

LIVINGSTON COUNTY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS

Year ended June 30, 2017

LIVINGSTON COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2017

	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Governmental Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Proprietary Fund Financial Statements:	
Statement of Net Position – Proprietary Funds	15
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds	17
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position – Fiduciary Funds	18
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	19
Notes to the Basic Financial Statements	20-40
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	41
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	42
Schedule of the District's Proportionate Share of the Net Pension Liability - CERS	43

LIVINGSTON COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS - CONTINUED
YEAR ENDED JUNE 30, 2017

Required Supplementary Information (Continued):

Schedule of the District's Proportionate Share of the Net Pension Liability - TRS	44
Schedule of District Contributions - CERS	45
Schedule of District Contributions - TRS	46

Other Supplementary Information:

Combining Balance Sheet – Nonmajor Governmental Funds.....	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Debt Service Funds	49
Combining Balance Sheet – School Activity Funds	50
Combining Statement of Revenues, Expenditures and Changes in Due To Student Groups – School Activity Funds.....	51
Statement of Receipts, Disbursements and Due To Student Groups – Livingston Central High School	52
Combining Statement of Net Position – All Private Purpose Trust Funds.....	53
Combining Statement of Revenues, Expenditures and Changes in Net Position Held in Trust – All Private Purpose Trust Funds	54
Schedule of Expenditures of Federal Awards	55
Notes to the Schedule of Expenditures of Federal Awards	56

Reports Required by the Single Audit Act:

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57-58
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	59-60
Schedule of Findings and Questioned Costs	61
Schedule of Prior Year Audit Findings.....	62

Management Letter Points:

Independent Auditor's Transmittal Letter for Management Letter Comments	63
Management Letter Comments.....	64-72

KIM HAM

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
and Members of the Board of Education
Livingston County School District
Smithland, Kentucky

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Livingston County School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Livingston County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, Audit Report, and Management Letter Comments Spreadsheet*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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, I 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 statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Livingston County School District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 4 through 8 and 41 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Livingston County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 9, 2017, on my consideration of the Livingston County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, flowing style.

Benton, Kentucky
November 9, 2017

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

As management of the Livingston County School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning general fund balance for the District was \$3,532,022 and the ending balance was \$4,075,894.
- The District had a combined fund balance for all governmental funds on July 1, 2015 of \$4,790,164. The balance decreased to \$3,939,297 by June 30, 2016 and increased to \$4,406,610 by June 30, 2017. The combined revenues for all governmental funds increased from FY 16 to FY 17 primarily from an increase in TVA in lieu of taxes of approximately \$200,000 and an increase in PSC property taxes of approximately \$400,000. Expenditures did not change significantly from FY 16 to FY 17. When excluding construction projects financed by bond proceeds, combined expenditures for all governmental funds decreased by approximately \$27,000 during FY 17. The net position (deficit) of the proprietary fund decreased from \$(42,725) at July 1, 2015 to \$(78,189) by June 30, 2016 then increased to \$(36,193) by June 30, 2017. The deficit net position in the proprietary fund was caused by the allocation of net pension liability and related deferred inflows and deferred outflows to the food service fund in accordance with GASB 68. The District began offering day care services during FY 17, which ended the year with a net position (deficit) of \$(104,701). Of the total deficit, \$(63,188) was caused by the net pension liability and related deferred inflows and deferred outflows.
- The General Fund had \$11,396,603 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Revenues in the general fund increased from the prior year by about \$486,000. As noted above, there was an increase in TVA in lieu of taxes of almost \$200,000 and an increase in PSC property taxes of about \$400,000. These increases were partially offset by a decrease of general fund state revenue of approximately \$160,000. Excluding interfund transfers, there was \$10,830,540 in General Fund expenditures. Expenditures in the general fund decreased from the prior year by about \$(210,000).
- Instruction, plant operations and maintenance, and student transportation accounted for 73.7% of General Fund expenditures.
- The District experienced a \$217,666 decrease in General Fund SEEK payments from the state in 2016-2017, as compared to 2015-2016.
- There were no significant changes in any of the individual funds affecting the availability of fund resources for future use.

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows, liabilities, deferred inflows, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds include our food service and day care operations. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 11 through 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 40 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,279,447 as of June 30, 2017. The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

	Net Position for the period ending	
	June 30, 2017	June 30, 2016
Current Assets	\$ 4,926,258	\$ 4,807,429
Noncurrent Assets	<u>17,132,893</u>	<u>16,757,884</u>
Total Assets	<u>\$22,059,151</u>	<u>\$21,565,313</u>
Deferred Loss from Refunding Bonds	\$ 380,398	\$ 434,741
Deferred Amounts Related to Pensions	<u>971,541</u>	<u>807,316</u>
Total Deferred Outflows of Resources	<u>\$ 1,351,939</u>	<u>\$ 1,242,057</u>
Current Liabilities	\$ 1,128,942	\$ 1,163,215
Noncurrent Liabilities	<u>13,002,532</u>	<u>13,283,544</u>
Total Liabilities	<u>\$14,131,474</u>	<u>\$14,446,759</u>
Difference between projected and actual earnings	\$ 169	\$ 0
Total Deferred Inflows of Resources	<u>\$ 169</u>	<u>\$ 0</u>
Net Investment in capital assets	\$ 7,184,956	\$ 6,620,223
Restricted	<u>665,646</u>	<u>656,702</u>
Unrestricted	<u>1,428,845</u>	<u>1,083,686</u>
Total Net Position	<u>\$ 9,279,447</u>	<u>\$ 8,360,611</u>

Comments on Budget Comparisons

- There were no significant variations between the original and final budget amounts.
- The District’s total general fund revenues for the fiscal year ended June 30, 2017 were \$11,396,603.
- General fund budgeted revenues compared to actual revenue varied from line item to line item with the actual revenues (excluding on behalf revenues, which are not budgeted) being \$1,309,738 more than budget, with most of the difference attributable to higher total local taxes than budgeted.
- The total cost of all general fund programs and services was \$10,830,540, net of interfund transfers.
- General fund budgeted expenditures (excluding contingency) compared to actual expenditures also varied from line item to line item with the actual expenditures (excluding on behalf expenditures, which are not budgeted) being \$2,512,998 less than budget. The largest differences from budgeted amounts were in the functions for instructional staff support services (\$143,609 less than budget), district administration (\$346,798 less than budget), plant operations and maintenance (\$1,708,364 less than budget), and student transportation (\$261,918 less than budget).
- The Kentucky Department of Education makes certain payments on behalf of the District, including certain pension plan payments, health and life insurance premium payments, and administrative fees. These payments have been recorded on the Statement of Activities by functional expense and as operating grants from the State and totaled \$2,342,510. The revenue and related expense for these on behalf payments are not required to be budgeted.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2017, compared to the fiscal year ended June 30, 2016.

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

	June 30, 2017	June 30, 2016
Program Revenues:		
Charges for Services – Food Service	\$ 76,217	\$ 66,655
Charges for Services – Day Care	16,651	0
Charges for Services – Governmental	178,040	154,449
Operating grants – Governmental	4,897,510	4,672,032
Operating grants – Food Service	853,023	782,747
Operating grants – Day Care	15,140	0
Capital grants	633,865	627,269
Total program revenues	<u>6,670,446</u>	<u>6,303,152</u>
General Revenues:		
Taxes	6,048,739	5,416,295
Earnings on investments	20,144	13,044
State and formula grants	3,218,570	3,436,235
Miscellaneous	55	0
Total general revenues	<u>9,287,508</u>	<u>8,865,574</u>
Total Revenues	<u>15,957,954</u>	<u>15,168,726</u>
Expenses:		
Instruction	7,845,429	8,208,058
Student support services	471,499	542,957
Instructional support	421,621	646,809
District administration	601,541	591,851
School administration	962,018	760,295
Business support	333,555	335,795
Plant operations	1,702,598	1,501,835
Student transportation	1,275,874	1,128,215
Community services	79,643	85,868
Interest on long-term debt	308,035	324,013
Food service operation	898,576	884,971
Day care operation	136,492	0
Loss on disposal of fixed assets	3,693	2,043
Other	(1,456)	(1,456)
Total expenses	<u>15,039,118</u>	<u>15,011,254</u>
Change in net position	918,836	157,472
Beginning net position	8,360,611	8,289,537
Prior period adjustment	0	(86,398)
Ending net position	<u>\$ 9,279,447</u>	<u>\$ 8,360,611</u>

General Fund

The main sources of the General Fund’s revenues are state aid in the form of SEEK allocations and locally assessed taxes. Total local taxes accounted for 49.3% of General Fund revenues, followed by state revenue at 49.0%, and all other revenues at 1.7%. The majority of the District’s activities are accounted for in the General Fund.

The largest category of General Fund expenditures was for instruction (52.0%), followed by student transportation (11.0%), plant operations and maintenance (10.7%), school administration services (8.6%), district administration services (6.0%), student support services (4.4%), instructional staff support services (4.4%), and business support services (2.9%).

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

Special Revenue Fund

The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state and expenditures of those grants for specific programs in accordance with the grants’ guidelines. These grants include Title I, No Child Left Behind Funding, Preschool, Special Education funding, and others. These funds have restricted use, according to the guidelines for each. Expenses include salaries and benefits, supplies, and transportation. Livingston County Public Schools received federal grants in the amount of \$1,524,275 and state grants in the amount of \$752,312.

Capital Project Funds

The SEEK Capital Outlay Fund and the FSPK Building Fund are restricted funds for capital projects or debt service. The District has used those funds for debt service payments. The state contributes to those funds. The SEEK Capital Outlay Fund’s revenues are derived from state SEEK allowances based upon student enrollment. The FSPK Building Fund’s revenues are produced by a five-cent special property tax assessment. The use of both funds’ resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

Debt Service Funds

The Debt Service Fund is used to account for all activities related to long-term bond obligations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, the District had \$16,600,504 invested in land, buildings, and equipment. Of that amount, \$16,543,939 is in governmental activities.

See Note E for a breakdown of additions by class on page 29.

Debt Administration

The District had \$9,800,000 in bonds payable outstanding on June 30, 2017. A total of \$790,000 is due within one year.

See Note F on pages 30-31 for a detailed list of bonds payable.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law, the budget must have a minimum 2% contingency. The district adopted a total budget of \$12,078,027 in the General Fund and Food Service Fund combined and a contingency of \$250,000 which is 2.1%. The beginning fund balance for the fiscal year was \$3,532,022.

Questions regarding this report should be directed to the Superintendent Victor Zimmerman, PO Box 219, 127 East Adair Street, Smithland, KY 42081.

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 3,946,030	\$ 186,396	\$ 4,132,426
Accounts receivable:			
Taxes - current	138,301	0	138,301
Taxes - delinquent	2,066	0	2,066
Accounts receivable	19,222	452	19,674
Due from school activity funds	6,415	0	6,415
Intergovernmental - state	4,024	0	4,024
Intergovernmental - indirect federal	516,487	9,216	525,703
Inventory	0	13,647	13,647
Prepaid expenses	84,002	0	84,002
Total current assets	<u>4,716,547</u>	<u>209,711</u>	<u>4,926,258</u>
Restricted Assets:			
Cash in bond sinking fund	532,389	0	532,389
Total restricted assets	<u>532,389</u>	<u>0</u>	<u>532,389</u>
Noncurrent Assets:			
Capital assets	27,347,692	445,874	27,793,566
Less: Accumulated depreciation	(10,803,753)	(389,309)	(11,193,062)
Total noncurrent assets	<u>16,543,939</u>	<u>56,565</u>	<u>16,600,504</u>
TOTAL ASSETS	<u>\$ 21,792,875</u>	<u>\$ 266,276</u>	<u>\$ 22,059,151</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss from refunding bonds	\$ 706,741	\$ 0	\$ 706,741
Less: Accumulated amortization	(326,343)	0	(326,343)
Pension contributions subsequent to measurement date	245,146	39,614	284,760
Difference between expected and actual experience	14,426	2,331	16,757
Net difference between projected and actual investment earnings			
on pension plan investments	310,643	50,196	360,839
Change of assumptions	175,047	28,285	203,332
Changes in proportion and differences between employer contributions			
and proportionate share of contributions	91,128	14,725	105,853
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,216,788</u>	<u>\$ 135,151</u>	<u>\$ 1,351,939</u>
LIABILITIES :			
Current Liabilities:			
Accounts payable	\$ 79,906	\$ 3,796	\$ 83,702
Advances from grantors	230,031	0	230,031
Current portion of bond obligations	790,000	0	790,000
Plus: Current portion of bond premium	5,619	0	5,619
Less: Current portion of unamortized bond discount	(4,163)	0	(4,163)
Interest payable	23,753	0	23,753
Total current liabilities	<u>1,125,146</u>	<u>3,796</u>	<u>1,128,942</u>
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	9,010,000	0	9,010,000
Plus: Noncurrent portion of unamortized bond premium	33,711	0	33,711
Less: Noncurrent portion of unamortized bond discount	(39,221)	0	(39,221)
Noncurrent portion of accrued sick leave	155,188	4,555	159,743
Net pension liability	3,304,353	533,946	3,838,299
Total noncurrent liabilities	<u>12,464,031</u>	<u>538,501</u>	<u>13,002,532</u>
TOTAL LIABILITIES	<u>\$ 13,589,177</u>	<u>542,297</u>	<u>\$ 14,131,474</u>
DEFERRED INFLOWS OF RESOURCES:			
Changes in proportion and differences between employer contributions			
and proportionate share of contributions	\$ 145	\$ 24	\$ 169
NET POSITION:			
Net Investment in capital assets	\$ 7,128,391	\$ 56,565	\$ 7,184,956
Restricted for:			
SFCC Escrow	209,478	0	209,478
Capital Projects	121,151	0	121,151
Debt service	532,476	0	532,476
Food service	0	(92,758)	(92,758)
Day care services	0	(104,701)	(104,701)
Unrestricted	<u>1,428,845</u>	<u>0</u>	<u>1,428,845</u>
TOTAL NET POSITION	<u>\$ 9,420,341</u>	<u>\$ (140,894)</u>	<u>\$ 9,279,447</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	\$ 7,845,429	\$ 178,040	\$ 3,842,281	\$ 633,865	\$ (3,191,243)	\$ 0	\$ (3,191,243)
Support Services:							
Student	471,499	0	86,882	0	(384,617)	0	(384,617)
Instructional Staff	421,621	0	87,499	0	(334,122)	0	(334,122)
District Administration	601,541	0	37,045	0	(564,496)	0	(564,496)
School Administration	962,018	0	122,851	0	(839,167)	0	(839,167)
Business	333,555	0	103,165	0	(230,390)	0	(230,390)
Plant operations and maintenance	1,702,598	0	87,841	0	(1,614,757)	0	(1,614,757)
Student transportation	1,275,874	0	278,998	0	(996,876)	0	(996,876)
Community service activities	79,643	0	77,027	0	(2,616)	0	(2,616)
Loss on disposal of fixed assets	3,574	0	0	0	(3,574)	0	(3,574)
Interest on long-term debt	308,035	0	173,921	0	(134,114)	0	(134,114)
Other debt service	(1,456)	0	0	0	1,456	0	1,456
Total governmental activities	14,003,931	178,040	4,897,510	633,865	(8,294,516)	0	(8,294,516)
Business-Type Activities:							
Food service	898,576	76,217	853,023	0	0	30,664	30,664
Day care	136,492	16,651	15,140	0	0	(104,701)	(104,701)
Loss on disposal of fixed assets	119	0	0	0	0	(119)	(119)
Total business-type activities	1,035,187	92,868	868,163	0	0	(74,156)	(74,156)
Total primary government	\$ 15,039,118	\$ 270,908	\$ 5,765,673	\$ 633,865	(8,294,516)	(74,156)	(8,368,672)
General Revenues:							
Taxes:							
Property					3,396,437	0	3,396,437
Motor Vehicle					759,758	0	759,758
Utilities					581,430	0	581,430
In Lieu of					1,311,114	0	1,311,114
Earnings on Investments					19,893	251	20,144
State and formula grants					3,218,570	0	3,218,570
Miscellaneous					55	0	55
Transfers					(11,200)	11,200	0
Change in net position					981,541	(62,705)	918,836
Net position at July 1, 2016					8,438,800	(78,189)	8,360,611
Net position at June 30, 2017					\$ 9,420,341	\$ (140,894)	\$ 9,279,447

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES:				
Cash and cash equivalents	\$ 3,615,314	\$ 0	\$ 330,716	\$ 3,946,030
Accounts receivable:				
Taxes - current	138,301	0	0	138,301
Taxes - delinquent	2,066	0	0	2,066
Accounts receivable	19,222	0	0	19,222
Interfund receivable	274,023	0	0	274,023
Due from school activity funds	6,415	0	0	6,415
Intergovernmental - state	0	4,024		4,024
Intergovernmental - indirect federal	4,483	512,004	0	516,487
Prepaid expenses	84,002	0	0	84,002
TOTAL ASSETS AND RESOURCES	<u><u>\$ 4,143,826</u></u>	<u><u>\$ 516,028</u></u>	<u><u>\$ 330,716</u></u>	<u><u>\$ 4,990,570</u></u>
LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	\$ 67,932	\$ 11,974	\$ 0	\$ 79,906
Interfund payable	0	274,023	0	274,023
Advances from grantors	0	230,031	0	230,031
TOTAL LIABILITIES	<u>67,932</u>	<u>516,028</u>	<u>0</u>	<u>583,960</u>
FUND BALANCES:				
Nonspendable:				
Prepaid expenses	84,002	0	0	84,002
Restricted:				
KSFCC escrow	0	0	209,478	209,478
Construction projects	0	0	121,151	121,151
Debt service	0	0	87	87
Unassigned	3,991,892	0	0	3,991,892
TOTAL FUND BALANCES	<u>4,075,894</u>	<u>0</u>	<u>330,716</u>	<u>4,406,610</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 4,143,826</u></u>	<u><u>\$ 516,028</u></u>	<u><u>\$ 330,716</u></u>	<u><u>\$ 4,990,570</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION**

June 30, 2017

Total fund balance per fund financial statements		\$ 4,406,610
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Cost	\$ 27,347,692	
Accumulated depreciation	<u>(10,803,753)</u>	16,543,939
Certain long-term assets are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net position.		
Cash in bond sinking fund		532,389
Deferred outflows that are not financial resources and therefore are not reported as assets in the governmental funds balance sheet		
Deferred loss from refunding bonds	380,398	
Pension contributions subsequent to measurement date	245,146	
Difference between expected and actual experience	14,426	
Net difference between projected and actual investment earnings on pension plan investments	310,643	
Change of assumptions	175,047	
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>91,128</u>	1,216,788
Deferred inflows that are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Changes in proportion and differences between employer contributions and proportionate share of contributions		(145)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		
Interest payable		(23,753)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bond and lease obligations	(9,795,946)	
Net pension liability	(3,304,353)	
Accrued sick leave payable	<u>(155,188)</u>	<u>(13,255,487)</u>
Net position of governmental activities		<u><u>\$ 9,420,341</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 2,980,313	\$ 0	\$ 416,124	\$ 3,396,437
Motor Vehicle	759,758	0	0	759,758
Utilities	581,430	0	0	581,430
In Lieu of	1,293,601	0	0	1,293,601
Tuition	8,330	0	0	8,330
Earnings on Investments	8,940	75	368	9,383
Other local revenues	158,312	93,222	0	251,534
Intergovernmental - State	5,589,688	752,312	699,834	7,041,834
Intergovernmental - indirect federal	16,231	1,524,275	0	1,540,506
Intergovernmental - direct federal	0	0	103,620	103,620
TOTAL REVENUES	11,396,603	2,369,884	1,219,946	14,986,433
EXPENDITURES:				
Current:				
Instruction	5,628,735	2,211,550	0	7,840,285
Support Services:				
Student	475,470	0	0	475,470
Instructional Staff	471,200	0	0	471,200
District Administration	646,566	0	0	646,566
School Administration	933,454	0	0	933,454
Business	317,272	0	0	317,272
Plant operations and maintenance	1,161,184	0	0	1,161,184
Student transportation	1,196,659	92,298	0	1,288,957
Community service activities	0	77,027	0	77,027
Facilities acquisition and construction	0	0	139,256	139,256
Debt service	0	0	1,157,249	1,157,249
TOTAL EXPENDITURES	10,830,540	2,380,875	1,296,505	14,507,920
Excess (deficiency) of revenues over expenditures	566,063	(10,991)	(76,559)	478,513
OTHER FINANCING SOURCES (USES):				
Operating transfers in	0	22,191	563,083	585,274
Operating transfers out	(22,191)	(11,200)	(563,083)	(596,474)
TOTAL OTHER FINANCING SOURCES (USES)	(22,191)	10,991	0	(11,200)
Net change in fund balance	543,872	0	(76,559)	467,313
Fund Balance, July 1, 2016	3,532,022	0	801,968	4,333,990
Prior Period Adjustment - Note P	0	0	(394,693)	(394,693)
Fund Balance, June 30, 2017	\$ 4,075,894	\$ 0	\$ 330,716	\$ 4,406,610

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES**
 For the Year Ended June 30, 2017

Net change in total governmental fund balances per fund financial statements \$ 467,313

Amounts reported for governmental activities in the statement of activities
 are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense is exceeded by capital outlays for the year.

Depreciation expense	(720,358)	
Capital outlays	<u>577,064</u>	(143,294)

Gross proceeds from the sale of capital assets are reported as revenue in the governmental funds because they provide current financial resources. However, in the statement of activities, the undepreciated cost of those assets is deducted from the proceeds to report gain or loss on the sale.

Loss on the disposal of fixed assets	<u>(3,574)</u>	(3,574)
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Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Bond principal paid	775,000	
Bond sinking fund payment	127,111	
Note principal paid	<u>77,349</u>	979,460

Governmental funds report the effect of gains, losses, and discounts when debt is first issued; whereas, these amounts are amortized in the statement of activities.

Amortization of bond discounts	(4,163)	
Amortization of bond premium	5,619	
Amortization of deferred loss on early retirement of debt	<u>(54,343)</u>	(52,887)

Generally, revenue is recognized in this fund financial statement when it becomes both measurable and available to finance expenditures of the current period.

Interest earned on bond sinking fund		10,585
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Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

These net differences are as follows:

Interest payable	1,446	
Pension expense	(253,354)	
Accrued sick leave	<u>(24,154)</u>	(276,062)

Change in net position of governmental activities		<u>\$ 981,541</u>
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See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Food Service Fund	Day Care Fund	Total
ASSETS:			
Current Assets			
Cash and cash equivalents	\$ 170,349	\$ 16,047	\$ 186,396
Accounts receivable:			
Accounts	0	452	452
Due from other funds	59,407	0	59,407
Intergovernmental	7,811	1,405	9,216
Inventory	13,647	0	13,647
Total current assets	<u>251,214</u>	<u>17,904</u>	<u>269,118</u>
Noncurrent Assets			
Capital assets	445,874	0	445,874
Less: accumulated depreciation	(389,309)	0	(389,309)
Total noncurrent assets	<u>56,565</u>	<u>0</u>	<u>56,565</u>
TOTAL ASSETS	<u><u>\$ 307,779</u></u>	<u><u>\$ 17,904</u></u>	<u><u>\$ 325,683</u></u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension contributions subsequent to measurement date	\$ 33,338	\$ 6,276	39,614
Difference between expected and actual experience	1,962	369	2,331
Net difference between projected and actual investment earnings			
on pension plan investments	42,243	7,953	50,196
Change of assumptions	23,804	4,481	28,285
Changes in proportion and differences between employer contributions			
and proportionate share of contributions	12,392	2,333	14,725
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 113,739</u></u>	<u><u>\$ 21,412</u></u>	<u><u>\$ 135,151</u></u>
LIABILITIES:			
Current Liabilities			
Accounts payable	\$ 3,786	\$ 10	\$ 3,796
Due to other funds	0	59,407	59,407
Total current liabilities	<u>3,786</u>	<u>59,417</u>	<u>63,203</u>
Noncurrent Liabilities			
Noncurrent portion of accrued sick leave	4,555	0	4,555
Net pension liability	449,350	84,596	533,946
Total noncurrent liabilities	<u>453,905</u>	<u>84,596</u>	<u>538,501</u>
TOTAL LIABILITIES	<u><u>\$ 457,691</u></u>	<u><u>\$ 144,013</u></u>	<u><u>\$ 601,704</u></u>
DEFERRED INFLOWS OF RESOURCES:			
Changes in proportion and differences between employer contributions			
and proportionate share of contributions	\$ 20	\$ 4	\$ 24
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>\$ 20</u></u>	<u><u>\$ 4</u></u>	<u><u>\$ 24</u></u>
Net Position			
Net investment in capital assets	\$ 56,565	\$ 0	\$ 56,565
Unrestricted (deficit)	(92,758)	(104,701)	(197,459)
TOTAL NET POSITION	<u><u>\$ (36,193)</u></u>	<u><u>\$ (104,701)</u></u>	<u><u>\$ (140,894)</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Year Ended June 30, 2017

	Food Service Fund	Day Care Fund	Total
Operating Revenues:			
Lunchroom sales	\$ 74,045	\$ 0	\$ 74,045
Day care fees	0	16,651	16,651
Other operating revenues	2,172	0	2,172
Total operating revenues	<u>76,217</u>	<u>16,651</u>	<u>92,868</u>
Operating Expenses:			
Salaries and benefits	406,065	124,571	530,636
Contract services	14,531	950	15,481
Materials and supplies	452,049	10,971	463,020
Depreciation	21,689	0	21,689
Expendable equipment	1,448	0	1,448
Other operating expenses	2,794	0	2,794
Total operating expenses	<u>898,576</u>	<u>136,492</u>	<u>1,035,068</u>
Operating income (loss)	<u>(822,359)</u>	<u>(119,841)</u>	<u>(942,200)</u>
Non-Operating Revenues (Expenses):			
Federal grants	761,214	3,108	764,322
Donated commodities	40,339	0	40,339
State grants	51,470	12,032	63,502
Interest income	251	0	251
Loss on disposal of assets	(119)	0	(119)
Total non-operating revenues	<u>853,155</u>	<u>15,140</u>	<u>868,295</u>
Net income (loss) before transfers	30,796	(104,701)	(73,905)
Transfers from other funds	<u>11,200</u>	<u>0</u>	<u>11,200</u>
Change in net position	41,996	(104,701)	(62,705)
Net Position, July 1, 2016	<u>(78,189)</u>	<u>0</u>	<u>(78,189)</u>
Net Position, June 30, 2017	<u><u>\$ (36,193)</u></u>	<u><u>\$ (104,701)</u></u>	<u><u>\$ (140,894)</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Food Service Fund	Day Care Fund	Total
Cash Flows from Operating Activities:			
Cash received from:			
Lunchroom sales	\$ 74,045	\$ 0	\$ 74,045
Day care fees	0	16,199	16,199
Other operating revenues	2,172	0	2,172
Cash paid to/for:			
Employees	(356,344)	(61,383)	(417,727)
Contract services	(14,613)	(940)	(15,553)
Materials and supplies	(411,441)	(10,971)	(422,412)
Expendable equipment	(1,448)	0	(1,448)
Other operating expenses	(2,819)	0	(2,819)
Net cash provided by (used in) operating activities	<u>(710,448)</u>	<u>(57,095)</u>	<u>(767,543)</u>
Cash Flows from Non-Capital Financing Activities:			
Operating grants received	771,392	13,735	785,127
Interfund loans	(59,407)	59,407	0
Net cash provided by (used in) non-capital financing activities	<u>711,985</u>	<u>73,142</u>	<u>785,127</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(96)	0	(96)
Net cash provided by (used in) capital and related financing activities	<u>(96)</u>	<u>0</u>	<u>(96)</u>
Cash Flows from Investing Activities:			
Interest income received	251	0	251
Net cash provided by (used in) investing activities	<u>251</u>	<u>0</u>	<u>251</u>
Net increase (decrease) in cash and cash equivalents	1,692	16,047	17,739
Cash and cash equivalents, July 1, 2016	<u>168,657</u>	<u>0</u>	<u>168,657</u>
Cash and cash equivalents, June 30, 2017	<u><u>\$ 170,349</u></u>	<u><u>\$ 16,047</u></u>	<u><u>\$ 186,396</u></u>
Reconciliation of operating income (loss)			
to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (822,359)	\$ (119,841)	\$ (942,200)
Adjustments to reconcile operating income (loss) to			
net cash provided by (used in) operating activities:			
Depreciation	21,689	0	21,689
On-behalf payments	44,029	0	44,029
Commodities used	40,339	0	40,339
Changes in assets and liabilities:			
Accounts receivable	0	(452)	(452)
Inventory	(982)	0	(982)
Deferred outflows of resources	(9,055)	(21,412)	(30,467)
Accounts payable	1,144	10	1,154
Accrued sick leave	37	0	37
Net pension liability	14,690	84,596	99,286
Deferred inflows of resources	20	4	24
Net cash provided by (used in) operating activities	<u><u>\$ (710,448)</u></u>	<u><u>\$ (57,095)</u></u>	<u><u>\$ (767,543)</u></u>
Non-Cash Investing, Capital, and Financing Activities:			
Food commodities received	\$ 40,339	\$ 0	\$ 40,339
On-behalf payments	44,029	0	44,029
Total Non-Cash Investing, Capital, and Financing Activities	<u><u>\$ 84,368</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 84,368</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	Private Purpose Trust Funds	Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 135,950	\$ 150,402
	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 135,950</u></u>	<u><u>\$ 150,402</u></u>
LIABILITIES:		
Accounts payable	\$ 0	\$ 4,187
Due to Board General Fund	0	6,415
Due to student groups	<u>0</u>	<u>139,800</u>
	<u> </u>	<u> </u>
Total Liabilities	<u><u>\$ 0</u></u>	<u><u>\$ 150,402</u></u>
NET POSITION HELD IN TRUST	<u><u>\$ 135,950</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended June 30, 2017

	Private Purpose Trust Funds
	<u> </u>
Additions:	
Interest income	<u>\$ 935</u>
Total Additions	<u> 935</u>
 Deductions:	
Benefits paid	<u> 1,610</u>
Total Deductions	<u> 1,610</u>
Change in net position	(675)
Net position, July 1, 2016	<u> 136,625</u>
Net position, June 30, 2017	<u><u> \$ 135,950</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year ended June 30, 2017

NOTE A – REPORTING ENTITY

The Livingston County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Livingston County School District ("District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards because board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Livingston County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Livingston County School District Finance Corporation – In 1989, the Livingston County Board of Education resolved to authorize the establishment of the Livingston County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The board members of the Livingston County Board of Education also comprise the Corporation's Board of Directors.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include all financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation - continued

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a) Total assets plus deferred outflows, liabilities plus deferred inflows, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets plus deferred outflows, liabilities plus deferred inflows, revenues or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- c) Funds may be reported as a major fund if the District considers them significant to the users of the financial statements.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and fund balances, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.
- (B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources, such as grants, donations, or gifts (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes state, federal and private grants where unused balances are returned to the grantor at the close of the specified project periods. Project accounting codes are employed to distinguish specific revenue sources and expenditures. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 55. The Kentucky Department of Education has deemed this fund always be classified as a major fund.
- (C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those financed by Proprietary Funds). Common sources of revenue to these funds are the capital outlay allotment, building fund tax levies, and sale of bonds.
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

- (A) The Food Service Fund (Enterprise) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of \$40,339 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.
- (B) The Day Care Fund (Enterprise) is used to account for day care activities. The Day Care Fund is a major fund of the District.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting – continued

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) Agency funds account for assets held by the District in a purely custodial capacity. Since Agency Funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activity funds are accounted for in accordance with the Accounting Procedures for Kentucky School Activity Funds (Redbook).
- (B) The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, such as scholarships.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means resources are expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned grant revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes

Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property within the School District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they were levied.

The property tax rates assessed for the year ended June 30, 2017, to finance operations were \$.445 per \$100 valuation for real property, \$.454 per \$100 valuation for business personal property and \$.454 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary (food service) fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2017 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items at June 30, 2017 consisted of property, workers' compensation, student accident, and performance bonds paid during the fiscal year ended June 30, 2017 that included coverage for periods beyond June 30, 2017.

Debt Costs

Unamortized discounts of \$43,384 and unamortized premiums of \$39,330 are included in the government-wide statements. Discounts and premiums are amortized over the lives of the related debt issues using the straight-line method.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. At its July, 2012 meeting, the Board approved a change to its Equipment and Assets policy in order to follow guidelines developed by the Kentucky Department of Education in its latest update on January 25, 2012. The new guidelines establish a capitalization threshold of \$5,000 for real or personal property. Larger thresholds apply to buildings and building improvements and leasehold improvements. Improvements to land and to buildings in excess of established thresholds are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental and business-type capital assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted the policy of providing at retirement a percentage of their accumulated unused sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments and the age and current pay rates of eligible employees.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid sick leave is the amount expected to be paid using expendable available resources. These amounts, when applicable, are recorded in the account "current portion of accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as liabilities in the fund financial statements until due.

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses or inventories) or are required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which, for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows the program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position includes all other net position that does not meet the definition of restricted or net investment in capital assets.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and day care fees. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System ("CERS") and Teachers' Retirement System of the State of Kentucky ("TRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Restricted Resources

When an expense is incurred for which there are both restricted and unrestricted net position available, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying required supplementary information. Encumbrances are considered a managerial assignment of fund balance at June 30, 2017.

Recent Accounting Pronouncements

In March, 2016, the GASB issued Statement No. 82, *Pension Issues* ("GASB 82"). GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements that arose during the implementation of GASB Statement No. 68. GASB 82 became effective for the District beginning with its year ended June 30, 2017.

In March, 2017, the GASB issued Statement No. 85, *Omnibus 2017* ("GASB 85"). GASB 85 addresses issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). GASB 85 will be effective for the District beginning with its year ending June 30, 2018.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Interfund transfers between funds of the same type are eliminated in the government-wide statements. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through November 9, 2017, the date the financial statements were available to be issued.

NOTE C – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Kentucky Revised Statutes authorize the Board to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or saving and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States Government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptance for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year-end, the carrying amount of the District's cash and cash equivalents was \$4,951,167. The bank balance was \$5,228,092. Of the bank balance, \$1,108,729 was covered by federal depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The remaining balance of \$4,119,363 was uninsured and collateralized with securities held by the pledging banks' agent, in the District's name.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2017

Note E - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>
Capital Assets:				
Land	\$ 263,559	\$ 0	\$ 0	\$ 263,559
Land improvements	783,478	0	0	783,478
Buildings and improvements	20,820,763	1,725,176	0	22,545,939
Technology equipment	1,059,379	232,519	436,228	855,670
Vehicles	2,251,798	186,022	45,828	2,391,992
General Equipment	503,320	19,267	15,533	507,054
Construction	1,585,920	139,256	1,725,176	0
Totals at historical cost	<u>27,268,217</u>	<u>2,302,240</u>	<u>2,222,765</u>	<u>27,347,692</u>
Less: Accumulated depreciation				
Land improvements	553,777	23,338	0	577,115
Buildings and improvements	7,013,006	497,112	0	7,510,118
Technology equipment	888,658	84,011	433,646	539,023
Vehicles	1,745,920	92,746	45,828	1,792,838
General Equipment	376,049	23,151	14,541	384,659
Total accumulated depreciation	<u>10,577,410</u>	<u>720,358</u>	<u>494,015</u>	<u>10,803,753</u>
Governmental Activities Capital Assets - Net	<u>\$ 16,690,807</u>	<u>\$ 1,581,882</u>	<u>\$ 1,728,750</u>	<u>\$ 16,543,939</u>
<u>Business-Type Activities</u>				
Capital Assets:				
Technology equipment	\$ 5,023	\$ 0	\$ 975	\$ 4,048
General Equipment	445,547	11,296	15,017	441,826
Totals at historical cost	<u>450,570</u>	<u>11,296</u>	<u>15,992</u>	<u>445,874</u>
Less: Accumulated depreciation				
Technology equipment	4,388	521	908	4,001
General Equipment	379,105	21,168	14,965	385,308
Total accumulated depreciation	<u>383,493</u>	<u>21,689</u>	<u>15,873</u>	<u>389,309</u>
Business-Type Activities Capital Assets - Net	<u>\$ 67,077</u>	<u>\$ (10,393)</u>	<u>\$ 119</u>	<u>\$ 56,565</u>

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 88,186
Student support services	3,673
Instructional staff support services	1,126
District administration	11,291
School administrative support	6,499
Business support	2,927
Plant operation and maintenance	521,523
Student transportation	84,792
Community services	341
Total depreciation expense	<u>\$ 720,358</u>

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE F – GENERAL LONG-TERM OBLIGATIONS

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make lease payments related to school building revenue bonds issued by the Livingston County School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Levy Fund is obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Livingston County School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises will become the property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security to the holders of the bonds.

Following is a schedule of obligations existing at June 30, 2017:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
June 1, 2009	June 1, 2019	2.000% - 3.000%	\$ 255,000
February 1, 2012	June 1, 2024	1.000% - 2.500%	4,825,000
December 11, 2012	December 1, 2032	3.500%	3,180,000
September 1, 2014	September 1, 2034	1.000%	1,540,000
			<u>\$ 9,800,000</u>

In 1987 the District entered into a "participation agreement" with the Kentucky School Facilities Construction Commission (the "Commission"). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly. Should approval not be received in future periods, the District remains obligated for the full amount of the bond principal and interest payments. Therefore, the liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

In February, 2012, the District issued bonds to advance refund a portion of the outstanding 2003 School Building Revenue bonds that were scheduled to mature on or after June 1, 2013 and a portion of the outstanding 2004 School Building Revenue bonds that were scheduled to mature on or after June 1, 2014. The defeased bonds were paid during a prior year. In the Statement of Net Position, the net costs associated with the early retirement of the issues are deferred and amortized over the lesser of the original remaining life of the old bonds or the life of the new bonds, which is thirteen years for the portion relating to the 2003 issue and twelve years for the portion relating to the 2004 issue. The amount deferred is reported as a deferred outflow of resources. Total deferred costs were \$706,741. Amortization for the year was \$54,343 and is included as a component of interest expense.

On December 11, 2012, the District issued \$3,180,000 in Qualified Zone Academy Bonds which are tax credit bonds pursuant to Section 54 of the Internal Revenue Code, to finance capital projects at Livingston County High School. The District and the Kentucky School Facility Construction Commission are required to make semi-annual sinking fund payments to be held in escrow at US Bank. Payments of \$127,111 were made in fiscal year 2017. The fair market value of this account at June 30, 2017 was \$532,389 which is equal to cost. Such payments will be held in trust and invested at an interest rate of 2.297% in accordance with the funding agreement. The final semi-annual payment is due December 1, 2032, at which time the bond will mature and the principal will be paid in full from the escrow account. The District is scheduled to receive a direct subsidy from the federal government on each interest payment date for its interest costs, although federal budget cuts have and could reduce interest payment received. The interest subsidy payments are included in interest expense on the financial statements. These payments are disclosed on the following page.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE F – GENERAL LONG-TERM OBLIGATIONS – CONTINUED

In September, 2014, the District issued \$1,600,000 in taxable Qualified Zone Academy bonds to finance capital projects at Livingston County Middle School. The District and the Kentucky School Facility Construction Commission are required to make semi-annual payments of principal and interest, with the final payment due September 1, 2034.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2017 for debt service (principal and interest) are as follows:

Year	Livingston County School District			Kentucky School Facility Construction Commission		
	Principal	Interest	Federal Subsidy	Principal	Interest	Total
2017-2018	\$ 363,109	\$ 168,402	\$ (111,300)	\$ 426,891	\$ 70,285	\$ 917,387
2018-2019	369,863	159,898	(111,300)	435,137	62,039	915,637
2019-2020	386,455	151,206	(111,300)	443,545	53,631	923,537
2020-2021	402,882	143,454	(111,300)	452,118	45,058	932,212
2021-2022	408,087	134,451	(111,300)	461,913	35,262	928,413
2022-2023	203,073	125,326	(111,300)	471,927	25,249	714,275
2023-2024	68,850	120,485	(111,300)	481,150	15,015	574,200
2024-2025	68,536	119,799	(111,300)	31,464	3,452	111,951
2025-2026	73,220	119,090	(111,300)	31,780	3,135	115,925
2026-2027	72,901	118,359	(111,300)	32,099	2,816	114,875
2027-2028	72,578	117,632	(111,300)	32,422	2,493	113,825
2028-2029	72,252	116,908	(111,300)	32,748	2,168	112,776
2029-2030	76,923	116,162	(111,300)	33,077	1,838	116,700
2030-2031	76,591	115,394	(111,300)	33,409	1,506	115,600
2031-2032	76,255	114,630	(111,300)	33,745	1,170	114,500
2032-2033	830,114	58,194	(55,650)	2,464,886	831	3,298,375
2033-2034	105,573	1,612	0	34,427	488	142,100
2034-2035	108,376	542	0	31,624	158	140,700
	<u>\$ 3,835,638</u>	<u>\$ 2,001,544</u>	<u>\$ (1,725,150)</u>	<u>\$ 5,964,362</u>	<u>\$ 326,594</u>	<u>\$ 10,402,988</u>

The District had an installment payment agreement with the Kentucky Department of Insurance to finance an assessment for workers compensation in the amount of \$110,305 and property and liability in the amount of \$119,952. The District agreed to pay 25% of the workers compensation assessment (\$27,576) and 40% of the property and liability assessment (\$47,981) by August 31, 2014 and September 15, 2014, respectively, and the remainder was paid in equal annual installments of \$77,350 over the following two fiscal years. The agreement did not bear interest. At June 30, 2017, the agreement had been paid in full.

Interest expense for fiscal year ended June 30, 2017 was \$308,035 including \$103,620 in federal subsidy payments on the 2012 Qualified Zone Academy Bonds.

A summary of changes in long-term debt is as follows:

Type	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Due Within One Year
Bonds payable	\$ 10,575,000	\$ 0	\$ 775,000	\$ 9,800,000	\$ 790,000
Less: Unamortized discounts	(47,547)	0	(4,163)	(43,384)	(4,163)
Unamortized premiums	44,949	0	5,619	39,330	5,619
KSBIT payable	77,349	0	77,349	0	0
Sick leave	131,034	75,246	48,092	158,188	0
Net pension liability	2,917,386	386,967	0	3,304,353	0
Totals	<u>\$ 13,698,171</u>	<u>\$ 462,213</u>	<u>\$ 901,897</u>	<u>\$ 13,258,487</u>	<u>\$ 791,456</u>

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE G – RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General Information About the County Employees Retirement System Non-Hazardous ("CERS")

Plan Descriptions - Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

The Kentucky Retirement Systems Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for members receiving benefits from CERS (as well as KERS and SPRS which are other plans administered by KRS). The insurance fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The amount of contribution paid by the Insurance Fund varies based on years of service.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained from <http://kyret.ky.gov/> or by writing or calling the plan.

Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, KY 40601-6124
(502) 564-4646

Benefits Provided - CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE G – RETIREMENT PLANS - CONTINUED

General Information About the County Employees Retirement System Non-Hazardous ("CERS") (Continued)

Benefits Provided (Continued) - Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions - Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

The employer contribution plan rate was 18.68% for the year ended June 30, 2017. The required contribution rate is made up of a portion that is attributed to the insurance fund and a portion attributed to the pension fund. The rate for the insurance fund is 4.73% and the rate for the pension fund is 13.95%.

General Information About the Teachers' Retirement System of the State of Kentucky ("TRS")

Plan Description - Teaching certified employees of the District and other employees whose position require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS) - a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information/>.

Benefits Provided - For members who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2) Complete 27 years of Kentucky service.

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE G – RETIREMENT PLANS – CONTINUED

General Information About the Teachers' Retirement System of the State of Kentucky ("TRS") (Continued)

Benefits Provided (Continued) - Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested members at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative members whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan Description - In addition to the pension benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Funding Policy - In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and three percent (3%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 3,838,299
Commonwealth's proportionate share of the TRS net pension liability associated with the District	<u>54,985,251</u>
	<u>\$ 58,823,550</u>

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE G – RETIREMENT PLANS – CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The net pension liability for each plan was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2016, the District's proportion was .077957% of the total liability of CERS and the Commonwealth's proportion of the total liability of TRS that is related to the District was .1864%.

For the year ended June 30, 2017, the District recognized pension expense of \$606,957 related to CERS and \$904,732 related to TRS. The District also recognized revenue of \$904,732 for TRS support provided by the Commonwealth. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Governmental</u>	<u>Business-Type</u>	<u>Governmental</u>	<u>Business-Type</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
Difference between expected and actual experience	\$ 14,426	\$ 2,331	\$ 0	\$ 0
Net difference between projected and actual investment earnings on pension plan investments	310,643	50,196	0	0
Change of assumptions	175,047	28,285	0	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	91,128	14,725	145	24
Pension contributions subsequent to the measurement date	245,146	39,614	0	0
Total	<u>\$ 836,390</u>	<u>\$ 135,151</u>	<u>\$ 145</u>	<u>\$ 24</u>

Deferred outflows of resources in governmental activities of \$245,146 and in business-type activities of \$39,614 related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
2018	\$ 246,306	\$ 39,512
2019	154,924	25,123
2020	120,857	19,726
2021	69,012	11,152

The net pension liability as of June 30, 2017 is based on the June 30, 2015 actuarial valuation. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Deferred outflows and inflows related to differences between expected and actual experience and change in assumptions are amortized over a period of 3.41 years.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>TRS</u>
Inflation	3.25%	3.50%
Projected salary increases, including inflation	4.0% average	4.0-8.2%
Investment rate of return, net of investment expense, including inflation	7.5%	7.50%

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE G – RETIREMENT PLANS – CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued) – For CERS, the actuarial valuation date upon which the total pension liability was based is June 30, 2015. An expected total pension liability is determined as of June 30, 2016 using standard roll forward techniques. The roll forward calculation adds the annual cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year then applies the expected investment rate of return for the year. The procedure was used to determine the total pension liability as of July 1, 2016.

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis was dated December 3, 2015. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

For TRS, the actuarial date upon which the total pension liability was based is June 30, 2015. The total pension liability from this valuation was determined using a discount rate of 4.20%, which was based on a municipal bond index rate as of that date equal to 3.01%. The total pension liability used last year was determined using a discount rate equal to 4.88%, which was based on a municipal bond index rate of 3.82%. These two amounts are rolled forward to June 30, 2016 using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the assumed interest rate (SEIR) for the year. The difference between the two roll-forward amounts as of June 30, 2016 is the gain or loss due to changes in assumptions and other inputs.

For TRS, the mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of one year for females. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010 adopted by the TRS Board on December 19, 2011. The results of the experience study for the period July 1, 2010 – June 30, 2015 will be reflected in the June 30, 2016 valuation and the June 30, 2017 GASB 67 report. The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE G – RETIREMENT PLANS – CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	<u>100.0%</u>	

Discount Rate - For CERS, the discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2117. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Cash Equivalent Long-Term Expected Real Rate of Return</u>
Combined Equity	44.0%	5.4%
Combined Fixed Income	19.0%	1.5%
Real Return (Diversified Inflation Strategies)	10.0%	3.5%
Real Estate	5.0%	4.5%
Absolute Return (Diversified Hedge Funds)	10.0%	4.25%
Private Equity	10.0%	8.5%
Cash Equivalent	2.0%	(.25)%
Total	<u>100.0%</u>	

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The long-term assumed investment rate of return and discount rate was based upon an analysis adopted by the Board of Trustees on December 3, 2015. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the actuarially determined contribution rate of projected compensation over the remaining 28 year amortization period of the unfunded actuarial accrued liability. Once the unfunded actuarial accrued liability is fully amortized, the employer will only contribute the normal cost rate and the administrative expense rate on the closed payroll for existing members.

For TRS, the discount rate used to measure the total pension liability was 4.2%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made at statutorily required rates, and the additional amounts appropriated for fiscal years 2017 and 2018. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01 percent was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE G – RETIREMENT PLANS – CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Sensitivity of CERS and TRS proportionate share of the net pension liability to changes in the discount rate - The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	\$4,783,150	\$3,838,299	\$3,028,385
TRs	3.20%	4.20%	5.20%
District's proportionate share of net pension liability	\$0	\$0	\$0

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and TRS.

NOTE H – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION

The Kentucky Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2017:

Contributions to Kentucky Teachers' Retirement System	\$ 904,732
Technology	50,080
SFCC Debt Service	594,164
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	<u>1,440,250</u>
Total	<u>\$ 2,989,226</u>

These payments are recorded in the General and Food Service Funds as revenues and expenditures. The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District.

On-behalf contributions were charged to functions as follows:

Instruction	\$ 1,640,325
Support services:	
Student	86,882
Instructional staff	87,499
District administration	37,045
School administration	122,851
Business	103,165
Plant operations and maintenance	87,841
Student transportation	176,902
Debt service	594,164
Food service	44,029
Day care service	<u>8,523</u>
Total	<u>\$ 2,989,226</u>

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE I – COMMITMENTS AND CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress of the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional burden to comply with a change.

NOTE J – INSURANCE AND RISK MANAGEMENT

The District is exposed to various risks of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated including workers' compensation insurance. Premiums for these policies are based upon the District's experience to date.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE K – COBRA

Under the *Consolidated Omnibus Reconciliation Act* ("COBRA"), employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

NOTE L – COMMITMENTS/SUBSEQUENT EVENTS

At its September, 2017 meeting, the Board accepted a bid proposal for HVAC repairs in the amount of \$76,252.

NOTE M – NET POSITION DEFICIT BALANCE:

The Food Service Fund has a deficit balance of \$36,193. Excluding the adjustment to net position for GASB 68 related to the net pension liability of \$335,631, food service has a net position of \$299,438. The Day Care Service Fund has a deficit balance of \$104,701. Excluding the adjustment to net position for GASB 68 related to the net pension liability of \$63,188, day care service has a deficit net position of \$(41,513). The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE N – TRANSFER OF FUNDS

Although each fund is its own distinct reporting entity, amounts may be transferred from one fund to another fund. The most common reasons for interfund transfers are for debt service payments and grant matching requirements. Interfund transfers are eliminated in the government-wide financial statements. The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	Technology Match	\$ 22,191
Operating	Capital Outlay	Debt Service	Debt Service	105,670
Operating	Building	Debt Service	Debt Service	457,413
Capital	Special Revenue	Food Service	Capital Grant	11,200

NOTE O – INTERFUND RECEIVABLES AND PAYABLES

Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the District arise generally from disbursements being made from a checking account that is used for the general fund, special revenue fund, capital projects funds, food service funds, and private purpose trust funds. When payments are made from the checking account, the amount reduces cash in the general fund, which may not have the legal liability for the expenditures; thus an interfund payable from the fund having the legal liability is established at such time, with a corresponding interfund receivable recorded in the general fund. Typically, interfund receivables and payables are resolved monthly; however, certain balances remained at June 30, 2017, which consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Special Revenue Fund	\$ 274,023	\$ 0
Agency Fund	6,415	0
Special Revenue Fund:		
General Fund	0	274,023
Agency Fund:		
General Fund	0	6,415
Food Service Fund:		
Day Care Fund	59,407	0
Day Care Fund		
Food Service Fund	0	59,407

NOTE P – PRIOR PERIOD ADJUSTMENT

In the prior year, cash in a bond sinking fund was incorrectly included on the debt service fund balance sheet. Since it is not available to finance expenditures of the current period, it should have been excluded from the fund financial statements, and then added to the government-wide financial statements. The adjustment to the beginning fund balance in the debt service fund was as follows:

Fund Balance, Beginning of Year, as Originally Stated	\$ 394,696
Adjustment to remove cash in sinking fund	(394,693)
Fund Balance, Beginning of Year, as Re-stated	<u>\$ 3</u>

REQUIRED SUPPLEMENTARY INFORMATION

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 2,245,000	\$ 2,245,000	\$ 2,980,313	\$ 735,313
Motor Vehicle	625,000	625,000	759,758	134,758
Utilities	500,000	500,000	581,430	81,430
In Lieu of	1,000,000	1,000,000	1,293,601	293,601
Tuition	1,400	8,330	8,330	0
Earnings on Investments	0	0	8,940	8,940
Other local revenues	0	0	158,312	158,312
Intergovernmental - State	3,356,025	3,356,025	5,589,688	2,233,663
Intergovernmental - indirect federal	10,000	10,000	16,231	6,231
TOTAL REVENUES	7,737,425	7,744,355	11,396,603	3,652,248
EXPENDITURES:				
Current:				
Instruction	4,217,081	4,012,527	5,628,735	(1,616,208)
Support Services:				
Student	408,635	408,820	475,470	(66,650)
Instructional Staff	662,255	527,310	471,200	56,110
District Administration	955,819	956,319	646,566	309,753
School Administration	714,495	800,275	933,454	(133,179)
Business	229,745	232,395	317,272	(84,877)
Plant operations and maintenance	2,548,094	2,781,707	1,161,184	1,620,523
Student transportation	1,191,675	1,281,675	1,196,659	85,016
Contingency	250,000	250,000	0	250,000
TOTAL EXPENDITURES	11,177,799	11,251,028	10,830,540	420,488
Excess (deficit) of revenues over expenditures	(3,440,374)	(3,506,673)	566,063	4,072,736
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(25,350)	(25,350)	(22,191)	3,159
TOTAL OTHER FINANCING SOURCES (USES)	(25,350)	(25,350)	(22,191)	3,159
Net Change in Fund Balance	(3,465,724)	(3,532,023)	543,872	4,075,895
Fund Balance, July 1, 2016	3,465,724	3,532,023	3,532,022	(1)
Fund Balance, June 30, 2017	\$ 0	\$ 0	\$ 4,075,894	\$ 4,075,894

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of \$2,342,510 from the state are included in both revenues and expenditures in the actual column;
however, this amount was not required to be included in the budget.

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Earnings on Investments	\$ 0	\$ 0	\$ 75	\$ 75
Other local revenues	16,550	73,332	93,222	19,890
Intergovernmental - State	625,882	807,122	752,312	(54,810)
Intergovernmental - Indirect federal	665,866	1,310,819	1,524,275	213,456
TOTAL REVENUES	<u>1,308,298</u>	<u>2,191,273</u>	<u>2,369,884</u>	<u>178,611</u>
EXPENDITURES:				
Current:				
Instruction	1,226,462	2,065,430	2,211,550	(146,120)
Support Services:				
Student transportation	30,159	71,007	92,298	(21,291)
Community service activities	77,027	77,027	77,027	0
TOTAL EXPENDITURES	<u>1,333,648</u>	<u>2,213,464</u>	<u>2,380,875</u>	<u>(167,411)</u>
Excess (deficit) of revenues over expenditures	<u>(25,350)</u>	<u>(22,191)</u>	<u>(10,991)</u>	<u>11,200</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	25,350	22,191	22,191	0
Operating transfers out	0	0	(11,200)	(11,200)
TOTAL OTHER FINANCING SOURCES (USES)	<u>25,350</u>	<u>22,191</u>	<u>10,991</u>	<u>(11,200)</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance, July 1, 2016	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30, 2017	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See independent auditor's report and accompanying notes to financial statements

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)
LAST THREE FISCAL YEARS***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.077957%	0.077963%	0.071141%
District's proportionate share of the net pension liability	\$ 3,838,299	\$ 3,352,046	\$ 2,308,070
District's covered payroll	\$ 1,893,178	\$ 1,749,365	\$ 1,628,396
District's proportionate share of the net pension liability as a percentage of its covered payroll	202.74%	191.62%	141.74%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	59.97%	66.80%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

The total pension liability was determined by applying procedures to the actuarial valuation as of June 30, 2015. The financial reporting actuarial valuation used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

Valuation date:	6/30/2015
Experience study:	July 1, 2008 - June 30, 2013
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll, closed
Remaining amortization period:	28 years
Asset valuation method:	5-year smoothed market
Inflation:	3.25%
Salary increase:	4.0%, average, including inflation
Investment rate of return:	7.5%, net of pension plan investment expense, including inflation

NOTE: This schedule is based on the last measurement date of the net pension liability.

See Notes to Financial Statements

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS)
LAST THREE FISCAL YEARS***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0%	0%	0%
District's proportionate share of the net pension liability	\$ 0	\$ 0	\$ 0
Commonwealth's proportion of the net pension liability	0.186400%	0.185500%	0.182100%
Commonwealth's proportionate share of the net pension liability associated with the District	54,985,251	\$ 43,157,334	\$ 37,415,517
District's covered payroll	\$ 6,015,123	\$ 5,839,750	\$ 5,701,147
District's proportionate share of the net pension liability	0%	0%	0%
Commonwealth's proportionate share of the net pension liability as a percentage of District's covered payroll	914.12%	739.03%	656.28%
Plan fiduciary net position as a percentage of the total pension liability	35.22%	42.49%	45.59%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported (as of June 30, 2013 for the fiscal year 2016 contributions). The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Valuation date:	6/30/2015
Experience study:	July 1, 2005 - June 30, 2010
Actuarial cost method:	Entry age
Amortization method:	Level percent of pay, open
Remaining amortization period:	30 years
Asset valuation method:	5-year smoothed market
Inflation:	3.50%
Salary increase:	4.0 - 8.2%, including wage inflation at 4.0%
Investment rate of return:	7.5%, net of pension plan investment expense, including price inflation at 3.5%
Municipal Bond Index Rate	3.01%
Single Equivalent Interest Rate	4.20%

See Notes to Financial Statements

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)
LAST TEN FISCAL YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 284,760	\$ 235,439	\$ 223,898
Contributions in relation to the contractually required contribution	<u>284,760</u>	<u>235,439</u>	<u>223,898</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered payroll	\$ 2,044,242	\$ 1,893,178	\$ 1,749,365
Contributions as a percentage of covered payroll	13.93%	12.44%	12.80%

* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

Changes of Benefit Terms:

None

Changes of Assumptions:

The following changes were adopted by the Board and reflected in the valuation performed as of June 30, 2015 listed below:

The assumed investment rate of return was decreased from 7.75% to 7.5%.

The assumed rate of inflation was reduced from 3.5% to 3.25%.

The assumed rate of wage inflation was reduced from 1% to .75%.

Payroll growth assumption was reduced from 4.5% to 4%.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (setback four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

See Notes to Financial Statements

2014	2013	2012	2011	2010	2009	2008
\$ 223,742	\$ 311,548	\$ 348,520	\$ 305,156	\$ 283,970	\$ 232,038	\$ 235,334
<u>223,742</u>	<u>311,548</u>	<u>348,520</u>	<u>305,156</u>	<u>283,970</u>	<u>232,038</u>	<u>235,334</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 1,628,396	\$ 1,593,595	\$ 1,845,419	\$ 1,806,793	\$ 1,757,235	\$ 1,710,926	\$ 1,455,370
13.74%	19.55%	18.89%	16.89%	16.16%	13.56%	16.17%

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS)
LAST TEN FISCAL YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 973,322	\$ 974,342	\$ 953,302
District's contributions in relation to the contractually required contribution - federal programs	68,590	81,791	71,595
Commonwealth's contributions in relation to the contractually required contribution	<u>904,732</u>	<u>892,551</u>	<u>881,707</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered payroll	\$ 5,651,737	\$ 6,080,678	\$ 5,839,750
Contributions as a percentage of District's covered payroll	17.22%	16.02%	16.32%

* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

Changes of Benefit Terms:

None

Changes of Assumptions:

In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions. Beginning with the 2014 valuation, the interest smoothing methodology is no longer used.

See Notes to Financial Statements

2014	2013	2012	2011	2010	2009	2008
\$ 765,256	\$ 749,276	\$ 786,584	\$ 788,407	\$ 799,360	\$ 778,705	\$ 803,429
65,870	79,911	62,464	44,640	50,089	66,643	83,665
<u>699,386</u>	<u>669,365</u>	<u>724,120</u>	<u>743,767</u>	<u>749,271</u>	<u>712,062</u>	<u>719,764</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 5,701,147	\$ 5,633,313	\$ 5,932,093	\$ 6,051,418	\$ 6,068,496	\$ 5,933,976	\$ 6,119,226
13.42%	13.30%	13.26%	13.03%	13.17%	13.12%	13.13%

OTHER SUPPLEMENTARY INFORMATION

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	<u>FSPK Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS AND RESOURCES:					
Cash and cash equivalents	<u>\$ 209,478</u>	<u>\$ 0</u>	<u>\$ 121,151</u>	<u>\$ 87</u>	<u>\$ 330,716</u>
TOTAL ASSETS AND RESOURCES	<u><u>\$ 209,478</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 121,151</u></u>	<u><u>\$ 87</u></u>	<u><u>\$ 330,716</u></u>
LIABILITIES AND FUND BALANCE:					
LIABILITIES:					
Accounts payable	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EQUITY AND FUND BALANCES:					
Restricted:					
KSFCC escrow	209,478	0	0	0	209,478
Construction projects	0	0	121,151	0	121,151
Debt service	<u>0</u>	<u>0</u>	<u>0</u>	<u>87</u>	<u>87</u>
TOTAL FUND BALANCES	<u>209,478</u>	<u>0</u>	<u>121,151</u>	<u>87</u>	<u>330,716</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 209,478</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 121,151</u></u>	<u><u>\$ 87</u></u>	<u><u>\$ 330,716</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	FSPK Fund	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:					
From Local Sources:					
Taxes:					
Property	\$ 416,124	\$ 0	\$ 0	\$ 0	\$ 416,124
Earnings on Investments	0	0	282	86	368
Intergovernmental - State	0	105,670	0	594,164	699,834
Intergovernmental - Direct federal	103,620	0	0	0	103,620
TOTAL REVENUES	<u>519,744</u>	<u>105,670</u>	<u>282</u>	<u>594,250</u>	<u>1,219,946</u>
EXPENDITURES:					
Facilities acquisition and construction	0	0	139,256	0	139,256
Debt service	0	0	0	1,157,249	1,157,249
TOTAL EXPENDITURES	<u>0</u>	<u>0</u>	<u>139,256</u>	<u>1,157,249</u>	<u>1,296,505</u>
Excess (deficit) of revenues over expenditures	<u>519,744</u>	<u>105,670</u>	<u>(138,974)</u>	<u>(562,999)</u>	<u>(76,559)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	0	0	0	563,083	563,083
Operating transfers out	(457,413)	(105,670)	0	0	(563,083)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(457,413)</u>	<u>(105,670)</u>	<u>0</u>	<u>563,083</u>	<u>0</u>
Net Change in Fund Balance	62,331	0	(138,974)	84	(76,559)
Fund Balance, July 1, 2016	147,147	0	260,125	394,696	801,968
Prior Period Adjustment - Note P	0	0	0	(394,693)	(394,693)
Fund Balance, June 30, 2017	<u>\$ 209,478</u>	<u>\$ 0</u>	<u>\$ 121,151</u>	<u>\$ 87</u>	<u>\$ 330,716</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
DEBT SERVICE FUNDS
For the Year Ended June 30, 2017

	2009R BONDS FUND	2012R BONDS FUND	2012Q BONDS FUND	2014Q BONDS FUND	Totals Debt service Fund
REVENUES:					
From local sources:					
Earnings on investments	\$ 22	\$ 50	\$ 14	\$ 0	\$ 86
Intergovernmental - State	0	462,261	96,989	34,914	594,164
TOTAL REVENUES	22	462,311	97,003	34,914	594,250
EXPENDITURES:					
Debt Service:					
Principal	125,000	620,000	127,111	30,000	902,111
Interest	11,400	116,888	111,300	15,550	255,138
TOTAL EXPENDITURES	136,400	736,888	238,411	45,550	1,157,249
Excess (deficit) of revenues over expenditures	(136,378)	(274,577)	(141,408)	(10,636)	(562,999)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	136,400	274,625	141,422	10,636	563,083
TOTAL OTHER FINANCING SOURCES (USES)	136,400	274,625	141,422	10,636	563,083
Net Change in Fund Balance	22	48	14	0	84
Fund balance July 1, 2016	1	1	394,694	0	394,696
Prior period adjustment - Note P	0	0	(394,693)	0	(394,693)
Fund balance June 30, 2017	\$ 23	\$ 49	\$ 15	\$ 0	\$ 87

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET--SCHOOL ACTIVITY FUNDS
June 30, 2017

	North Livingston Elementary	South Livingston Elementary	Livingston County Middle School	Livingston Central High School	Totals (Memorandum Only)
ASSETS:					
Cash and cash equivalents	\$ 6,232	\$ 47,913	\$ 28,340	\$ 67,917	\$ 150,402
TOTAL ASSETS	\$ 6,232	\$ 47,913	\$ 28,340	\$ 67,917	\$ 150,402
LIABILITIES:					
Accounts Payable	\$ 3,523	\$ 129	\$ 184	\$ 351	\$ 4,187
Due to Board	0	0	360	6,055	6,415
Due to Student Groups	2,709	47,784	27,796	61,511	139,800
TOTAL LIABILITIES	\$ 6,232	\$ 47,913	\$ 28,340	\$ 67,917	\$ 150,402
NET POSITION HELD IN TRUST	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN DUE TO STUDENT GROUPS**
SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2017

	North Livingston Elementary	South Livingston Elementary	Livingston County Middle School	Livingston County High School	Totals (Memorandum only)
REVENUES:					
From local sources:					
Earnings on Investments	\$ 8	\$ 0	\$ 0	\$ 122	\$ 130
Student activities	15,118	48,715	41,601	202,744	308,178
Total Revenues	15,126	48,715	41,601	202,866	308,308
EXPENDITURES					
Student Activities	18,036	47,366	37,766	206,901	310,069
Total expenditures	18,036	47,366	37,766	206,901	310,069
Net Change in Due to Student Groups	(2,910)	1,349	3,835	(4,035)	(1,761)
Due to student groups, July 1, 2016	5,619	46,435	23,961	65,546	141,561
Due to student groups, June 30, 2017	<u>\$ 2,709</u>	<u>\$ 47,784</u>	<u>\$ 27,796</u>	<u>\$ 61,511</u>	<u>\$ 139,800</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS & DUE TO STUDENT GROUPS
LIVINGSTON CENTRAL HIGH SCHOOL
For the Year Ended June 30, 2017

	Cash Balance July 1, 2016	Cash Receipts	Cash Disbursements
District Tournament	\$ 36.12	\$ 0.00	\$ 36.12
Volleyball	323.60	6,862.31	7,037.84
Cardinal Café	749.00	458.10	289.15
General Fund	938.07	60,957.20	60,586.06
PP School Store	195.35	0.00	191.77
Student Emergency	431.96	115.00	0.00
Class "A" Girls Tournament	499.27	0.00	499.27
Friends of Rachel	68.00	0.00	68.00
Textbook	9,605.56	4,440.00	863.44
Library Club	58.00	0.00	0.00
Student Incentives	26.90	55.00	0.00
Donations	1.57	5,350.00	4,776.24
Staff Account	192.28	345.69	497.74
LFE	370.00	0.00	370.00
Cell phones & hats	64.00	176.00	16.29
Art Club	801.08	1,101.40	1,022.95
Beta Club	2,687.55	480.00	207.45
FBLA	4,055.28	13,063.35	13,303.58
FCA	1,016.74	252.00	107.53
FCCLA	391.00	0.00	391.00
FFA	3,900.56	18,999.62	18,274.99
Science Club	1,799.23	1,267.90	1,477.96
TLC	2,675.34	545.00	233.72
Spirit Club	824.77	900.00	903.00
Student Council	1,526.21	890.00	1,798.32
Skills USA	0.57	75.00	0.00
Spanish Club	1,088.88	1,191.45	1,079.90
Choir & Music	357.76	54.00	160.70
Drama	56.80	60.00	0.00
Photography Club	1,167.80	851.00	407.40
STLP	537.33	770.00	465.23
Diesel Mechanics	337.91	0.00	330.00
Family & Consumer Science	740.99	391.00	0.00
Signs	1,251.20	477.00	124.31
Math	1,151.34	1,672.00	2,106.90
Technology Education	2,296.14	350.00	710.00
LCHS Sportsman Club	598.30	0.00	0.00
Welding	215.22	0.00	215.22
Chess Club	0.00	70.00	0.00
Athletics	2,192.33	33,689.39	34,704.89
Golf	675.00	2,665.00	2,813.11
Cheerleaders	122.43	31.67	0.00
Special Olympics	1,301.26	1,194.00	1,516.04
Yearbook	16,452.35	13,720.00	22,202.52
Concessions	427.41	14,371.82	11,265.65
Baseball	127.00	5,710.24	5,837.24
Archery	0.00	4,723.85	2,116.74
Track & Field	0.00	325.00	145.09
Scholarship Account	100.00	0.00	100.00
Boys Basketball	1.87	1,600.00	1,600.00
Boys Basketball 2	26.95	0.00	0.00
Cross Country	1,617.02	450.00	1,662.55
Girls Basketball	628.12	0.00	0.00
Class of 2016	336.09	0.00	336.09
Class of 2017	3,845.66	0.00	3,832.08
Class of 2018	0.00	6,811.96	3,803.45
Subtotal	70,891.17	207,512.95	210,487.53
Less: Interfund Transfers	0.00	4,647.27	4,647.27
Total	\$ 70,891.17	\$ 202,865.68	\$ 205,840.26

See independent auditor's report and accompanying notes to financial statements

	Cash Balance June 30, 2017	Accounts Receivable	Accounts Payable	Due to June 30, 2017
District Tournament	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Volleyball	148.07	0.00	0.00	148.07
Cardinal Café	917.95	0.00	0.00	917.95
General Fund	1,309.21	0.00	0.00	1,309.21
PP School Store	3.58	0.00	0.00	3.58
Student Emergency	546.96	0.00	115.14	431.82
Class "A" Girls Tournament	0.00	0.00	0.00	0.00
Friends of Rachel	0.00	0.00	0.00	0.00
Textbook	13,182.12	0.00	0.00	13,182.12
Library Club	58.00	0.00	0.00	58.00
Student Incentives	81.90	0.00	0.00	81.90
Donations	575.33	0.00	0.00	575.33
Staff Account	40.23	0.00	0.00	40.23
LFE	0.00	0.00	0.00	0.00
Cell phones & hats	223.71	0.00	0.00	223.71
Art Club	879.53	0.00	0.00	879.53
Beta Club	2,960.10	0.00	208.92	2,751.18
FBLA	3,815.05	0.00	1,158.00	2,657.05
FCA	1,161.21	0.00	0.00	1,161.21
FCCLA	0.00	0.00	0.00	0.00
FFA	4,625.19	0.00	0.00	4,625.19
Science Club	1,589.17	0.00	474.22	1,114.95
TLC	2,986.62	0.00	0.00	2,986.62
Spirit Club	821.77	0.00	0.00	821.77
Student Council	617.89	0.00	0.00	617.89
Skills USA	75.57	0.00	0.00	75.57
Spanish Club	1,200.43	0.00	0.00	1,200.43
Choir & Music	251.06	0.00	0.00	251.06
Drama	116.80	0.00	0.00	116.80
Photography Club	1,611.40	0.00	0.00	1,611.40
STLP	842.10	0.00	0.00	842.10
Diesel Mechanics	7.91	0.00	0.00	7.91
Family & Consumer Science	1,131.99	0.00	0.00	1,131.99
Signs	1,603.89	0.00	0.00	1,603.89
Math	716.44	0.00	237.53	478.91
Technology Education	1,936.14	0.00	0.00	1,936.14
LCHS Sportsman Club	598.30	0.00	0.00	598.30
Welding	0.00	0.00	0.00	0.00
Chess Club	70.00	0.00	0.00	70.00
Athletics	1,176.83	0.00	954.00	222.83
Golf	526.89	0.00	0.00	526.89
Cheerleaders	154.10	0.00	0.00	154.10
Special Olympics	979.22	0.00	107.16	872.06
Yearbook	7,969.83	0.00	0.00	7,969.83
Concessions	3,533.58	0.00	3,137.94	395.64
Baseball	0.00	0.00	0.00	0.00
Archery	2,607.11	0.00	0.00	2,607.11
Track & Field	179.91	0.00	0.00	179.91
Scholarship Account	0.00	0.00	0.00	0.00
Boys Basketball	1.87	0.00	0.00	1.87
Boys Basketball 2	26.95	0.00	0.00	26.95
Cross Country	404.47	0.00	0.00	404.47
Girls Basketball	628.12	0.00	0.00	628.12
Class of 2016	0.00	0.00	0.00	0.00
Class of 2017	13.58	0.00	13.58	(0.00)
Class of 2018	3,008.51	0.00	0.00	3,008.51
Subtotal	67,916.59	0.00	6,406.49	61,510.10
Less: Interfund Transfers	0.00	0.00	0.00	0.00
Total	\$ 67,916.59	\$ 0.00	\$ 6,406.49	\$ 61,510.10

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION-ALL PRIVATE PURPOSE TRUST FUNDS
June 30, 2017

	Dallas & Emma Maxfield	Mamie T. Ferguson	William F. Miller	Ashley Boone
ASSETS:				
Cash and cash equivalents	<u>\$ 64,384</u>	<u>\$ 14</u>	<u>\$ 0</u>	<u>\$ 410</u>
TOTAL ASSETS	<u><u>\$ 64,384</u></u>	<u><u>\$ 14</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 410</u></u>
NET POSITION HELD IN TRUST	<u><u>\$ 64,384</u></u>	<u><u>\$ 14</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 410</u></u>

See independent auditor's report and accompanying notes to financial statements

George & Opal Pullen	Robert & Margaret Shelby	Lillian Boswell	Ledbetter SBDM	Totals (Memorandum Only)
<u>\$ 17,578</u>	<u>\$ 50,235</u>	<u>\$ 3,495</u>	<u>\$ (166)</u>	<u>\$ 135,950</u>
<u><u>\$ 17,578</u></u>	<u><u>\$ 50,235</u></u>	<u><u>\$ 3,495</u></u>	<u><u>\$ (166)</u></u>	<u><u>\$ 135,950</u></u>
<u><u>\$ 17,578</u></u>	<u><u>\$ 50,235</u></u>	<u><u>\$ 3,495</u></u>	<u><u>\$ (166)</u></u>	<u><u>\$ 135,950</u></u>

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION HELD IN TRUST
ALL PRIVATE PURPOSE TRUST FUNDS
For the Year Ended June 30, 2017

	Dallas & Emma Maxfield	Mamie T. Ferguson	William F. Miller	Ashley Boone
REVENUES:				
From local sources:				
Earnings on Investments	\$ 443	\$ 0	\$ 0	\$ 0
Total Revenues	443	0	0	0
EXPENDITURES				
Scholarships paid	1,000	0	360	0
Total expenditures	1,000	0	360	0
Change in Position Held in Trust	(557)	0	(360)	0
Net Position Held in Trust at July 1, 2016	64,941	14	360	410
Net Position Held in Trust at June 30, 2017	<u>\$ 64,384</u>	<u>\$ 14</u>	<u>\$ 0</u>	<u>\$ 410</u>

See independent auditor's report and accompanying notes to financial statements

George & Opal Pullen	Robert & Margaret Shelby	Lillian Boswell	Ledbetter SBDM	Totals (Memorandum Only)
<u>\$ 122</u>	<u>\$ 370</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 935</u>
<u>122</u>	<u>370</u>	<u>0</u>	<u>0</u>	<u>935</u>
<u>250</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,610</u>
<u>250</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,610</u>
(128)	370	0	0	(675)
17,706	49,865	3,495	(166)	136,625
<u>\$ 17,578</u>	<u>\$ 50,235</u>	<u>\$ 3,495</u>	<u>\$ (166)</u>	<u>\$ 135,950</u>

LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Department of Education:</u>				
Passed Through State Dept. of Education:				
Special Education Grants to States	84.027	3810002-16	\$ 0	\$ 261,191
Special Education Preschool Grants	84.173	3800002-16	0	16,509
Total Special Education Cluster			0	277,700
Title I Grants to Local Educational Agencies	84.010	3100002-16 & 15	0	280,319
Supporting Effective Instruction State Grants	84.367	3230002-16	0	67,894
Rural Education	84.358	3140002-16, 15 & 14	0	67,934
Career and Technical Education Basic Grants to States	84.048	3710002-16 & 15, 3710006-16	0	11,377
Twenty-First Century Community Learning Centers	84.287	3400002-15 & 14	0	720,856
School Improvement Grants	84.377	3100302-13	0	98,264
TOTAL U.S. DEPARTMENT OF EDUCATION			0	1,524,344
<u>U.S. Department of Agriculture:</u>				
Passed through State Dept. of Education:				
National School Lunch Program - cash	10.555	7750002-17 & 16	0	511,656
National School Lunch Program - donated foods (Note B)	10.555	N/A	0	40,340
Summer Food Service Program for Children	10.559	7690024-17 & 7740023-17	0	8,983
School Breakfast Program	10.553	7760005-17 & 16	0	240,575
Total Child Nutrition Cluster			0	801,554
Child and Adult Care Food Program	10.558	7790021-17 & 7800016-17	0	3,108
TOTAL U.S. DEPARTMENT OF AGRICULTURE			0	804,662
TOTAL FEDERAL ASSISTANCE			\$ 0	\$ 2,329,006

See accompanying notes to schedule
of expenditures of federal awards

LIVINGSTON COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Livingston County School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Livingston County School District, it is not intended to and does not present the financial position or changes in financial position of the Livingston County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.
- (2) The Livingston County School District did not elect to use the 10% *de minimus* indirect cost rate as allowed under the Uniform Guidance.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2017 is combined with purchased food inventory. The pass-through number for the commodities program was not available for the Schedule of Expenditures of Federal Awards.

NOTE D – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS

The following is a reconciliation of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 13 of the audit report and in the statement of revenues, expenses, and changes in net position – proprietary funds on page 16 of the audit report:

Total intergovernmental – indirect federal from page 13	\$ 1,540,506
Total federal grants from page 16	764,322
Donated commodities from page 16	40,339
Reimbursements coded as negative expenditures	70
Less: Medicaid funds received	<u>(16,231)</u>
Total on page 55	<u>\$ 2,329,006</u>

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Livingston County School District
Smithland, Kentucky

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, Audit Report, and Management Letter Comments Spreadsheet*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Livingston County School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Livingston County School District's basic financial statements, and have issued my report thereon dated November 9, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Livingston County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Livingston County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Livingston County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Livingston County School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Kentucky Public School District's Independent Auditor's Contract*.

I noted certain matters that I reported to management of the Livingston County School District in a separate letter dated November 9, 2017.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky
November 9, 2017

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Kentucky State Committee for School District Audits
and Members of the Board of Education
Livingston County School District
Smithland, Kentucky

Report on Compliance for Each Major Federal Program

I have audited the Livingston County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Livingston County School District's major federal programs for the year ended June 30, 2017. Livingston County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Livingston County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, Audit Report, and Management Letter Comments Spreadsheet*. Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Livingston County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Livingston County School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Livingston County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Livingston County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Livingston County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Livingston County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Benton, Kentucky
November 9, 2017

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017**

I. SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of the Livingston County School District.
2. No material weaknesses or significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Livingston County School District were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal control over the major federal award program were disclosed during the audit.
5. The auditor's report on compliance for the major federal award program for Livingston County School District expresses an unmodified opinion on the major federal program.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The program tested as a major program included:

Name of Federal Program or Cluster

Twenty-First Century Community Learning Centers

CFDA Number

84.287

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Livingston County School District was determined to be a low-risk auditee.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the current year required to be reported in this schedule.

III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the current year required to be reported in this schedule.

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2017**

I. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the prior year required to be reported in this schedule.

II. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the prior year required to be reported in this schedule.

MANAGEMENT LETTER POINTS

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KIM HAM
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Kentucky State Committee for School District Audits
and Members of the Board of Education of
Livingston County School District
Smithland, Kentucky

I have audited the financial statements of the Livingston County School District for the year ended June 30, 2017, and have issued my report thereon dated November 9, 2017. In planning and performing my audit of the financial statements of Livingston County School District, I considered the District's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. These comments and recommendations have been discussed with the appropriate members of management and are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. These comments are summarized on the following pages.

This report is intended solely for the Board, management, and others within the organization as deemed appropriate.

Respectfully,



Benton, Kentucky
November 9, 2017

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**

June 30, 2017

UNCORRECTED PRIOR YEAR COMMENTS

North Livingston Elementary School Activity Fund

In a random sample of cash receipts in the previous two years, we noted that the multiple receipt forms for several cash receipt tickets were not properly completed. Some of the forms did not have the signature of the person remitting the funds and one had no signatures. Other receipts did not have any supporting documentation. In the current year, we again noted several exceptions to cash receipts internal control procedures, as noted in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

In a random sample of cash disbursements in the prior year, we noted four disbursements for which the purchase orders were either not dated or were dated after the date of the purchase, thirteen purchase orders that had no signatures indicating approval, and seven disbursements for which there were no purchase orders in the file. In the current year, we again noted several exceptions to cash disbursements internal control procedures, as noted in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

Livingston County Middle School Activity Fund

In a random sample of cash receipts in the prior year, we noted three multiple receipt forms that were not signed by the person remitting the funds to the treasurer. There were also two multiple receipt forms on which the lines where students should sign were all in the same handwriting indicating one person completed the form instead of having students sign the form. Another multiple receipt form listed a total, but the amounts listed on the sheets were short of the total by \$33. In the current year, we again noted several multiple receipt forms that were not properly signed, others that students did not sign the forms, and one where the amounts did not add up to the total that was deposited, as noted in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

Also in the prior year, we examined all F-SA-1 forms for ticket sales and none were properly completed. Out of eleven home games, we noted eight that only had a dollar amount listed, with no calculations based on ticket numbers. Of those, two were not signed by the person in charge of sales, two were only signed by the person in charge of sales, and four were only signed by the school treasurer. Three other forms had no dollar amounts listed, including no amount per ticket, and no signatures. In the current year, we again noted that F-SA-1 forms are not properly completed, as noted in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

In a random sample of 50 cash disbursements in the prior year, there were three standard invoices that were not signed by anyone and three that were not signed by the vendor. In the current year, we again noted several standard invoices that were not signed, as noted in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

Livingston Central High School Activity Fund

In a random sample of 60 cash receipts in the prior year, we could not locate supporting documentation for 24 of them, such as multiple receipt forms or copies of checks received. We also noted that three multiple receipt forms were not signed by the person remitting money to the treasurer and one concession slip was not signed. In the current year, we again noted that supporting documentation could not be located for several cash receipts and some forms were not signed, as noted in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**

June 30, 2017

UNCORRECTED PRIOR YEAR COMMENTS (Continued)

Livingston Central High School Activity Fund (Continued)

Also in the prior year, the inventory control worksheet that was tested was not correctly calculated and would have shown a shortage of over \$600 if the calculations had been correct. In the current year, the worksheet that was tested was again not correct, as noted in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

In a random sample of 60 cash disbursements in the prior year, we noted two purchase orders that were not dated, one standard invoice that was not signed by the vendor, and one disbursement with no invoice. We also noted a credit card bill that listed a prior unpaid balance of \$96.30, for which there was no supporting documentation, and a finance charge of \$8.92. On four other credit card bills that were paid, we noted two charges included sales tax of \$30.25, four charges were not documented by purchase orders, one charge for which the purchase order did not list an amount that was approved, and two charges for which there were no detailed receipts. In the current year, we again noted some disbursements for which supporting documentation was either not located or not properly completed and sales tax paid on some disbursements, as noted in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

CORRECTED PRIOR YEAR COMMENTS

District Central Office

In the prior year, we noted that no technology fixed asset retirement sheets were included in the notebook that contained fixed asset activity. In the current year, we did examine a sample of fixed asset retirement sheets, noting the tag number, retirement date, cost, and initials of the supervisor who authorized the retirement of the asset and we were able to trace those to the retirement from the MUNIS system.

Also in the prior year, we noted that for one hourly employee included in our test, no documentation was available to support all of the hours for which the employee was paid. In the current year test of payroll, we noted proper documentation to support the hours included on paychecks for employees.

North Livingston Elementary School Activity Fund

In the prior year, we noted a late fee and a finance charge was included on one credit card payment and three credit card disbursements that did not have detailed receipts for some of the amounts charged. In the current year test of disbursements, we did not note late fees or finance charges and credit card charges were supported by detailed receipts.

Also in the prior year, we noted a payment for travel that had not been pre-approved. In the current year, we noted pre-approval for travel disbursements.

In the prior year, we also noted one disbursement that was not supported by an invoice or a standard invoice. In the current year, all items tested were supported by either a vendor's invoice or a standard invoice, as appropriate.

South Livingston Elementary School Activity Fund

In a random sample of cash disbursements in the prior year, we noted one payment that should have been supported by a vendor's invoice instead of a standard invoice and four credit card charges for which there were no detailed receipts. In the current year, we noted appropriate supporting documentation for all disbursements tested, including detailed receipts for credit card charges.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**

June 30, 2017

CORRECTED PRIOR YEAR COMMENTS (Continued)

Livingston County Middle School Activity Fund

In the prior year, we noted that the financial report ending cash on hand was negative because of mistakes made in posting journal entries during the year. The ending total cash balance did not reconcile with the bank. In the current year, the mistakes were corrected and the ending cash was accurate.

In the prior year, we noted that of the four transfers made, two transfer forms could not be located and the other two had no number and no sponsor signature. One of the forms listed a different transferring activity than the one that it was posted to in the accounting system. In the current year, forms were present for all transfers, they were properly signed, and were posted to the same activity account as listed on the form.

Also in the prior year, the inventory control worksheet that was tested was not properly completed. The sheet listed a beginning inventory; however, the previous sheet did not list an ending inventory. No ending inventory was listed on the sheet tested and, if that was correct, the sheet would be short by \$134. Because the sheet was not completely calculated, there was no explanation for any amount that was short or over. In the current year, the worksheet was completed correctly with no material differences.

In a random sample of 50 cash disbursements in the prior year, we noted sales tax of \$5.92 paid with one disbursement. In the current year test of disbursements, we did not note any invoices on which sales tax was included.

Livingston Central High School Activity Fund

When examining F-SA-1 forms for ticket sales in the prior year, we noted that eight of them were not signed by the ticket taker. In the current year, forms that were tested were properly signed.

CURRENT YEAR COMMENTS

District Central Office

Fixed Assets

In our tests of fixed asset additions, we noted several technology related items that were tagged in the current year that had been purchased in the prior year. We reviewed emails and notes made relating to the assets, which were ordered in March, 2016. The invoice was paid in April, 2016 and the assets were not tagged until October and November, 2016. The fixed asset sheets were not received in the central office until January, 2017, at which time they were added to the MUNIS system. Although fixed asset procedures established by the District are in place and are being followed, the flow of information from the acquisition of assets to the entry in MUNIS should be done in a more timely manner.

Management's Response:

E-Rate was approved for FY16 funding year, but we had to request an extension as we couldn't get an install/configuration team scheduled prior to FY17, due to high demand across the state with the KETS contract vendor. The equipment began arriving in March, but we were instructed not to open boxes by the vendor, as their team had to do so for warranty/service policies. Although only part of the equipment was E-Rate eligible/funded, we had no way of knowing which was which, by the information on the boxes. The contract team worked after hours and we didn't know where corresponding switches were located throughout the district. After receiving vendor documentation, efforts were made to tag each switch and discovery was made that they had incorrectly place a switch in the wrong location. By the time the switch was moved, the sign-off on the project was in late October 2016. After an audit from USAC regarding Form 500 due to us not purchasing all eligible contract items exactly as approved, we had to complete form to return to USAC the difference of authorized amount (on paper, not actual monetary exchange) and what was utilized. An overpayment was discovered while reviewing items for TAR report. After many conversations, emails, and forms to apply for a refund, we received a check for over \$30,000. All of this caused fixed asset information to be delayed. The timely manner of entering fixed asset information into MUNIS has been reviewed with pertinent parties.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2017

CURRENT YEAR COMMENTS (Continued)

North Livingston Elementary School Activity Fund

Cash Receipts Documentation

In a random sample of 45 cash receipts, we noted four multiple receipt forms that did not have the signature of the treasurer. Two of these forms listed amounts that totaled \$5 more than the grand total that was at the bottom of the form, which was the amount deposited. We also noted five cash receipt tickets for which no supporting documentation was retained, including amounts for room fees, yearbooks, class pictures, and faculty vending. We also noted three deposits in excess of \$100 each that were not made on a timely basis. One was deposited nine days after receipt, another was seven days after receipt, and the remaining one was two days after receipt. When a multiple receipt form F-SA-6 is appropriately used, both the person remitting the funds and the school treasurer should sign the form to indicate that both had counted the funds and the amount agrees with the total listed. For sales from the school store, form F-SA-17 should be used. For room fees and class pictures, form F-SA-6 should be used. For yearbook sales, form F-SA-6 could be used or individual receipts may be given to each student paying for a yearbook, with one copy of the receipt turned in to the school treasurer as the money is remitted. Faculty vending commissions should be supported by a copy of the check received from the vendor. All monies collected shall be deposited on a daily basis, with exceptions when there is less than \$100 to be deposited.

Management's Response:

NLES started FY17 with a substitute secretary, and ended the year with a substitute. It was also the first year for the principal of the school. FY18 began with a new secretary, and she and the principal attended Redbook training on September 21, 2017 to become more up-to-date on Redbook regulations. Deposits will be made in a timely manner and correctly using multiple receipt forms. Multiple receipt form F-SA-6 will be appropriately used by both the person remitting the funds and the school treasurer signing the form to indicate that both persons have counted the funds and the amount agrees with the total listed. For sales from the school store, form F-SA-17 will be used. For room fees and class pictures, form F-SA-6 will be used. For yearbook sales, form F-SA-6 will be used or individual receipts will be given to each student paying for a yearbook, with one copy of the receipt turned in to the school treasurer as the money is remitted. Faculty vending commissions will be supported by a copy of the check received from the vendor. All monies collected will be deposited on a daily basis, with possible exceptions when there is less than \$100 to be deposited.

Cash Disbursements Documentation

In a random sample of 25 disbursements, we noted one check for which the purchase order was dated after the invoice date, two purchase orders that did not have the signature of the person placing the order, and no purchase order for one disbursement. According to the Redbook, always use a purchase order to initiate a purchase, including for independent contractors and reimbursements to district employees. The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated. Before being processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice. The school treasurer shall match up the purchase order, shipping document, and vendor or standard invoice and verify that all items ordered have been received, services have been satisfactorily performed, all amounts agree, and that all necessary approvals and signatures have been obtained. Any problems or discrepancies shall be resolved before a check is written.

Management's Response:

NLES started FY17 with a substitute secretary, and ended the year with a substitute. It was also the first year for the principal of the school. FY18 began with a new secretary, and she and the principal attended Redbook training on September 21, 2017 to become more up-to-date on Redbook regulations. All purchases will be initiated with a PO accompanied with all appropriate documentation prior to a check being written.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2017

CURRENT YEAR COMMENTS (Continued)

North Livingston Elementary School Activity Fund (Continued)

Inventory Control

Although form F-SA-17 was used for money collected from the school store in most instances, there were no inventory control worksheets in the file. Form F-SA-5 should be used to reconcile collections from the store with purchases and the flow of inventory.

Management's Response:

NLES will make certain to use both the F-SA-17 and F-SA-5 when required. NLES started FY17 with a substitute secretary, and ended the year with a substitute. It was also the first year for the principal of the school. FY18 began with a new secretary, and she and the principal attended Redbook training on September 21, 2017 to become more up-to-date on Redbook regulations.

Livingston County Middle School Activity Fund

Cash Receipts Documentation

In a random sample of 50 cash receipts, we noted three multiple receipt forms that were not signed by the treasurer. There were two multiple receipt forms on which the lines where students should sign were all in the same handwriting indicating one person completed the form. On one of these, the total of the list in the top section did not match the total at the bottom that was the amount deposited. There were also twenty-two cash receipts for which no supporting documentation could be located. We also noted four donation acceptance forms F-SA-18 that were not signed by the principal. Several of the receipt tickets did not have a description of what the amounts were for, therefore we could not match up some of the fundraising deposits to determine that amounts collected were reasonable with amounts expected to be collected. We also noted six deposits that were not made on a timely basis, one of which was for \$2,000 that was received May 25, 2017 and not deposited until June 14, 2017. We also noted three receipt tickets that were dated after the date of the deposit, which indicates that the receipts were not printed at the time money was received. The Redbook states that teachers, sponsors, or students shall use the multiple receipt form F-SA-6 or pre-numbered receipts when collecting money. Students third grade and above must sign the multiple receipt form. A copy of the multiple receipt form or a copy of the pre-numbered receipt shall be retained by the teacher or sponsor and the original shall be given to the school treasurer. The multiple receipt form should be signed and dated by both the person remitting the money and by the school treasurer to indicate that the list agrees with the total funds remitted and was counted by both. Form F-SA-18 should be signed by the principal. When funds collected exceed \$100, deposits should be made on a daily basis.

Management's Response:

FY17 was the first full year for the bookkeeper. The principal for FY17 has retired. The bookkeeper and current principal attended Redbook training on 9/21/17. The bookkeeper will ensure the multiple receipt forms are signed, both by the person remitting the funds and the school treasurer. The bookkeeper will ensure that all students third grade and above will sign the multiple receipt form. Also, the bookkeeper will count the money with the person remitting the money to ensure the totals match up. Detailed attention will be paid to the supporting documentation that goes along with the cash receipts. Donation acceptance forms will be signed by the principal. Deposits have been made in a timely manner this year due to our moving our physical bank some 20 miles closer. When funds collected exceed \$100, deposits will be made on a daily basis.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2017

CURRENT YEAR COMMENTS (Continued)

Livingston County Middle School Activity Fund (Continued)

Athletic Ticket Sales Documentation

We examined five F-SA-1 forms for ticket sales and three were not properly completed. One had math errors in an attempt to force the tickets sold to agree with the dollar amount collected and was not signed by anyone. Another was not completed with any dollar amounts or number of tickets sold, but was signed by the ticket seller and the ticket taker. Another also had no dollar amounts or number of tickets sold, but was signed by the ticket seller, ticket taker, and the school treasurer. The gate and concessions form for that game did not list gate sales separately and the amount deposited was \$70 short of the amount apparently collected. The Redbook states that the Requisition and Report of Ticket Sales form F-SA-1 is to be used to report and reconcile the number of tickets sold and the funds collected. Two people are required to work the gate. The ticket seller gives the entire ticket to the customer and collects the entrance fee. The customer gives the entire ticket to the ticket taker, who tears the ticket in half, gives half back to the customer, and retains half until the report of sales section of the F-SA-1 form is completed. The number of tickets collected is reconciled with the number of tickets sold. The amount of cash collected and the total sales amount is compared to the amount to be deposited. The total amount of cash and checks collected is compared to the number of tickets sold with any over or short identified before turning the form and money into the school treasurer. The form should be signed by the person in charge of sales (ticket seller) and the ticket taker, as well as by the school treasurer.

Management's Response:

FY17 was the first full year for the bookkeeper. The principal for FY17 has retired. The current principal and bookkeeper attended Redbook training on 9/21/17. Ticket tills are being calculated immediately following games this year with all paperwork and signatures being completed the night of the games. We do have two people working the gate and they count the money and fill out the forms following the games. The Requisition and Report of Ticket Sales form F-SA-1 will be used to report and reconcile the number of tickets sold and the funds collected. Two people will work the gate. The ticket seller will give the entire ticket to the customer and collect the entrance fee. The ticket taker will tear the ticket in half, give half back to the customer, and retain half until the report of sales section of the F-SA-1 form is completed. The number of tickets collected will be reconciled with the number of tickets sold. The amount of cash collected and the total sales amount will be compared to the amount to be deposited. The total amount of cash and checks collected will be compared to the number of tickets sold with any over or short identified before turning the form and money into the school treasurer. The form will be signed by the person in charge of sales (ticket seller) and the ticket taker, as well as by the school treasurer.

Fund Transfers

Of the six transfers made, none of the forms listed the dollar amount of the transfer. The F-SA-10 form should list the amount of the transfer prior to being approved by the sponsor and principal.

Management's Response:

FY17 was the first full year for the bookkeeper. The principal for FY17 has retired. The current principal and bookkeeper attended Redbook training on 9/21/17. Dollar amounts on transfers will be listed when transfers take place. The F-SA-10 form will list the amount of the transfer and will be approved by the sponsor and the principal.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2017

CURRENT YEAR COMMENTS (Continued)

Livingston County Middle School Activity Fund (Continued)

Cash Disbursements Documentation

In a random sample of 50 cash disbursements, there were thirteen standard invoices that were not signed by both the principal and the sponsor. None of these had a purchase order included. There were seven purchase orders that did not have an approval signature, another that did not list a dollar amount, and two that were not dated. Three checks were signed by only one authorized individual. One check was written for \$300 more than the invoice. There were six disbursements for which we could not find any supporting documentation. We noted four checks that were voided on the computer system, but the checks were not defaced to prevent issuance. The Redbook states that the standard invoice form F-SA-8 must have a confirmation signature of the person receiving goods or services before the payment process can continue. The form should also be signed by the person receiving the item, the sponsor of the activity, and the principal. The Redbook also states that schools should always use a purchase order to initiate a purchase, including for independent contractors and reimbursements to district employees. The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated. Before being processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice. The school treasurer shall match up the purchase order, shipping document, and vendor or standard invoice and verify that all items ordered have been received, services have been satisfactorily performed, all amounts agree, and that all necessary approvals and signatures have been obtained. Any problems or discrepancies shall be resolved before a check is written. Checks should be signed by two authorized individuals, who should agree the check details with the supporting documentation prior to signing the check. Void checks should be defaced in some manner to prevent issuance, such as writing void across the face of the check or cutting the signature portion off of the check.

Management's Response:

FY17 was the first full year for the bookkeeper. The principal for FY17 has retired. The current principal and bookkeeper attended Redbook training on 9/21/17. Checks will not be written for amounts over the invoice. If for some reason a check is written over the invoice there will be sufficient documentation and paper trail as to why an amount over invoice was written. Voided checks will be defaced to prevent issuance. POs, standard invoices, and shipping documents will be matched up and will include verification that goods and/or services have been satisfactorily rendered or received prior to cash disbursements. PO's will be attained and approved ahead of time to ensure the paper trail starts off on the right track.

Livingston Central High School Activity Fund

Fundraiser Documentation

We could not locate fundraiser worksheets for five fundraisers. The Redbook states that for fundraisers where items are sold, whether they are purchased or donated or both, require the use of the fundraiser worksheet (Form F-SA-2B), which is used to recap the profitability of a fundraiser sales cycle. The activity sponsor shall complete the fundraiser worksheet and forward the report to the principal for review and filing within one week of the completion of the fundraising period or event.

Management's Response:

This form will be e-mailed to teachers, sponsors and booster club presidents and treasurers on November 15, 2017. Forms are also available on the school/district website for use. Fundraiser worksheet (Form F-SA-2B) will be used where items are sold, whether they are purchased or donated or both, to recap the profitability of a fundraiser sales cycle. The activity sponsor will complete the fundraiser worksheet and forward the report to the principal for review and filing within one week of the completion of the fundraising period or event. The principal will develop a system to follow up with each fundraiser.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2017

CURRENT YEAR COMMENTS (Continued)

Livingston Central High School Activity Fund (Continued)

Cash Receipts Procedures

In a random sample of 60 cash receipts, we could not locate supporting documentation for 15 of them, such as multiple receipt forms or copies of checks received. We also noted that two multiple receipt forms were not signed by the person remitting money to the treasurer, one of which was for the homecoming dance with just a total written on the form and the other was donations for Dicken's Christmas. The Redbook states that teachers, sponsors, or students shall use the multiple receipt form F-SA-6 or pre-numbered receipts when collecting money. A copy of the multiple receipt form or a copy of the pre-numbered receipt shall be retained by the teacher or sponsor and the original shall be given to the school treasurer. The multiple receipt form should be signed and dated by both the person remitting the money and by the school treasurer.

Management's Response:

The school secretary and principal will work with school staff to ensure this procedure is completed accurately during the 2017-2018 school year by providing supporting documentation, such as multiple receipt forms or copies of checks received, with accompanying signatures. The use of pre-numbered receipts will be discussed during the November 2017 faculty meeting with teachers and sponsors to determine if this is a viable solution to the problem. Teachers, sponsors, or students will use the multiple receipt form F-SA-6 or pre-numbered receipts when collecting money. The principal will document efforts to prevent further repeat findings. The superintendent has communicated to the principal the importance of establishing and maintaining proper oversight of the school's finances and has established regular meetings between the district finance officer and the school's principal and/or bookkeeper.

Inventory Control Procedures

The inventory control worksheet that was tested was not correctly calculated. The chicken count for purchases was listed as 36 and the sales price was listed as \$3.50, which should have extended to \$126, but the extended price on the worksheet was shown as \$504. This would have made the shortage \$572 instead of \$194 shown on the sheet. The names of the vendors where the items were purchased were not listed on the sheet. Calculations should be checked for accuracy and the vendors should either be listed on the sheet or a copy of the invoices should be attached to the sheet.

Management's Response:

The names of the vendors where the items are purchased will be listed on the inventory control worksheet. Calculations will be checked for accuracy to avoid or correct continued simple clerical errors and the vendors will either be listed on the sheet or a copy of the invoices will be attached to the sheet. The Athletic Director and Assistant Principal received Redbook training on September 21, 2017. They will be responsible for the concessions during the 2017-2018 school year and report to the school treasurer who will report to the principal. The principal will document efforts to prevent further repeat findings. The superintendent has communicated to the principal the importance of establishing and maintaining proper oversight of the school's finances and has established regular meetings between the district finance officer and the school's principal and/or bookkeeper.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2017

CURRENT YEAR COMMENTS (Continued)

Livingston Central High School Activity Fund (Continued)

Cash Disbursements Documentation

In a random sample of 60 cash disbursements, we noted four that included sales tax, two for which the purchase order did not list an amount that was approved, and nine for which there were no supporting documentation. Schools are exempt from the payment of sales tax in Kentucky, with the only exception being for tax on meals and hotel expenses for employee and students during travel for school activity fund purposes. The Redbook states that a purchase order form F-SA-7 must always be used to initiate a purchase, including for independent contractors and reimbursements to district employees and that the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated. Before being processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice. If a vendor invoice is not available, the disbursement shall be supported by a standard invoice form F-SA-8, which must be signed by the payee.

Management's Response:

The bookkeeper and principal believe this is from an on-line order which they discussed many times with the business. The business assured that, although the receipt showed sales tax, that no sales tax was being charged. For the 2017-2018 school year, assurance is given that no sales tax will be charged to the school. Purchase order form F-SA-7 will always be used to initiate a purchase, including services for independent contractors and reimbursements to district employees and that the purchase order will be prepared and approved by the sponsor and principal before the payment is obligated. Before being processed, each disbursement will be documented by a completed, accurate purchase order and an original vendor invoice will be properly verified for payment. If a vendor invoice is not available, the disbursement shall be supported by a standard invoice form F-SA-8, which must be signed by the payee. The principal will document efforts to prevent further repeat findings. The superintendent has communicated to the principal the importance of establishing and maintaining proper oversight of the school's finances and has established regular meetings between the district finance officer and the school's principal and/or bookkeeper.