount of \$39,000. The principal balance is to be paid annually at an interest rate of 4.3 percent over the term of the five years. The maturity date of the obligation is January 20, 2018. The ambulance district is repaying the note and as of June 30, 2016, the balance was \$5,706. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 5,706	\$ 92
Totals	<u>\$ 5,706</u>	<u>\$ 92</u>

**H. Crittenden/Livingston Water District**

On December 16, 2010, the Livingston County Fiscal Court entered into a financing obligation with Kentucky Association of Counties Leasing Trust (KACoLT) for long-term financing to replace short-term note which was used to run approximately 90 miles of waterline in Crittenden and Livingston counties. The principal of the lease is \$2,560,000 with repayment to be made over a 29 year period starting in February 2011. Livingston County has entered into an agreement with the Crittenden Livingston Water District for repayment of the note with KACoLT and has filed a lien on the property until note is retired. The Crittenden Livingston Water District is repaying the note and as of June 30, 2016, the balance was \$2,287,083.

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 57,083	\$ 114,781
2018	62,084	112,212
2019	65,000	109,419
2020	67,083	106,494
2021	70,000	103,475
2022-2026	398,333	467,120
2027-2031	510,417	361,466
2032-2036	649,583	215,159
2037-2039	<u>407,500</u>	<u>41,019</u>
Totals	<u>\$ 2,287,083</u>	<u>\$ 1,631,145</u>



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

**Note 4. Long-term Debt (Continued)**

**I. Changes In Long-term Debt**

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

	(Restated) Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 3,270,000	\$	\$ 195,000	\$ 3,075,000	\$ 195,000
Revenue Bonds	6,955,000	5,270,000	5,730,000	6,495,000	390,000
Financing Obligations	4,228,076		175,340	4,052,736	175,698
Total Long-term Debt	<u>\$ 14,453,076</u>	<u>\$ 5,270,000</u>	<u>\$ 6,100,340</u>	<u>\$ 13,622,736</u>	<u>\$ 760,698</u>

**Note 5. 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 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 17.06 percent.

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.95 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) 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.

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

**Note 5. Employee Retirement System (Continued)**

The county's contribution for FY 2014 was \$339,260, FY 2015 was \$352,374, and FY 2016 was \$346,946.

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.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of 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:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
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.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives 10 dollars per month for insurance benefits for each year of the deceased employee's hazardous service. 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.

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

**Note 6. Deferred Compensation**

The Livingston 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 the 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 7. Insurance**

For the fiscal year ended June 30, 2016, the Livingston County Fiscal Court 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.

**Note 8. Prior Period Adjustments**

The following adjustments were made to beginning balances:

Restatement of Cash Beginning Balance

Ending Cash Balance- Prior Year	\$ 4,397,988
Adjustments:	
Prior Year Error-General Fund	2,857
Rounding - Jail Fund	(1)
Prior Year Error- LGEA Fund	140
Prior Year Error- Sheriff Department Fund	(2,955)
County Library Bond Account Omitted in Prior Year	5,812
Rounding - Special Reserve Fund	(1)
Beginning Fund Balance - Restated	<u>\$ 4,403,840</u>

Restatement of Long-Term Debt Beginning Balance

Ending Long-Term Debt Balance- Prior Year	\$ 14,439,159
Financing Obligations Ending Balances Error	13,917
Beginning Long-Term Debt Balance - Restated	<u>\$ 14,453,076</u>

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**LIVINGSTON COUNTY  
BUDGETARY COMPARISON SCHEDULES  
Supplementary Information - Regulatory Basis**

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

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**LIVINGSTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 939,800	\$ 970,070	\$ 1,046,634	\$ 76,564
In Lieu Tax Payments	311,400	338,521	339,259	738
Excess Fees	76,250	105,178	105,178	
Licenses and Permits	20,950	21,276	22,159	883
Intergovernmental	122,300	153,600	62,643	(90,957)
Charges for Services	17,000	17,414	16,581	(833)
Miscellaneous	5,750	123,258	38,019	(85,239)
Interest	10,000	40,759	41,165	406
Total Receipts	<u>1,503,450</u>	<u>1,770,076</u>	<u>1,671,638</u>	<u>(98,438)</u>
<b>DISBURSEMENTS</b>				
General Government	549,884	641,741	571,228	70,513
Protection to Persons and Property	14,200	23,769	23,273	496
General Health and Sanitation	13,000	15,704	14,287	1,417
Social Services	6,000	7,424	7,424	
Recreation and Culture	14,000	14,000	7,080	6,920
Debt Service	145,000	145,000		145,000
Administration	833,737	1,126,265	462,295	663,970
Total Disbursements	<u>1,575,821</u>	<u>1,973,903</u>	<u>1,085,587</u>	<u>888,316</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(72,371)</u>	<u>(203,827)</u>	<u>586,051</u>	<u>789,878</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	51,000	51,000	134,823	83,823
Transfers To Other Funds	<u>(778,629)</u>	<u>(778,629)</u>	<u>(908,656)</u>	<u>(130,027)</u>
Total Other Adjustments to Cash (Uses)	<u>(727,629)</u>	<u>(727,629)</u>	<u>(773,833)</u>	<u>(46,204)</u>
Net Change in Fund Balance	(800,000)	(931,456)	(187,782)	743,674
Fund Balance - Beginning (Restated)	<u>800,000</u>	<u>939,836</u>	<u>939,878</u>	<u>42</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 8,380</u>	<u>\$ 752,096</u>	<u>\$ 743,716</u>

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,368,813	\$ 1,388,364	\$ 1,406,165	\$ 17,801
Charges for Services	500	500		(500)
Miscellaneous	1,000	7,367	7,257	(110)
Interest	10,000	10,000	1,557	(8,443)
Total Receipts	<u>1,380,313</u>	<u>1,406,231</u>	<u>1,414,979</u>	<u>8,748</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	21,500	29,125	22,000	7,125
Roads	1,599,350	1,730,350	1,041,481	688,869
Administration	559,463	446,756	314,279	132,477
Total Disbursements	<u>2,180,313</u>	<u>2,206,231</u>	<u>1,377,760</u>	<u>828,471</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(800,000)</u>	<u>(800,000)</u>	<u>37,219</u>	<u>837,219</u>
Net Change in Fund Balance	(800,000)	(800,000)	37,219	837,219
Fund Balance - Beginning	<u>800,000</u>	<u>800,000</u>	<u>560,696</u>	<u>(239,304)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 597,915</u>	<u>\$ 597,915</u>



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

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 107,500	\$ 107,518	\$ 88,788	\$ (18,730)
Miscellaneous	1,200	1,200	982	(218)
Total Receipts	<u>108,700</u>	<u>108,718</u>	<u>89,770</u>	<u>(18,948)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	250,029	252,323	178,450	73,873
Administration	40,600	58,069	26,809	31,260
Total Disbursements	<u>290,629</u>	<u>310,392</u>	<u>205,259</u>	<u>105,133</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(181,929)</u>	<u>(201,674)</u>	<u>(115,489)</u>	<u>86,185</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	161,929	161,929	150,000	(11,929)
Total Other Adjustments to Cash (Uses)	<u>161,929</u>	<u>161,929</u>	<u>150,000</u>	<u>(11,929)</u>
Net Change in Fund Balance	(20,000)	(39,745)	34,511	74,256
Fund Balance - Beginning (Restated)	<u>20,000</u>	<u>39,745</u>	<u>39,745</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 74,256</u>	<u>\$ 74,256</u>

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

<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 40,000	\$ 40,000	\$ 38,428	\$ (1,572)
Intergovernmental	443,927	612,141	733,203	121,062
Charges for Services	2,000	2,242	2,624	382
Miscellaneous	17,500	17,500	12,734	(4,766)
Interest	2,000	2,000	457	(1,543)
Total Receipts	<u>505,427</u>	<u>673,883</u>	<u>787,446</u>	<u>113,563</u>
<b>DISBURSEMENTS</b>				
General Government	107,987	117,655	117,655	
Protection to Persons and Property	32,886	35,011	34,260	751
General Health and Sanitation	145,860	172,225	161,403	10,822
Social Services	14,500	15,122	8,342	6,780
Recreation and Culture	146,100	148,532	80,834	67,698
Debt Service	143,000	143,000		143,000
Administration	69,648	196,892	19,992	176,900
Total Disbursements	<u>659,981</u>	<u>828,437</u>	<u>422,486</u>	<u>405,951</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(154,554)</u>	<u>(154,554)</u>	<u>364,960</u>	<u>519,514</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	104,554	104,554		(104,554)
Transfers To Other Funds			(133,871)	(133,871)
Total Other Adjustments to Cash (Uses)	<u>104,554</u>	<u>104,554</u>	<u>(133,871)</u>	<u>(238,425)</u>
Net Change in Fund Balance	(50,000)	(50,000)	231,089	281,089
Fund Balance - Beginning (Restated)	<u>50,000</u>	<u>50,000</u>	<u>49,402</u>	<u>(598)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 280,491</u>	<u>\$ 280,491</u>

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

**SHERIFF DEPARTMENT FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
	<b>RECEIPTS</b>			
Miscellaneous	\$ 77,341	\$ 236,910	\$ 247,070	\$ 10,160
Total Receipts	<u>77,341</u>	<u>236,910</u>	<u>247,070</u>	<u>10,160</u>
<b>DISBURSEMENTS</b>				
General Government	253,241	466,842	466,842	
Administration	112,100	98,352	97,930	422
Total Disbursements	<u>365,341</u>	<u>565,194</u>	<u>564,772</u>	<u>422</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(288,000)</u>	<u>(328,284)</u>	<u>(317,702)</u>	<u>10,582</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	280,000	280,000	319,000	39,000
Total Other Adjustments to Cash (Uses)	<u>280,000</u>	<u>280,000</u>	<u>319,000</u>	<u>39,000</u>
Net Change in Fund Balance	(8,000)	(48,284)	1,298	49,582
Fund Balance - Beginning (Restated)	<u>8,000</u>	<u>9,286</u>	<u>9,286</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (38,998)</u>	<u>\$ 10,584</u>	<u>\$ 49,582</u>

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

	<b>OCCUPATIONAL TAX FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,200,000	\$ 1,358,315	\$ 1,397,632	\$ 39,317
Interest	6,000	6,000	3,411	(2,589)
Total Receipts	<u>1,206,000</u>	<u>1,364,315</u>	<u>1,401,043</u>	<u>36,728</u>
<b>DISBURSEMENTS</b>				
General Government	171,944	171,566	162,195	9,371
Protection to Persons and Property	856,643	1,066,789	1,061,607	5,182
Recreation and Culture	100,000	182,798	82,798	100,000
Roads	450,000	487,915	358,238	129,677
Administration	676,413	1,086,074		1,086,074
Total Disbursements	<u>2,255,000</u>	<u>2,995,142</u>	<u>1,664,838</u>	<u>1,330,304</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,049,000)</u>	<u>(1,630,827)</u>	<u>(263,795)</u>	<u>1,367,032</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(51,000)</u>	<u>(51,000)</u>	<u>(185,000)</u>	<u>(134,000)</u>
Total Other Adjustments to Cash (Uses)	<u>(51,000)</u>	<u>(51,000)</u>	<u>(185,000)</u>	<u>(134,000)</u>
Net Change in Fund Balance	(1,100,000)	(1,681,827)	(448,795)	1,233,032
Fund Balance - Beginning	<u>1,100,000</u>	<u>1,816,445</u>	<u>1,816,445</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 134,618</u>	<u>\$ 1,367,650</u>	<u>\$ 1,233,032</u>

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

	<b>911 FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 120,000	\$ 120,000	\$ 123,901	\$ 3,901
Charges for Services	200	200	85	(115)
Miscellaneous		1,353	1,353	
Total Receipts	<u>120,200</u>	<u>121,553</u>	<u>125,339</u>	<u>3,786</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	319,700	442,290	436,451	5,839
Administration	115,500	101,167	100,606	561
Total Disbursements	<u>435,200</u>	<u>543,457</u>	<u>537,057</u>	<u>6,400</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(315,000)</u>	<u>(421,904)</u>	<u>(411,718)</u>	<u>10,186</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>300,000</u>	<u>300,000</u>	<u>405,000</u>	<u>105,000</u>
Total Other Adjustments to Cash (Uses)	<u>300,000</u>	<u>300,000</u>	<u>405,000</u>	<u>105,000</u>
Net Change in Fund Balance	(15,000)	(121,904)	(6,718)	115,186
Fund Balance - Beginning	<u>15,000</u>	<u>17,904</u>	<u>17,904</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (104,000)</u>	<u>\$ 11,186</u>	<u>\$ 115,186</u>

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

**KENTUCKY LAND GRANT FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>DISBURSEMENTS</b>				
Capital Projects	\$ 105,266	\$ 105,266	\$	\$ 105,266
Total Disbursements	105,266	105,266		105,266
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(105,266)	(105,266)		105,266
Net Change in Fund Balance	(105,266)	(105,266)		105,266
Fund Balance - Beginning	105,266	105,266	105,266	
Fund Balance - Ending	\$ 0	\$ 0	\$ 105,266	\$ 105,266

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

	<b>TOURISM FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 27,000	\$ 27,000	\$ 26,962	\$ (38)
Interest	300	300	59	(241)
Total Receipts	<u>27,300</u>	<u>27,300</u>	<u>27,021</u>	<u>(279)</u>
<b>DISBURSEMENTS</b>				
General Government	44,300	48,946	22,834	26,112
Total Disbursements	<u>44,300</u>	<u>48,946</u>	<u>22,834</u>	<u>26,112</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(17,000)</u>	<u>(21,646)</u>	<u>4,187</u>	<u>25,833</u>
Net Change in Fund Balance	(17,000)	(21,646)	4,187	25,833
Fund Balance - Beginning	<u>17,000</u>	<u>21,646</u>	<u>21,646</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,833</u>	<u>\$ 25,833</u>

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

<b>JUDICIAL CENTER FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 181,150	\$ 227,339	\$ 235,389	\$ 8,050
Miscellaneous		1,030	1,030	
Total Receipts	<u>181,150</u>	<u>228,369</u>	<u>236,419</u>	<u>8,050</u>
<b>DISBURSEMENTS</b>				
General Government	180,233	198,139	191,377	6,762
Administration	53,617	131,212	42,330	88,882
Total Disbursements	<u>233,850</u>	<u>329,351</u>	<u>233,707</u>	<u>95,644</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(52,700)</u>	<u>(100,982)</u>	<u>2,712</u>	<u>103,694</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>36,700</u>	<u>36,700</u>	<u>36,700</u>	
Total Other Adjustments to Cash (Uses)	<u>36,700</u>	<u>36,700</u>	<u>36,700</u>	
Net Change in Fund Balance	(16,000)	(64,282)	39,412	103,694
Fund Balance - Beginning	<u>16,000</u>	<u>17,450</u>	<u>17,450</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (46,832)</u>	<u>\$ 56,862</u>	<u>\$ 103,694</u>



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

	<b>SPECIAL RESERVE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Interest	\$ 4,000	\$ 4,000	\$ 1,545	\$ (2,455)
Total Receipts	<u>4,000</u>	<u>4,000</u>	<u>1,545</u>	<u>(2,455)</u>
<b>DISBURSEMENTS</b>				
Administration	<u>739,946</u>	<u>739,946</u>		<u>739,946</u>
Total Disbursements	<u>739,946</u>	<u>739,946</u>		<u>739,946</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(735,946)</u>	<u>(735,946)</u>	<u>1,545</u>	<u>737,491</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(104,554)</u>	<u>(104,554)</u>		<u>104,554</u>
Total Other Adjustments to Cash (Uses)	<u>(104,554)</u>	<u>(104,554)</u>		<u>104,554</u>
Net Change in Fund Balance	(840,500)	(840,500)	1,545	842,045
Fund Balance - Beginning (Restated)	<u>840,500</u>	<u>840,500</u>	<u>736,490</u>	<u>(104,010)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 738,035</u>	<u>\$ 738,035</u>

**LIVINGSTON 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. Unbalanced Budget**

The overall final budget does not net to zero due to the approval of an unbalanced budget amendment. The unbalanced budget amendment was approved by the fiscal court and by the Department for Local Government. The budget is out of balance by \$46,832 in the judicial center fund.

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

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**LIVINGSTON 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	\$ 3,877,030	\$	\$	\$ 3,877,030
Buildings	15,576,554			15,576,554
Vehicles and Equipment	4,583,624	444,671		5,028,295
Infrastructure	7,226,447	477,705		7,704,152
Total Capital Assets	<u>\$ 31,263,655</u>	<u>\$ 922,376</u>	<u>\$ 0</u>	<u>\$32,186,031</u>

**LIVINGSTON 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	\$ 12,500	10-60
Land Improvements	\$ 7,500	10-60
Buildings and Improvements	\$ 7,500	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 10,000	10-50

**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***

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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Chris Lasher, Livingston County Judge/Executive  
Members of the Livingston 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 Livingston County Fiscal Court for the fiscal year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Livingston County Fiscal Court's financial statement and have issued our report thereon dated September 8, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Livingston 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 Livingston County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Livingston 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 Responses, 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 Responses as items 2016-001, 2016-002, 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2019-008, 2016-009, and 2016-010 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 Livingston 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 Responses as items 2016-002, 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, 2016-009, and 2016-010.

### **Views of Responsible Officials and Planned Corrective Action**

Livingston County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. 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,



Mike Harmon  
Auditor of Public Accounts

September 8, 2017

**LIVINGSTON COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

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**LIVINGSTON COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**

**Fiscal Year Ended June 30, 2016**

**FINANCIAL STATEMENT FINDINGS:**

**2016-001    The Fiscal Court Lacks Adequate Segregation Of Duties Over Accounting Processes**

---

There is a lack of segregation of duties over cash, receipts, payroll, capital assets reporting, and preparation of the financial statement. The treasurer performs all accounting functions over cash and receives, posts, and reconciles revenues; prepares payroll; as well as prepares the quarterly financial statement. The treasurer also performs the monthly bank reconciliations. Updates to the capital asset listing are performed by the treasurer. The treasurer also handles tourism tax collections. Testing of tourism tax testing revealed no tourism tax returns for 11 of 36 items tested and two instances of receipt of money with no tax return to validate the amount received. There was no documentation that the treasurer shared this information with the fiscal court and there is no independent review of tourism tax returns.

The treasurer is statutorily required to perform the duties listed above, and there is no oversight of these duties. The fiscal court does not require an independent listing of funds received in the mail or review of the activities performed by the treasurer.

The lack of internal controls allowed the following undetected errors:

- Transfers are not completed timely. (See finding 2016-002)
- The fiscal court's payroll revolving account has a negative reconciled balance of \$6,681 at June 30, 2016. (See finding 2016-003)
- The fourth quarter financial statement ending cash balances do not reconcile to bank balances. (See finding 2016-004)
- Errors noted in federal tax payments due to improper deductions to gross wages. (See finding 2016-008)
- Errors noted in retirement withholdings and payments. (See finding 2016-009)

The segregation of duties over these tasks is essential for providing protection from asset misappropriation and helping prevent inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. When proper segregation of duties cannot be achieved, compensating controls can be implemented to provide an effective alternative. Additionally, due to the nature of revolving accounts, the payroll fund should reconcile to zero.

To prevent the deficiencies noted above, we recommend the fiscal court implement stronger internal controls. Controls such as a thorough review of the receipts ledgers, bank reconciliations, and payroll by someone independent of the accounting function can help detect misstatements and errors that have occurred. This review should include tracing transactions posted to the receipts ledger to actual bank statement transactions. It should also include agreeing fund balances between the quarterly report and bank reconciliations, checking for mathematical accuracy, and verification of bank reconciliation amounts. Payroll withholding reports should agree to CERS retirement reports and 941 federal tax deposit reports. Capital asset additions and deletions ledgers should be reviewed and compared to invoices. Once the ledgers and reconciliations are deemed accurate, the reviewer should document such, and submit the review to the fiscal court for approval. By implementing such procedures, the fiscal court can strengthen its internal control system.

**Views of Responsible Official and Planned Corrective Action:**

*County Judge/Executive's Response: We (the staff) have already instituted a process to correct the "Lack of Adequate Segregation Of Duties" as defined by the Auditors.*

**LIVINGSTON COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-002 Cash Transfers Are Not Properly Approved Prior To Transfer

---

Cash transfers totaling \$961,700 were approved after funds had been spent. Cash transfers were booked at the end of each month and then approved at the following month's fiscal court meeting.

The treasurer maintains all budget funds in one checking account. The treasurer does not book the cash transfers until after the checking account is reconciled at the end of each month.

Budgeted funds can have negative fund balances and cash balances presented to fiscal court include transfers not yet approved by the fiscal court. Since the cash of all funds is combined into one bank account, other funds cash is used to pay bills. Some of these funds being spent are not available to spend because the cash transfer has not been approved by the fiscal court.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. According to the *County Budget Preparation and State Local Finance Officer Policy Manual*, "[a]ll transfers require a court order." This means that court orders are to be obtained prior to cash transfers being made. Additionally, good internal controls dictate that cash transfers be approved by fiscal court prior to being made so that fiscal court is aware that cash is being moved from one fund to another.

We recommend the fiscal court require the treasurer to obtain fiscal court approval for cash transfers prior to funds being spent, monitor cash balances to eliminate negative fund balances, and book cash transfers when approved.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The Treasurer was trained to do cash transfers at the end of the month and done so for the last 11 years without issue. We started in July making sure transfers occurred before the checks were issued.*

2016-003 The Fiscal Court Lacks Proper Oversight Of The Payroll Account

---

The payroll account had a negative reconciled balance of \$6,681 at June 30, 2016. This was due in part to insufficient funds being transferred from operating funds to cover payroll costs. There are no internal controls verifying payments to and from the payroll account. There is no review of the payroll account activity to verify transactions were properly handled and recorded. Individual operating fund disbursements and ending balances were misstated on the fourth quarter financial statement as well as the county having a liability for the payroll account deficit. Good internal controls require oversight by the fiscal court of the payroll account to protect employees while performing required duties and to protect county assets against misappropriation. The payroll account is a revolving account and should reconcile to zero. We recommend the fiscal court implement internal controls over the payroll account that include oversight of payroll receipts and disbursements.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We instituted further processes and additional checks to catch any payroll errors that might occur.*

**LIVINGSTON COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-004 The Fiscal Court Did Not Properly Reconcile Each Fund

---

The fourth quarter financial statement ending cash balances and reconciled bank balances do not agree. Funds are allowed to carry negative balances until the treasurer books transfers. Payroll errors and error corrections were not reconciled to the fund financial statements until the treasurer completed the 2016 treasurer's settlement. Adjustments were not made to accounting records to correct the issues, the treasurer just noted the underlying issues on the treasurer's settlement. There are no internal controls over financial statement preparation to ensure amounts reported are correct and agree to underlying financial records. These errors caused several adjustments to cash balances. There was no evidence the treasurer determined that there was sufficient budget or fund balance in the fund prior to writing checks. Additionally, cash balances from restricted funds are comingled with unrestricted and are used to offset negative cash balances. Audit costs increase when accounts are not properly reconciled and when quarterly amounts submitted to the Department for Local Government (DLG) are incorrect.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. DLG's *County Budget Preparation & State Local Finance Officer Policy Manual* requires the treasurer countersign checks only if the following conditions exist:

- Claim reviewed by the fiscal court
- Sufficient fund balance and adequate cash in the bank to cover the check
- Adequate free balance in a **properly budgeted** appropriation account to cover the check

KRS 68.300 states, "[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void. . . .The county treasurer shall be liable on his official bond for the amount of any county warrant willfully or negligently signed or countersigned by him in excess of the budget fund out of which the warrant is payable."

If the checking account is not properly balanced, there is no way to know if the conditions listed above have been met. Additionally, good internal controls dictate a review of bank reconciliation records to determine if amounts reported are accurate and activities recorded are allowable.

We recommend the fiscal court consider separate checking accounts for each fund in order to separate restricted funds from unrestricted funds, require sufficient fund balances be documented prior to disbursing funds, and establish a review process for cash reconciliations that determine amounts reported to fiscal court and DLG are correct.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Separation of checking accounts is not required by law. We have used this philosophy for 15 years and it works very well for us. We have instituted a process to prevent paper negative balances. I still remember how bad separate checking accounts were and have no reason to change our current operation. We are one of the strongest, financially sound counties in the state of Kentucky.*

**LIVINGSTON COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-004 The Fiscal Court Did Not Properly Reconcile Each Fund (Continued)

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Auditor's Reply: The recommendation to separate bank accounts was to suggest a practical solution to help the county improve its financial management. At a minimum, the fund balances should be reconciled regularly. There was no evidence the treasurer determined there was sufficient budget or fund balance in the various funds prior to writing checks. Additionally, transfers were done after approval was given for paying expenses, which is in violation of the Department for Local Government's (DLG) *County Budget Preparation And State Local Finance Officer Policy Manual*.

2016-005 The Fiscal Court Did Not Maintain Proper Records For The Public Properties Corporation Fund And County Library Bond Fund

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The fiscal court is financially accountable and legally obligated for the debt of the public properties corporation (PPC) fund and the county library bond fund. However, the fiscal court did not maintain receipts and disbursements ledgers and did not prepare financial statements for the PPC fund and the county library bond fund. Failure to maintain proper records for these funds occurred due to lack of internal controls and management oversight. The lack of accounting records and related financial statements resulted in noncompliance with the Department for Local Government (DLG) reporting requirements. Additionally, the county library bond fund was understated in the prior year by \$5,812.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of account. The DLG *County Budget Preparation and State Local Finance Officer Policy Manual* prescribes the minimum requirements for handling public funds, including monthly bank reconciliations and books of original entry for receipts and expenditures. In addition, good internal controls dictate that county funds be accounted for properly and reviewed on a regular basis. This would include receipts and disbursements ledgers, as well as a financial statement for each of these funds.

We recommend the fiscal court prepare and maintain receipts and disbursements ledgers for the PPC fund and the county library bond fund. We also recommend the fiscal court require the preparation of accurate year-end financial statements for those funds in order to ensure compliance with DLG requirements and also to ensure fiscal debt responsibilities will be met.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Prior Auditors have had the Treasurer do a spreadsheet showing the breakdown of the funds. We assumed this to be the correct presentation of accounting records for these funds. Treasurer was unaware anything else was required. As soon as we have full understanding of what is required we will comply.*

Auditor's Reply: A spreadsheet was not provided to the auditors during the audit. The information provided was a bank trace and it did not include all months. The requirements promulgated by DLG include receipts and disbursements ledgers, and a financial statement for each of the funds.



**LIVINGSTON COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-006 The Fiscal Court Lacks Adequate Internal Controls Over Debt Reporting

The debt balance on the liabilities section of the June 30, 2016, quarterly financial statement has a difference of \$3,336,599 when compared to the confirmed ending debt balances at June 30, 2016. Bond debt of \$3,380,000 was omitted from the liabilities section of the quarterly report and the financing obligations debt balance was overstated by \$43,401 on the liabilities section of the quarterly report. The treasurer was unaware that the 2015 Public Properties Corporation Bonds did not fully pay off the 2007 Public Properties Corporation Bonds. No one reviews the quarterly financial statements prior to submission to the Department for Local Government (DLG). The liabilities section of the June 30, 2016, quarterly financial statement was materially misstated.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The DLG *County Budget Preparation and State Local Finance Officer Policy Manual* requires financial records, including a schedule of liabilities, to be maintained. The schedule of liabilities should include the principal amount outstanding at the time of the report. Additionally, good internal controls require accurate information be presented so that the fiscal court can make informed financial decisions, such as budget preparation or making large purchases.

We recommend the fiscal court review debt schedules and ensure the amount reported by the treasurer is accurate.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We were confused about the part of the debt that was not paid off during the refinancing. We now understand this part of the refinancing bond issue and will report it on the 4<sup>th</sup> quarter report.*

2016-007 The Fiscal Court Did Not Adhere To Bidding Requirements, Monitor Small Projects, Or Maintain Adequate Documentation For Items Purchased At State Contract Price

The fiscal court failed to advertise for bids on metal culverts and spent \$30,474 on metal culverts from one vendor. Additionally, the fiscal court received a bid for a waterline project in the amount of \$39,579. Costs paid for the project in fiscal year end June 30, 2016 were \$57,598. There was no documentation of approval of change orders or project overruns. The waterline project was overspent because of lack of monitoring. The fiscal court paid for a sheriff vehicle in the amount of \$30,290 utilizing state contract price, but failed to keep documentation of the actual master agreement or build list documenting the cost of the vehicle. One asphalt vendor's invoices failed to list which asphalt type the county was being charged for, and listed only the road name, unit cost, and quantity.

There were no monitoring internal controls in place that:

- determined if the fiscal court was billed in accordance with accepted bids for small projects,
- matched invoice charges to material bid amounts, or
- required adequate documentation of state price contracts.

These deficiencies could result in inaccurate reporting and misappropriation of assets. Furthermore, the fiscal court is in violation of KRS 424.260, which requires the advertisement for bids.

**LIVINGSTON COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-007 The Fiscal Court Did Not Adhere To Bidding Requirements, Monitor Small Projects, Or Maintain Adequate Documentation For Items Purchased At State Contract Price (Continued)

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KRS 424.260(1) states “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids.”

We recommend the fiscal court establish adequate oversight of small projects and require adequate documentation of costs for items purchased from state contracts. Additionally, the fiscal court should review invoices for large purchases to determine charges for materials and related costs and require material bids for all items exceeding \$20,000 in accordance with KRS 424.260.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: As Judge Executive I take full responsibility for both the metal culverts purchase & the City of Grand Rivers overcharge. We stopped bidding culverts because the price was extremely high, we found if we quoted the culverts each time there was significant savings. We will now monitor and purchase from different vendors to keep cost below the \$20,000.00 bid requirement. We will closely monitor contracts with city’s to insure this does not happen again. The sheriff is responsible for documentation relating to purchase of sheriff vehicles.*

Auditor’s Reply: The fiscal court should ensure that culverts are bid any time the cumulative total of the materials are expected to exceed \$20,000. Spreading these purchases among different vendors does not alleviate this requirement. Additionally, since the fiscal court paid for a sheriff’s vehicle, it is required to maintain all appropriate documentation to support the purchase.

2016-008 The Fiscal Court Lacks Adequate Internal Controls Over Payroll

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There is a lack of internal controls over payroll. No one reviews payroll related data processed and posted by the county treasurer. This includes amounts remitted to employees, due from other funds, retirement calculations, and employer tax calculations. Additionally, timesheet verifications did not catch the errors noted below. There is insufficient oversight of payroll records.

Due to the lack of oversight of payroll records, the following issues were noted:

- Three employee timesheets were not signed/approved by the supervisor.
- Three employee timesheets were not signed by the employee.
- Three timesheets were not signed by either the employee or supervisor.
- Two employees’ pay rate increases were not approved through the fiscal court.
- One new hire was not approved through the fiscal court.
- One employee was paid the wrong rate for fiscal year 2015-2016.
- For two employees tested, deferred compensation was deducted from gross wages, making the FICA calculation incorrect.
- Four form 941, Employer’s Quarterly Federal Tax Return payments were paid late.

**LIVINGSTON COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-008 The Fiscal Court Lacks Adequate Internal Controls Over Payroll (Continued)

KRS 64.530(1) states, “the fiscal court of each county shall fix the reasonable compensation of every county officer and employee except the officers name in KRS 64.535 and the county attorney and jailer.” Strong internal controls are essential in ensuring that payroll is properly processed and that employees and form 941 payments are properly paid.

We recommend the fiscal court strengthen internal controls to ensure each employee and appropriate supervisor sign off on the timesheet. We recommend the fiscal court fix the reasonable compensation for every county employee as stated in KRS 64.530. We also recommend that the fiscal court strengthen internal controls over payroll by monitoring time records and payroll deductions.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: Employees are supposed to sign their time sheets and turn them back in, we suspect this did not happen. We believe the step increase from our pay plan, which fiscal court approved, is what the auditor is referring to as a un-approved pay rate increase. Because this increase is part of the fiscal court approved pay plan, we do not receive additional court approvals. If this is correct we request this section of the finding be removed from the audit. No fines were issued for late 941 payment, therefore we believe they were all made on time. We have corrected all other issues.*

Auditor’s Reply: Approval for pay rate changes should be documented in the fiscal court orders in accordance with KRS 64.530. The pay rate changes noted above were made by a department supervisor after the salary list was approved. There was no documentation in the fiscal court minutes authorizing the pay rate increase. Even if no fines were issued for late 941 payments, the 941s were late and should be submitted timely.

2016-009 The Fiscal Court Failed To Correctly Pay Retirement To CERS

The fiscal court did not correctly pay retirement benefits to the County Employee Retirement System (CERS) monthly. This condition occurred due to lack of oversight by the fiscal court and there was no comparison of retirement on the payroll summary to payments made to CERS. Out of 12 months tested, all 12 months contained errors in the retirement amounts. Twelve employees have contributions made in CERS, but amounts are not on their payroll summaries. Six employees have payroll deductions for retirement, but these amounts do not show in CERS reports.

KRS 78.625 states:

- (1) [t]he agency reporting official of the county shall file the following at the retirement office on or before the tenth day of the month following the period being reported:
  - (a) The employee and employer contributions required under KRS 78.610, 61.565, and 61.702;
  - (b) The employer contributions and reimbursements for retiree health insurance premiums required under KRS 61.637; and
  - (c) A record of all contributions to the system on the forms prescribed by the systems.
- (2)(a) If the agency reporting official fails to file at the retirement office all contributions and reports on or before the tenth day of the month following the period being reported, interest on the delinquent contributions at the actuarial rate adopted by the board compounded annually, but not less than one thousand dollars (\$1,000), shall be added to the amount due the system.

**LIVINGSTON COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-009 The Fiscal Court Failed To Correctly Pay Retirement To CERS (Continued)

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Strong internal controls are essential in ensuring that payroll is properly processed and that employees' retirement is properly paid. We recommend the fiscal court implement a review of retirement deductions each month before finalizing payment of retirement.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Corrections have been made and processes are in place to prevent this from happening in the future.*

2016-010 The Fiscal Court Did Not Have Adequate Controls Over Reporting Of Capital Assets To Ensure Accuracy

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The fiscal court lacks adequate controls over reporting and valuation of capital assets. The master capital asset list provided to the auditors was inaccurate. The beginning asset balance did not match the prior year audited ending balances. In addition, not all capital assets were added to the county's asset schedule. The fiscal court has not adequately monitored and tracked capital assets as required by the Department for Local Government. The capital asset list provided is materially misstated due to the beginning total asset amounts not agree the prior year auditor's ending balances. This was due to current year infrastructure assets being added to the beginning number. The Annual Inventory Master List was missing two assets purchased throughout the year for a total of \$13,000.

Strong internal controls over capital assets are necessary to ensure accurate financial reporting as well as to protect assets from misappropriation. Additionally, KRS 68.210 gives the State Local Finance officer the authority to prescribe a system of uniform accounts for all counties and county officials. The *County Budget Preparation and State Local Finance Officer Policy Manual* states:

For purposes of internal control, an asset inventory listing must be maintained for all asset purchases/donations above a reasonable dollar amount, and have a useful life of greater than one year. The asset inventory listing should provide the following detail:

- Property Tag number
- Asset description
- Serial number – if applicable
- Quantity – if applicable
- Cost (or [fair market value] of donated asset at date of donation)
- Date of acquisition
- Date of disposal (track all disposals for entire fiscal year)
- Property location (by department, building & room number)
- Manager/individual responsible

The Asset Inventory Listing will include assets reported on the Capital Asset Listing, with the exception of infrastructure assets.

The manual further states “[a]n annual physical inventory of property and equipment shall be conducted on or before June 30. Physical counts must be compared to the master asset inventory listing. Resulting differences must be reconciled, explained, and documented.” The asset inventory listing should be updated for all

**LIVINGSTON COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-010 The Fiscal Court Did Not Have Adequate Controls Over Reporting Of Capital Assets To Ensure Accuracy (Continued)

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additions, disposals, and property location changes, etc. Authorization must be given to appropriate accounting personnel for asset record and asset inventory listing modifications.”

In order to strengthen the county’s internal controls over capital assets, we recommend the county reconcile asset purchases and disposals with the general ledger. The county should also reconcile the schedule to the physical inspection of county assets at the end of each year and make comparisons to the county’s list of inventoried assets and insurance policy.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: Out of hundreds of capital assets, we inadvertently left two items off. Human error, still a very high percentage of correct items on capital assets documentation. We will try to be 100% correct in the future.*

Auditor’s Reply: If adequate internal controls were instituted and functioning, the errors noted above could have been avoided.

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

**LIVINGSTON COUNTY FISCAL COURT**

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

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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
LIVINGSTON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2016

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

A handwritten signature in black ink, appearing to be "R. K. Paul", written over a horizontal line.

County Judge/Executive

A handwritten signature in black ink, appearing to be "Kristen Queterson", written over a horizontal line.

County Treasurer