

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

**For The Year Ended  
June 30, 2021**



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

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Garrett Gruber, 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, 2021, 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.



To the People of Kentucky  
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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, 2021, 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, 2021, 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 as described in Note 1.

### **Other Matters**

#### *Supplementary and Other 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 (supplementary information) and Schedule of Capital Assets (other information) 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 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 are fairly stated in all material respects in relation to the financial statement as a whole.

The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Garrett Gruber, Livingston County Judge/Executive  
Members of the Livingston County Fiscal Court

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2022, 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 solely 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 effectiveness of 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:

- 2021-001 Cash Transfers Were Not Properly Approved Prior To Transfer
- 2021-002 The Livingston County Fiscal Court Overspent Line Items In The General Fund And Occupational Tax Fund
- 2021-003 Livingston County's Schedule Of Outstanding Liabilities As Of June 30, 2021 Was Materially Misstated
- 2021-004 Livingston County Failed To Account For Debt Obligations Paid On Behalf Of The County
- 2021-005 Livingston County Did Not Maintain Financial Records For The Public Properties Corporation
- 2021-006 The Livingston County Fiscal Court Failed To Implement Proper Internal Controls Over Disbursements
- 2021-007 The Livingston County Fiscal Court Does Not Have Internal Controls Over Receipts

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts

June 3, 2022

**LIVINGSTON COUNTY OFFICIALS****For The Year Ended June 30, 2021****Fiscal Court Members:**

Garrett Gruber	County Judge/Executive
Klay Southern	Magistrate
Dennis Jones	Magistrate
Franklin Walker	Magistrate
Brad Hunter	Magistrate

**Other Elected Officials:**

Allen Wilson	County Attorney
Benji Guill	Jailer
Sonya Williams	County Clerk
Debbie Knoth	Circuit Court Clerk
Bobby Davidson	Sheriff
Elisha Harp	Property Valuation Administrator
Amanda Nelson	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, 2021**

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

**For The Year Ended June 30, 2021**

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 1,307,913	\$	\$
In Lieu Tax Payments	345,581		
Excess Fees	160,874		
Licenses and Permits	21,421		
Intergovernmental	124,761	1,475,805	84,330
Charges for Services	7,189		
Miscellaneous	400,593	16,682	751
Interest	14,727	9,692	
Total Receipts	<u>2,383,059</u>	<u>1,502,179</u>	<u>85,081</u>
<b>DISBURSEMENTS</b>			
General Government	535,407		
Protection to Persons and Property	48,804		244,092
General Health and Sanitation	6,165	18,109	
Social Services	6,294		
Recreation and Culture			
Roads		1,045,360	
Debt Service	456,004		
Administration	527,734	358,664	37,270
Total Disbursements	<u>1,580,408</u>	<u>1,422,133</u>	<u>281,362</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>802,651</u>	<u>80,046</u>	<u>(196,281)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Change In Payroll Revolving Account	(9,594)		
Transfers From Other Funds			250,000
Transfers To Other Funds	(485,000)		
Total Other Adjustments to Cash (Uses)	<u>(494,594)</u>		<u>250,000</u>
Net Change in Fund Balance	308,057	80,046	53,719
Fund Balance - Beginning (Restated)	<u>677,393</u>	<u>418,271</u>	<u>4,811</u>
Fund Balance - Ending	<u>\$ 985,450</u>	<u>\$ 498,317</u>	<u>\$ 58,530</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 981,220	\$ 501,632	\$ 64,051
Payroll Account Reconciled Balance	7,262		
Plus: Deposit In Transit			
Less: Outstanding Checks	(3,032)	(3,315)	(5,521)
Fund Balance - Ending	<u>\$ 985,450</u>	<u>\$ 498,317</u>	<u>\$ 58,530</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, 2021**  
**(Continued)**

<b>Budgeted Funds</b>						
<b>Local Government Economic Assistance Fund</b>	<b>Federal Grant Fund</b>	<b>Sheriff Department Fund</b>	<b>Occupational Tax Fund</b>	<b>911 Fund</b>	<b>Kentucky Land Grant Fund</b>	<b>Tourism Fund</b>
\$ 76,749	\$	\$	\$ 1,379,633	\$ 163,303	\$	\$ 27,394
741,975	892,913	118,360	328,420	111,449		
697				58		
13,041		345,973	31,017	2,326		
11,348	647		14,375			1,100
843,810	893,560	464,333	1,753,445	277,136		28,494
159,032		700,258	157,947			13,879
213,535			950,369	326,180		
197,125			2,433			
17,670						
126,885						
80,402			594,707			
130,612			31,017			
26,177		152,209		138,886		
951,438		852,467	1,736,473	465,066		13,879
(107,628)	893,560	(388,134)	16,972	(187,930)		14,615
		402,112		255,000		
(292,112)			(150,000)			
(292,112)		402,112	(150,000)	255,000		
(399,740)	893,560	13,978	(133,028)	67,070		14,615
915,601		12,732	918,567	6,752	109,765	63,348
\$ 515,861	\$ 893,560	\$ 26,710	\$ 785,539	\$ 73,822	\$ 109,765	\$ 77,963
\$ 515,109	\$ 893,560	\$ 27,272	\$ 785,549	\$ 74,293	\$ 109,765	\$ 77,963
1,582						
(830)		(562)	(10)	(471)		
\$ 515,861	\$ 893,560	\$ 26,710	\$ 785,539	\$ 73,822	\$ 109,765	\$ 77,963

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, 2021**  
**(Continued)**

	<u>Budgeted Funds</u>		<u>Unbudgeted Fund</u>	
	<u>Judicial Center Fund</u>	<u>Special Reserve Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Total Funds</u>
<b>RECEIPTS</b>				
Taxes	\$	\$	\$	\$ 2,954,992
In Lieu Tax Payments				345,581
Excess Fees				160,874
Licenses and Permits				21,421
Intergovernmental	251,637		650,525	4,780,175
Charges for Services				7,944
Miscellaneous				810,383
Interest		11,178	1	63,068
Total Receipts	<u>251,637</u>	<u>11,178</u>	<u>650,526</u>	<u>9,144,438</u>
<b>DISBURSEMENTS</b>				
General Government	226,346			1,792,869
Protection to Persons and Property				1,782,980
General Health and Sanitation				223,832
Social Services				23,964
Recreation and Culture				126,885
Roads				1,720,469
Debt Service			650,525	1,268,158
Administration	56,456		1	1,297,397
Total Disbursements	<u>282,802</u>	<u></u>	<u>650,526</u>	<u>8,236,554</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(31,165)</u>	<u>11,178</u>	<u></u>	<u>907,884</u>
<b>Other Adjustments to Cash (Uses)</b>				
Payroll Revolving Account				(9,594)
Transfers From Other Funds	20,000			927,112
Transfers To Other Funds				(927,112)
Total Other Adjustments to Cash (Uses)	<u>20,000</u>	<u></u>	<u></u>	<u>(9,594)</u>
Net Change in Fund Balance	(11,165)	11,178		898,290
Fund Balance - Beginning (Restated)	43,248	755,533	889	3,926,910
Fund Balance - Ending	<u>\$ 32,083</u>	<u>\$ 766,711</u>	<u>\$ 889</u>	<u>\$ 4,825,200</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 32,133	\$ 766,711	\$ 889	\$ 4,830,147
Payroll Account Balance Reconciled				7,262
Plus: Deposits In Transit				1,582
Less: Outstanding Checks	(50)			(13,791)
Fund Balance - Ending	<u>\$ 32,083</u>	<u>\$ 766,711</u>	<u>\$ 889</u>	<u>\$ 4,825,200</u>

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

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENT**

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**LIVINGSTON COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2021**

**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.

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, they are no longer are required components of the reporting entity.

**B. Basis of Accounting**

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

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

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

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

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

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.

**LIVINGSTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

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

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

**Budgeted Funds (Continued)**

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 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.

Federal Grant 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 federal governments.

Sheriff Department Fund - The primary purpose of 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 source of receipts for this fund 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 Fund**

The fiscal court reports the following unbudgeted fund:

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

**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.

**LIVINGSTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

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

**D. Budgetary Information (Continued)**

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 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).

**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.



**LIVINGSTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

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

**H. Related Obligations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on this criteria, the following are considered related organizations of the Livingston County Fiscal Court:

Ledbetter Water and Sanitation District  
 Crittenden/Livingston Water District

**Note 2. Deposits**

The fiscal court-maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected 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 the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2021, 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 2021.

	General Fund	LGEA Fund	Occupational Tax Fund	Total Transfers In
Jail Fund	\$ 175,000	\$	\$ 75,000	\$ 250,000
Sheriff Department Fund	110,000	292,112		402,112
911 Fund	180,000		75,000	255,000
Judicial Center Fund	20,000			20,000
Total Transfers Out	<u>\$ 485,000</u>	<u>\$ 292,112</u>	<u>\$ 150,000</u>	<u>\$ 927,112</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, 2021**  
**(Continued)**

**Note 4. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Crittenden/Livingston Water District**

On September 21, 2017, the Livingston County Fiscal Court, on behalf of the Crittenden/Livingston water district, entered into a financing obligation with Kentucky Association of Counties Leasing Trust (KACoLT) for long-term financing to replace a long-term note which was used to run approximately 90 miles of waterline in Crittenden and Livingston counties. The principal of the lease is \$2,445,000 with repayment to be made over a 21-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 the note is retired. The Livingston County Fiscal Court is obligated to pay the debt; however, the Crittenden Livingston Water District is repaying the note. The obligation of the lessee created by the lease shall be a full general obligation of the lessee and for the prompt payment of the lease payments, the full faith, credit, and revenue of the lessee are hereby pledged. In the event of a default, the following could occur:

- By appropriate court action, enforce the pledge set forth in section 2 of the ordinance and section 11 of the lease so that during the remaining lease term there is levied on all taxable property in the lessee, in addition to all other taxes without limitations as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due;
- Take legal title to, and sell or re-lease the project or any portion thereof;
- Take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law); and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease (subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof.

The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred. As of June 30, 2021, the balance was \$2,111,666. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 82,083	\$ 78,818
2023	87,083	74,509
2024	92,083	69,937
2025	97,083	65,102
2026	102,083	60,005
2027-2031	578,333	236,605
2032-2036	670,418	139,642
2037-2039	402,500	24,006
Totals	<u>\$ 2,111,666</u>	<u>\$ 748,624</u>

**LIVINGSTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

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

**A. Direct Borrowings and Direct Placements (Continued)**

**2. Hospital and Health Care Services Project and Ledbetter Sewer Services**

On June 20, 2019, the county, on behalf of the Livingston County Hospital and Health Care Services Inc. and Ledbetter Sewer Services, entered into a refinancing of a financing obligation with Kentucky Association of Counties Leasing Trust (KACoLT) for the financing of a hospital and health care services project and the sewer system project for Livingston County, Kentucky. The principal amount of the refinanced lease is \$1,447,000 with repayment to be made over a six-year and seventeen-year period starting in June 2007, respectively. 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. The Ledbetter Water District has pledged their revenues for repayment of the note and are repaying the note to KACoLT. The obligation of the Lessee created by the lease shall be a full general obligation of the lessee and for the payment of the lease rental payments, the full faith, credit, and revenue of the lessee are hereby pledged for the prompt payment thereof. Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one or more of the following remedial steps:

- By appropriate court action, enforce the pledge set forth in section 2 of the ordinance and section 11 of this lease so that during the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due;
- Take legal title to, and sell or re-lease the project or any portion thereof;
- Take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law); and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease (subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof.

The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred. The principal balance as of June 30, 2021, was \$1,257,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 110,000	\$ 56,992
2023	115,000	51,217
2024	115,000	45,179
2025	137,500	32,969
2026	102,500	31,792
2027-2031	280,000	104,892
2032-2036	325,000	42,510
2037	72,000	1,455
Totals	<u>\$ 1,257,000</u>	<u>\$ 367,006</u>

**LIVINGSTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

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

**A. Direct Borrowings and Direct Placements (Continued)**

**3. Ambulance**

On September 26, 2019, the county, on behalf of the Livingston County Ambulance District, entered into a master equipment lease purchase agreement with REV Financial Services, LLC for a 2019 AEV Type III ambulance. The principal balance of the equipment lease was \$114,702. All amounts advanced by the lessor shall constitute additional rent for the then current original term or renewal term and lessee agrees to pay such amounts so advanced by lessor with interest thereon from the advance date until paid at the rate of 12% per annum or the maximum rate permitted by law, whichever is less. The ambulance is pledged as collateral in the event of termination of the lease or an occurrence of an event of default. In the event of default exists, the lessor shall have the right to take one or any combination of the following remedial steps:

- By written notice to lessee, lessor may declare all rental payments payable by lessee pursuant to such lease and other amount payable by lessee under such lease to the end of the then current original term or renewal term to be immediately due and payable;
- With or without terminating the lease term under such lease, lessor may enter the premises where the equipment listed in such lease is located and retake possession of such equipment or require lessee at lessee's expense to promptly return any or all of such equipment to the possession of lessor at such place within the United States as lessor shall specify, and sell or lease such equipment for the account of lessee, sublease such equipment continuing to hold lessee liable for the difference between the rental payments payable by lessee pursuant to such lease and other amounts related to such lease of the equipment listed therein that are payable by lessee to the end of the current original term or renewal term, as the case may be, and the net proceeds of any such sale, leasing for subleasing (after deducting all expenses of lessor in exercising its remedies under such lease, including without limitation all expenses of taking possession, storing, reconditioning, and selling or leasing such equipment and all brokerage, auctioneer's and attorney's fees), subject, however to the provisions of section 7 hereof.
- Lessor may take whatever action at law or in equity may appear necessary or desirable to enforce its rights under such lease or as a secured party in any or all the equipment.

The balance of this equipment lease agreement as of June 30, 2021, was \$66,710. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 28,929	\$ 2,088
2023	30,077	940
2024	7,704	50
Totals	<u>\$ 66,710</u>	<u>\$ 3,078</u>

**LIVINGSTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

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

**B. Other Debt**

**1. 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) (the "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 payment of the principal thereof and interest thereon is secured by the full faith, credit and resources of the county which is hereby pledged for such purpose. In an event of a default the bondholders may proceed to protect and enforce their rights by any one or more of the following remedies:

1. By mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the bondholders, including the right to require the county to enforce fully the ordinance and to charge, collect, and fully account for the county revenues and to require the county to carry out any and all other covenants or agreements with the bondholders and to perform its duties under the act;
2. By bringing suit upon the bonds;
3. By action or suit in equity, require the county to account as if it were the paying agent of an express trust for the owners of the bonds;
4. By declaring all bonds due and payable, and if all defaults shall be made good, then, with the written consent of the owners of not less than 50% in principal amount of the outstanding bonds, by annulling such declaration and its consequences; or
5. In the event that all bonds are declared due and payable, by selling permitted investments of the county (to the extent not theretofore set aside for redemption of bonds for which call has been made) and enforcing all courses in action of the county to the fullest legal extent in the name of the county for the use and benefit of the owners of the bonds.

The principal balance as of June 30, 2021, was \$2,070,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 215,000	\$ 52,125
2023	215,000	47,825
2024	220,000	43,256
2025	225,000	38,306
2026	225,000	33,244
2027-2030	<u>970,000</u>	<u>71,419</u>
Totals	<u>\$ 2,070,000</u>	<u>\$ 286,175</u>

**LIVINGSTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

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

**B. Other Debt (Continued)**

**2. 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 lease revenue refunding bonds are secured by a mortgage lien and revenue pledge against the project. In the event of default by any of the following remedies:

- By enforcement of the foreclosable mortgage lien on the Project and improvements granted by the mortgage, and in such even the trustee shall take over possession, custody and control of the project and shall operate or carry out a decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds; provided, however, that no such foreclosure sale shall result in a deficiency judgement of any type or in any amount against the county, the AOC or the issuer, and until such sale the county or the AOC may at any time by the discharge of the bonds and interest thereon receive unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the trustee, there shall first be paid all expenses incident to said enforcement, and thereafter the Bonds then outstanding shall be paid and retired;
- By mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the bond owners, including the right to require the issuer to enforce fully the lease and to charge, collect and fully account for the rents payable thereunder and to require the issuer to carry out any and all other covenants or agreements with the bond owners and to perform its duties under the act;
- By bringing suit upon the bonds;
- By action or suit in equity, require the issuer to account as if it were the trustee of an express trust for the owners of the bonds;
- By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the bonds;
- By declaring bonds due and payable, and if all defaults shall be made good, then, with the written consent of the owners of not less than 50% in principal amount of the outstanding bonds, by annulling such declaration and its consequences;
- In the event that all bonds are declared due and payable, by selling permitted investments of the issuer (to extent not theretofore set aside for redemption of bonds for which call has been made), and enforcing all courses in action of the issuer to the fullest legal extent in the name of the issuer for the sue and benefit of the owners of the bonds.

In the event of such foreclosure and sale of the project under judgement to satisfy the lien securing the bonds, all sums realized from such sale shall be applied to the extent necessary to pay the costs and expenses of such foreclosure (including necessary legal fees and the fees and expenses of the trustee and/or its counsel), together with the amounts necessary to satisfy all rights of the bond owners; provided further, that all sums, if any, realized from such sale in excess of the amount necessary to pay the costs and expenses of such foreclosure and the principal and interest owed to bond owners, shall be paid to and become the property of the county. In the event of default, each defaulted bond shall continue to bear interest after maturity at the interest rate applicable to such respective bonds until the necessary funds are made available for the payment thereof.

**LIVINGSTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

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

**B. Other Debt (Continued)**

**2. Public Properties Corporation Lease Revenue Refunding Bonds Series 2015 (Continued)**

Provided, however, that no action taken in connection with the enforcement of the lien herein granted, prior to foreclosure and sale of the project, shall in any way impair or affect the unqualified right of the county to receive unencumbered fee simple title to the project at such time as all of the bonds herein authorized and any additional bonds ranking on a parity therewith, shall have been paid as to principal and interest, or provision made for the payment and satisfaction of the bonds have been paid. The principal balance as of June 30, 2021, was \$4,500,000. Future principal and interest requirements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 475,000	\$ 177,400
2023	500,000	153,025
2024	525,000	127,400
2025	555,000	100,400
2026	580,000	72,025
2027-2029	<u>1,865,000</u>	<u>88,138</u>
Totals	<u>\$ 4,500,000</u>	<u>\$ 718,388</u>

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

Long-term Debt activity for the year ended June 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Borrowings and					
Direct Placements	\$ 3,643,200	\$	\$ 207,824	\$ 3,435,376	\$ 221,012
General Obligation Bonds	2,275,000		205,000	2,070,000	215,000
Revenue Bonds	<u>4,950,000</u>		<u>450,000</u>	<u>4,500,000</u>	<u>475,000</u>
Total Long-term Debt	<u>\$ 10,868,200</u>	<u>\$ 0</u>	<u>\$ 862,824</u>	<u>\$10,005,376</u>	<u>\$ 911,012</u>

**LIVINGSTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

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

**D. Aggregate Debt Schedule**

The amount of required principal and interest payments on long-term obligations at June 30, 2021, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2022	\$ 690,000	\$ 229,525	\$ 221,012	\$ 137,898
2023	715,000	200,850	232,160	126,666
2024	745,000	170,656	214,787	115,166
2025	780,000	138,706	234,583	98,071
2026	805,000	105,269	204,583	91,797
2027-2031	2,835,000	159,557	858,333	341,497
2032-2036			995,418	182,152
2037-2039			474,500	25,461
Totals	<u>\$ 6,570,000</u>	<u>\$ 1,004,563</u>	<u>\$ 3,435,376</u>	<u>\$ 1,118,708</u>

**Note 5. Employee Retirement System**

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Retirement Systems as an agency of the Commonwealth is now known as the Kentucky Public Pensions Authority (KPPA). The governance of CERS has been transferred to a separate 9-member board of trustees that is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2019 was \$419,455, FY 2020 was \$519,969, and FY 2021 was \$506,349.

Nonhazardous

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

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 accounts. Nonhazardous covered employees contribute 5 percent of their annual creditable compensation.



**LIVINGSTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

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

Nonhazardous (Continued)

Nonhazardous members also contribute 1 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 KRS Board of Directors 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 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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.

The county's contribution rate for nonhazardous employees was 24.06 percent.

Hazardous

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

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 accounts. Hazardous members contribute 8 percent of their annual creditable compensation and also contribute 1 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 of Directors 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 hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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.

The county's contribution rate for hazardous employees was 39.58 percent.

**LIVINGSTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS 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, the employee's spouse receives ten 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.

Benefits are covered under KRS 78.5536 with exception of COLA and retiree health benefits after July 2003.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, they 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 by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 78.5536 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

**LIVINGSTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

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

Other Post-Employment Benefits (OPEB) (Continued)

C. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

Once members reach a minimum vesting period of 15 years, they earn fifteen 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 by 1.5 percent. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent COLA since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

D. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

E. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

F. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KPPA will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

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 Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KPPA also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. 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, 2021**  
**(Continued)**

**Note 6. Deferred Compensation**

For the year ended June 30, 2021, 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 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

**Note 7. Prior Period Adjustments**

The following funds were restated to account for bank activity that had not been previously reported. The following are the restated beginning balances:

<u>Budgeted Fund</u>	<u>Prior Year Ending Cash Balance</u>	<u>Prior Year Voided Checks</u>	<u>Beginning Cash Balance Restated</u>
General Fund	\$ 677,183	\$ 210	\$ 677,393
Road Fund	418,258	13	418,271
Jail Fund	4,494	317	4,811
Local Government Economic Assistant Fund	915,601		915,601
Sheriff Department Fund	12,732		12,732
Occupational Tax Fund	918,567		918,567
911 Fund	6,752		6,752
Kentucky Land Grant Fund	109,765		109,765
Tourism Fund	63,348		63,348
Judicial Center Fund	43,248		43,248
Special Reserve Fund	755,533		755,533
Public Properties Corporation Fund	889		889
	<u>\$ 3,926,370</u>	<u>\$ 540</u>	<u>\$ 3,926,910</u>

**LIVINGSTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

**Note 8. Insurance**

For the fiscal year ended June 30, 2021, 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 9. Payroll Revolving Account**

The change in the payroll revolving account balance of (\$9,594) as of June 30, 2021, was added to the general fund cash balance for financial reporting purposes.

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

**For The Year Ended June 30, 2021**

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

**For The Year Ended June 30, 2021**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>RECEIPTS</b>				
Taxes	\$ 1,075,200	\$ 1,320,254	\$ 1,307,913	\$ (12,341)
In Lieu Tax Payments	408,000	408,000	345,581	(62,419)
Excess Fees	26,350	160,874	160,874	
Licenses and Permits	20,300	20,616	21,421	805
Intergovernmental	127,200	134,575	124,761	(9,814)
Charges for Services	15,000	15,000	7,189	(7,811)
Miscellaneous	25,950	83,449	400,593	317,144
Interest	10,000	12,742	14,727	1,985
Total Receipts	<u>1,708,000</u>	<u>2,155,510</u>	<u>2,383,059</u>	<u>227,549</u>
<b>DISBURSEMENTS</b>				
General Government	559,056	587,190	535,407	51,783
Protection to Persons and Property	16,700	55,579	48,804	6,775
General Health and Sanitation	9,000	9,000	6,165	2,835
Social Services	7,500	7,794	6,294	1,500
Recreation and Culture	2,000	2,000		2,000
Debt Service	130,613	130,613	456,004	(325,391)
Administration	761,197	1,207,877	527,734	680,143
Total Disbursements	<u>1,486,066</u>	<u>2,000,053</u>	<u>1,580,408</u>	<u>419,645</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>221,934</u>	<u>155,457</u>	<u>802,651</u>	<u>647,194</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(809,268)</u>	<u>(809,268)</u>	<u>(485,000)</u>	<u>324,268</u>
Total Other Adjustments to Cash (Uses)	<u>(809,268)</u>	<u>(809,268)</u>	<u>(485,000)</u>	<u>324,268</u>
Net Change in Fund Balance	(587,334)	(653,811)	317,651	971,462
Fund Balance - Beginning (Restated)	<u>587,334</u>	<u>653,811</u>	<u>660,537</u>	<u>6,726</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 978,188</u>	<u>\$ 978,188</u>

**LIVINGSTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,433,764	\$ 1,573,519	\$ 1,475,805	\$ (97,714)
Miscellaneous	10,000	16,248	16,682	434
Interest	2,000	9,086	9,692	606
Total Receipts	<u>1,445,764</u>	<u>1,598,853</u>	<u>1,502,179</u>	<u>(96,674)</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	21,150	21,150	18,109	3,041
Roads	1,236,860	1,278,141	1,045,360	232,781
Administration	<u>747,392</u>	<u>859,200</u>	<u>358,664</u>	<u>500,536</u>
Total Disbursements	<u>2,005,402</u>	<u>2,158,491</u>	<u>1,422,133</u>	<u>736,358</u>
Net Change in Fund Balance	(559,638)	(559,638)	80,046	639,684
Fund Balance - Beginning (Restated)	<u>559,638</u>	<u>559,638</u>	<u>418,271</u>	<u>(141,367)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 498,317</u>	<u>\$ 498,317</u>

**LIVINGSTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 83,238	\$ 84,503	\$ 84,330	\$ (173)
Miscellaneous	1,000	1,751	751	(1,000)
Total Receipts	84,238	86,254	85,081	(1,173)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	346,672	352,274	244,092	108,182
Administration	54,236	50,650	37,270	13,380
Total Disbursements	400,908	402,924	281,362	121,562
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(316,670)	(316,670)	(196,281)	120,389
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	300,000	300,000	250,000	(50,000)
Total Other Adjustments to Cash (Uses)	300,000	300,000	250,000	(50,000)
Net Change in Fund Balance	(16,670)	(16,670)	53,719	70,389
Fund Balance - Beginning (Restated)	16,670	16,670	4,811	(11,859)
Fund Balance - Ending	\$ 0	\$ 0	\$ 58,530	\$ 58,530

**LIVINGSTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 30,000	\$ 69,008	\$ 76,749	\$ 7,741
Intergovernmental	736,000	885,856	741,975	(143,881)
Charges for Services	1,500	1,500	697	(803)
Miscellaneous	11,500	11,980	13,041	1,061
Interest	5,000	5,000	11,348	6,348
Total Receipts	784,000	973,344	843,810	(129,534)
<b>DISBURSEMENTS</b>				
General Government	161,635	161,660	159,032	2,628
Protection to Persons and Property	15,000	218,164	213,535	4,629
General Health and Sanitation	195,300	206,179	197,125	9,054
Social Services	30,500	31,303	17,670	13,633
Recreation and Culture	282,800	298,889	126,885	172,004
Roads	150,000	150,000	80,402	69,598
Debt Service	132,407	132,407	130,612	1,795
Administration	440,542	488,181	26,177	462,004
Total Disbursements	1,408,184	1,686,783	951,438	735,345
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(624,184)	(713,439)	(107,628)	605,811
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(207,888)	(207,888)	(292,112)	(84,224)
Total Other Adjustments to Cash (Uses)	(207,888)	(207,888)	(292,112)	(84,224)
Net Change in Fund Balance	(832,072)	(921,327)	(399,740)	521,587
Fund Balance - Beginning	832,072	921,327	915,601	(5,726)
Fund Balance - Ending	\$ 0	\$ 0	\$ 515,861	\$ 515,861

**LIVINGSTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

<b>FEDERAL GRANT FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>			
Intergovernmental	\$	\$ 892,914	\$ 892,913 \$ (1)
Interest			647 647
Total Receipts		892,914	893,560 646
<b>DISBURSEMENTS</b>			
Protection to Persons and Property		892,914	892,914
Total Disbursements		892,914	892,914
Net Change in Fund Balance			893,560 893,560
Fund Balance - Beginning			
Fund Balance - Ending	\$ 0	\$ 0	\$ 893,560 \$ 893,560

**LIVINGSTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

<b>SHERIFF DEPARTMENT FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$	\$ 118,361	\$ 118,360	\$ (1)
Miscellaneous	326,431	365,814	345,973	(19,841)
Total Receipts	326,431	484,175	464,333	(19,842)
<b>DISBURSEMENTS</b>				
General Government	625,481	716,401	700,258	16,143
Administration	155,863	222,687	152,209	70,478
Total Disbursements	781,344	939,088	852,467	86,621
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(454,913)	(454,913)	(388,134)	66,779
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	417,888	417,888	402,112	(15,776)
Total Other Adjustments to Cash (Uses)	417,888	417,888	402,112	(15,776)
Net Change in Fund Balance	(37,025)	(37,025)	13,978	51,003
Fund Balance - Beginning	37,025	37,025	12,732	(24,293)
Fund Balance - Ending	\$ 0	\$ 0	\$ 26,710	\$ 26,710

**LIVINGSTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

<b>OCCUPATIONAL TAX FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 1,180,000	\$ 1,373,978	\$ 1,379,633	\$ 5,655
Intergovernmental		328,420	328,420	
Miscellaneous			31,017	31,017
Interest	2,500	13,122	14,375	1,253
Total Receipts	1,182,500	1,715,520	1,753,445	37,925
<b>DISBURSEMENTS</b>				
General Government	244,795	247,220	157,947	89,273
Protection to Persons and Property	835,000	966,318	950,369	15,949
General Health and Sanitation		2,433	2,433	
Roads	400,000	594,707	594,707	
Debt Service			31,017	(31,017)
Administration	692,463	894,600		894,600
Total Disbursements	2,172,258	2,705,278	1,736,473	968,805
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(989,758)	(989,758)	16,972	1,006,730
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(150,000)	(150,000)
Total Other Adjustments to Cash (Uses)			(150,000)	(150,000)
Net Change in Fund Balance	(989,758)	(989,758)	(133,028)	856,730
Fund Balance - Beginning	989,758	989,758	918,567	(71,191)
Fund Balance - Ending	\$ 0	\$ 0	\$ 785,539	\$ 785,539

**LIVINGSTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

<b>911 FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 145,000	\$ 169,864	\$ 163,303	\$ (6,561)
Intergovernmental		111,449	111,449	
Charges for Services		58	58	
Miscellaneous		2,327	2,326	(1)
Total Receipts	145,000	283,698	277,136	(6,562)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	327,350	344,541	326,180	18,361
Administration	132,610	254,117	138,886	115,231
Total Disbursements	459,960	598,658	465,066	133,592
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(314,960)	(314,960)	(187,930)	127,030
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	279,268	279,268	255,000	(24,268)
Total Other Adjustments to Cash (Uses)	279,268	279,268	255,000	(24,268)
Net Change in Fund Balance	(35,692)	(35,692)	67,070	102,762
Fund Balance - Beginning	35,692	35,692	6,752	(28,940)
Fund Balance - Ending	\$ 0	\$ 0	\$ 73,822	\$ 73,822



**LIVINGSTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

<b>KENTUCKY LAND GRANT FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>DISBURSEMENTS</b>				
Capital Projects	\$ 109,765	\$ 109,765	\$	\$ 109,765
Total Disbursements	109,765	109,765		109,765
Net Change in Fund Balance	(109,765)	(109,765)		109,765
Fund Balance - Beginning	109,765	109,765	109,765	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 109,765</u>	<u>\$ 109,765</u>

**LIVINGSTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

<b>TOURISM FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 20,000	\$ 24,425	\$ 27,394	\$ 2,969
Interest	200	1,006	1,100	94
Total Receipts	20,200	25,431	28,494	3,063
<b>DISBURSEMENTS</b>				
General Government	80,110	88,779	13,879	74,900
Total Disbursements	80,110	88,779	13,879	74,900
Net Change in Fund Balance	(59,910)	(63,348)	14,615	77,963
Fund Balance - Beginning	59,910	63,348	63,348	
Fund Balance - Ending	\$ 0	\$ 0	\$ 77,963	\$ 77,963

**LIVINGSTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

<b>JUDICIAL CENTER FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 230,000	\$ 252,233	\$ 251,637	\$ (596)
Total Receipts	230,000	252,233	251,637	(596)
<b>DISBURSEMENTS</b>				
General Government	232,498	238,190	226,346	11,844
Administration	63,399	79,940	56,456	23,484
Total Disbursements	295,897	318,130	282,802	35,328
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(65,897)	(65,897)	(31,165)	34,732
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	20,000	20,000	20,000	
Total Other Adjustments to Cash (Uses)	20,000	20,000	20,000	
Net Change in Fund Balance	(45,897)	(45,897)	(11,165)	34,732
Fund Balance - Beginning	45,897	45,897	43,248	(2,649)
Fund Balance - Ending	\$ 0	\$ 0	\$ 32,083	\$ 32,083

**LIVINGSTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

<b>SPECIAL RESERVE FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>RECEIPTS</b>				
Interest	\$ 1,500	\$ 10,253	\$ 11,178	\$ 925
Total Receipts	1,500	10,253	11,178	925
<b>DISBURSEMENTS</b>				
Administration	754,500	765,786		765,786
Total Disbursements	754,500	765,786		765,786
Net Change in Fund Balance	(753,000)	(755,533)	11,178	766,711
Fund Balance - Beginning	753,000	755,533	755,533	
Fund Balance - Ending	\$ 0	\$ 0	\$ 766,711	\$ 766,711

**LIVINGSTON COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2021**

**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. Reconciliation of the General Fund**

Reconciliation of the General Fund

Total Other Adjustments To Cash (Uses) - Budgetary	\$ (485,000)
To Adjust For Change In Payroll Account	<u>(9,594)</u>
Total Other Adjustments To Cash (Uses) - Regulatory Basis	<u>\$ (494,594)</u>
Fund Balance - Ending Budgetary Basis	\$ 978,188
To Adjust For Payroll Account	<u>7,262</u>
Total Fund Balance - Regulatory Basis	<u>\$ 985,450</u>

**Note 3. Excess of Disbursements Over Appropriations**

The general fund, debt service line item, exceeded budgeted appropriations by \$325,391 and the occupational tax fund, debt service line item exceeded budgeted appropriations by \$31,017.

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**LIVINGSTON COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Other Information - Regulatory Basis**

**For The Year Ended June 30, 2021**

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**LIVINGSTON COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Other Information - Regulatory Basis**

**For The Year Ended June 30, 2021**

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 3,880,674	\$	\$	\$ 3,880,674
Buildings and Building Improvements	15,542,266			15,542,266
Machinery and Equipment	3,255,445	1,050		3,256,495
Vehicles	2,662,239	127,263	187,510	2,601,992
Infrastructure	10,145,712	724,295		10,870,007
 Total Capital Assets	 <u>\$ 35,486,336</u>	 <u>\$ 852,608</u>	 <u>\$ 187,510</u>	 <u>\$ 36,151,434</u>

**LIVINGSTON COUNTY**  
**NOTES TO OTHER INFORMATION - REGULATORY BASIS**  
**SCHEDULE OF CAPITAL ASSETS**

**June 30, 2021**

**Note 1. Capital Assets**

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

	Capitalization Threshold	Useful Life (Years)
Land	\$ 12,500	10-60
Land Improvements	\$ 7,500	10-60
Buildings and Building 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 Garrett Gruber, 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, 2021, 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 June 3, 2022.

**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) as a basis for designing 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 have not been 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 and another deficiency that we consider to be a significant deficiency.

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 2021-001, 2021-002, 2021-003, 2021-004, 2021-005, and 2021-006 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)

**Internal Control Over Financial Reporting (Continued)**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2021-007 to be a significant deficiency.

**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 financial statement. 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 2021-001, 2021-002, 2021-003, 2021-004, 2021-005, and 2021-006.

**Views of Responsible Official 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,

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

Mike Harmon  
Auditor of Public Accounts

June 3, 2022

**LIVINGSTON COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2021**

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**LIVINGSTON COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2021**

FINANCIAL STATEMENT FINDINGS:

2021-001 Cash Transfers Were Not Properly Approved Prior To Transfer

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This is a repeat finding and was included in the prior year audit report as finding 2020-001. Cash transfers totaling \$927,112 were approved after funds had been spent. Cash transfers were made each month by the treasurer and then approved at the following month's fiscal court meeting.

The treasurer maintains all budgeted 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. Due to cash transfers occurring before being presented to fiscal court, the county's funds were at an increased risk of being misappropriated.

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*, all transfers require a court order. Thus, court orders are to be obtained prior to cash transfers being made. Additionally, strong internal controls dictate that fiscal court oversee the movement of funds in order to decrease the risk of misappropriation. It is also the responsibility of the fiscal court to make financial decisions, such as transferring cash between funds.

We recommend all cash transfers be presented to, and approved by, the Livingston County Fiscal Court before the transactions occur.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: This issue has already been corrected. The Treasurer will continue to utilize new software that will allow her to prepare for cash transfers.*

2021-002 The Livingston County Fiscal Court Overspent Line Items In The General Fund And Occupational Tax Fund

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This is a repeat finding and was included in the prior year report as finding 2020-002. The Livingston County Fiscal Court overspent the general fund debt service line item in the amount of \$325,391 and the occupational tax fund debt service line item in the amount of \$31,017. In addition, the Livingston County Fiscal Court approved an original budget that did not include amounts for the federal grant fund expenditures. During the fiscal year, the fiscal court approved a budget amendment for the federal grant fund expenditures of \$892,914. The fourth quarter financial statement was not accurate due to the fiscal court reporting an original budget of \$892,914 and a budget amendment of \$932,914 for the federal grant fund expenditures.

According to the county judge/executive, this error in recording the inaccurate amount budgeted for the federal grant account likely occurred due to a clerical error in which the county treasurer was accounting for the second half of ARPA funds. Line items in the general fund and occupational fund were overspent due to the fiscal court not accounting for the payments on debt made by third party entities. This error could have resulted in the Livingston County Fiscal Court overspending its overall budget. In addition, by overspending certain line items the fiscal court is not in compliance with KRS 68.300.

Strong internal controls dictate that the total available budget reported on the fourth quarter financial statement agree with the original budget and any budget amendments approved by fiscal court to ensure that those monitoring the budget know exactly how much is available when making purchases.

**LIVINGSTON COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2021**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-002 The Livingston County Fiscal Court Overspent Line Items In The General Fund And Occupational Tax Fund (Continued)

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Furthermore, 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 budget appropriation, shall be void. No member of the fiscal court shall vote for any such illegal appropriation or claim. 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.”

We recommend the Livingston County Fiscal Court strengthen internal controls to ensure that the approved budgeted amounts agree with the fourth quarter financial statement. In addition, we recommend the fiscal court accurately budget for the debt service paid by third party entities.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: The Treasurer and Fiscal Court will work together to ensure that no funds are overspent by looking over Treasurer’s Reports and ensuring adequate amounts of money are transferred where needed before expenditures are made.*

2021-003 Livingston County’s Schedule Of Outstanding Liabilities As Of June 30, 2021 Was Materially Misstated

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This is a repeat finding and was included in the prior year audit report as finding 2020-003. The Livingston County fiscal court failed to implement internal controls over debt reporting. Livingston County reported outstanding principal of \$10,825,750 and outstanding interest of \$2,612,376 as of June 30, 2021. However, the confirmed outstanding principal was \$10,005,377 and interest was \$2,123,272 as of June 30, 2021. Therefore, the county’s schedule of outstanding liabilities was overstated by \$820,373 for principal and \$489,105 for interest. It appears that the schedule may not have been updated from the prior year. According to the county treasurer, this is most likely due to an oversight. Since the county’s schedule of outstanding liabilities was materially overstated, the fiscal court was not made aware of the county’s future financial obligations in order to make good decisions for operating the county.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires counties to maintain and report accurate financial records including the schedule of outstanding liabilities. Good internal controls include policies and procedures to ensure outstanding debt obligations are complete and accurate.

We recommend the fiscal court implement policies and procedures to ensure the schedule of outstanding liabilities is complete and accurate, including confirming outstanding balances with lenders as of the end of the reporting period.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: This issue has been corrected. This was an oversight on the Treasurer’s part. It has been resolved by the Treasurer ensuring the Outstanding Liabilities are up to date.*

**LIVINGSTON COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2021**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-004 Livingston County Failed To Account For Debt Obligations Paid On Behalf Of The County

The Livingston County Fiscal Court failed to implement internal controls over debt reporting and budgeting. Livingston County has entered into several debt agreements to finance projects at other entities. These other entities make the debt payments directly to the lenders on behalf of the county. As such, the county does not budget for or record this activity. During fiscal year 2020-2021, debt payments on behalf of the county totaled \$356,408. According to the county judge/executive, this issue has been discussed before, but no actions were taken to address debt payments not being recorded on the county's budget or ledgers.

By not budgeting or recording these transactions the county's financial statement is not fairly stated. Material adjustments have been proposed to the county's financial statement to account for debt payments made on behalf of the county. Strong internal controls dictate that all borrowed money in the county's name should be budgeted and recorded in the county's financial records. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts for all counties and county officials. The *County Budget Preparation and State Local Finance Officer Policy Manual* outlines minimum requirements for the handling of public funds, including debt service payments and accurate financial statements.

We recommend the fiscal court consider entering into a separate agreement with each entity identifying the terms for these entities to repaid debt obligations. We also recommend that this activity be budgeted and recorded on the county's financial records.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The Treasurer will require submission of proof of payment from the responsible third party the debt obligations are for on a monthly basis. The debt obligation will be factored in to the county budget.*

2021-005 Livingston County Did Not Maintain Financial Records For The Public Properties Corporation

Livingston County established a Public Properties Corporation (PPC) to account for the issuance of bonds related to the justice center. This organization is considered an unbudgeted fund of the county. However, the county did not maintain any financial records for this fund. During the fiscal year, receipts totaled \$650,526 and disbursements totaled \$650,526. The county was not aware that financial records needed to be maintain since the payments are being made by the Administrative Office of the Courts (AOC). Due to not reporting the activity related to the PPC, material audit adjustments have been proposed to include this activity on the county financial statement.

A financial statement is required to show the total amount collected and received from each individual source and total amount of funds distributed to each individual payee and the purpose for which it was expended. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts for all counties and county officials. The *County Budget Preparation and State Local Finance Officer Policy Manual* outlines minimum requirements for the handling of public funds, including debt service payments and accurate financial records. We recommend the fiscal court maintain financial records related to the PPC Fund such as a receipts ledger, disbursements ledger and a financial statement.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: This issue has already been corrected. The Treasurer maintains up to date financial records for the public properties corporation.*

**LIVINGSTON COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2021**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-006 The Livingston County Fiscal Court Failed To Implement Proper Internal Controls Over Disbursements

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This is a repeat finding and was included in the prior year audit report as finding 2020-004. The Livingston County Fiscal Court failed to implement proper internal controls which resulted in the following issues when testing disbursements:

- Nineteen transactions totaling \$1,152,663 had purchase orders that were issued after the purchase was already made.
- Invoices are not stamped when received therefore eight transactions were not paid within 30 working days of the invoice dates.
- Two instances where finance charges such as late fees were paid on a disbursement.
- One instance where a disbursement was not coded correctly.
- Encumbrances were found to exist at the end of the fiscal year that were not reported.

The fiscal court failed to establish appropriate internal controls over disbursements. The fiscal court's failure to establish effective internal controls over disbursements resulted in the noncompliance with KRS 68.210 and KRS 65.140. These control deficiencies resulted in the encumbrance list being inaccurate. These control deficiencies could also result in line items being over budget, claims being paid not related to the fiscal court, additional fees being charged due to not timely paying, inaccurate reporting, and misappropriation of assets.

Good internal controls dictate that the purchase order system be used correctly to ensure there is sufficient budget for all purchases made. Also, good internal controls dictate that invoices be stamped when received to ensure invoices are paid timely and all encumbrances be included on the encumbrance list. In addition, KRS 68.210 requires the state local finance officer to create a system of uniform accounts for all counties and county officials. The DLG's *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for the handling of public funds, including required purchasing procedures for counties. These requirements prescribe that (1) purchases shall not be made without approval by the Judge/Executive (or designee), and/or a department head, (2) purchase requests shall indicate the proper appropriation account number to which the claim will be posted, and (3) purchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made. Furthermore KRS 65.140(2) states, in part, "[u]nless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice[.]"

We recommend the Livingston County Fiscal Court strengthen their internal controls over disbursements by marking invoices when received to ensure invoices are paid within 30 working days and ensuring that no finance charges are paid on credit card purchases. We also recommend that purchase orders be obtained prior to all disbursements, and that an accurate list of all encumbrances is maintained and reported on the fourth quarter as required by DLG. In addition, all disbursements should be coded accurately.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The Judge/Executive and Finance Officer will work together to ensure that administrative purchase orders are prepared before invoices are received.*

**LIVINGSTON COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2021**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-007 The Livingston County Fiscal Court Does Not Have Internal Controls Over Receipts

The Livingston County Fiscal Court lacks internal controls over receipts. All cash receipts are held in a safe and deposited approximately once a week, instead of being deposited daily. Also, receipts collected off-site at the convenience center are not turned over to the treasurer daily and detailed daily checkout sheets are not being prepared and maintained. We also noted that receipts are not being documented when they are received by the fiscal court. During testing, 20 occupational tax returns, 2 net profit returns, and 15 tourism tax returns were found to have not been documented when they were received. In addition, there were 15 instances where monthly tourism tax returns were not documented to have been submitted to the fiscal court, with no documented follow-up on the missing returns. There was also one instance noted in which a company's original tourism tax return was not able to be found.

According to the county treasurer, deposits are not made intact on a daily basis because the bank is located several miles away from the courthouse. Therefore, instead of going to the bank, remote deposits are made each day but for checks only, while the cash is kept in a safe until someone is able to go to the bank. In addition, receipts collected at the convenience center are not turned over daily, nor are daily checkout sheets prepared, because it is not required by fiscal court. The county treasurer also stated that returns are typically stamped when received, and that these errors were due to an oversight. She also stated that the tourism tax is typically handled by the tourism commission, and that the fiscal court does not handle these funds outside of receiving and depositing the returns.

Because receipts are not deposited intact on a daily basis, the opportunity for the misappropriation or theft of receipts is increased. Furthermore, without returns being stamped when received, the county could be missing receipts, with no follow-up processes in place to determine if all receipts are accounted for. The implementation of proper internal controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Strong internal controls dictate that daily checkout sheets be prepared for receipts collected off-site and that the collections get turned over to the county treasurer and deposited daily. In addition, KRS 68.210 requires the state local finance officer to create a system of uniform accounts for all counties and county officials, codified as the *County Budget Preparation and State Local Finance Officer Policy Manual*. The county is not in compliance with the manual's requirements for counties' handling of public funds, including making daily deposits to a federally insured banking institution.

We recommend the fiscal court establish appropriate internal controls and oversight over receipts. This includes but is not limited to requiring daily checkout sheets to be prepared for all off-site collections, and for those receipts to be turned over to the county treasurer daily. We also recommend that the fiscal court comply with KRS 68.210 by requiring deposits to be made on a daily basis. Furthermore, we recommend the fiscal court document when all receipts are received, and to follow-up on all missing tourism tax returns.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The Treasurer will ensure that a deposit is taken daily to the bank and that all money is turned into the Judge/Executive's office daily.*

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

**LIVINGSTON COUNTY FISCAL COURT**

**For The Year Ended June 30, 2021**

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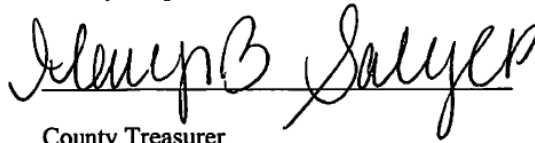
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
COUNTY FISCAL COURT

For The Year Ended June 30, 2021

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.



County Judge/Executive



County Treasurer