



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Livingston County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Livingston County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the year ended December 31, 2012, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Nichols, Stopp & VanHoy, LLC, Certified Public Accountants, is attached.

A handwritten signature in black ink that reads "Thomas A. Schweich".

Thomas A. Schweich  
State Auditor

August 2013  
Report No. 2013-070

**The County of Livingston  
Chillicothe, Missouri  
Financial Statements, Independent Auditor's Reports and Supplementary Information  
For the year ended December 31, 2012**



**The County of Livingston  
Chillicothe, Missouri  
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## INDEPENDENT AUDITOR'S REPORT



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To the County Commission and  
Officeholders of Livingston County, Missouri

We have audited the accompanying financial statements of Livingston County, Missouri, as of and for the year ended December 31, 2012, which collectively comprise the County's basic financial statements and the related notes to the financial statements as identified 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 practices prescribed or permitted by Missouri law, which practices differ from accounting principles generally accepted in the United States of America. Management is also responsible for 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 error or fraud.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1, the financial statements are prepared by Livingston County, Missouri, using accounting practices prescribed or permitted by Missouri law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**Adverse Opinion on U.S. Generally Accepted Accounting Principles**

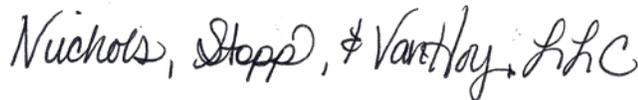
In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Livingston County, Missouri, as of December 31, 2012, or the changes in its financial position for the year then ended.

**Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Livingston County, Missouri, as of December 31, 2012, and their respective cash receipts and disbursements, and budgetary results of these funds for the year then ended, on the basis of accounting described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 5, 2013, on our consideration of Livingston County, Missouri’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Livingston County, Missouri’s internal control over financial reporting and compliance.



Creve Coeur, Missouri  
July 5, 2013

**The County of Livingston  
Chillicothe, Missouri  
Statement of Receipts, Disbursements, and Changes in Cash  
All Governmental Funds: Regulatory Basis  
For the year ended December 30, 2012**

<u>Fund</u>	Cash and Equivalents January 1, 2012	Receipts 2012	Disbursements 2012	Cash and Equivalents December 31, 2012
General Revenue Fund	\$ 360,870	\$ 1,950,373	\$ 2,011,414	\$ 299,829
Road and Bridge Fund	62,627	681,065	574,020	169,672
Law Enforcement Sales Tax Fund	116,500	536,961	649,405	4,056
Use Tax Fund	172,287	202,276	179,442	195,121
Assessment Fund	7,177	218,130	217,504	7,803
Law Enforcement Training Fund	(568)	3,259	3,394	(703)
Prosecuting Attorney Check Fund	4,800	9,537	8,198	6,139
Special Election Fund	39,037	24,021	63,144	(86)
Prosecuting Attorney Training Fund	(181)	485	243	61
Child Abuse Fund	1,808	1,655	-	3,463
Recorder Special Fund	21,491	10,076	28,810	2,757
Local Emergency Planning Commission (LEPC) Fund	4,454	3,225	5,243	2,436
Planning and Zoning Fund	2	12,772	12,772	2
Enhanced 911 Fund	24,028	161,714	155,403	30,339
Election Services Fund	9,266	45,961	31,412	23,815
Victim Advocates Grant Fund	-	37,144	37,190	(46)
Grant Fund	2,309	94	2,403	-
Concealed Carry Weapon Permit Fund	2,348	2,102	550	3,900
Civil Fees Fund	1,424	24,758	29,560	(3,378)
Collector's Tax Maintenance Fund	31,172	19,805	16,827	34,150
Inmate Security Fund	1,899	3,098	1,250	3,747
Deputy Sheriff Salary Supplemental Fund	-	30,563	31,612	(1,049)
Senate Bill 40 Board Fund	347,821	397,135	440,435	304,521
Total	<u>\$ 1,210,571</u>	<u>\$ 4,376,209</u>	<u>\$ 4,500,231</u>	<u>\$ 1,086,549</u>

See Notes to the Financial Statements

**The County of Livingston  
Chillicothe, Missouri  
Comparative Statement of Receipts, Disbursements, and Changes in Cash  
Budget and Actual, All Governmental Funds: Regulatory Basis  
For the year ended December 31, 2012**

	General Revenue Fund	
	Budget	Actual
<u>Receipts</u>		
Property Taxes	\$ 16,000	\$ 23,288
Sales Taxes	957,683	969,067
Intergovernmental	523,621	455,567
Charges for Services	433,000	463,287
Interest	2,000	2,452
Other	26,000	36,712
Transfers In	-	-
Total Receipts	<u>\$ 1,958,304</u>	<u>\$ 1,950,373</u>
<u>Disbursements</u>		
County Commission	\$ 151,578	\$ 146,595
County Clerk	111,382	105,753
Elections	167,912	151,123
Building and Grounds	166,562	166,561
Employee Fringe Benefits	13,000	10,309
County Treasurer	132,315	127,143
Recorder of Deeds	110,525	103,200
Circuit Clerk	21,000	20,419
Court Administration	17,500	14,452
Public Administrator	86,077	79,313
Sheriff	397,504	354,185
Jail	346,933	312,998
Prosecuting Attorney	125,446	123,462
Juvenile Officer	117,400	83,695
Planning and Zoning	-	63
Health and Welfare	46,810	46,810
Other	147,900	137,561
Transfers Out	35,964	27,772
Emergency Fund	93,897	-
Total Disbursements	<u>\$ 2,289,705</u>	<u>\$ 2,011,414</u>
Receipts Over (Under) Disbursements	\$ (331,401)	\$ (61,041)
Cash, January 1	<u>360,870</u>	<u>360,870</u>
Cash, December 31	<u>\$ 29,469</u>	<u>\$ 299,829</u>

See Notes to the Financial Statements

**The County of Livingston  
Chillicothe, Missouri  
Comparative Statement of Receipts, Disbursements, and Changes in Cash  
Budget and Actual, All Governmental Funds: Regulatory Basis  
For the year ended December 31, 2012**

	Road and Bridge Fund	
	Budget	Actual
<u>Receipts</u>		
Property Taxes	\$ 78,000	\$ 81,833
Sales Taxes	-	-
Intergovernmental	1,435,457	596,819
Charges for Services	-	-
Interest	1,000	1,179
Other	1,500	1,234
Transfers In	-	-
Total Receipts	<u>\$ 1,515,957</u>	<u>\$ 681,065</u>
<u>Disbursements</u>		
Salaries	\$ 79,203	\$ 79,125
Employee Fringe Benefits	33,867	32,725
Supplies	29,750	25,143
Insurance	12,000	10,788
Road and Bridge Materials	94,500	61,975
Equipment Repairs	10,000	7,517
Rentals	2,500	1,256
Equipment Purchases	9,000	8,573
Road and Bridge Construction	1,300,000	345,538
Other Expenditures	7,700	1,380
Transfers Out	-	-
Total Disbursements	<u>\$ 1,578,520</u>	<u>\$ 574,020</u>
Receipts Over (Under) Disbursements	\$ (62,563)	\$ 107,045
Cash, January 1	<u>62,627</u>	<u>62,627</u>
Cash, December 31	<u>\$ 64</u>	<u>\$ 169,672</u>

See Notes to the Financial Statements

**The County of Livingston  
Chillicothe, Missouri  
Comparative Statement of Receipts, Disbursements, and Changes in Cash  
Budget and Actual, All Governmental Funds: Regulatory Basis  
For the year ended December 31, 2012**

	Law Enforcement Sales Tax Fund	
	Budget	Actual
<u>Receipts</u>		
Property Taxes	\$ -	\$ -
Sales Taxes	478,841	484,502
Intergovernmental	69,531	-
Charges for Services	-	-
Interest	400	287
Other	6,000	52,172
Transfers In	-	-
Total Receipts	<u>\$ 554,772</u>	<u>\$ 536,961</u>
<u>Disbursements</u>		
Sheriff	\$ 488,631	\$ 500,146
Prosecuting Attorney	36,238	25,266
Coroner	35,736	31,712
Employee Fringe Benefits	30,978	31,659
Other	58,000	60,622
Transfers Out	-	-
Emergency Fund	-	-
Total Disbursements	<u>\$ 649,583</u>	<u>\$ 649,405</u>
Receipts Over (Under) Disbursements	\$ (94,811)	\$ (112,444)
Cash, January 1	<u>116,500</u>	<u>116,500</u>
Cash, December 31	<u>\$ 21,689</u>	<u>\$ 4,056</u>

See Notes to the Financial Statements

**The County of Livingston  
Chillicothe, Missouri  
Comparative Statement of Receipts, Disbursements, and Changes in Cash  
Budget and Actual, All Governmental Funds: Regulatory Basis  
For the year ended December 31, 2012**

	Use Tax Fund		Assessment Fund	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	80,000	137,112	-	-
Intergovernmental	62,270	64,433	215,417	200,224
Charges for Services	-	-	-	-
Interest	500	731	200	286
Other	-	-	2,000	2,620
Transfers In	-	-	10,616	15,000
Total Receipts	<u>\$ 142,770</u>	<u>\$ 202,276</u>	<u>\$ 228,233</u>	<u>\$ 218,130</u>
<u>Disbursements</u>				
Salaries	\$ -	\$ -	\$ 127,001	\$ 126,952
Employee Fringe Benefits	-	-	36,584	34,099
Materials and Supplies	-	-	22,625	14,117
Services and Other	91,600	57,870	14,900	13,445
Capital Outlay	112,270	121,572	34,300	28,891
Transfers Out	-	-	-	-
Emergency Fund	70,000	-	-	-
Total Disbursements	<u>\$ 273,870</u>	<u>\$ 179,442</u>	<u>\$ 235,410</u>	<u>\$ 217,504</u>
Receipts Over (Under) Disbursements	\$ (131,100)	\$ 22,834	\$ (7,177)	\$ 626
Cash, January 1	<u>172,287</u>	<u>172,287</u>	<u>7,177</u>	<u>7,177</u>
Cash, December 31	<u>\$ 41,187</u>	<u>\$ 195,121</u>	<u>\$ -</u>	<u>\$ 7,803</u>

See Notes to the Financial Statements

**The County of Livingston  
Chillicothe, Missouri  
Comparative Statement of Receipts, Disbursements, and Changes in Cash  
Budget and Actual, All Governmental Funds: Regulatory Basis  
For the year ended December 31, 2012**

	<u>Law Enforcement Training Fund</u>		<u>Prosecuting Attorney Check Fund</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
<u>Receipts</u>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	4,500	3,259	11,150	9,522
Interest	3	-	5	15
Other	-	-	-	-
Transfers In	-	-	-	-
Total Receipts	<u>\$ 4,503</u>	<u>\$ 3,259</u>	<u>\$ 11,155</u>	<u>\$ 9,537</u>
<u>Disbursements</u>				
Salaries	\$ -	\$ -	\$ 4,757	\$ 4,756
Employee Fringe Benefits	-	-	2,098	2,051
Materials and Supplies	-	-	-	-
Services and Other	3,932	3,394	1,650	1,391
Capital Outlay	-	-	-	-
Transfers Out	-	-	-	-
Emergency Fund	-	-	-	-
Total Disbursements	<u>\$ 3,932</u>	<u>\$ 3,394</u>	<u>\$ 8,505</u>	<u>\$ 8,198</u>
Receipts Over (Under) Disbursements	\$ 571	\$ (135)	\$ 2,650	\$ 1,339
Cash, January 1	<u>(568)</u>	<u>(568)</u>	<u>4,800</u>	<u>4,800</u>
Cash, December 31	<u>\$ 3</u>	<u>\$ (703)</u>	<u>\$ 7,450</u>	<u>\$ 6,139</u>

See Notes to the Financial Statements

**The County of Livingston  
Chillicothe, Missouri  
Comparative Statement of Receipts, Disbursements, and Changes in Cash  
Budget and Actual, All Governmental Funds: Regulatory Basis  
For the year ended December 31, 2012**

	Special Election Fund		Prosecuting Attorney Training Fund	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	24,021	600	485
Interest	-	-	-	-
Other	-	-	-	-
Transfers In	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 24,021</u>	<u>\$ 600</u>	<u>\$ 485</u>
<u>Disbursements</u>				
Salaries	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-
Materials and Supplies	-	15,529	-	-
Services and Other	-	47,615	419	243
Capital Outlay	-	-	-	-
Transfers Out	-	-	-	-
Emergency Fund	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ 63,144</u>	<u>\$ 419</u>	<u>\$ 243</u>
Receipts Over (Under) Disbursements	\$ -	\$ (39,123)	\$ 181	\$ 242
Cash, January 1	<u>39,037</u>	<u>39,037</u>	<u>(181)</u>	<u>(181)</u>
Cash, December 31	<u>\$ 39,037</u>	<u>\$ (86)</u>	<u>\$ -</u>	<u>\$ 61</u>

See Notes to the Financial Statements

**The County of Livingston  
Chillicothe, Missouri  
Comparative Statement of Receipts, Disbursements, and Changes in Cash  
Budget and Actual, All Governmental Funds: Regulatory Basis  
For the year ended December 31, 2012**

	Child Abuse Fund		Recorder Special Fund	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	1,500	1,646	9,900	10,040
Interest	4	9	100	36
Other	-	-	-	-
Transfers In	-	-	-	-
Total Receipts	<u>\$ 1,504</u>	<u>\$ 1,655</u>	<u>\$ 10,000</u>	<u>\$ 10,076</u>
<u>Disbursements</u>				
Salaries	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-
Materials and Supplies	-	-	-	-
Services and Other	3,308	-	6,000	4,957
Capital Outlay	-	-	25,000	23,853
Transfers Out	-	-	-	-
Emergency Fund	-	-	-	-
Total Disbursements	<u>\$ 3,308</u>	<u>\$ -</u>	<u>\$ 31,000</u>	<u>\$ 28,810</u>
Receipts Over (Under) Disbursements	\$ (1,804)	\$ 1,655	\$ (21,000)	\$ (18,734)
Cash, January 1	<u>1,808</u>	<u>1,808</u>	<u>21,491</u>	<u>21,491</u>
Cash, December 31	<u>\$ 4</u>	<u>\$ 3,463</u>	<u>\$ 491</u>	<u>\$ 2,757</u>

See Notes to the Financial Statements

**The County of Livingston  
Chillicothe, Missouri  
Comparative Statement of Receipts, Disbursements, and Changes in Cash  
Budget and Actual, All Governmental Funds: Regulatory Basis  
For the year ended December 31, 2012**

	LEPC Fund		Planning and Zoning Fund	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	3,101	-	-
Interest	20	6	5	-
Other	3,000	118	10,000	-
Transfers In	118	-	25,348	12,772
Total Receipts	<u>\$ 3,138</u>	<u>\$ 3,225</u>	<u>\$ 35,353</u>	<u>\$ 12,772</u>
 <u>Disbursements</u>				
Salaries	\$ -	\$ -	\$ 10,500	\$ 10,500
Employee Fringe Benefits	-	-	2,148	1,464
Materials and Supplies	500	1,226	500	205
Services and Other	7,092	4,017	22,200	603
Capital Outlay	-	-	-	-
Transfers Out	-	-	-	-
Emergency Fund	-	-	-	-
Total Disbursements	<u>\$ 7,592</u>	<u>\$ 5,243</u>	<u>\$ 35,348</u>	<u>\$ 12,772</u>
Receipts Over (Under) Disbursements	\$ (4,454)	\$ (2,018)	\$ 5	\$ -
Cash, January 1	<u>4,454</u>	<u>4,454</u>	<u>2</u>	<u>2</u>
Cash, December 31	<u>\$ -</u>	<u>\$ 2,436</u>	<u>\$ 7</u>	<u>\$ 2</u>

See Notes to the Financial Statements

**The County of Livingston  
Chillicothe, Missouri  
Comparative Statement of Receipts, Disbursements, and Changes in Cash  
Budget and Actual, All Governmental Funds: Regulatory Basis  
For the year ended December 31, 2012**

	Enhanced 911 Fund		Election Services Fund	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Intergovernmental	-	-	52,950	39,751
Charges for Services	-	-	7,500	6,153
Interest	250	112	50	57
Other	164,800	161,602	-	-
Transfers In	-	-	-	-
Total Receipts	<u>\$ 165,050</u>	<u>\$ 161,714</u>	<u>\$ 60,500</u>	<u>\$ 45,961</u>
<u>Disbursements</u>				
Salaries	\$ 80,398	\$ 76,070	\$ -	\$ -
Employee Fringe Benefits	29,932	24,834	-	-
Materials and Supplies	1,000	150	-	-
Services and Other	29,505	27,794	55,600	31,299
Capital Outlay	27,075	26,555	15,000	113
Transfers Out	-	-	-	-
Emergency Fund	-	-	-	-
Total Disbursements	<u>\$ 167,910</u>	<u>\$ 155,403</u>	<u>\$ 70,600</u>	<u>\$ 31,412</u>
Receipts Over (Under) Disbursements	\$ (2,860)	\$ 6,311	\$ (10,100)	\$ 14,549
Cash, January 1	<u>24,028</u>	<u>24,028</u>	<u>9,266</u>	<u>9,266</u>
Cash, December 31	<u><u>\$ 21,168</u></u>	<u><u>\$ 30,339</u></u>	<u><u>\$ (834)</u></u>	<u><u>\$ 23,815</u></u>

See Notes to the Financial Statements

**The County of Livingston  
Chillicothe, Missouri  
Comparative Statement of Receipts, Disbursements, and Changes in Cash  
Budget and Actual, All Governmental Funds: Regulatory Basis  
For the year ended December 31, 2012**

	Victim Advocates Grant Fund		Grant Fund	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Intergovernmental	37,191	37,144	-	-
Charges for Services	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	94
Transfers In	-	-	-	-
Total Receipts	<u>\$ 37,191</u>	<u>\$ 37,144</u>	<u>\$ -</u>	<u>\$ 94</u>
<u>Disbursements</u>				
Salaries	\$ 24,990	\$ 24,990	\$ -	\$ -
Employee Fringe Benefits	9,609	9,901	-	-
Materials and Supplies	1,098	179	-	-
Services and Other	1,494	2,120	-	2,403
Capital Outlay	-	-	-	-
Transfers Out	-	-	-	-
Emergency Fund	-	-	-	-
Total Disbursements	<u>\$ 37,191</u>	<u>\$ 37,190</u>	<u>\$ -</u>	<u>\$ 2,403</u>
Receipts Over (Under) Disbursements	\$ -	\$ (46)	\$ -	\$ (2,309)
Cash, January 1	<u>-</u>	<u>-</u>	<u>2,309</u>	<u>2,309</u>
Cash, December 31	<u>\$ -</u>	<u>\$ (46)</u>	<u>\$ 2,309</u>	<u>\$ -</u>

See Notes to the Financial Statements

**The County of Livingston  
Chillicothe, Missouri  
Comparative Statement of Receipts, Disbursements, and Changes in Cash  
Budget and Actual, All Governmental Funds: Regulatory Basis  
For the year ended December 31, 2012**

	<u>Concealed Carry Weapon Permit Fund</u>		<u>Civil Fees Fund</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
<u>Receipts</u>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	550	2,090	28,159	24,758
Interest	5	12	71	-
Other	-	-	-	-
Transfers In	-	-	-	-
Total Receipts	<u>\$ 555</u>	<u>\$ 2,102</u>	<u>\$ 28,230</u>	<u>\$ 24,758</u>
<u>Disbursements</u>				
Salaries	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-
Materials and Supplies	550	-	5,500	10,085
Services and Other	-	550	24,060	19,475
Capital Outlay	-	-	-	-
Transfers Out	-	-	-	-
Emergency Fund	-	-	-	-
Total Disbursements	<u>\$ 550</u>	<u>\$ 550</u>	<u>\$ 29,560</u>	<u>\$ 29,560</u>
Receipts Over (Under) Disbursements	\$ 5	\$ 1,552	\$ (1,330)	\$ (4,802)
Cash, January 1	<u>2,348</u>	<u>2,348</u>	<u>1,424</u>	<u>1,424</u>
Cash, December 31	<u>\$ 2,353</u>	<u>\$ 3,900</u>	<u>\$ 94</u>	<u>\$ (3,378)</u>

See Notes to the Financial Statements

**The County of Livingston  
Chillicothe, Missouri  
Comparative Statement of Receipts, Disbursements, and Changes in Cash  
Budget and Actual, All Governmental Funds: Regulatory Basis  
For the year ended December 31, 2012**

	Collector's Tax Maintenance Fund		Inmate Security Fund	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	22,000	19,625	-	3,098
Interest	-	180	-	-
Other	-	-	-	-
Transfers In	-	-	-	-
Total Receipts	<u>\$ 22,000</u>	<u>\$ 19,805</u>	<u>\$ -</u>	<u>\$ 3,098</u>
 <u>Disbursements</u>				
Salaries	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-
Materials and Supplies	-	-	-	-
Services and Other	25,000	16,827	1,250	1,250
Capital Outlay	-	-	-	-
Transfers Out	-	-	-	-
Emergency Fund	-	-	-	-
Total Disbursements	<u>\$ 25,000</u>	<u>\$ 16,827</u>	<u>\$ 1,250</u>	<u>\$ 1,250</u>
Receipts Over (Under) Disbursements	\$ (3,000)	\$ 2,978	\$ (1,250)	\$ 1,848
Cash, January 1	<u>31,172</u>	<u>31,172</u>	<u>1,899</u>	<u>1,899</u>
Cash, December 31	<u><u>\$ 28,172</u></u>	<u><u>\$ 34,150</u></u>	<u><u>\$ 649</u></u>	<u><u>\$ 3,747</u></u>

See Notes to the Financial Statements

**The County of Livingston  
Chillicothe, Missouri  
Comparative Statement of Receipts, Disbursements, and Changes in Cash  
Budget and Actual, All Governmental Funds: Regulatory Basis  
For the year ended December 31, 2012**

	<u>Deputy Sheriff Salary Supplement Fund</u>		<u>Senate Bill 40 Board Fund</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
<u>Receipts</u>				
Property Taxes	\$ -	\$ -	\$ 155,000	\$ 158,589
Sales Taxes	-	-	-	-
Intergovernmental	23,169	19,583	-	-
Charges for Services	15,000	10,980	-	-
Interest	-	-	100	1,996
Other	-	-	188,300	236,550
Transfers In	-	-	-	-
Total Receipts	<u>\$ 38,169</u>	<u>\$ 30,563</u>	<u>\$ 343,400</u>	<u>\$ 397,135</u>
<u>Disbursements</u>				
Salaries	\$ 19,154	\$ 17,489	\$ 116,500	\$ 136,935
Employee Fringe Benefits	4,015	3,143	30,500	26,851
Materials and Supplies	-	-	-	-
Services and Other	15,000	10,980	195,460	152,144
Capital Outlay	-	-	-	124,505
Transfers Out	-	-	-	-
Emergency Fund	-	-	-	-
Total Disbursements	<u>\$ 38,169</u>	<u>\$ 31,612</u>	<u>\$ 342,460</u>	<u>\$ 440,435</u>
Receipts Over (Under) Disbursements	\$ -	\$ (1,049)	\$ 940	\$ (43,300)
Cash, January 1	<u>-</u>	<u>-</u>	<u>347,821</u>	<u>347,821</u>
Cash, December 31	<u>\$ -</u>	<u>\$ (1,049)</u>	<u>\$ 348,761</u>	<u>\$ 304,521</u>

See Notes to the Financial Statements

**The County of Livingston  
Chillicothe, Missouri  
Notes to the Financial Statements  
For the year ended December 31, 2012**

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

Organized in 1837, the county of Livingston was named after the Honorable Edward Livingston, the 11th Secretary of State of the United States under President Andrew Jackson. Livingston County's government is a county-organized, third-class county and is part of the Forty-Third Judicial Circuit. The county seat is Chillicothe. Livingston County's government is composed of a three-member county commission and the following separately elected Constitutional Officers: County Clerk, Collector/Treasurer, Circuit Clerk, Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note I, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

Reporting Entity

As required by generally accepted accounting principles, as applicable to the regulatory basis of accounting, these financial statements present financial accountability of Livingston County, Missouri and the Livingston County Senate Bill 40 Board.

Livingston County's operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Livingston County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise Livingston County's legal entity. The Livingston County Senate Bill 40 Board is controlled by a separate board and is also included under the control of Livingston County.

Certain elected County officials, such as the County Collector, Treasurer, and Sheriff, collect and hold monies in a trustee capacity as an agent of individual, taxing units, or other government. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements.

Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of all funds of Livingston County, Missouri, and the comparisons of such information with the corresponding budgeted information for all funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official. The General Revenue Fund is the county's general operation fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

Basis of Accounting

The financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**The County of Livingston  
Chillicothe, Missouri  
Notes to the Financial Statements  
For the year ended December 31, 2012**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

Basis of Accounting (continued)

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If Livingston County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Budget and Budgetary Accounting

In accordance with Chapter 50 RSMo, Livingston County adopts a budget for each governmental fund. Budgets are prepared and adopted on the cash basis of accounting.

On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.

The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures. During our audit we noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo with the following funds: Grant Fund, Senate Bill 40 Board Fund, and the Election Services Fund. The Grant Fund and Senate Bill 40 Board Fund had expenditures exceeding their respective budgets, and the Election Services Fund was budgeted as a deficit. The County did not adopt a budget for the Special Election Fund.

A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.

Prior to February 1, the budget is legally enacted by a vote of the County Commission.

Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

**The County of Livingston  
Chillicothe, Missouri  
Notes to the Financial Statements  
For the year ended December 31, 2012**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within Livingston County's boundaries for the calendar year 2012 for the purposes of taxation was:

	<u>2012</u>
Real Estate	\$ 115,660,120
Personal Property	41,487,737
Railroad and Utilities	<u>11,427,035</u>
	<u><u>\$ 168,574,892</u></u>

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2012 for the purpose of County taxation was as follows:

	<u>2012</u>
General Revenue Fund	\$ 0.0300
Senate Bill 40 Board Fund	0.1000

The County also receives sales tax collected by the State and remitted based on the County's sales tax rate to the total sales tax collected in the County.

Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer's Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investments shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in Livingston County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

Interfund Transactions

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

**The County of Livingston**  
**Chillicothe, Missouri**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2012**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

Interfund Transactions (continued)

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

**Note 2 - Deposits and Investments**

Livingston County maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the statement of receipts, disbursements, and changes in cash arising from cash transactions as "Cash and Equivalents".

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2012, the carrying amount of Livingston County's deposits was \$1,086,549 and the bank balance was \$1,148,248. At December 31, 2012, 100% of Livingston County's deposits and investments were covered by the Federal Deposit Insurance Company (FDIC) or were collateralized.

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2012, as follows:

Deposits	\$ 762,262
Investments	324,287
Restricted Cash	<u>-</u>
Total Deposits & Investments as of December 31, 2012	<u><u>\$ 1,086,549</u></u>

Custodial Credit Risk - Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Livingston County's investment policy does not include custodial credit risk requirements. Livingston County's deposits were not exposed to custodial credit risk for the year ended December 31, 2012.

Custodial Credit Risk - Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party that sold the security to Livingston County or its agent but not in the government's name. Livingston County does not have a policy for custodial credit risk relating to investments.

All investments, evidenced by individual securities, are registered in the name of Livingston County or of a type that are not exposed to custodial credit risk.

**The County of Livingston  
Chillicothe, Missouri  
Notes to the Financial Statements  
For the year ended December 31, 2012**

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**Note 2 - Deposits and Investments (continued)**

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Livingston County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of investment credit risk is required to be disclosed by Livingston County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U. S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). Livingston County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. Livingston County's deposits were not exposed to concentration of investment credit risk for the year ended December 31, 2012.

**Note 3 - Long Term Debt**

On June 22, 2006, the County issued Certificate of Participation (COP's) in the amount of \$656,000. The maturity of the COP's was June 1, 2021, and the interest rate varied from 4.00% to 4.70%. On April 22, 2012, the County paid off the previous Certificates of Participation and issued new Certificates of Participation. The maturity of the COP's is June 1, 2021, and the interest rate is 2.35%.

<u>Debt</u>	<u>Balance at 1/1/2012</u>	<u>Amount Borrowed</u>	<u>Amount Repaid</u>	<u>Balance at 12/31/2012</u>	<u>Interest Paid During Year</u>
2006 COP's	\$ 485,000	\$ -	\$ (485,000)	\$ -	\$ 8,520
2012 COP's	-	460,000	-	460,000	6,726
<b>Total</b>	<u>\$ 485,000</u>	<u>\$ 460,000</u>	<u>\$ (485,000)</u>	<u>\$ 460,000</u>	<u>\$ 15,246</u>

2012 Amortizations  
Series 2012 Certificates of Participation Schedule

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 50,000	\$ 10,223	\$ 60,223
2014	55,000	8,988	63,988
2015	55,000	7,696	62,696
2016	55,000	6,404	61,404
2017	55,000	5,112	60,112
2018-2021	190,000	7,520	197,520
<b>Total</b>	<u>\$ 460,000</u>	<u>\$ 45,943</u>	<u>\$ 505,943</u>

**The County of Livingston  
Chillicothe, Missouri  
Notes to the Financial Statements  
For the year ended December 31, 2012**

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**Note 4 - Interfund Transfers**

Transfers between funds for the year ended December 31, 2012 are as follows:

Fund	2012	
	Transfers In	Transfers Out
General Revenue	\$ -	\$ 27,772
Assessment	15,000	-
Planning and Zoning	12,772	-
Total	\$ 27,772	\$ 27,772

**Note 5 - Local Government Employees Retirement System (LAGERS)**

Plan Description

Livingston County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by statute, section RSMo. 70.600- 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO, 65102 or by calling 1-800-447-4334.

Funding Status

Livingston County's full time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rates for 2012 are 12.8% (general) and 11.3% (police) of the annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

**The County of Livingston  
Chillicothe, Missouri  
Notes to the Financial Statements  
For the year ended December 31, 2012**

**Note 5 - Local Government Employees Retirement System (LAGERS) (continued)**

Annual Pension Cost (APC) and Net Pension Obligation (NPO)

For 2012, the political subdivision's annual pension cost of \$159,989 for the County was not equal to the actual contributions of \$262,194, resulting in a credit towards future net pension obligations of \$205,705. The 2012 annual required contribution (ARC) was determined as part of the February 28, 2010 and/or February 28, 2011 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2012 included ( a ) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, ( b ) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, ( c ) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, ( d ) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and ( e ) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table projected to 2000 set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period as of February 28, 2010 was 17 years for the General division and 16 years for the Police division. The amortization period as of February 28, 2011 was 16 years for the General division and 15 years for the Police division.

**Three Year Trend Information - 2012**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$ 173,555	100%	\$ -
6/30/2011	161,676	164%	(103,500)
6/30/2012	159,989	164%	(205,705)

**Required Supplementary Information - Schedule of Funding Progress 2012**

Actuarial Valuation Date	( a ) Actuarial Value of Assets	( b ) Entry Age Actuarial Accrued Liability	( b-a ) Unfunded Accrued Liability (UAL)	( a/b ) Funded Ratio	( c ) Annual Covered Payroll	[( b -a ) / c] UAL as a Percentage of Covered Payroll
2/28/2010	\$ 898,333	\$ 1,826,531	\$ 928,198	49%	\$ 1,279,820	73%
2/28/2011	1,004,210	1,796,135	791,925	56%	1,159,895	68%
2/28/2012	1,396,911	2,035,999	639,088	69%	1,330,190	48%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

**The County of Livingston  
Chillicothe, Missouri  
Notes to the Financial Statements  
For the year ended December 31, 2012**

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**Note 7 - County Employees Retirement Fund (CERF)**

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Section 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar amount, targeted replacement ratio formula, and the prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active eligible member upon his or her death. Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed. Any member with less than eight years creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions. The County Employee's Retirement Fund issues audited financial statements.

Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling 1-877-632-2373.

Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 0% of their annual salary, while employees hired after February 2002 are required to contribute 4% of their annual salary in order to participate in CERF. During the years ended December 31, 2012, 2011, and 2010, the County collected and remitted to CERF, employee contributions of approximately \$37,178, \$26,202, and \$26,746, respectively, for the years then ended.

**Note 8 - Prosecuting Attorney Retirement Fund**

In accordance with state statute Chapter 56.807 RSMo, Livingston County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. Livingston County has contributed \$2,244, \$1,840, and \$0, respectively, for the years ended December 31, 2012, 2011 and 2010.

**The County of Livingston  
Chillicothe, Missouri  
Notes to the Financial Statements  
For the year ended December 31, 2012**

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**Note 9 - Post-Employment Benefits**

Livingston County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by Livingston County.

**Note 10 - Claims, Commitments, and Contingencies**

Litigation

Livingston County is not involved in pending litigation as of December 31, 2012.

Compensated Absences

The County provides employees with up to three weeks of paid vacation based upon the number of years of continuous service. Upon termination from county employment, an employee is reimbursed for unused vacation and overtime, if applicable. Unused sick time is not reimbursed. These have not been subjected to auditing procedures.

**Note 11 - Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

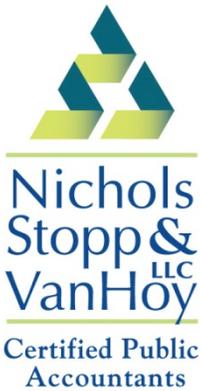
The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make specific assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Injured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

**Note 12 - Subsequent Events**

The County has evaluated events subsequent to December 31, 2012 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through July 5, 2013, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

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*



To the County Commission and  
Officeholders of Livingston County, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of Livingston County, Missouri, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Livingston County, Missouri's basic financial statements and have issued our report thereon dated July 5, 2013.

**Internal Control Over Financial Reporting**

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

Our 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency: 2012 - 1.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Livingston County, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an

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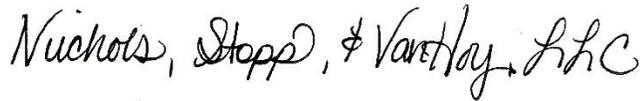
instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item: 2012 - 2.

**Livingston County, Missouri's Response to Findings**

Livingston County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Livingston County, Missouri's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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



Creve Coeur, Missouri  
July 5, 2013

**The County of Livingston  
Chillicothe, Missouri  
Schedule of Findings and Responses  
For the year ended December 31, 2012**

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**Financial Statement Findings**

2012 - 1 **Condition:** During our audit, we noted there is no formal fraud risk assessment in place.

**Effect:** Lack of an appropriate audit risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

**Cause:** Management has not prepared documentation of risk assessments, including identifying risks and mitigating controls.

**Recommendation:** We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze, and manage these risks.

**Management's Response:** Livingston County has many procedures in place to ensure that the opportunity for fraud is very minimal if not non-existent. The Collector-Treasurer and the County Clerk work very close with one another to ensure accountability. The Collector-Treasurer and the County Clerk each balance the monetary assets monthly and independently of one another. This balancing process also includes the taxes (delinquent and distributed). Other areas of Risk Assessment are indirectly addressed throughout the year while meeting with various county elected officials. The Livingston County elected officials met during January 2013 while setting the 2013 fiscal budget and identified areas of concern regarding risk management. In addition, the entire courthouse and jail staff (including county and state employees) met to discuss various areas of concern regarding security, tornado and fire preparation. The county plans to schedule ongoing trainings and drills for security purposes, tornado and fire preparations. Currently, the county is making improvements to the security system and procedures within the courthouse, while enlisting the services of a student at Northwest Missouri State University who is majoring in Security with the assistance of the Chillicothe Fire Chief and 43rd Circuit Marshall. This student is working on a plan of action for persons within the courthouse during a tornado, fire, or security threat. Livingston County officials plan to have the proper procedures in place and drills conducted during 2013.

2012 - 2 **Condition:** During our audit, we noted the County did not adopt a formal budget for the Special Election Fund, and the Grant Fund and the Senate Bill 40 Board Fund has expenses which exceeded the budget.

**Effect:** Missouri statutes require Counties to prepare an annual budget and expenditures are not to exceed the budget. Due to exceeding the budget in a fund, the County is in violation of Missouri Revised Statutes.

**Cause:** Oversight

**Recommendation:** We recommend that the County adopt a budget for all funds, and periodically review its actual expenditures as compared to budgeted amounts. An amended budget should be prepared and approved as necessary to comply with statutes.

**The County of Livingston  
Chillicothe, Missouri  
Schedule of Findings and Responses  
For the year ended December 31, 2012**

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**Financial Statement Findings (continued)**

2012 - 2 **Management's Response:** All Funds have an adopted budget with the exception of the Special Election Fund. (cont.) Livingston County has never adopted a formal budget for this fund. The Special Election Fund is designed to be a pass-through fund with revenues and expenditures balancing to zero at the end of the fiscal year. The elections expenditures processed through the Special Election Fund are fully reimbursed by the political sub-division for which the county is conducting the election. In addition, the -\$94.00 shown in the expenditure line item of the Grant Fund is a credit to the expenditure line item. During 2011 an expenditure of \$94.00 was paid from the Grant Fund and should have been paid from the Use Tax Fund. In December 2012, a journal entry was processed to credit \$94.00 in the Grant Fund and to debit \$94.00 in the Use Tax Fund.

**The County of Livingston  
Chillicothe, Missouri  
Follow-Up to Prior Audit Findings for an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards**

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In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Livingston County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2011.

**Prior Year Financial Statement Findings**

11/10 - 1 **Condition:** During the current year, it was necessary for the auditors of the County to assist with the preparation of the external financial statements and the notes to the financial statements.

**Effect:** Without the assistance of the auditors preparing the external financial statements, management may be unable to review and take responsibility of the financial statements and notes.

**Cause:** Due to increasing financial reporting requirements, management of the County is unable to prepare the external financial statements and notes without the assistance of the auditors.

**Recommendation:** We recommend the County either provide training to current management, hire additional staff who possess the accounting skills needed to prepare and review the external financial statements, or contract with an outside accountant to prepare and review the external financial statements.

**Management's Response:** Third class counties do not have a need or the budget to support the permanent employment of an individual with the accounting skills to prepare or take responsibility for the financial statement as suggested by the auditor. Nor do we have the need to contract with an outside accountant to prepare the external financial statements. It has been the understanding of the County Commission and other elected officials that this is the duty of the contracted auditor; however, management is open to contracting with an independent accountant to review the financial statement audit.

**Status:** Management has corrected this issue.

11/10 - 2 **Condition:** Documentation of the County's internal control has not been prepared.

**Effect:** Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

**Cause:** Management has not prepared documentation of internal control.

**Recommendation:** We recommend the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

**Management's Response:** Livingston County is in the process of creating documented internal controls. Even though Internal Controls have not been in writing, they have been in place, communicated and practiced by all elected officials and staff for many years. In fact, many efforts are made to ensure that all parties involved recognize the importance of accountability and consistency. The Livingston County Internal Controls have worked effectively and efficiently for many decades.

**Status:** Management has corrected this issue.

**The County of Livingston  
Chillicothe, Missouri  
Follow-Up to Prior Audit Findings for an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards**

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**Prior Year Financial Statement Findings (continued)**

11/10 - 3 **Condition:** During our audit, we noted there is no formal fraud risk assessment in place.

**Effect:** Lack of an appropriate audit risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

**Cause:** Management has not prepared documentation of risk assessments, including identifying risk and mitigating controls.

**Recommendation:** We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze, and manage these risks.

**Management's Response:** Livingston County has many procedures in place to ensure that the opportunity for fraud is very minimal if not non-existent. The Collector-Treasurer and the County Clerk work very close with one another to ensure accountability. The Collector-Treasurer and the County Clerk each balance the monetary assets monthly and independently of one another. This balancing process also includes the taxes (delinquent and distributed). Other areas of Risk Assessment are indirectly addressed throughout the year while meeting with various county elected officials. The County Commission will plan to meet annually during budget time to discuss any areas of concern with the county elected officials.

**Status:** Management has not implemented a corrective action plan; therefore, this finding is repeated in the current year at 2012-1.

11/10 - 4 **Condition:** During our audit, we noted one fund in which the County did not adopt a formal budget.

**Effect:** Missouri statutes require Counties to prepare an annual budget and expenditures are not to exceed the budget. Due to exceeding the budget in a fund the County is in violation of Missouri Revised Statutes.

**Cause:** Oversight

**Recommendation:** We recommend that the County adopt a budget for all funds, and periodically review its actual expenditures as compared to budgeted amounts. An amended budget should be prepared and approved as necessary to comply with statutes.

**Management's Response:** All funds have actual budgets with the exception of the Special Election Fund. This is a fund specifically used for elections which political sub-divisions other than the county have and the funds "Pass through" the fund. All revenues in this account are received from the political sub-division having an election and all expenditures pay for the expenses specific to that election.

**Status:** Management has not implemented a corrective action plan; therefore, this finding is repeated in the current year at 2012-2.

**The County of Livingston  
Chillicothe, Missouri  
Follow-Up to Prior Audit Findings for an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards**

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**Prior Year Federal Award Findings and Questioned Costs**

11/10 - 5 **Condition:** The Schedule of Expenditures of Federal Awards (SEFA) contained errors.

**Criteria:** OMB Circular A-133 requires auditees to prepare an accurate SEFA containing awards expended, CFDA title and number, award number, name of the Federal agency, and name of the pass-through entity.

**Cause:** Management was unaware of the reporting requirements related to the Schedule of Expenditures of Federal Awards.

**Effect:** Federal expenditures reported on the SEFA were incorrect.

**Recommendation:** We recommend that management develop internal controls over reporting and consult with outside accountants when needed to ensure an accurate SEFA is prepared.

**Management's Response:** The Schedule of Expenditures of Federal Awards (SEFA) was amended upon discovery of the exclusion of applicable funding and an amended SEFA was sent to the State Auditor's office. The County Clerk made the discovery of the funding exclusion during the time of the external financial statement audit and brought the information to the attention of the auditor. The State Auditor and contracted auditor are well aware of the difficulty the Clerk faces in completing this schedule due to the reliance of the information being provided to the Clerk. Grants throughout the county are completed by a variety of elected officials and if the information is not provided to the Clerk, the SEFA cannot be completed properly.

**Status:** The County was not required by OMB Circular A-133 to prepare a SEFA for the current year; therefore, this finding is no longer valid.