

Livingston County, Michigan

**Financial Report
with Supplemental Information
December 31, 2011**

Livingston County, Michigan

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Independent Auditor's Report

To the County Board of Commissioners
Livingston County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Livingston County, Michigan (the "County") as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Livingston County, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Livingston County Road Commission, whose assets and revenue totaled \$123,430,097 and \$15,650,694, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Livingston County Road Commission, is based solely on the reports of other auditors.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions. The financial statements of the Livingston County Road Commission were not audited in accordance with *Government Auditing Standards*.

In our 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Livingston County, Michigan as of December 31, 2011 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the County Board of Commissioners
Livingston County, Michigan

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, retirement system schedules of funding progress, and the budgetary comparison schedules, as identified in the table of contents 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Livingston County, Michigan basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2012 on our consideration of Livingston County, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the County Board of Commissioners
Livingston County, Michigan

During the year, the County implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note I. There were no fund structure changes as a result of this required implementation. In addition, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB No. 54.

Plante & Morse, PLLC

June 22, 2012

Livingston County, Michigan

Management's Discussion and Analysis

Our discussion and analysis of Livingston County, Michigan's (the "County") financial performance provides an overview of the financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the County's financial statements.

Financial Highlights

The following represents the most significant financial highlights for the year ended December 31, 2011:

- The County's primary source of General Fund revenue is property taxes, representing 67.46 percent of total revenue. The percentage increase in property taxes in the past was impressive: 12.5 percent in 2005, 9.7 percent in 2006, and 4.2 percent in 2007. This growth trend, however, was not sustainable. In 2011, the County experienced its fourth straight year that tax revenue came in under the previous year level. In 2011, the County experienced a 5.7 percent decrease in tax revenue when compared to 2010. Property tax revenue in 2012 is expected to decline by an additional 4.7 percent.
- The County continues to face challenges from an amendment to the Property Tax Act (Public Act 356) which imposed a mandatory and permanent shift from a December to a July tax levy. This legislation has created a major challenge for counties with calendar fiscal years because our largest revenue source is billed six months after the beginning of annual operations and collected nine months into the fiscal year. This creates cash flow problems and a future risk of incurring borrowing costs to sustain operations during the first nine months. For this reason, the County has designated \$15 million of assigned fund balance for cash flow purposes.
- Over the past few years, Livingston County has been aggressive in reducing the cost of providing services to our residents and preserving Livingston County's future financial capacity. This has been done through reductions in personnel through attrition with departmental restructuring and redesigning personnel wages and benefits, including those with legacy costs. Departments also continue to comply with the purchasing policy to competitively bid supplies and services. These efforts resulted in an increase of about \$1.0 million to the General Fund's fund balance in 2011.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services. The activities are divided between governmental and business-type. Governmental activities include the General Fund, special revenue funds, debt service fund, capital projects fund, and internal service fund. Business-type activities include the Building and Safety Fund, Airport Fund, Delinquent Tax Revolving Fund, Livingston Essential Transportation Service Fund, and the Septage Receiving Station Fund.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The fiduciary fund statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

The County as a Whole

The following table shows a condensed format of the net assets (in thousands of dollars) for fiscal years ended December 31, 2011 and 2010:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current assets	\$ 70,031	\$ 68,832	\$ 45,897	\$ 47,917	\$ 115,928	\$ 116,749
Capital assets	54,433	55,239	36,221	35,231	90,654	90,470
Total assets	124,464	124,071	82,118	83,148	206,582	207,219
Liabilities						
Current liabilities	13,020	11,085	5,418	8,746	18,438	19,831
Long-term liabilities	5,161	7,986	2,852	2,775	8,013	10,761
Total liabilities	18,181	19,071	8,270	11,521	26,451	30,592
Net Assets						
Invested in capital assets -						
Net of related debt	47,485	48,091	33,446	32,351	80,931	80,442
Restricted	21,376	20,697	-	-	21,376	20,697
Unrestricted	37,422	36,212	40,402	39,276	77,824	75,488
Total net assets	<u>\$ 106,283</u>	<u>\$ 105,000</u>	<u>\$ 73,848</u>	<u>\$ 71,627</u>	<u>\$ 180,131</u>	<u>\$ 176,627</u>

The County's combined net assets for both governmental and business-type activities total \$180.1 million for fiscal year 2011 as compared to \$176.6 million for fiscal year 2010. This is an increase of \$3.5 million (2.0 percent) from 2010 to 2011. The increases in total net assets are attributable in part to the reduction in current liabilities including accounts payable and long-term obligations. Net assets are further segregated between restricted and unrestricted net assets. The restricted net assets are those assets that are restricted for a specific purpose/use and invested in capital assets. Unrestricted net assets are those net assets that can be used to finance day-to-day operations.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the years ended December 31, 2011 and 2010 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue						
Program revenue:						
Charges for services	\$ 22,026	\$ 22,275	\$ 6,985	\$ 8,247	\$ 29,011	\$ 30,522
Operating grants and contributions	11,948	12,673	1,523	1,971	13,471	14,644
Capital grants and contributions	-	30	1,808	863	1,808	893
General revenue:						
Property taxes	28,330	30,102	-	-	28,330	30,102
Unrestricted investment income	152	230	171	177	323	407
Transfers and other revenue	3,515	2,545	(2,248)	(1,631)	1,267	914
Total revenue	65,971	67,855	8,239	9,627	74,210	77,482
Program Expenses						
General government	6,626	5,078	-	-	6,626	5,078
Public safety	33,990	33,899	-	-	33,990	33,899
Health and welfare	20,218	20,748	-	-	20,218	20,748
Community and economic development	3,586	4,104	-	-	3,586	4,104
Interest on long-term debt	268	362	-	-	268	362
Building and safety	-	-	979	1,045	979	1,045
Airport	-	-	1,288	1,230	1,288	1,230
Livingston Essential Transportation Services	-	-	2,609	2,529	2,609	2,529
Septage receiving station	-	-	850	757	850	757
Delinquent tax revolving funds	-	-	292	2,859	292	2,859
Total program expenses	64,688	64,191	6,018	8,420	70,706	72,611
Change in Net Assets	\$ 1,283	\$ 3,664	\$ 2,221	\$ 1,207	\$ 3,504	\$ 4,871

Governmental Activities

Governmental activities are those activities (such as public safety, health and human services, and general governmental services) provided to the constituents of the County and supported by financing from property taxes and state-shared revenue.

The County expenditure policy remained stable from 2010 to 2011. The cost of providing services for governmental activities was \$64.7 million for fiscal year 2011, which includes the General Fund, special revenue fund, and internal service fund departments. This is a 0.8 percent increase, or \$497 thousand more than the cost of providing services in 2010. The increase in the cost of providing services can be seen in a 1.5 million increase in the general government services, partially offset by decreases in health and welfare and community and economic development expenditures of \$530 thousand and \$518 thousand, respectively.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

The County's total revenue generated from governmental activities decreased by 2.8 percent, or \$1.9 million, from 2010 to 2011. This is a result of decreased collections on charges for service and property tax collections.

Business-type Activities

Business-type activities are those activities that are financed primarily by charges for services or user fees. The County's business-type activities consist of the Airport, Building and Safety Department, Livingston Essential Transportation, and Tax Delinquent Revolving Funds; these types of operations are most similar to private businesses. A comparative analysis between fiscal years 2010 and 2011 shows that the cost of providing services for all business-type activities decreased by 28.5 percent, mainly in the Delinquent Tax Revolving Fund, which decreased by more than \$2.6 million in 2011.

The Funds

Our analysis of the County's major funds begins on page 15, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the County as a whole. This includes the General Fund, Ambulance Fund, and Revenue Sharing Reserve Fund. The other nonmajor governmental funds are consolidated and reported under the column with that heading. The County board creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages, 911 surcharge, and restricted revenue from grants or fees.

The General Fund finances the majority of the County's governmental services and pays for services of the elected officials' offices. The General Fund is the major operational expenditure and revenue fund of the County and accounts for the financial resources that are not recorded in other funds. Ordinary operations of the County such as public safety, County administration, including the County Clerk, Treasurer, Register of Deeds and Drain Commission, and other activities financed from taxes and general revenue are reflected in this fund. The most significant are those pertaining to public safety and include the sheriff departments, Prosecuting Attorney, and the court system. The General Fund incurred costs of \$40.4 million in 2011, including an operating transfer of \$4.1 million to subsidize operations in other funds. This is a decrease of 1.3 percent, or \$526 thousand, in the actual cost of providing services in 2011 when compared to the actual cost of providing services in 2010. This decrease was due to a combination of numerous actions taken by the Board of Commissioners, as well as the collaboration and cooperation of County departments required to maintain efficient and effective County services. Because of these proactive measures, the fund balance in the General Fund was increased about \$1.0 million.

The Ambulance Fund provides emergency medical response and is financed by a special tax levy (29.6 percent of total revenue) and charges for services (70.2 percent of total revenue). The cost of providing this service for 2011 was \$7.8 million. Fund balance in the Ambulance Fund increased by \$115,207. The fund balance will be used in future years to enhance response time and to meet the continual increase in demand for services.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

The Revenue Sharing Reserve Fund is a fund mandated by the State to provide replacement funding for the temporary suspension of state-shared revenue. The County annually draws an amount equal to its state-shared revenue (approximately \$2.9 million) until the fund is depleted. In 2011, this fund balance decreased by about \$3.0 million. It is projected that this fund will be depleted in 2013, being the first year in which replacement monies from the reserve fund are less than the amount that would otherwise have been received in state-shared revenue payments. The County believes that state-shared revenue continues to be unstable and the State will not fully reinstate state-shared revenue as promised in Public Act 357.

Budgetary Highlights

Over the course of the year, the County board amended the budget to take into account events during the year. The following provides specific details regarding the amendments:

- Projected revenue and expenditures were adjusted to reflect actual receipts and/or spending.
- Recognition of increases/decrease in grant revenue
- Expenditures were adjusted to reflect cost associated with settlement of union contracts.

During the year, special revenue funds and enterprise funds budgets were amended as follows:

- Amendments for capital purchases
- Projected revenue and expenditures were adjusted to reflect actual receipts and/or spending.
- Recognition of increases/decrease in grant revenue

Capital Asset and Debt Administration

At the end of 2011, the County had \$90.7 million invested in a broad array of capital assets, including buildings, land, emergency response equipment, vehicles, etc. These assets are necessary to carry out the day-to-day operations of the County.

The County continues to sustain its excellent bond ratings with Moody's AAA rating and Standard & Poor's AA+ rating, thereby managing interest payments and reducing costs for infrastructure improvements. Additionally, the County is well within its legal debt limit of 10 percent of the state equalized valuation, utilizing less than 1.00 percent of that capacity. The majority of outstanding debt is for our component units: the drainage districts, the Department of Public Works, and the Road Commission. The County has pledged its full faith and credit to maintain low costs.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

Michigan's economy is showing signs of recovery; however, we must proceed with conservative optimism because the national and world economy is fragile and will continue to impact Michigan residents. Some of these challenges include: federal policies (i.e., healthcare reform), European debt crisis, and oil prices. Our newly elected governor has caused substantial legislative changes during his first year in office. Many have assisted counties, cities, townships, and villages; however, others are hindering our abilities to provide services. Those major challenges and exposures include: threat to state-shared revenue replacement, reduction in personal property tax, and declining state funds for mandated services. Additional challenges are housing foreclosure backlog, job creation versus job losses, special assessment districts lack of revenue to pay debt payments, and projected slow recovery for property and investment revenues.

The loss in tax revenue that began in fiscal year 2008 and continuing through fiscal year 2011 has changed the way the County does business. Major structural changes have been made and will continue to be looked at to ensure sustainability of our operations into the future. The County continues to look for new opportunities to partner with other local municipalities to share services. A few great examples of successful collaboration include: contracting with Jackson County to share the public health officer, contracting with the City of Brighton and the City of Howell to share the building official, implementation of countywide broadband fiber network sharing, contracting with the City of Howell to provide custodial services, and the countywide use of OSS1 public safety software which has all fire, emergency, and police agencies within the County utilizing the same records management system.

As mentioned previously, the County board continues to act tenaciously to reduce the cost of providing quality services to Livingston County residents while preserving its future financial capacity. The approved hiring freeze for all vacant general funded positions remains in force, sharing of responsibilities/personnel by departments is encouraged, and the County will once again not offer wage increases in 2012 or 2013. Also, major changes have been made to reduce benefit costs. The changes include the following:

- Pension
 - Start-up of a pension plan that offers a hybrid of both a defined benefit plan and a defined contribution plan for all new nonunion employees hired after August 31, 2009.
 - Settlement of union contracts now have all employees remaining in a defined benefit plan to contribute 5 percent of pension eligible wages.
 - An additional payment of \$1 million was made to reduce the unfunded liability of the groups in the defined benefit plan.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

- Active Healthcare
 - The new base healthcare plan offered to 911 employee groups has been reduced to a PP04 plan which offers 80/20 coverage with the option to buy up to a PP06 (90/10) or PP01 (100 percent) plan.
 - As of September 1, 2011, all full-time, 35-40-hour nonunion employees will be responsible for 10 percent of the PP04 plan premium plus any buy-up costs with the exception of the Sheriff unions. Beginning August 1, 2011, sheriff, deputy, and lieutenant union employees will be responsible for 5 percent of the PP04 plan premium.
 - As of September 1, 2011, all new 35-40-hour, full-time union employees are responsible for 20 percent of the plan premium plus any buy-up costs for all employee groups.
 - Effective January 1, 2010, all 30-34-hour nonunion employees will be responsible for 25 percent of the premium plus any buy-up costs.
- Retiree Healthcare
 - All new full-time, nonunion employees hired after November 1, 2009 will not receive any retiree healthcare benefits.
 - Effective February 28, 2010, nonunion employees who remained in the defined benefit plan will not accrue service or seniority toward their share of the cost of healthcare under the retiree healthcare plan.
 - Nonunion employees who were in the defined benefit (DB) plan and eligible to retire had the option to remain in the DB plan or convert to the Retiree Healthcare Savings Plan. Those employees not eligible to retire had to convert to the Retiree Health Savings Plan and received a lump-sum deposit into a RHCS based on their years of service.
 - As of June 30, 2011, sheriff, deputy, and lieutenants were offered a cash incentive to switch from a defined plan to a defined contribution plan of which benefit 39 percent in the group elected to switch.
 - Effective June 30, 2011, all new full-time sheriff, deputy, and lieutenants will be enrolled in a defined contribution plan equal to 4 percent of base wages annually.
 - The above conversion closed the retiree healthcare defined benefit plan and reduced the unfunded liability for retiree healthcare from \$21.5 million to \$3.2 million.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

The County closely monitors reserve balances, revenue, and expenditures. We utilize a five-year financial forecasting model for early detection of bad revenue/expenditure policies and potential deficits. Unfortunately, it is projected that Livingston County's tax revenue will continue to decline 4.7 percent in 2012 and begin to stabilize in 2013, and then begin a slow .5 to 1.0 percent increase in both 2014 and 2015. Recovery will be slow because Proposal A limits the increase of taxable value to the rate of inflation, or 5 percent, whichever is lowest. Michigan continues to work through more than a decade of economic downturn. We are cognizant of the fact that Livingston County must continue to make difficult decisions while changing the way it conducts business to ensure it continues its history of a sound financial performance.

Contacting the Administration

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the County Administrator's office at (517) 546-3669.

Livingston County, Michigan

Statement of Net Assets December 31, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 55,813,155	\$ 23,182,573	\$ 78,995,728	\$ 6,437,569
Receivables:				
Taxes	4,261,278	17,745,094	22,006,372	-
Accounts	5,902,475	66,375	5,968,850	-
Accrued interest	4,880	18,356	23,236	784,058
Due from other governmental units	1,247,433	661,300	1,908,733	3,130,837
Other	-	4,068,880	4,068,880	-
Special assessments receivable	-	-	-	3,825,794
Leases	-	-	-	57,635,440
Allowance for doubtful accounts	(2,155,836)	-	(2,155,836)	-
Advances from component units (Note 6)	54,773	-	54,773	-
Advances from primary government (Note 6)	-	-	-	80,062
Internal balances	217,481	(217,481)	-	-
Inventories	-	47,068	47,068	1,362,712
Prepaid costs and other assets	523,256	245,796	769,052	-
Restricted assets - Cash and investments	-	-	-	241,929
Net pension asset (Note 12)	2,439,818	-	2,439,818	-
Net OPEB asset (Note 13)	1,721,948	78,550	1,800,498	60,886
Capital assets (Note 5):				
Assets not subject to depreciation	10,927,768	13,473,277	24,401,045	27,302,407
Assets subject to depreciation	43,505,654	22,747,985	66,253,639	139,908,256
Total assets	124,464,083	82,117,773	206,581,856	240,769,950
Liabilities				
Accounts payable	1,917,227	541,378	2,458,605	364,072
Due to other governmental units	437,221	144,049	581,270	1,248,390
Advances to component units (Note 6)	-	80,062	80,062	-
Advances to primary government (Note 6)	-	-	-	54,773
Accrued and other liabilities	2,875,153	298,084	3,173,237	1,530,058
Deferred revenue (Note 4)	4,794,640	43,745	4,838,385	-
Net OPEB obligation	-	-	-	1,603,994
Long-term obligations:				
Due within one year (Note 7)	2,995,830	4,310,000	7,305,830	5,584,612
Due in more than one year:				
Other noncurrent liability	-	187,433	187,433	-
Long-term debt (Note 7)	5,161,495	2,665,000	7,826,495	55,118,197
Total liabilities	18,181,566	8,269,751	26,451,317	65,504,096
Net Assets				
Invested in capital assets - Net of related debt	47,484,485	33,446,262	80,930,747	166,906,970
Restricted for:				
Special revenue fund purposes (Note 9)	15,096,967	-	15,096,967	-
Foundation nonexpendable	-	-	-	242,376
County roads	-	-	-	3,403,281
Unrestricted	43,701,065	40,401,760	84,102,825	4,713,227
Total net assets	<u>\$ 106,282,517</u>	<u>\$ 73,848,022</u>	<u>\$ 180,130,539</u>	<u>\$ 175,265,854</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

Livingston County, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 6,626,410	\$ 1,404,745	\$ -	\$ -
Public safety	33,990,237	11,031,481	3,664,049	-
Health and welfare	20,217,614	7,658,935	7,021,030	-
Community and economic development	3,585,563	1,930,453	1,262,470	-
Interest on long-term debt	268,256	-	-	-
Total governmental activities	64,688,080	22,025,614	11,947,549	-
Business-type activities:				
Airport Fund	1,288,033	886,168	-	1,471,909
Delinquent Tax Revolving Fund	292,065	3,423,699	-	-
Septage Receiving Station	850,373	938,587	-	-
Livingston Essential Transportation Service	2,608,466	444,973	1,522,910	336,070
Building and Safety Fund	979,329	1,292,192	-	-
Total business-type activities	6,018,266	6,985,619	1,522,910	1,807,979
Total primary government	\$ 70,706,346	\$ 29,011,233	\$ 13,470,459	\$ 1,807,979
Component units:				
Drain Commission	\$ 2,637,450	\$ 2,177,498	\$ 1,101,792	\$ -
Department of Public Works	3,858,318	3,181,533	100,777	-
Road Commission	17,628,530	3,560	15,341,081	-
Livingston County Foundation	-	-	-	-
Total component units	\$ 24,124,298	\$ 5,362,591	\$ 16,543,650	\$ -
General revenue:				
Property taxes				
Unrestricted investment earnings				
Miscellaneous				
Gain on sale of fixed assets				
Total general revenue				
Transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities Year Ended December 31, 2011

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (5,221,665)	\$ -	\$ (5,221,665)	\$ -
(19,294,707)	-	(19,294,707)	-
(5,537,649)	-	(5,537,649)	-
(392,640)	-	(392,640)	-
(268,256)	-	(268,256)	-
(30,714,917)	-	(30,714,917)	-
-	1,070,044	1,070,044	-
-	3,131,634	3,131,634	-
-	88,214	88,214	-
-	(304,513)	(304,513)	-
-	312,863	312,863	-
-	4,298,242	4,298,242	-
(30,714,917)	4,298,242	(26,416,675)	-
-	-	-	641,840
-	-	-	(576,008)
-	-	-	(2,283,889)
-	-	-	-
-	-	-	(2,218,057)
28,330,249	-	28,330,249	-
152,268	171,358	323,626	27,450
1,259,814	-	1,259,814	298,832
-	7,045	7,045	(26)
29,742,331	178,403	29,920,734	326,256
2,255,082	(2,255,082)	-	-
1,282,496	2,221,563	3,504,059	(1,891,801)
105,000,021	71,626,459	176,626,480	177,157,655
\$ 106,282,517	\$ 73,848,022	\$ 180,130,539	\$ 175,265,854

Livingston County, Michigan

	General Fund	Ambulance Fund	Community Development Block Grant OLHSA	Revenue Sharing Reserve Fund
Assets				
Cash and investments (Note 3)	\$ 23,051,660	\$ 4,347,937	\$ 2,282	\$ 4,504,883
Receivables:				
Taxes	1,630,789	2,234,748	-	-
Accounts	87,400	3,186,947	1,038,865	-
Accrued interest receivable	83	36	-	-
Due from other governmental units	259,618	59	-	-
Allowance for doubtful accounts	-	(2,144,508)	-	-
Advance to component unit (Note 6)	54,773	-	-	-
Due from other funds (Note 6)	84,507	-	-	-
Advances to other funds (Note 6)	495,432	-	-	-
Prepaid costs and other assets	260,706	-	-	-
Total assets	<u>\$ 25,924,968</u>	<u>\$ 7,625,219</u>	<u>\$ 1,041,147</u>	<u>\$ 4,504,883</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 834,265	\$ 72,029	\$ -	\$ -
Due to other governmental units	242,634	-	-	-
Advances from other funds (Note 6)	-	-	-	-
Accrued and other liabilities	465,745	109,835	-	-
Deferred revenue (Note 4)	1,146,459	2,679,326	1,038,865	-
Total liabilities	2,689,103	2,861,190	1,038,865	-
Fund Balances (Note 10)				
Nonspendable	810,911	-	-	-
Restricted	-	-	2,282	4,504,883
Committed	-	-	-	-
Assigned	15,000,000	4,764,029	-	-
Unassigned	7,424,954	-	-	-
Total fund balances	<u>23,235,865</u>	<u>4,764,029</u>	<u>2,282</u>	<u>4,504,883</u>
Total liabilities and fund balances	<u>\$ 25,924,968</u>	<u>\$ 7,625,219</u>	<u>\$ 1,041,147</u>	<u>\$ 4,504,883</u>

**Governmental Funds
Balance Sheet
December 31, 2011**

Nonmajor Funds	Total
\$ 19,114,757	\$ 51,021,519
374,568	4,240,105
1,252,577	5,565,789
4,761	4,880
987,756	1,247,433
(11,328)	(2,155,836)
-	54,773
-	84,507
66,740	562,172
25,703	286,409
<u>\$ 21,815,534</u>	<u>\$ 60,911,751</u>

\$ 649,220	\$ 1,555,514
194,587	437,221
362,458	362,458
125,391	700,971
493,160	5,357,810
1,824,816	8,413,974
78,916	889,827
10,589,802	15,096,967
15,635	15,635
9,321,008	29,085,037
(14,643)	7,410,311
19,990,718	52,497,777
<u>\$ 21,815,534</u>	<u>\$ 60,911,751</u>

Livingston County, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets December 31, 2011

Fund Balance Reported in Governmental Funds	\$ 52,497,777
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	51,648,135
Net pension asset is not included as an asset of the funds	2,439,818
Net OPEB asset is not included as an asset of the funds	1,631,857
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	563,170
Personal property taxes receivable in governmental activities are not financial resources and are not reported in the funds	21,173
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(5,799,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(21,127)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(2,065,414)
Net self-insurance liabilities are not reported in the funds	(2,078,464)
Internal service funds are included as part of governmental activities	7,444,592
Net Assets of Governmental Activities	<u>\$ 106,282,517</u>

Livingston County, Michigan

	General Fund	Ambulance Fund	Community Development Block Grant OLHSA	Revenue Sharing Reserve Fund
Revenue				
Taxes	\$ 25,617,419	\$ 2,317,083	\$ -	\$ -
Licenses and permits	256,585	-	-	-
Federal sources	34,179	-	-	-
State sources	1,488,709	-	-	-
Charges for services	6,943,279	5,488,745	-	-
Fines and forfeitures	430,646	-	-	-
Interest and rent	96,642	16,059	570	11,306
Contributions from local units and other:				
Contributions from local units	1,071,661	-	-	-
Other	2,034,299	879	4,151	-
Total revenue	37,973,419	7,822,766	4,721	11,306
Expenditures				
Current:				
General government	5,923,065	-	-	-
Court systems	9,925,689	-	-	-
Public safety	15,094,269	-	-	-
Health and welfare	1,847,239	7,431,154	-	-
Economic development	3,478,424	-	17,753	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest on long-term debt	-	-	-	-
Total expenditures	36,268,686	7,431,154	17,753	-
Excess of Revenue Over (Under)				
Expenditures	1,704,733	391,612	(13,032)	11,306
Other Financing Sources (Uses)				
Operating transfers in (Note 6)	3,430,987	-	-	-
Operating transfers out (Note 6)	(4,120,560)	(276,405)	-	(2,997,785)
Total other financing (uses) sources	(689,573)	(276,405)	-	(2,997,785)
Net Change in Fund Balances	1,015,160	115,207	(13,032)	(2,986,479)
Fund Balances - Beginning of year	22,220,705	4,648,822	15,314	7,491,362
Fund Balances - End of year	\$ 23,235,865	\$ 4,764,029	\$ 2,282	\$ 4,504,883

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2011

Nonmajor Governmental Funds	Total Governmental Funds
\$ 395,600	\$ 28,330,102
98,884	355,469
7,677,487	7,711,666
2,971,209	4,459,918
6,374,141	18,806,165
-	430,646
34,384	158,961
205,256	1,276,917
166,281	2,205,610
<u>17,923,242</u>	<u>63,735,454</u>
-	5,923,065
-	9,925,689
8,224,404	23,318,673
11,010,617	20,289,010
620,163	4,116,340
819,450	819,450
2,135,000	2,135,000
269,406	269,406
<u>23,079,040</u>	<u>66,796,633</u>
(5,155,798)	(3,061,179)
7,988,451	11,419,438
<u>(1,785,306)</u>	<u>(9,180,056)</u>
<u>6,203,145</u>	<u>2,239,382</u>
1,047,347	(821,797)
<u>18,943,371</u>	<u>53,319,574</u>
<u>\$ 19,990,718</u>	<u>\$ 52,497,777</u>

Livingston County, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (821,797)

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	2,588,137
Depreciation expense	(2,413,756)
Net book value of assets disposed of	(475,410)

Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	416,188
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Decrease in delinquent personal property taxes is included in the statement of activities	145
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Increase in net self-insurance liability is recorded as an expense on the statement of activities	(869,236)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,294,014
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Change in accrued interest payable	1,150
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Increase in net pension asset is recorded in the statement of activities	919,909
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Decrease in net OPEB asset is recorded in the statement of activities	(261,832)
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Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(123,326)
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Internal service funds are included as part of governmental activities	<u>28,310</u>
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Change in Net Assets of Governmental Activities \$ 1,282,496

Livingston County, Michigan

	Enterprise Funds			
	Major Funds			Nonmajor Funds
	Airport Fund	Delinquent Tax Revolving Fund	Septage Receiving Station	Livingston Essential Transportation Service
Assets				
Current assets:				
Cash and investments (Note 3)	\$ 31,258	\$ 20,300,175	\$ 438,333	\$ 127,627
Receivables:				
Taxes - Net of allowance	-	17,745,094	-	-
Accounts	37,387	-	-	28,988
Accrued interest receivable	-	18,064	59	-
Due from other governmental units	652	180,112	-	436,787
Other	-	4,068,880	-	-
Inventories	34,185	-	-	12,883
Prepaid costs and other assets	-	245,796	-	-
Total current assets	103,482	42,558,121	438,392	606,285
Noncurrent assets:				
Advances to other funds (Note 6)	-	2,186,835	-	-
Net OPEB asset (Note 13)	8,934	-	-	39,834
Capital assets - Net (Note 5)	30,568,624	-	3,196,197	2,456,441
Total noncurrent assets	30,577,558	2,186,835	3,196,197	2,496,275
Total assets	30,681,040	44,744,956	3,634,589	3,102,560
Liabilities				
Current liabilities:				
Accounts payable	58,953	24,081	405,251	39,683
Due to other governmental units	-	144,049	-	-
Advances to component units (Note 6)	-	-	80,062	-
Due to other funds (Note 6)	30,000	54,507	-	-
Accrued and other liabilities	103,425	3,115	19,000	110,156
Deferred revenue (Note 4)	-	-	-	-
Current portion of long-term debt (Note 7)	-	4,200,000	110,000	-
Total current liabilities	192,378	4,425,752	614,313	149,839
Noncurrent liabilities:				
Advances from other funds (Note 6)	2,201,356	-	118,453	-
Other noncurrent liability	187,433	-	-	-
Long-term debt - Net of current portion (Note 7)	-	-	2,665,000	-
Total noncurrent liabilities	2,388,789	-	2,783,453	-
Total liabilities	2,581,167	4,425,752	3,397,766	149,839
Net Assets				
Invested in capital assets - Net of related debt	30,568,624	-	421,197	2,456,441
Unrestricted (deficit)	(2,468,751)	40,319,204	(184,374)	496,280
Total net assets	\$ 28,099,873	\$ 40,319,204	\$ 236,823	\$ 2,952,721

**Proprietary Funds
Statement of Net Assets
December 31, 2011**

Enterprise Funds		Governmental Activities
Nonmajor Funds		
Building and Safety Fund	Total Enterprise Funds	Internal Service Fund
\$ 2,285,180	\$ 23,182,573	\$ 4,791,636
-	17,745,094	-
-	66,375	336,686
233	18,356	-
43,749	661,300	-
-	4,068,880	-
-	47,068	-
-	245,796	236,847
2,329,162	46,035,442	5,365,169
-	2,186,835	-
29,782	78,550	90,091
-	36,221,262	2,785,287
29,782	38,486,647	2,875,378
2,358,944	84,522,089	8,240,547
13,410	541,378	361,713
-	144,049	-
-	80,062	-
-	84,507	-
62,388	298,084	226,565
43,745	43,745	-
-	4,310,000	-
119,543	5,501,825	588,278
-	2,319,809	66,740
-	187,433	-
-	2,665,000	140,937
-	5,172,242	207,677
119,543	10,674,067	795,955
-	33,446,262	2,644,350
2,239,401	40,401,760	4,800,242
\$ 2,239,401	\$ 73,848,022	\$ 7,444,592

Livingston County, Michigan

	Enterprise Funds		
	Major Funds		
	Airport Fund	Delinquent Tax Revolving Fund	Septage Receiving Station
Operating Revenue			
Charges for services	\$ 886,168	\$ 755,869	\$ 935,431
Penalties and interest	-	2,609,788	-
Other revenue	-	58,042	3,156
Total operating revenue	886,168	3,423,699	938,587
Operating Expenses			
Personnel	207,058	-	-
Operating	587,294	-	16,605
Other expenses	-	227,396	547,685
Depreciation expense	415,268	-	160,338
Total operating expenses	1,209,620	227,396	724,628
Operating (Loss) Income	(323,452)	3,196,303	213,959
Nonoperating Revenue (Expenses)			
Interest earnings	6	168,129	319
Interest expense	(78,413)	(64,669)	(125,745)
Gain on sale of fixed assets	-	-	-
Federal and state operating subsidies	-	-	-
Total nonoperating (expenses) revenue	(78,407)	103,460	(125,426)
(Loss) Income - Before contributions and transfers	(401,859)	3,299,763	88,533
Capital Contributions - Capital grants	1,471,909	-	-
Transfers In (Note 6)	-	-	-
Transfers Out (Note 6)	-	(2,255,082)	-
Change in Net Assets	1,070,050	1,044,681	88,533
Net Assets - Beginning of year	27,029,823	39,274,523	148,290
Net Assets - End of year	\$ 28,099,873	\$ 40,319,204	\$ 236,823

Proprietary Funds

Statement of Revenue, Expenses, and Changes in Net Assets

Year Ended December 31, 2011

Enterprise Funds			Governmental
Nonmajor Funds			Activities
Livingston Essential Transportation Service	Building and Safety Fund	Total Enterprise Funds	Internal Service Fund
\$ 362,646	\$ 1,292,192	\$ 4,232,306	\$ 15,576,942
-	-	2,609,788	-
82,327	-	143,525	-
444,973	1,292,192	6,985,619	15,576,942
1,521,527	704,693	2,433,278	10,623,682
586,681	274,636	1,465,216	3,887,370
216,856	-	991,937	-
283,402	-	859,008	1,096,785
2,608,466	979,329	5,749,439	15,607,837
(2,163,493)	312,863	1,236,180	(30,895)
-	2,904	171,358	-
-	-	(268,827)	-
7,045	-	7,045	43,505
1,522,910	-	1,522,910	-
1,529,955	2,904	1,432,486	43,505
(633,538)	315,767	2,668,666	12,610
336,070	-	1,807,979	-
-	-	-	15,700
-	-	(2,255,082)	-
(297,468)	315,767	2,221,563	28,310
3,250,189	1,923,634	71,626,459	7,416,282
\$ 2,952,721	\$ 2,239,401	\$ 73,848,022	\$ 7,444,592

Livingston County, Michigan

	Enterprise Funds		
	Major Funds		
	Airport Fund	Delinquent Tax Revolving Fund	Septage Receiving Station
Cash Flows from Operating Activities			
Receipts from customers	\$ 885,138	\$ 23,385,043	\$ 938,573
Receipts from other funds	-	56,281	-
Payments to suppliers	(364,022)	241,774	(238,653)
Payments to employees	(422,285)	-	-
Internal activity - Payments to other funds	(56,281)	15,472	(2,505)
Settlement of delinquent taxes	(790)	(18,174,382)	-
Net cash provided by (used in) operating activities	41,760	5,524,188	697,415
Cash Flows from Noncapital Financing Activities			
Federal and state operating subsidies	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	-	(2,255,082)	-
Net cash (used in) provided by noncapital financing activities	-	(2,255,082)	-
Cash Flows from Capital and Related Financing Activities			
Activities			
Issuance of bonds	-	11,400,000	-
Receipt of capital grants	-	-	-
Proceeds from sales of capital assets	-	-	-
Purchase of capital assets	(41,944)	-	(335,754)
Principal and interest paid on capital debt	(78,413)	(15,125,669)	(230,745)
Net cash (used in) provided by capital and related financing activities	(120,357)	(3,725,669)	(566,499)
Cash Flows from Investing Activities			
Interest received on investments	6	168,129	319
Proceeds from sale and maturities of investment securities	25,000	468,327	(74,089)
Net cash provided by (used in) investing activities	25,006	636,456	(73,770)
Net (Decrease) Increase in Cash and Cash Equivalents	(53,591)	179,893	57,146
Cash and Cash Equivalents - Beginning of year	84,849	631,642	9,242
Cash and Cash Equivalents - End of year	\$ 31,258	\$ 811,535	\$ 66,388
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and investments	\$ 31,258	\$ 20,300,175	\$ 438,333
Less amounts classified as investments	-	(19,488,640)	(371,945)
Total cash and cash equivalents	\$ 31,258	\$ 811,535	\$ 66,388

**Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2011**

Enterprise Funds			Governmental Activities
Nonmajor Funds			
Livingston Essential Transportation Service	Building and Safety Fund	Total Enterprise Funds	Proprietary Internal Service Fund
\$ 349,035	\$ 1,252,612	\$ 26,810,401	\$ 2,659,798
-	-	56,281	13,012,261
(793,720)	(264,388)	(1,419,009)	(3,312,767)
(1,497,259)	(659,872)	(2,579,416)	(10,620,139)
-	-	(43,314)	(442,565)
-	-	(18,175,172)	-
(1,941,944)	328,352	4,649,771	1,296,588
1,522,910	-	1,522,910	-
-	-	-	15,700
-	-	(2,255,082)	-
1,522,910	-	(732,172)	15,700
-	-	11,400,000	-
65,234	-	65,234	-
7,045	-	7,045	43,505
270,836	-	(106,862)	(591,908)
-	-	(15,434,827)	(82,240)
343,115	-	(4,069,410)	(630,643)
-	2,904	171,358	-
-	326,400	745,638	-
-	329,304	916,996	-
(75,919)	657,656	765,185	681,645
203,546	753,524	1,682,803	4,109,991
\$ 127,627	\$ 1,411,180	\$ 2,447,988	\$ 4,791,636
\$ 127,627	\$ 2,285,180	\$ 23,182,573	\$ 4,791,636
-	(874,000)	(20,734,585)	-
\$ 127,627	\$ 1,411,180	\$ 2,447,988	\$ 4,791,636

Livingston County, Michigan

	Enterprise Funds		
	Major Funds		
	Airport Fund	Delinquent Tax Revolving Fund	Septage Receiving Station
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities			
Operating (loss) income	\$ (323,452)	\$ 3,196,303	\$ 213,959
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	415,268	-	160,338
Changes in assets and liabilities:			
Receivables	(1,820)	1,786,962	(14)
Due from others	-	56,281	-
Inventories	10,545	(4,967)	-
Prepaid and other assets	(357)	345,600	-
Accounts payable	213,084	128,537	325,637
Due to others	(56,281)	15,472	(2,505)
Advances from other funds	-	-	-
Accrued and other liabilities	(215,227)	-	-
Net cash provided by (used in) operating activities	\$ 41,760	\$ 5,524,188	\$ 697,415
Noncash Transactions			
Contributed assets	\$ 1,471,909	\$ -	\$ -
Decrease in receivable allowance on delinquent taxes	-	(452,270)	-

Proprietary Funds
Statement of Cash Flows (Continued)
Year Ended December 31, 2011

Enterprise Funds			Governmental Activities
Nonmajor Funds			
Livingston Essential Transportation Service	Building and Safety Fund	Total Enterprise Funds	Proprietary Internal Service Fund
\$ (2,163,493)	\$ 312,863	\$ 1,236,180	\$ (30,895)
283,402	-	859,008	1,096,785
(95,938)	(39,580)	1,649,610	94,344
-	-	56,281	773
(4,892)	9,850	10,536	-
3,052	(8,339)	339,956	531,579
11,657	8,737	687,652	43,024
-	-	(43,314)	(284,212)
-	-	-	(158,353)
24,268	44,821	(146,138)	3,543
\$ (1,941,944)	\$ 328,352	\$ 4,649,771	\$ 1,296,588
\$ 270,836	\$ -	\$ 1,742,745	\$ -
-	-	(452,270)	-

Livingston County, Michigan

Fiduciary Funds Statement of Fiduciary Net Assets December 31, 2011

	Other Employee Benefits Trust Fund	Agency Funds
Assets		
Cash (Note 3)	\$ -	\$ 2,940,838
Investments - Mutual funds (Note 3)	12,487,501	-
Accrued interest receivable	-	241
Total assets	12,487,501	<u>\$ 2,941,079</u>
Liabilities		
Due to other governmental units	-	\$ 1,151,456
Other liabilities	-	1,789,623
Total liabilities	-	<u>\$ 2,941,079</u>
Net Assets Held in Trust for Other Employee Benefits	<u>\$12,487,501</u>	

Livingston County, Michigan

Fiduciary Funds **Statement of Changes in Fiduciary Net Assets - Other Employee** **Benefits Trust Fund** **Year Ended December 31, 2011**

	<u>Other Employee Benefits Trust Fund</u>
Additions	
Investment income:	
Interest and dividends	\$ 166,256
Net decrease in fair value of investments	(627,922)
Investment-related expenses	<u>(113,624)</u>
Net investment loss	(575,290)
Contributions	<u>1,244,778</u>
Total additions	669,488
Deductions - Benefit payments	<u>896,158</u>
Net Decrease in Net Assets Held in Trust	(226,670)
Net Assets Held in Trust for Other Employee Benefits - Beginning of year	<u>12,714,171</u>
Net Assets Held in Trust for Other Employee Benefits - End of year	<u>\$ 12,487,501</u>

Livingston County, Michigan

Component Units Statement of Net Assets December 31, 2011

	Drain Commission	Department of Public Works	Road Commission	Livingston County Foundation	Total
Assets					
Cash and investments (Note 3)	\$ 3,070,464	\$ 932,221	\$ 2,382,757	\$ 52,127	\$ 6,437,569
Receivables:					
Interest and other receivables	207,710	480,451	95,830	67	784,058
Due from other governmental units	1,230,068	-	1,900,769	-	3,130,837
Special assessments receivable	3,825,794	-	-	-	3,825,794
Leases receivable from local units	17,760,440	39,875,000	-	-	57,635,440
Advance from primary government (Note 6)	64,761	15,301	-	-	80,062
Inventory	-	-	1,362,712	-	1,362,712
Restricted assets - Cash and investments	-	-	-	241,929	241,929
Net OPEB asset (Note 13)	57,517	3,369	-	-	60,886
Capital assets (Note 5)	4,073,832	45,448,802	117,688,029	-	167,210,663
Total assets	30,290,586	86,755,144	123,430,097	294,123	240,769,950
Liabilities					
Accounts payable	28,791	191,786	143,495	-	364,072
Due to other governmental units	1,230,068	772	17,550	-	1,248,390
Advance from primary government (Note 6)	-	54,773	-	-	54,773
Other current liabilities	1,142,093	251,893	136,072	-	1,530,058
Net OPEB obligation	-	-	1,603,994	-	1,603,994
Long-term debt (Note 7)					
Due within one year	2,346,240	2,583,590	654,782	-	5,584,612
Due in more than one year	17,752,445	37,365,752	-	-	55,118,197
Total liabilities	22,499,637	40,448,566	2,555,893	-	65,504,096
Net Assets					
Invested in capital assets - Net of related debt	4,061,587	45,374,460	117,470,923	-	166,906,970
Restricted	-	-	3,403,281	242,376	3,645,657
Unrestricted	3,729,362	932,118	-	51,747	4,713,227
Total net assets	\$ 7,790,949	\$ 46,306,578	\$ 120,874,204	\$ 294,123	\$ 175,265,854

Livingston County, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Drain Commissioner - Public works	\$ 2,637,450	\$ 2,177,498	\$ 1,101,792	\$ -
Department of Public Works - Public works	3,858,318	3,181,533	100,777	-
Road Commission - Public works	17,628,530	3,560	15,341,081	-
Livingston County Foundation	-	-	-	-
Total component units	\$ 24,124,298	\$ 5,362,591	\$ 16,543,650	\$ -

General revenue:

- Unrestricted investment earnings
- Miscellaneous
- Loss on sale of fixed assets

Total general revenue

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

**Component Units
Statement of Activities
Year Ended December 31, 2011**

Net (Expense) Revenue and Changes in Net Assets				
Drain Commissioner	Department of Public Works	Road Commission	Livingston County Foundation	Total
\$ 641,840	\$ -	\$ -	\$ -	\$ 641,840
-	(576,008)	-	-	(576,008)
-	-	(2,283,889)	-	(2,283,889)
-	-	-	-	-
641,840	(576,008)	(2,283,889)	-	(2,218,057)
10,934	2,158	7,247	7,111	27,450
-	-	298,832	-	298,832
-	-	(26)	-	(26)
10,934	2,158	306,053	7,111	326,256
652,774	(573,850)	(1,977,836)	7,111	(1,891,801)
7,138,175	46,880,428	122,852,040	287,012	177,157,655
\$ 7,790,949	\$ 46,306,578	\$ 120,874,204	\$ 294,123	\$ 175,265,854

Livingston County, Michigan

Notes to Financial Statements December 31, 2011

Note 1 - Nature of Business and Significant Accounting Policies

The accounting policies of Livingston County, Michigan (the "County") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the County:

Reporting Entity

The County was organized in 1836 and operates under an elected Board of Commissioners consisting of nine members. The County provides services to its residents in the areas of public safety, including law enforcement and administration of justice, economic development, general government, and human services.

The accompanying financial statements present the County and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the County's operations. The discretely presented component units are reported in a separate column to emphasize that they are legally separate from the County.

Blended Component Units - The Building Authority is governed by a five-member board that is appointed by the County Board of Commissioners. Although legally separate from the County, the Building Authority is reported as part of the primary government because its sole purpose is to finance and construct the County's public buildings.

The following component units are presented discretely from the County:

Drain Commission Boards - Each of the drainage districts established pursuant to the Drain Code of 1956 are separate legal entities, with the power to contract, to sue and be sued, to hold, manage, and dispose of real and personal property, etc. The drainage board or drain commissioner, on behalf of the drainage district, may issue debt and levy special assessments authorized by the drain code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the drainage district.

Department of Public Works - Pursuant to Michigan Compiled Law 123.732, the County has entered into a program of water supply and sanitary sewer facility construction. The Department of Public Works is under the general control of the County Board of Commissioners and under the immediate control of the Board of Public Works, which includes the County Drain Commissioner. The Board of Public Works is considered an agency of the County. The Board of Public Works manages water supply and sanitary sewer system construction projects that are bonded by the County. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the County Board of Commissioners.

Livingston County, Michigan

Notes to Financial Statements December 31, 2011

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Road Commission - The County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by the appointed three-member Board of County Road Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners.

Livingston County Foundation - The Livingston County Foundation (the "Foundation"), established as a 501(c)(3) not-for-profit entity, is governed by a seven-member board with two members being personnel of Livingston County, one member appointed by those two County personnel, one member being a current member of the Livingston County Board of Commissioners, and the remaining three members being appointed by the Livingston County Board of Commissioners. The Foundation is to be used for the enhancements of the Lutz County Park and for the development and maintenance of the Fillmore Estate, the Owen J. Lutz and Florence B. Lutz Conference Center, and for any other designation by the contributor.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied, except for property taxes which are required to be recorded in the Revenue Sharing Reserve Fund as mandated by the State. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

All governmental funds and agency funds utilize the modified accrual basis of accounting. The component units record day-to-day activity using the modified accrual basis of accounting but report on the full accrual basis of accounting. The enterprise funds utilize the full accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- Property taxes and other revenue that are both measurable and available for use to finance operations for the County are recorded as revenue when earned.
- Other revenue is recorded when received.
- Properties are assessed as of December 31. The related general operating property taxes are billed on July 1 and become a lien at that time. All other County property taxes are billed on December 1 of the following year and become a lien at that time. These taxes are due on September 14 and February 14, respectively, with a final collection date of February 28 before they are added to the County tax rolls.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

- Property taxes are levied to finance the current year's operations and are recorded as a revenue and receivable in their respective funds on July 1. Each year, the Revenue Sharing Reserve Fund will transfer an amount equal to the County's revenue-sharing allocation to finance the current year's operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The County has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the County's enterprise functions and various other functions of the County. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the County's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the County's policy to spend funds in this order: committed, assigned, and then unassigned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as they are needed.

The County reports the following major governmental funds:

General Fund - The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Ambulance Special Revenue Fund - The Ambulance Special Revenue Fund accounts for all of the activities of the County's ambulance department.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Community Development Block Grant - OLHSA - This federal grant is facilitated by HUD, but runs through the Michigan State Housing Development Authority as a pass-through. Purpose of the grant is to fund home improvement projects for low-income homeowners. Loans are secured by a lien on the home and paid back either by installments or are set up as "due on sale of property."

Revenue Sharing Reserve Fund - The Revenue Sharing Reserve Fund is a mandatory fund restricted for replacing state-shared revenue that has been suspended. The source of the replacement funding was the gradual shift from a winter tax levy to a summer tax levy. One-third of the County's December 2004 property tax levy was placed in the fund from the December 2004, 2005, and 2006 property tax levies, as required by State regulations.

The County reports the following major proprietary funds:

Airport Fund - The Airport Fund accounts for the operations of the rural airport located in the County. The primary revenue source is charges for services and grant monies for the airport expansion.

Delinquent Tax Revolving Fund - The Delinquent Tax Revolving Fund accounts for the purchase of delinquent tax rolls from the County's local units. Interest and penalties received within the collection of these receivables are the Delinquent Tax Revolving Fund's primary source of revenue.

Septage Receiving Station - This fund is used to account for the operations of the septage receiving station. The primary source of revenue is a per-gallon charge for service on waste that local communities dispose of through the receiving station.

Additionally, the County reports the following funds:

Special Revenue Funds - Special revenue funds account for the revenue and expenditures related to health, 911 services, job training services, childcare services, family counseling, friend of the court, the small cities community development block grant, survey and remonumentation, drug law enforcement activities, prosecutor's drug enforcement, criminal and OUIL forfeitures, law funds, community corrections, social welfare, soldiers' and sailors' relief, veterans trust fund, register of deeds, federal equitable sharing activities, homestead property exemption fund, correction officer's training, lutz county park, fillmore estate county park, and grant funds.

Debt Service Funds - Debt service funds account for the debt retirement activity of the governmental activities of the County for the Road Commission refunding bonds issued in 1995 and 2001, debt service, sinking fund, mental health bonds issued in 1999, 2000, and 2005, building improvement bonds issued for various capital projects of the County, and the Building Authority Mental Health Fund.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Capital Projects Funds - Capital projects funds account for the development of capital facilities and equipment other than those financed by the operation of a proprietary fund. These projects include jail expansion, administration building renovations, other capital improvements of the County, EMS facility construction, and the West Complex construction.

Permanent Funds - Permanent funds account for the maintenance and care of the cemetery.

Enterprise Funds - Enterprise funds account for building and safety, airport, delinquent tax, Livingston Essential Transportation Services, and septage receiving station revenue collected from users and expenses related to operations.

Internal Service Funds - Internal service funds account for building services, information technology, carpool, and benefit services provided to other departments of the government on a cost reimbursement basis.

Trust Funds - The Other Employee Benefits Trust Fund accounts for the activities of the Postemployment Healthcare Trust Fund, which accumulates resources for healthcare benefit payments for qualified employees.

Agency Funds - Agency funds are used to account for assets held by the County as an agent for individuals, organizations, other governments, or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1 and December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Livingston County, Michigan

Notes to Financial Statements December 31, 2011

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

The 2010 taxable valuation of the County totaled \$7.95 billion, on which ad valorem taxes levied December 1, 2010 consisted of 0.2945 mills for ambulance operating purposes, 0.2146 mills for HCMA, and 0.0500 mills for assistance to indigent veterans as authorized by PA 214 of 1899. On July 1, 2011, the general operating millage for the 2011 fiscal year, or 3.3897 mills, was levied on the 2011 taxable valuation of \$7.61 billion for general operating purposes. The ad valorem taxes raised were approximately \$25.8 million for general operations, \$2.2 million for ambulance operations, and \$380,000 for veterans. These amounts are recorded in their respective funds as tax revenue. The amount recorded as revenue is net of amounts distributed to local DDAs and TIFAs.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, buildings, furniture, vehicles, machinery, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, furniture, vehicles, machinery, and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	33 to 50 years
Improvements other than buildings	20 to 40 years
Equipment and furniture	3 to 10 years
Machinery and equipment	5 to 20 years
Vehicles	3 to 10 years
Drainage flow rights	99 years

Compensated Absences - The County allows employees to accumulate earned but unused sick and vacation pay benefits. The government-wide and proprietary statements accrue all vacation and personal pay as it is earned. Sick pay is accrued according to management estimates of individuals who are eligible for benefits upon termination or retirement. An expenditure for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off or employees terminate).

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Pension and Other Postemployment Benefit Costs - The County offers both pension and retiree healthcare benefits to retirees. The County receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the County reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

Fund Equity - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned. The County implemented Statement No. 54 during the year.

In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the County Board of Commissioners for use for specific purposes. Commitments are made and can be rescinded only via resolution of the County Board of Commissioners.
- **Assigned:** Intent to spend resources on specific purposes expressed by the County Board of Commissioners
- **Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted for the General Fund and all special revenue funds in compliance with the State Budget Act. The budget is prepared in accordance with accounting principles generally accepted in the United States of America, with the following exceptions:

- Operating transfers have been included in the “revenue” and “expenditure” categories, rather than “other financing sources (uses).”
- Reimbursements from other funds have been included in revenue, rather than as reductions of expenditures.

Any expenditures that exceed the budget must be approved by the County Board of Commissioners through a budget amendment. The County Board of Commissioners approves budget amendments with the exception that the county administrator has the authority to make interdepartmental line-item transfers that are less than \$10,000.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

During the year, the General Fund budget was amended for recognition of board actions for the following:

- Projected revenue and/or expenditures were adjusted to reflect actual collection and expenditure activity.
- Projected expenditures were adjusted for delayed or unanticipated expenses that arose.
- Additional payment to pension to reduce unfunded liabilities.
- Costs associated with settlement of union contracts.
- General Fund departments continue taking proactive measures to operate within or under the approved budget and eliminate or reduce future ongoing costs.
- The hiring freeze that was implemented in July 2008 continued through 2010; efforts are made to fill full-time vacancies with part-time employees; nonunion employees in the retiree healthcare defined benefit plan were transferred over to a retiree healthcare defined contribution savings plan; and departments continue to collaborate and share personnel.

The budget document presents information by fund, function, department, and line item. The legal level of budgetary control adopted by the Board of Commissioners is the department level in the General Fund and the fund level for all other funds. All annual appropriations lapse at fiscal year end. Encumbrance accounting utilized in governmental funds is the responsibility of each individual department. Encumbrances (purchase orders or service contracts) outstanding at year end are tracked; however, they do not constitute expenditures or liabilities because the goods or services have not been received by year end. The commitments will be honored during the subsequent year.

The budget process begins in April when the Board of Commissioners conducts a “goal-setting workshop” to formulate the strategic goals, policies, and objectives for the upcoming year. To encourage long-term planning, the County prepares a five-year financial model to project the long-term impact of new or proposed policies and programs.

In May, the strategic goals, policies, and objectives established by the board are shared and discussed with board subcommittees (including elected officials and department heads), public safety, health and human services, infrastructure and development, and general government. The elected officials and department heads make recommendations that may modify the strategic goals, policies, and objectives and determine how these may impact their departmental budgets.

Livingston County, Michigan

Notes to Financial Statements December 31, 2011

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Additionally, in May, the finance department prepares the projection for employee costs, including salaries/wages and all fringe benefits, by department and/or fund. The finance department projects total expenditures per functional group (i.e., public safety, health and human services, infrastructure and development, and general government for the General Fund).

Departments are requested to submit budget requests within these limits. Budget requests are due from the departments on July 30.

In August, the finance department reviews the budget to verify that it balances. Additional board subcommittee meetings are held with the departments to review requests and make modifications. During August, the budget plan is compiled and the County administrator distributes the recommended budget plan to the Board of Commissioners, elected officials, and department heads.

During September, the finance subcommittee reviews the budget plan and makes a recommendation to the Board of Commissioners. Upon review and a subsequent public hearing, the Board of Commissioners authorizes the proposed budget plan by adoption of the General Appropriations Resolution. The budget must be adopted by the Board of Commissioners at its annual meeting.

Accumulated Net Asset and Fund Balance Deficits - At December 31, 2011, the Airport Enterprise Fund and Septage Receiving Station had a net asset deficit of \$88,896 and \$175,921, respectively, calculated in accordance with Michigan State Numbered Letter 2012-1.

At December 31, 2011, the Community Corrections Fund had a total fund deficit of \$14,643 calculated in accordance with Michigan State Numbered Letter 2012-1. This is due to a timing difference in expenditures of state grants and the availability of the reimbursement funds which were received after year end.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the County incurred expenditures that were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund - Health and welfare	\$ 1,840,802	\$ 1,847,239
Special Revenue Fund - Ambulance Fund	7,264,009	7,431,154

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Other Employee Benefit Trust Fund retiree healthcare fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The County has designated seven banks for the deposit of its funds and those funds held by the County on behalf of its component units. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment as allowed under state statutory authority as listed above.

Cash and investments held by the County are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's investment policy requires that it shall diversify its investments by security type and institution. No more than 60 percent of the total investment portfolio will be invested in a single security type or with a single financial institution. At year end, the County had bank deposits of \$78,602,254 of which \$20,986,955 was covered by federal depository insurance and of which \$57,615,299 was uninsured and uncollateralized. The County believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the County evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The County's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Livingston County, Michigan

Notes to Financial Statements December 31, 2011

Note 3 - Deposits and Investments (Continued)

Government-wide

Type of Investment	Fair Value	Less Than 1 Year	1-5 Years	5-10 Years
Federal Home Loan Mortgage Corp.	\$ 1,000,010	\$ -	\$ 1,000,010	\$ -
Fannie Mae	4,036,028	-	4,036,028	-
Municipal Bond	3,756,187	3,756,187	-	-

Fiduciary Funds

Type of Investment	Fair Value	Less Than 1 Year
Other Employee Benefits Trust Fund		
Equities	\$ 8,106,194	\$ 8,106,194
Federal Home Loan Bank	650,610	650,610
Federal Home Loan Mortgage Corp.	1,640,009	1,640,009

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Government-wide

Investment	Fair Value	Rating	Rating Organization
Fannie Mae	\$ 4,036,028	Aaa	Moody's
Fowlerville Downtown Development Bond	345,000	NR	N/A
Federal Home Loan Bank	1,000,010	Aaa	Moody's
Municipal Bond	3,756,187	SP-1+	S&P

The following investments are not under the County's investment policy as they are maintained within fiduciary funds and are subject to different state regulations:

Fiduciary Funds

Investment	Fair Value	Rating	Rating Organization
Other Employee Benefits Trust Fund			
Equities	\$ 8,106,194	NR	N/A
Federal Home Loan Bank	650,610	Aaa	Moody's
Federal Home Loan Mortgage Corp.	1,640,009	Aaa	Moody's

Livingston County, Michigan

Notes to Financial Statements December 31, 2011

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk - The County's investment policy requires that it shall diversify its investment by security type and institution by allowing no more than 60 percent of the total investment portfolio to be invested in a single investment type or with a single financial institution. The following shows issuers, other than the U.S. government, holding 5 percent or more of the County's total investments:

Government-wide

Investment	Fair Value
Fannie Mae	\$ 4,036,028
Federal Home Loan Bank	1,000,010
Municipal Bond	3,756,187

The following investments are not under the County's investment policy as they are maintained within the fiduciary funds and are subject to different state regulations:

Fiduciary Funds

Investment	Fair Value
Other Employee Benefits Trust Fund	
Equities	\$ 8,106,194
Federal Home Loan Bank	650,610
Federal Home Loan Mortgage Corp.	1,640,009

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned	Total	Enterprise Funds
Property taxes	\$ -	\$ 3,755,775	\$ 3,755,775	\$ -
Grant revenue	118,592	-	118,592	-
Other	444,578	1,038,865	1,483,443	43,745
Total	\$ 563,170	\$ 4,794,640	\$ 5,357,810	\$ 43,745

Livingston County, Michigan

Notes to Financial Statements December 31, 2011

Note 5 - Capital Assets

Capital asset activity of the County's governmental activities, business-type activities, and component units was as follows:

	Balance January 1, 2011	Additions	Disposals and Reclassifications	Balance December 31, 2011
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 8,994,305	\$ 319,133	\$ (112,554)	\$ 9,200,884
Construction in progress	521,375	1,206,759	(1,250)	1,726,884
Subtotal	9,515,680	1,525,892	(113,804)	10,927,768
Capital assets being depreciated:				
Buildings	55,431,644	516,609	(361,991)	55,586,262
Leasehold improvements	32,610	-	-	32,610
Equipment and furniture	23,177,747	213,834	-	23,391,581
Vehicles	4,416,201	923,710	(648,928)	4,690,983
Improvements other than building	2,059,649	-	-	2,059,649
Subtotal	85,117,851	1,654,153	(1,010,919)	85,761,085
Accumulated depreciation:				
Buildings	17,081,376	1,109,174	(53,559)	18,136,991
Leasehold improvements	15,218	3,261	-	18,479
Equipment and furniture	17,320,385	1,628,917	-	18,949,302
Vehicles	3,052,776	733,710	(595,754)	3,190,732
Improvements other than building	1,924,449	35,478	-	1,959,927
Subtotal	39,394,204	3,510,540	(649,313)	42,255,431
Net capital assets being depreciated	45,723,647	(1,856,387)	(361,606)	43,505,654
Net capital assets	\$ 55,239,327	\$ (330,495)	\$ (475,410)	\$ 54,433,422

Livingston County, Michigan

Notes to Financial Statements December 31, 2011

Note 5 - Capital Assets (Continued)

	Balance January 1, 2011	Additions	Disposals	Balance December 31, 2011
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 11,752,321	\$ 430,707	\$ -	\$ 12,183,028
Construction in progress	207,103	1,133,734	(50,588)	1,290,249
Subtotal	11,959,424	1,564,441	(50,588)	13,473,277
Capital assets being depreciated:				
Buildings	6,021,047	-	(907)	6,020,140
Improvements other than buildings	18,636,403	335,754	-	18,972,157
Vehicles	1,971,018	-	(328,016)	1,643,002
Machinery and equipment	1,643,637	-	-	1,643,637
Subtotal	28,272,105	335,754	(328,923)	28,278,936
Accumulated depreciation:				
Buildings	1,467,240	136,515	(907)	1,602,848
Improvements other than buildings	1,682,907	352,932	-	2,035,839
Vehicles	1,109,990	229,524	(328,016)	1,011,498
Machinery and equipment	740,729	140,037	-	880,766
Subtotal	5,000,866	859,008	(328,923)	5,530,951
Net capital assets being depreciated	23,271,239	(523,254)	-	22,747,985
Net capital assets	\$ 35,230,663	\$ 1,041,187	\$ (50,588)	\$ 36,221,262

Livingston County, Michigan

Notes to Financial Statements December 31, 2011

Note 5 - Capital Assets (Continued)

	Balance January 1, 2011	Additions	Disposals	Balance December 31, 2011
Component Units				
Capital assets not being depreciated -				
Land	\$ 26,562,273	\$ 740,134	\$ -	\$ 27,302,407
Capital assets being depreciated:				
Land improvements	159,393	-	-	159,393
Buildings and improvements	12,825,623	-	-	12,825,623
Drains and septic systems	32,228,327	341,400	-	32,569,727
Machinery, equipment, and vehicles	11,190,001	768,163	(669,290)	11,288,874
Infrastructure - Roads and bridges	181,894,494	4,873,998	-	186,768,492
Draining flow rights	16,477,420	-	-	16,477,420
Depletable assets	488,543	-	-	488,543
Subtotal	255,263,801	5,983,561	(669,290)	260,578,072
Accumulated depreciation:				
Land improvements	133,072	-	-	133,072
Buildings and improvements	3,266,389	342,349	-	3,608,738
Drains and septic systems	3,805,707	893,961	-	4,699,668
Machinery, equipment, vehicles	9,474,116	758,436	(669,264)	9,563,288
Infrastructure - Roads and bridges	94,153,276	7,319,693	-	101,472,969
Draining flow rights	906,658	166,438	-	1,073,096
Depletable assets	118,985	-	-	118,985
Subtotal	111,858,203	9,480,877	(669,264)	120,669,816
Net capital assets being depreciated	143,405,598	(3,497,316)	(26)	139,908,256
Net capital assets	\$ 169,967,871	\$ (2,757,182)	\$ (26)	\$ 167,210,663

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 708,718
Public safety	937,438
Health and welfare	631,052
Community and economic development	5,285
Public works	131,262
Internal service funds	1,096,785
Total governmental activities	<u>\$ 3,510,540</u>

Business-type activities:

Airport	\$ 415,268
Septage receiving station	160,338
L.E.T.S.	283,402
Total business-type activities	<u>\$ 859,008</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2011

Note 5 - Capital Assets (Continued)

Component unit activities:	
Drain Commission districts	\$ 317,910
Department of Public Works	1,019,746
Road Commission	<u>8,143,221</u>
Total component unit activities	<u>\$ 9,480,877</u>

During the fiscal years ended December 31, 2006 and 2005, Livingston County accepted the bequests of the Lutz and Fillmore Estates, totaling approximately \$4.04 million. The County reports these properties as capital assets and exercises control over the use of the properties, within the stipulations of the trust documents. The trust documents explicitly limit the uses of the properties to park or conference center purposes. The properties cannot be sold, split, or subdivided. If the County violates the specified uses for these properties, the assets will revert back to the trusts.

Note 6 - Interfund Receivables, Payables, Transfers, and Advances

Interfund balances represent routine and temporary cash flow assistance.

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Airport Fund	\$ 30,000
	Delinquent Tax Revolving Fund	<u>54,507</u>
	Total General Fund	<u>\$ 84,507</u>
Receivable Fund	Payable Fund	Amount
Advances		
General Fund	Nonmajor governmental funds	\$ 362,458
	Septage Receiving Station Fund	118,453
	Airport Fund	<u>14,521</u>
	Total General Fund	495,432
Delinquent Tax Revolving Fund	Airport Fund	2,186,835
Nonmajor governmental funds	Internal Service Funds	<u>66,740</u>
	Total advances	<u>\$ 2,749,007</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2011

Note 6 - Interfund Receivables, Payables, Transfers, and Advances (Continued)

Receivable Fund	Payable Fund	Amount
Advances from Primary Government to Component Unit		
General Fund	Department of Public Works	\$ 54,773
Department of Public Works	Septage Receiving Station	15,301
Drain Commission	Septage Receiving Station	64,761
	Total	<u>\$ 134,835</u>
Interfund Transfers		
Transferred To	Transferred From	Amount
General Fund	Revenue Sharing Reserve Fund	\$ 2,997,785
	Ambulance Fund	255,657
	Nonmajor governmental funds	123,038
	Delinquent Tax Revolving Fund	54,507
	Total General Fund	3,430,987
Nonmajor governmental funds	General Fund	4,120,560
	Ambulance Fund	20,748
	Nonmajor governmental funds	1,646,568
	Delinquent Tax Revolving Fund	2,200,575
	Total nonmajor governmental funds	7,988,451
Internal Service Funds	Nonmajor governmental funds	15,700
	Total operating transfers out	<u>\$ 11,435,138</u>

Transfers from the General Fund to the nonmajor governmental funds provide for operations of those funds, capital projects, and capital acquisitions. The transfer from the Revenue Sharing Reserve Fund provides for operations of the General Fund per Public Act 357 of 2004. The transfers from the major and nonmajor governmental funds to the General Fund were to cover costs of eligible expenditures made by the General Fund. The transfers from the nonmajor governmental funds to the internal service funds were to provide funding for capital improvements. The transfer from the Delinquent Tax Revolving Fund to the General Fund was to transfer monies in excess of the board-approved \$6,000,000 cap placed on the Delinquent Tax Revolving Fund to the General Fund. The transfers from the Delinquent Tax Revolving Fund to the nonmajor governmental funds provide for debt payments and capital improvements.

Livingston County, Michigan

Notes to Financial Statements December 31, 2011

Note 7 - Long-term Debt

The County issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. County contractual agreements and installment purchase agreements are also general obligations of the government.

Long-term obligation activity can be summarized as follows:

	Matures	Interest Rate	Beginning Balance	Additions	Reductions/ Adjustments	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
2002 Capital Improvement bonds	2011	3.875%-4.00%	\$ 1,160,000	\$ -	\$ (1,160,000)	\$ -	\$ -
2005 Mental health refunding bonds	2024	3.50%-5.00%	2,120,000	-	(115,000)	2,005,000	120,000
2005 Building Authority - Mental health refunding bonds	2014	3.25%-5.00%	3,645,000	-	(860,000)	2,785,000	890,000
Total bonds payable			6,925,000	-	(2,135,000)	4,790,000	1,010,000
Notes payable - Information technology - Cisco			223,177	-	(82,240)	140,937	86,792
Other obligations:							
Drain at large assessments			253,014	-	(67,514)	185,500	33,628
Landfill postclosure liability			915,000	-	(91,500)	823,500	91,500
Employee compensated absences			2,085,501	1,906,387	(1,774,500)	2,217,388	1,773,910
Total governmental activities			\$ 10,401,692	\$ 1,906,387	\$ (4,150,754)	\$ 8,157,325	\$ 2,995,830
Business-type Activities							
Regional waste (septage receiving station)	2028	4.00%-4.25%	\$ 2,880,000	\$ -	\$ (105,000)	\$ 2,775,000	\$ 110,000
Tax notes - 2009	2011	2.5%	3,000,000	-	(3,000,000)	-	-
Tax notes - 2010	2011	1.7% + LIBOR	4,861,000	-	(4,861,000)	-	-
Tax notes - 2011	2012	0.55% + LIBOR	-	11,400,000	(7,200,000)	4,200,000	4,200,000
Total business-type activities			\$ 10,741,000	\$ 11,400,000	\$ (15,166,000)	\$ 6,975,000	\$ 4,310,000
Component Unit Debt							
Drain Commission districts	2010-2026	2.00%-7.25%	\$ 22,454,310	\$ 450,000	\$ (2,805,625)	\$ 20,098,685	\$ 2,346,240
Department of Public Works	2010-2030	3.10%-10.25%	47,846,287	-	(7,896,945)	39,949,342	2,583,590
Road Commission	2010-2012	3.20%-8.08%	944,020	-	(289,238)	654,782	654,782
Total component debt			\$ 71,244,617	\$ 450,000	\$ (10,991,808)	\$ 60,702,809	\$ 5,584,612

During the year ended December 31, 2011, Handy Township replaced \$5,400,000 of the county debt with its own debt issuance. The long-term debt payable and the receivable from Handy Township were both reduced by \$5,400,000.

Livingston County, Michigan

Notes to Financial Statements December 31, 2011

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above governmental, business-type, and component unit bond and note obligations are as follows:

Years Ending December 31	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 1,096,792	\$ 213,105	\$ 1,309,897	\$ 4,310,000	\$ 222,686	\$ 4,532,686	\$ 5,584,612	\$ 2,545,541	\$ 8,130,153
2013	1,106,057	158,413	1,264,470	115,000	107,298	222,298	5,291,319	2,329,394	7,620,713
2014	1,098,088	114,416	1,212,504	120,000	102,598	222,598	5,366,634	2,106,411	7,473,045
2015	140,000	67,981	207,981	125,000	97,698	222,698	5,013,573	1,890,213	6,903,786
2016	140,000	62,206	202,206	130,000	92,598	222,598	4,902,671	1,663,807	6,566,478
2017-2021	795,000	221,346	1,016,346	760,000	376,588	1,136,588	20,869,000	5,438,245	26,307,245
2022-2026	555,000	48,557	603,557	960,000	201,753	1,161,753	11,025,000	1,726,129	12,751,129
2027-2031	-	-	-	455,000	19,656	474,656	2,650,000	245,031	2,895,031
Total	\$ 4,930,937	\$ 886,024	\$ 5,816,961	\$ 6,975,000	\$ 1,220,875	\$ 8,195,875	\$ 60,702,809	\$ 17,944,771	\$ 78,647,580

Landfill Postclosure Liability - In February 1988, the State of Michigan Department of Natural Resources (MDNR) ordered the Livingston County landfill to close. Reasons given for the order were that groundwater at the landfill had been contaminated, a daily cover of dirt was not applied to garbage collected each day, leachate had risen to unacceptable depths, and the license to operate the landfill had expired in 1986. The Livingston County Board of Commissioners ordered the landfill to close on April 19, 1988 so that a plan could be developed that would bring the site up to MDNR standards. In December 1988, a decision was made by the Livingston County Board of Commissioners to permanently close the landfill.

On February 21, 1991, a grant in the amount of \$466,604 was received from the State of Michigan to help fund clean-up and closure of the landfill. In 1999, a plan was developed at the insistence of the Michigan Department of Environmental Quality (MDEQ) to monitor methane concentrations in and around the landfill. This plan, entitled Methane Monitoring Plan, Livingston County Landfill, Howell Township, Michigan, was submitted in April 1999 and subsequently approved by the MDEQ. The plan detailed a commitment to methane monitoring and potential remediation. In 2005, in response to detection of subsurface migration of methane, the Livingston County Board of Public Works (BPW) initiated actions to ensure the safety of neighboring property owners. An active venting system was installed, as well as additional monitoring wells and methane detectors in neighboring homes. The current monitoring and maintenance activities include, but are not limited to, groundwater sampling, leachate hauling, and methane monitoring. These costs are funded through operating transfers into the Landfill Fund.

State and federal laws and regulations require Livingston County to perform certain maintenance and monitoring functions at the site for 30 years after closure. The estimated costs of these functions over this timeframe were established as a postclosure landfill liability and reported in the government-wide financial statements.

Livingston County, Michigan

Notes to Financial Statements December 31, 2011

Note 7 - Long-term Debt (Continued)

Defeased Debt - In prior years, the County has defeased portions of bonded debt by placing the proceeds of new bonds in escrow accounts to provide for all future debt service payments on the defeased portions of the old bonds. Accordingly, the escrow accounts' assets and the liabilities for the defeased bonds are not included in the basic financial statements. At December 31, 2011, \$14,475,000 of bonds outstanding are considered defeased.

Note 8 - Revenue Pledged in Connection with Local Unit Debt

The County has pledged, as security for bonds issued by various local units within the County's borders, the amounts collected for debt service payments from local unit contributions. The bonds, issued by the County, are to provide funding for various drain and department of public works projects and are payable through 2030. The County has committed to appropriate each year the total amount contributed by local units. Each local unit has pledged, as the primary security for the bonds, the annual debt service requirements of its related debt, as an appropriation to the County. Total principal and interest remaining on the debt at December 31, 2011 is \$74,871,140, with annual requirements ranging from \$7,124,046 in 2012 to \$496,375 in the final year. The local unit contributions from which the appropriations will be made have averaged approximately \$9.3 million over the last five years. For the current year, the principal and interest paid on behalf of the local units and the total local unit contributions recognized by the County were \$4,990,000 and \$2,736,356, respectively.

Note 9 - Restricted Net Assets

The balances of the restricted net asset accounts are as follows:

	Governmental Activities
Health and welfare expense	\$ 2,881,867
Public safety expense	5,878,858
Community and economic development expense	1,831,359
Revenue-sharing reserve	4,504,883
Total restricted net assets	<u>\$ 15,096,967</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2011

Note 10 - Fund Balance Constraints

The detail of the various components of fund balance is as follows:

	General Fund	Ambulance Fund	Community Development Block Grant OLHSA	Revenue Sharing Reserve Fund	Nonmajor Funds	Total
Fund Balances						
Nonspendable:						
Prepaid costs and other assets	\$ 260,706	\$ -	\$ -	\$ -	\$ 12,176	\$ 272,882
Long-term receivable	550,205	-	-	-	66,740	616,945
Total	810,911	-	-	-	78,916	889,827
Restricted:						
Health and welfare	-	-	-	-	2,881,866	2,881,866
Public safety expense	-	-	-	-	5,878,859	5,878,859
Community and economic development	-	-	2,282	-	1,829,077	1,831,359
Revenue sharing	-	-	-	4,504,883	-	4,504,883
Total	-	-	2,282	4,504,883	10,589,802	15,096,967
Committed - West Complex Construction						
	-	-	-	-	15,635	15,635
Total	-	-	-	-	15,635	15,635
Assigned:						
For cash flow	15,000,000	-	-	-	-	15,000,000
Health and welfare	-	4,764,029	-	-	1,000,556	5,764,585
Debt service	-	-	-	-	2,002,134	2,002,134
Capital replacement	-	-	-	-	6,049,250	6,049,250
EMS construction	-	-	-	-	269,068	269,068
Total	15,000,000	4,764,029	-	-	9,321,008	29,085,037
Unassigned	7,424,954	-	-	-	(14,643)	7,410,311
Total nonspendable	\$ 23,235,865	\$ 4,764,029	\$ 2,282	\$ 4,504,883	\$ 19,990,718	\$ 52,497,777

Note 11 - Risk Management

The County is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The County has purchased commercial insurance for workers' compensation and excess medical benefit claims and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the County.

Livingston County, Michigan

Notes to Financial Statements December 31, 2011

Note 11 - Risk Management (Continued)

At December 31, 2011, the County's Member Retention Fund with the Authority includes approximately \$22,000 as a cash overdraft for claims and claims adjustment expenses. Upon termination of the program, any amounts remaining on deposit after the Authority has settled all claims incurred prior to termination will be returned to the County.

The County estimates the liability for claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years are as follows:

	<u>2011</u>	<u>2010</u>
Unpaid claims - Beginning of year	\$ 1,238,036	\$ 793,484
Incurred claims - Including claims incurred but not reported	2,034,092	560,523
Claim payments	<u>(1,215,310)</u>	<u>(115,971)</u>
Unpaid claims - End of year	<u>\$ 2,056,818</u>	<u>\$ 1,238,036</u>

In addition to the claims paid, the County incurred an additional \$988,577 for insurance expense for the year ended December 31, 2011.

The County is self-insured for medical benefits provided to active employees and retirees. Claims are being paid out of the Benefits Internal Service Fund. The plan is administered by BlueCross/Blue Shield of Michigan. The County is self-insured under the Blue Cross/Blue Shield of Michigan program up to \$100,000 per contract. Once the individual contract or aggregate stop-loss amount is reached, reinsurance provides the remaining benefits.

Note 12 - Defined Benefit Pension Plan

Plan Description - The County participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers the majority of County employees. The system provides retirement, disability, and death benefits to plan members and their beneficiaries.

MERS issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Note 12 - Defined Benefit Pension Plan (Continued)

During 2003, through collective bargaining, two employee groups (ambulance services and 911) opted to institute a defined contribution plan administered by MERS. Existing employees were given the choice to stay in the defined benefit plan or move to the defined contribution plan. Effective in 2003, all new hires are automatically eligible for participation in the defined contribution plan.

During the year ended December 31, 2009, the County started a new hybrid pension plan for nonunion employees hired after August 1, 2009. Existing nonunion employees were given the option to remain in the defined benefit plan or to move into the hybrid plan effective February 1, 2010. The hybrid plan consists of a defined benefit component and a defined contribution component. Under the defined benefit component, the multiplier is 1.25 percent and there is a six-year vesting requirement. For existing employees who transferred into the hybrid plan, their prior years of eligible service were transferred from the defined benefit plan to the hybrid plan. Under the defined contribution component, participants are required to contribute at least 1 percent, but no more than 3 percent, of eligible wages to the plan. The County will match dollar-for-dollar all participant contributions of 2 percent or 3 percent. The County does not match any participant contributions below 2 percent. Participants are 100 percent vested in the employer match upon participation in the plan.

Non-union employees who did not opt out of the defined benefit plan began contributing 5 percent of MERS eligible compensation to the costs of the plan on January 1, 2010.

During the plan year ended December 31, 2011, all bargaining units who participate in the defined benefit plans ratified contracts agreeing to contribute 5 percent of MERS eligible compensation to the costs of the plan. In addition, newly hired employees have a lower retirement benefit than longer term employees. For most bargaining units, newly hired employees have a multiplier of 2 percent compared to 2.25 percent of final average compensation for the existing employees of these bargaining units.

Annual Pension Costs - For the year ended December 31, 2011, the County's annual pension cost was \$3,756,183 for the plan. The required and actual contribution to the plan was \$3,676,092. The annual required contribution was determined as part of an actuarial valuation at December 31, 2010 using the entry age actuarial funding method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) additional projected salary increases of 0 percent to 8.40 percent per year, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. In an effort to increase the funding level and reduce the County's unfunded pension liability, the County made an additional \$1 million dollar contribution above the annual required contribution in 2011 for a total contribution of \$4,676,092.

Livingston County, Michigan

Notes to Financial Statements December 31, 2011

Note 12 - Defined Benefit Pension Plan (Continued)

The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over a period of 28 years and 10 years for negative unfunded accrued liabilities.

For the year ended December 31, 2011, the County's annual pension cost and net pension asset are as follows:

Annual required contribution	\$ 3,676,092
Interest on net pension obligation	(121,593)
Adjustment to annual required contribution	<u>201,684</u>
Annual pension cost (APC)	3,756,183
Contributions made	<u>(4,676,092)</u>
Increase in net pension asset	(919,909)
Net pension asset - Beginning of year	<u>1,519,909</u>
Net pension asset - End of year	<u><u>\$ 2,439,818</u></u>

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2009	\$ 3,731,792	100 %	\$ 3,800,457	98 %	\$ 1,594,069
2010	3,630,017	100	3,704,176	98	1,519,909
2011	3,676,092	127	3,756,183	124	2,439,818

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	\$ 65,652,819	\$ 90,053,214	\$ 24,400,395	73 %	\$ 25,117,925	97 %
12/31/2009	69,297,904	95,087,254	25,789,350	73	23,176,987	111
12/31/2010	71,482,681	96,926,582	25,443,901	74	22,529,367	113

Livingston County, Michigan

Notes to Financial Statements December 31, 2011

Note 13 - Other Postemployment Benefits

The County has elected to provide postemployment health benefits to eligible participants and their beneficiaries. An employee is eligible to participate if the employee is a permanent employee and provided eligibility under County policy or an applicable collective bargaining agreement. The retiree healthcare plan provisions were created by the Livingston County Board of Commissioners. The County maintains the following two plans:

Livingston County Retiree Health Care Plan

The Livingston County Retiree Health Care Plan (defined benefit) is for eligible employees including employees covered under the sheriff's department collective bargaining agreement, elected officials, and nonunion employees elected or hired on or before March 17, 2003 who have elected to remain in this program and who met the age and service requirements for a pension under the Municipal Employee Retirement System of Michigan (MERS) on or before February 28, 2010. Beginning on the effective date, the County shall provide healthcare benefits to each eligible retiree and his or her spouse or one beneficiary (depending on the employee group). Currently, the plan has 284 members, including employees in active service, retired employees not yet receiving benefits, and retired employees and their spouses or beneficiaries currently receiving benefits.

This is a single-employer defined benefit plan administered by the County. The benefits are provided by County resolution and under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. All administrative costs of the plan, except the annual trust account fees, are absorbed by Livingston County. The annual trust account fees are paid by the Trust.

Funding Policy - The collective bargaining agreements require no contributions from the sheriff's department retirees who select the base plan. For elected officials and non-union employees, the County and eligible participants will share health insurance costs as follows:

<u>Years of Service at Retirement</u>	<u>County Share</u>	<u>Retiree Share</u>
Between 10 and 15	25%	75%
Between 15 and 20	35%	65%
Between 20 and 25	50%	50%
Between 25 and 30	65%	35%
More than 30	75%	25%

Note 13 - Other Postemployment Benefits (Continued)

Beginning January 1, 2009, nonunion members and their spouses or beneficiaries no longer receive the prescription drug coverage portion of the healthcare benefits after they reach age 65. These persons are required to switch to Medicare Part D for their prescription coverage.

Also beginning January 1, 2009, after age 65, an annual payment of \$500 for single-person and \$1,000 for two-person coverage (in addition to medical coverage) is payable as long as the retiree or spouse/beneficiary is alive. This flat dollar amount is fixed and does not increase with inflation. The amount is prorated according to the cost-sharing schedule noted above.

The County has no obligation to make contributions in advance of when the healthcare expenditures are incurred (in other words, this may be financed on a “pay-as-you-go” basis). However, the County has established a Postemployment Health Care Trust (the “Trust”) and annually contributes the actuarial determined annual required contribution (ARC). The Postemployment Health Care Trust is reported in the financial statements as a fiduciary fund type.

During 2009, the County amended the plan and closed participation to all nonunion employees hired on or after November 1, 2009. The County also amended the plan during 2009 to change the eligibility requirements for participating in the plan. Under the amended plan, effective February 28, 2010, new nonunion participants are not eligible to participate in the plan, except for non-union employees hired on or before March 17, 2003, who are eligible to participate in the plan and who will have satisfied the age and service requirements for a normal or reduced retirement benefit retirement as of February 28, 2010. Actual retirement is not required. The participants who did not meet the requirements by February 28, 2010 were automatically transferred into the Retiree Health Savings Plan and received an employer contribution to the Retiree Health Savings Plan based on years of service. The participants who met the requirements were given the opportunity to make a one-time irrevocable “opt-out” decision to participate in the Retiree Health Savings Plan. Those participants who chose to opt-out of the Retiree Health Care Plan also received an employer contribution to the Retiree Health Savings Plan based on years of service. Eligible employees who chose to remain in the Retiree Health Care Plan no longer accrue service or seniority toward their share of the cost of healthcare benefits effective February 28, 2010.

The County requested a supplemental actuarial valuation to be completed reflecting the plan changes to the Sheriff (Lieutenants and Deputies) unions as noted above. This report was completed during the month of January 2012. Currently there are 10 nonunion employees remaining in the plan. The supplemental actuarial valuation results for the union groups reflect a funded ratio of 30.3 percent for Lieutenants and 69.9 percent for Deputies.

Livingston County, Michigan

Notes to Financial Statements December 31, 2011

Note 13 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended December 31, 2011, the County has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2008. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual OPEB cost - Annual required contribution	\$ 1,527,513
Interest on the prior year's net OPEB asset	(147,061)
Less adjustment to the annual required contribution	<u>147,235</u>
Annual OPEB cost	1,527,687
Amounts contributed:	
Payments of current premiums	896,158
Contributions	<u>348,620</u>
Total contributions	<u>1,244,778</u>
Decrease in net OPEB asset	(282,909)
OPEB asset - Beginning of year	<u>2,144,293</u>
OPEB asset - End of year	<u>\$ 1,861,384</u>

The County's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB assets as of December 31, 2011, 2010, and 2009 were as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual OPEB costs	\$ 1,527,687	\$ 1,372,584	\$ 1,501,685
Percentage contributed	81 %	163 %	148 %
Net OPEB assets	\$ 1,861,384	\$ 2,144,293	\$ 1,273,598

Livingston County, Michigan

Notes to Financial Statements December 31, 2011

Note 13 - Other Postemployment Benefits (Continued)

The funding progress of the plan as of the most recent valuation date is as follows:

	Valuation as of December 31			
	2010		2008	2006
	Union	Nonunion	Total	Total
Present value of future benefit payments	\$ 16,118,485	\$ 3,709,350	\$ 34,543,511	\$ 31,010,338
Actuarial value of assets	\$ 5,934,543	\$ 5,326,448	\$ 8,420,707	\$ 5,129,503
Actuarial accrued liability (AAL)	\$ 12,873,233	\$ 3,630,130	\$ 27,403,425	\$ 24,554,395
Unfunded AAL (UAAL)	\$ 6,938,690	\$ (1,696,318)	\$ 18,982,718	\$ 19,424,892
Funded ratio	46%	147%	31%	21%
Annual covered payroll	\$ 3,008,900	\$ 410,899	\$ 9,646,911	\$ 9,591,110
Ratio of UAAL to covered payroll	231%	-412%	197%	203%

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The funding of the plan began during 2008 and the available multiyear trend information is disclosed in the table above.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2008 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 7.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets, and an annual healthcare cost trend rate of 10 percent initially, reduced by 0.5 percent decrements to an ultimate rate of 4.5 percent after 10 years. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a seven-year period. The UAAL is being amortized as a level dollar amount for nonunion participants and as a level percent of active member payroll for all other participants. The remaining amortization period at December 31, 2008 was 28 years.

Note 13 - Other Postemployment Benefits (Continued)

Livingston County Retiree Health Savings Plan - The Livingston County Retiree Health Savings Plan (defined contribution) is for eligible employees hired after March 17, 2003 but prior to November 1, 2009 and/or participants of the Retiree Health Care Plan who made a voluntary irrevocable "opt-out" of the Retiree Health Care Plan and elected participation in this new program. In consideration for such a nonrevocable decision to opt-out of the Retiree Health Care Plan, the County made an employer contribution in an amount equal to the maximum amounts as described below for each of the eligible years of County service the employee has served. The opt-out window began in November 2003 and ended in January 2004. The plan was administered under ICMA prior to December 2009. Effective December 2009, MERS became the plan administrator. Union court employees are allowed to participate in the plan effective January 1, 2009.

Between January 1, 2004 and December 31, 2007, participants were required to contribute to the plan by authorizing payroll deductions that were deposited into the participant's plan account. The participant-authorized amounts were deducted on a per-pay-period basis from his or her paycheck. The plan was amended in order to comply with Internal Revenue Service (IRS) regulation. Due to this amendment, participant contributions are no longer accepted by the plan effective December 31, 2007.

In 2011, all Sheriff bargaining units ratified three-year contracts. These employees were given a one time option of remaining in the defined benefit retiree healthcare plan or accepting a payment either into a health care savings plan or as a direct payment of taxable income. In addition, the employees who opted out of retiree health care had a health care savings account established through MERS of Michigan into which quarterly payments equaling 4 percent of their annual salary will be deposited.

The employer contributions will be subject to the following maximum limitation in each calendar year of participation: for nonunion employees - first five years of service with the County - up to \$591 per year (prorated); beginning with the sixth year of service with the County until termination of participation - up to \$1,773 per year (prorated). For union court employees - first five years of service with the County - up to \$350 per year (prorated); beginning with the sixth year of service with the County until termination - up to \$1,000 per year (prorated). Adjustments may be made annually consistent with the nonunion salary schedule adjustment. The employer contribution shall be distributed over a 12-month period. For sheriff (lieutenant and deputies) union employees, the employer contributes 4 percent of base salary quarterly.

During 2009, the County amended the plan and closed participation to all nonunion employees hired on or after November 1, 2009.

For all employee groups participating in the defined contribution retiree health care savings plan, the County contributed \$471,439 during the year ended December 31, 2011.

Livingston County, Michigan

Notes to Financial Statements December 31, 2011

Note 14 - Subsequent Events

In March 2012, the Livingston County Board of Commissioners issued \$5,990,000 in Livingston County 2012 Refunding Bonds - Handy Township. This refunding, completed in April of 2012, provided debt service relief for Handy Township to allow for better cash flow. The overall net present value savings of the bonds being refunded was 5.595 percent, well within the 3 percent required in the County's debt management policy.

The County sold general obligation limited tax notes in May of 2012 in the amount of \$10,000,000. The initial interest rate on the variable rate notes was 0.6388 percent. The notes will mature November 1, 2013.

The Board of Commissioners authorized \$8.5 million of capital improvement bonds for the purpose of constructing a new county emergency medical services facility on May 21, 2012. The bonds are anticipated to be sold in July 2012.

Note 15 - Upcoming Accounting Pronouncements

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses financial reporting related to service concession arrangements which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (whether a government or nongovernment) in which the transferor conveys to an operator the right and relation obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the County's 2012 fiscal year.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement No. 14 and Statement No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the County's 2013 fiscal year.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the County's 2012 fiscal year.

Note 15 - Upcoming Accounting Pronouncements (Continued)

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the County's 2012 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the County's 2013 fiscal year.

Required Supplemental Information

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 24,700,494	\$ 25,444,099	\$ 25,617,419	\$ 173,320
Licenses and permits	229,780	249,780	256,585	6,805
Federal grants	32,000	32,000	34,179	2,179
State sources	1,384,775	1,396,325	1,488,709	92,384
Charges for services	6,414,078	6,797,278	6,943,279	146,001
Fines and forfeitures	475,100	475,100	430,646	(44,454)
Interest and rent	149,700	124,700	96,642	(28,058)
Other revenue:				
Contributions from local units	1,066,099	1,066,099	1,071,661	5,562
Other	1,501,895	1,615,299	2,034,299	419,000
Total revenue	35,953,921	37,200,680	37,973,419	772,739
Expenditures - Current				
General government:				
Governing body (council, board)	487,370	488,611	478,817	9,794
CEO (manager, supervisor, mayor)	345,802	349,069	347,913	1,156
Finance/Accounting/Budget department	164,000	224,000	211,379	12,621
Purchasing	223,132	224,784	224,208	576
Internal audit department	124,500	160,125	156,463	3,662
Information technology/data processing	758,129	758,129	758,129	-
Treasurer	987,887	914,136	897,174	16,962
Assessing	1,150	1,150	885	265
Clerk	731,735	741,862	721,320	20,542
Elections	30,136	35,136	24,056	11,080
Human resources/personnel	341,113	357,614	334,069	23,545
Insurance and other functions	1,748,316	1,952,452	1,768,652	183,800
Total general government	5,943,270	6,207,068	5,923,065	284,003
Court systems	10,119,838	10,302,344	9,925,689	376,655
Public safety:				
Sheriff and jail	14,043,842	14,052,367	13,867,413	184,954
Other public safety	1,135,104	1,255,703	1,226,856	28,847
Total public safety	15,178,946	15,308,070	15,094,269	213,801
Health and welfare	1,826,905	1,840,802	1,847,239	(6,437)
Economic development	3,523,646	3,605,146	3,478,424	126,722
Total expenditures	36,592,605	37,263,430	36,268,686	994,744
Excess of Revenue (Under) Over Expenditures	(638,684)	(62,750)	1,704,733	1,767,483
Other Financing Sources (Uses)				
Operating transfers in	3,375,584	3,392,318	3,430,987	38,669
Operating transfers out	(3,533,613)	(4,121,281)	(4,120,560)	721
Total other financing (uses) sources	(158,029)	(728,963)	(689,573)	39,390
Net Change in Fund Balance	(796,713)	(791,713)	1,015,160	1,806,873
Fund Balance - Beginning of year	22,220,705	22,220,705	22,220,705	-
Fund Balance - End of year	<u>\$ 21,423,992</u>	<u>\$ 21,428,992</u>	<u>\$ 23,235,865</u>	<u>\$ 1,806,873</u>

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule Ambulance Fund Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 2,400,000	\$ 2,400,000	\$ 2,317,083	\$ (82,917)
Charges for services	4,841,300	4,865,048	5,488,745	623,697
Interest and rent	100,300	100,300	16,059	(84,241)
Other	148,270	148,270	879	(147,391)
Total revenue	<u>7,489,870</u>	<u>7,513,618</u>	<u>7,822,766</u>	<u>309,148</u>
Expenditures - Current - Health and welfare	<u>7,249,271</u>	<u>7,264,009</u>	<u>7,431,154</u>	<u>(167,145)</u>
Excess of Revenue Over Expenditures	240,599	249,609	391,612	142,003
Other Financing Sources - Operating transfers out	<u>(258,955)</u>	<u>(279,703)</u>	<u>(276,405)</u>	<u>3,298</u>
Net Change in Fund Balance	(18,356)	(30,094)	115,207	145,301
Fund Balance - Beginning of year	<u>4,648,822</u>	<u>4,648,822</u>	<u>4,648,822</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 4,630,466</u></u>	<u><u>\$ 4,618,728</u></u>	<u><u>\$ 4,764,029</u></u>	<u><u>\$ 145,301</u></u>

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule Community Development Block Grant OLHSA Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Interest	\$ 9,000	\$ 9,000	\$ 570	\$ (8,430)
Other	500	5,500	4,151	(1,349)
Total revenue	9,500	14,500	4,721	(9,779)
Expenditures - Current - Economic development	9,500	18,000	17,753	247
Excess of Revenue Under Expenditures	-	(3,500)	(13,032)	(9,532)
Fund Balance - Beginning of year	15,314	15,314	15,314	-
Fund Balance - End of year	<u>\$ 15,314</u>	<u>\$ 11,814</u>	<u>\$ 2,282</u>	<u>\$ (9,532)</u>

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Revenue Sharing Reserve Fund Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with <u>Amended Budget</u>
Revenue - Interest	\$ -	\$ 10,353	\$ 11,306	\$ 953
Other Financing (Uses) Sources -				
Operating transfers out	<u>(3,006,629)</u>	<u>(3,009,576)</u>	<u>(2,997,785)</u>	<u>11,791</u>
Net Change in Fund Balance	(3,006,629)	(2,999,223)	(2,986,479)	12,744
Fund Balance - Beginning of year	<u>7,491,362</u>	<u>7,491,362</u>	<u>7,491,362</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 4,484,733</u>	<u>\$ 4,492,139</u>	<u>\$ 4,504,883</u>	<u>\$ 12,744</u>

Other Supplemental Information

Livingston County, Michigan

Special Revenue Funds

	Job Training Services	Health Fund	911 Services Fund	Child Care	Family Counseling	Friend of the Court
Assets						
Cash and investments	\$ 188,029	\$ 1,274,533	\$ 3,593,235	\$ 1,817,944	\$ 32,772	\$ 242,700
Receivables:						
Tax receivable	-	-	-	-	-	-
Accounts receivable	105	131,470	1,059,986	40,194	-	3,058
Accrued interest receivable	-	-	303	-	-	3
Due from other governmental units	376,219	17,436	158,934	92	-	173,007
Allowance for doubtful accounts	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Other assets	-	-	10,708	-	-	1,468
Total assets	\$ 564,353	\$ 1,423,439	\$ 4,823,166	\$ 1,858,230	\$ 32,772	\$ 420,236
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 304,387	\$ 9,469	\$ 54,168	\$ 183,041	\$ -	\$ 4,376
Due to other governmental units	-	66,467	-	102,091	-	-
Advances from other funds	36,304	304,372	-	-	-	-
Accrued liabilities	6,042	42,575	32,268	-	-	29,494
Deferred revenue	6,680	-	-	-	-	-
Total liabilities	353,413	422,883	86,436	285,132	-	33,870
Fund Balances						
Nonspendable	-	-	10,708	-	-	1,468
Restricted	210,940	-	4,726,022	1,573,098	32,772	384,898
Committed	-	-	-	-	-	-
Assigned	-	1,000,556	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	210,940	1,000,556	4,736,730	1,573,098	32,772	386,366
Total liabilities and fund balances	\$ 564,353	\$ 1,423,439	\$ 4,823,166	\$ 1,858,230	\$ 32,772	\$ 420,236

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2011**

Special Revenue Funds

Small Cities Community Development Block Grant	Survey and Remonumentation	Prosecutor's Drug Enforcement	Drug Law Enforcement	Criminal Forfeiture	OUIL Forfeiture	Law Library	Community Corrections	Social Welfare
\$ 550,687	\$ 1,106,040	\$ 39,064	\$ 188,851	\$ 22,501	\$ 22,989	\$ 25,148	\$ 18,016	\$ 32,249
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	11,328
2,637	67	-	-	-	-	-	-	-
-	-	-	-	-	-	-	34,768	8,822
-	-	-	-	-	-	-	-	(11,328)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
\$ 553,324	\$ 1,106,107	\$ 39,064	\$ 188,851	\$ 22,501	\$ 22,989	\$ 25,148	\$ 52,784	\$ 41,071
\$ -	\$ -	\$ 13,926	\$ -	\$ -	\$ -	\$ -	\$ 8,953	\$ 764
-	-	-	-	-	-	-	-	26,000
-	-	-	-	-	-	-	21,782	-
-	-	-	-	-	-	-	1,924	-
-	-	-	-	-	-	-	34,768	-
-	-	13,926	-	-	-	-	67,427	26,764
-	-	-	-	-	-	-	-	-
553,324	1,106,107	25,138	188,851	22,501	22,989	25,148	-	14,307
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(14,643)	-
553,324	1,106,107	25,138	188,851	22,501	22,989	25,148	(14,643)	14,307
\$ 553,324	\$ 1,106,107	\$ 39,064	\$ 188,851	\$ 22,501	\$ 22,989	\$ 25,148	\$ 52,784	\$ 41,071

Livingston County, Michigan

Special Revenue Funds

	Soldiers and Sailors Relief	Veterans' Trust	Register of Deeds	Federal Equitable Sharing Fund	Homestead Property Exemption Fund	Correction Officers Training
Assets						
Cash and investments	\$ 147,352	\$ 3,362	\$ 918,970	\$ 236,998	\$ 5,718	\$ 27,828
Receivables:						
Tax receivable	374,568	-	-	-	-	-
Accounts receivable	-	-	-	-	842	5,594
Accrued interest receivable	10	-	47	-	-	-
Due from other governmental units	10	-	-	-	-	-
Allowance for doubtful accounts	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total assets	<u>\$ 521,940</u>	<u>\$ 3,362</u>	<u>\$ 919,017</u>	<u>\$ 236,998</u>	<u>\$ 6,560</u>	<u>\$ 33,422</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 18,834	\$ 168	\$ -	\$ 6,516	\$ -	\$ 1,615
Due to other governmental units	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Accrued liabilities	-	-	-	-	-	-
Deferred revenue	374,568	-	-	-	-	-
Total liabilities	393,402	168	-	6,516	-	1,615
Fund Balances						
Nonspendable	-	-	-	-	-	-
Restricted	128,538	3,194	919,017	230,482	6,560	31,807
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>128,538</u>	<u>3,194</u>	<u>919,017</u>	<u>230,482</u>	<u>6,560</u>	<u>31,807</u>
Total liabilities and fund balances	<u>\$ 521,940</u>	<u>\$ 3,362</u>	<u>\$ 919,017</u>	<u>\$ 236,998</u>	<u>\$ 6,560</u>	<u>\$ 33,422</u>

**Other Supplemental Information
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
December 31, 2011**

Special Revenue Funds				Debt Service Funds				
Lutz County Park	Fillmore Estate County Park	Federal Grants	State and Other Grants	Debt Service Sinking Fund	Mental Health Bonds	2001 Bonds - Road Commission Refunding Bonds	2002 Capital Improvement Bonds	Refunding Building Authority Mental Health Bonds
\$ 64,657	\$ 33,542	\$ 167,289	\$ (9,218)	\$ 2,001,906	\$ 3,408	\$ 1,796	\$ -	\$ 8,230
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1	-	-	-	228	-	-	-	-
-	-	124,306	94,162	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
\$ 64,658	\$ 33,542	\$ 291,595	\$ 84,944	\$ 2,002,134	\$ 3,408	\$ 1,796	\$ -	\$ 8,230
\$ 81	\$ -	\$ 37,992	\$ 2,144	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	4,171	8,917	-	-	-	-	-
-	-	69,383	7,761	-	-	-	-	-
81	-	111,546	18,822	-	-	-	-	-
-	-	-	-	-	-	-	-	-
64,577	33,542	180,049	66,122	-	3,408	1,796	-	8,230
-	-	-	-	-	-	-	-	-
-	-	-	-	2,002,134	-	-	-	-
-	-	-	-	-	-	-	-	-
64,577	33,542	180,049	66,122	2,002,134	3,408	1,796	-	8,230
\$ 64,658	\$ 33,542	\$ 291,595	\$ 84,944	\$ 2,002,134	\$ 3,408	\$ 1,796	\$ -	\$ 8,230

Livingston County, Michigan

Other Supplemental Information Combining Balance Sheet (Continued) Nonmajor Governmental Funds December 31, 2011

	Capital Projects Funds				Permanent Funds	Total Nonmajor Governmental Funds
	Jail Expansion	Capital Replacement	West Complex Construction Fund	EMS Construction	Cemetery Trust	
Assets						
Cash and investments	\$ -	\$ 6,034,292	\$ 15,635	\$ 271,820	\$ 26,414	\$ 19,114,757
Receivables:						
Tax receivable	-	-	-	-	-	374,568
Accounts receivable	-	-	-	-	-	1,252,577
Accrued interest receivable	-	1,431	-	34	-	4,761
Due from other governmental units	-	-	-	-	-	987,756
Allowance for doubtful accounts	-	-	-	-	-	(11,328)
Advances to other funds	-	66,740	-	-	-	66,740
Other assets	-	13,527	-	-	-	25,703
Total assets	\$ -	\$ 6,115,990	\$ 15,635	\$ 271,854	\$ 26,414	\$ 21,815,534
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 2,786	\$ -	\$ 649,220
Due to other governmental units	-	-	-	-	29	194,587
Advances from other funds	-	-	-	-	-	362,458
Accrued liabilities	-	-	-	-	-	125,391
Deferred revenue	-	-	-	-	-	493,160
Total liabilities	-	-	-	2,786	29	1,824,816
Fund Balances						
Nonspendable	-	66,740	-	-	-	78,916
Restricted	-	-	-	-	26,385	10,589,802
Committed	-	-	15,635	-	-	15,635
Assigned	-	6,049,250	-	269,068	-	9,321,008
Unassigned	-	-	-	-	-	(14,643)
Total fund balances	-	6,115,990	15,635	269,068	26,385	19,990,718
Total liabilities and fund balances	\$ -	\$ 6,115,990	\$ 15,635	\$ 271,854	\$ 26,414	\$ 21,815,534

Livingston County, Michigan

Special Revenue Funds

	Job Training Services	Health Fund	911 Services Fund	Child Care	Family Counseling	Friend of the Court
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	98,884	-	-	-	-
Federal sources	3,834,798	797,862	308,557	-	-	1,364,907
State sources	135,773	877,703	386,930	897,159	-	-
Charges for services	14,400	1,233,442	4,261,985	208,001	15,075	149,552
Interest earned	-	-	5,834	-	-	115
Contributions from local units and other	850	27,760	6,017	-	-	37,447
Total revenue	3,985,821	3,035,651	4,969,323	1,105,160	15,075	1,552,021
Expenditures						
Current:						
Public safety	-	-	4,608,857	-	-	2,293,965
Health and welfare	4,005,594	3,322,256	-	2,723,071	972	-
Community and economic development	-	-	-	-	-	-
Capital outlay	-	-	725,041	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	4,005,594	3,322,256	5,333,898	2,723,071	972	2,293,965
Excess of Revenue Over (Under)						
Expenditures	(19,773)	(286,605)	(364,575)	(1,617,911)	14,103	(741,944)
Other Financing Sources (Uses)						
Operating transfers in	-	346,741	20,748	1,320,852	-	844,513
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	346,741	20,748	1,320,852	-	844,513
Net Change in Fund Balances	(19,773)	60,136	(343,827)	(297,059)	14,103	102,569
Fund Balances - Beginning of year	230,713	940,420	5,080,557	1,870,157	18,669	283,797
Fund Balances - End of year	\$ 210,940	\$ 1,000,556	\$ 4,736,730	\$ 1,573,098	\$ 32,772	\$ 386,366

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2011**

Special Revenue Funds

Small Cities Community Development Block Grant	Survey and Re monumentation	Prosecutor's Drug Enforcement	Drug Law Enforcement	Criminal Forfeiture	OUIL Forfeiture	Law Library	Community Corrections	Social Welfare
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	96,127	-	-	-	-	-	96,698	162,998
-	87,017	-	-	-	-	-	23,382	1,493
7,730	1,375	-	-	-	-	35	-	-
-	-	31,103	27,203	1,575	4,935	6,500	10,200	-
<u>7,730</u>	<u>184,519</u>	<u>31,103</u>	<u>27,203</u>	<u>1,575</u>	<u>4,935</u>	<u>6,535</u>	<u>130,280</u>	<u>164,491</u>
-	-	14,356	11,104	-	-	-	241,019	-
-	-	-	-	-	-	-	-	177,569
-	11,056	-	-	-	-	6,582	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>-</u>	<u>11,056</u>	<u>14,356</u>	<u>11,104</u>	<u>-</u>	<u>-</u>	<u>6,582</u>	<u>241,019</u>	<u>177,569</u>
7,730	173,463	16,747	16,099	1,575	4,935	(47)	(110,739)	(13,078)
-	-	-	-	-	-	-	91,114	9,000
-	-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,114</u>	<u>9,000</u>
7,730	173,463	16,747	16,099	1,575	4,935	(47)	(19,625)	(4,078)
545,594	932,644	8,391	172,752	20,926	18,054	25,195	4,982	18,385
<u>\$ 553,324</u>	<u>\$ 1,106,107</u>	<u>\$ 25,138</u>	<u>\$ 188,851</u>	<u>\$ 22,501</u>	<u>\$ 22,989</u>	<u>\$ 25,148</u>	<u>\$ (14,643)</u>	<u>\$ 14,307</u>

Livingston County, Michigan

Special Revenue Funds

	Soldiers and Sailors Relief	Veterans' Trust	Register of Deeds	Federal Equitable Sharing Fund	Homestead Property Exemption Fund	Correction Officers Training
Revenue						
Property taxes	\$ 395,600	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Federal sources	-	-	-	132,071	-	-
State sources	-	10,724	-	-	-	-
Charges for services	-	-	213,720	-	-	33,130
Interest earned	537	-	1,239	776	2	-
Contributions from local units and other	204	175	-	2,751	10,411	-
Total revenue	396,341	10,899	214,959	135,598	10,413	33,130
Expenditures						
Current:						
Public safety	-	-	-	140,935	-	14,968
Health and welfare	380,754	9,436	147,205	-	-	-
Community and economic development	-	-	-	-	4,648	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	380,754	9,436	147,205	140,935	4,648	14,968
Excess of Revenue Over (Under)						
Expenditures	15,587	1,463	67,754	(5,337)	5,765	18,162
Other Financing Sources (Uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	(65,334)	-	-	-	(320)	-
Total other financing sources (uses)	(65,334)	-	-	-	(320)	-
Net Change in Fund Balances	(49,747)	1,463	67,754	(5,337)	5,445	18,162
Fund Balances - Beginning of year	178,285	1,731	851,263	235,819	1,115	13,645
Fund Balances - End of year	\$ 128,538	\$ 3,194	\$ 919,017	\$ 230,482	\$ 6,560	\$ 31,807

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
Year Ended December 31, 2011**

Special Revenue Funds				Debt Service Funds				
Lutz County Park	Fillmore Estate County Park	Federal Grants	State and Other Grants	Debt Service Sinking Fund	Mental Health Bonds	2001 Bonds - Road Commission Refunding Bonds	2002 Capital Improvement Bonds	Refunding Building Authority Mental Health Bonds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	1,239,292	-	-	-	-	-	-
-	-	-	307,097	-	-	-	-	-
18,318	8,860	-	-	-	-	-	-	-
77	33	-	-	2,172	-	-	-	9
-	-	-	-	-	-	-	-	204,406
<u>18,395</u>	<u>8,893</u>	<u>1,239,292</u>	<u>307,097</u>	<u>2,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,415</u>
-	-	464,206	434,994	-	-	-	-	-
-	-	243,760	-	-	-	-	-	-
8,472	1,585	587,320	-	-	-	-	275	225
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,160,000	975,000
-	-	-	-	-	-	-	23,200	246,206
<u>8,472</u>	<u>1,585</u>	<u>1,295,286</u>	<u>434,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,183,475</u>	<u>1,221,431</u>
9,923	7,308	(55,994)	(127,897)	2,172	-	-	(1,183,475)	(1,017,016)
-	-	293,427	194,019	1,999,962	-	-	1,183,475	1,017,100
-	-	(57,384)	-	-	-	-	-	-
-	-	236,043	194,019	1,999,962	-	-	1,183,475	1,017,100
9,923	7,308	180,049	66,122	2,002,134	-	-	-	84
54,654	26,234	-	-	-	3,408	1,796	-	8,146
<u>\$ 64,577</u>	<u>\$ 33,542</u>	<u>\$ 180,049</u>	<u>\$ 66,122</u>	<u>\$ 2,002,134</u>	<u>\$ 3,408</u>	<u>\$ 1,796</u>	<u>\$ -</u>	<u>\$ 8,230</u>

Livingston County, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Continued) Nonmajor Governmental Funds Year Ended December 31, 2011

	Capital Projects Fund				Permanent Funds	
	Jail Expansion	Capital Replacement	West	EMS Construction	Cemetery Trust	Total Nonmajor Governmental Funds
			Complex Construction Fund			
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 395,600
Licenses and permits	-	-	-	-	-	98,884
Federal sources	-	-	-	-	-	7,677,487
State sources	-	-	-	-	-	2,971,209
Charges for services	-	105,766	-	-	-	6,374,141
Interest earned	591	13,502	-	357	-	34,384
Contributions from local units and other	-	-	-	-	-	371,537
Total revenue	591	119,268	-	357	-	17,923,242
Expenditures						
Current:						
Public safety	-	-	-	-	-	8,224,404
Health and welfare	-	-	-	-	-	11,010,617
Community and economic development	-	-	-	-	-	620,163
Capital outlay	-	-	-	94,409	-	819,450
Debt service:						
Principal	-	-	-	-	-	2,135,000
Interest	-	-	-	-	-	269,406
Total expenditures	-	-	-	94,409	-	23,079,040
Excess of Revenue Over (Under) Expenditures	591	119,268	-	(94,052)	-	(5,155,798)
Other Financing Sources (Uses)						
Operating transfers in	-	667,500	-	-	-	7,988,451
Operating transfers out	(1,646,568)	(15,700)	-	-	-	(1,785,306)
Total other financing sources (uses)	(1,646,568)	651,800	-	-	-	6,203,145
Net Change in Fund Balances	(1,645,977)	771,068	-	(94,052)	-	1,047,347
Fund Balances - Beginning of year	1,645,977	5,344,922	15,635	363,120	26,385	18,943,371
Fund Balances - End of year	<u>\$ -</u>	<u>\$ 6,115,990</u>	<u>\$ 15,635</u>	<u>\$ 269,068</u>	<u>\$ 26,385</u>	<u>\$ 19,990,718</u>

Livingston County, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds December 31, 2011

	Building Services	Information Technology	Carpool	Benefits	Total
Assets					
Current assets:					
Cash and investments	\$ 897,062	\$ 16,709	\$ 1,427,740	\$ 2,450,125	\$ 4,791,636
Accounts receivable	50,131	9,787	-	276,768	336,686
Prepaid costs and other assets	-	220,699	-	16,148	236,847
Total current assets	947,193	247,195	1,427,740	2,743,041	5,365,169
Noncurrent assets:					
Net OPEB asset	36,297	51,746	2,048	-	90,091
Capital assets - Net	89,689	2,097,679	597,919	-	2,785,287
Total noncurrent assets	125,986	2,149,425	599,967	-	2,875,378
Total assets	1,073,179	2,396,620	2,027,707	2,743,041	8,240,547
Liabilities					
Current liabilities:					
Accounts payable	166,024	99,680	68,289	27,720	361,713
Accrued liabilities and other	65,904	118,449	849	41,363	226,565
Total current liabilities	231,928	218,129	69,138	69,083	588,278
Noncurrent liabilities:					
Advances from other funds	-	66,740	-	-	66,740
Long-term debt	-	140,937	-	-	140,937
Total noncurrent liabilities	-	207,677	-	-	207,677
Total liabilities	231,928	425,806	69,138	69,083	795,955
Net Assets					
Invested in capital assets - Net of related debt	89,689	1,956,742	597,919	-	2,644,350
Unrestricted	751,562	14,072	1,360,650	2,673,958	4,800,242
Total net assets	<u>\$ 841,251</u>	<u>\$ 1,970,814</u>	<u>\$ 1,958,569</u>	<u>\$ 2,673,958</u>	<u>\$ 7,444,592</u>

Livingston County, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended December 31, 2011

	Building Services	Information Technology	Carpool	Benefits	Total
Operating Revenue -					
Charges for services	\$ 2,451,641	\$ 3,942,818	\$ 1,063,234	\$ 8,119,249	\$ 15,576,942
Operating Expenses					
Personnel	1,002,218	1,215,981	54,730	8,350,753	10,623,682
Operating expenses	1,255,147	1,879,602	752,621	-	3,887,370
Depreciation	6,117	794,950	295,718	-	1,096,785
Total operating expenses	<u>2,263,482</u>	<u>3,890,533</u>	<u>1,103,069</u>	<u>8,350,753</u>	<u>15,607,837</u>
Operating Income (Loss)	188,159	52,285	(39,835)	(231,504)	(30,895)
Nonoperating Revenue -					
Gain on sale of assets	-	3,529	39,976	-	43,505
Income (Loss) - Before transfers	188,159	55,814	141	(231,504)	12,610
Transfers in	<u>15,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,700</u>
Change in Net Assets	203,859	55,814	141	(231,504)	28,310
Net Assets - Beginning of year	<u>637,392</u>	<u>1,915,000</u>	<u>1,958,428</u>	<u>2,905,462</u>	<u>7,416,282</u>
Net Assets - End of year	<u><u>\$ 841,251</u></u>	<u><u>\$ 1,970,814</u></u>	<u><u>\$ 1,958,569</u></u>	<u><u>\$ 2,673,958</u></u>	<u><u>\$ 7,444,592</u></u>

Livingston County, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended December 31, 2011

	Building Services	Information Technology	Carpool	Benefits	Total
Cash Flow from Operating Activities					
Receipts from customers	\$ 2,426,482	\$ 79,824	\$ 32,676	\$ 120,816	\$ 2,659,798
Receipts from interfund services and reimbursements	-	3,853,511	1,038,728	8,120,022	13,012,261
Payments to suppliers	(1,204,188)	(1,984,753)	(735,116)	611,290	(3,312,767)
Payments to employees	(999,414)	(1,210,172)	(54,680)	(8,355,873)	(10,620,139)
Internal activity - Payments to other funds	-	(442,565)	-	-	(442,565)
Net cash provided by operating activities	222,880	295,845	281,608	496,255	1,296,588
Cash Flows from Noncapital Financing Activities -					
Transfers from other funds	15,700	-	-	-	15,700
Cash Flows from Capital and Related Financing Activities					
Proceeds from sales of capital assets	-	3,529	39,976	-	43,505
Purchase of capital assets	-	(200,425)	(391,483)	-	(591,908)
Principal and interest paid on capital debt	-	(82,240)	-	-	(82,240)
Net cash used in capital and related financing activities	-	(279,136)	(351,507)	-	(630,643)
Net Increase (Decrease) in Cash and Cash Equivalents	238,580	16,709	(69,899)	496,255	681,645
Cash and Cash Equivalents - Beginning of year	658,482	-	1,497,639	1,953,870	4,109,991
Cash and Cash Equivalents - End of year	\$ 897,062	\$ 16,709	\$ 1,427,740	\$ 2,450,125	\$ 4,791,636
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 188,159	\$ 52,285	\$ (39,835)	\$ (231,504)	\$ (30,895)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	6,117	794,950	295,718	-	1,096,785
Changes in assets and liabilities:					
Receivables	(25,159)	(9,483)	8,170	120,816	94,344
Due from other funds	-	-	-	773	773
Other assets	6,589	(59,176)	96	584,070	531,579
Accounts payable	44,370	(45,975)	17,409	27,220	43,024
Due to other funds	-	(284,212)	-	-	(284,212)
Advances from other funds	-	(158,353)	-	-	(158,353)
Accrued and other liabilities	2,804	5,809	50	(5,120)	3,543
Net cash provided by operating activities	\$ 222,880	\$ 295,845	\$ 281,608	\$ 496,255	\$ 1,296,588

Livingston County, Michigan

Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds December 31, 2011

	Agency Funds		
	Trust and Agency	Library Penal Fines	Total Agency Funds
Assets			
Cash	\$ 2,530,954	\$ 409,884	\$ 2,940,838
Accrued interest receivable	87	154	241
Total assets	<u>\$ 2,531,041</u>	<u>\$ 410,038</u>	<u>\$ 2,941,079</u>
Liabilities			
Due to other governmental units	\$ 1,151,456	\$ -	\$ 1,151,456
Accrued liabilities and other	1,379,585	410,038	1,789,623
Total liabilities	<u>\$ 2,531,041</u>	<u>\$ 410,038</u>	<u>\$ 2,941,079</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Operating, Nonoperating, and Other Revenue Sources Year Ended December 31, 2011

	January 1, 2011 to September 30, 2011	October 1, 2011 to December 31, 2011	Total
Operating Revenue			
Demand-response - Passenger fares	\$ 103,326	\$ 35,788	\$ 139,114
Special transit fares - Contracts	112,829	61,098	173,927
Rent - EMS	62,134	20,193	82,327
Other:			
Sale of fuel to EMS	46,135	761	46,896
Insurance reimbursement	178	2,531	2,709
Sale of vehicles	7,045	-	7,045 ^A
Total other	<u>53,358</u>	<u>3,292</u>	<u>56,650</u>
Total operating revenue	<u>\$ 331,647</u>	<u>\$ 120,371</u>	<u>\$ 452,018</u>
Nonoperating Revenue			
Federal operating and capital grants:			
U.S. DOT operating grant - Section 5307 (2011 and 2012)	\$ 627,528	\$ 237,736	\$ 865,264
U.S. DOT capital grant - Preventative maintenance - Section 5307 (2011 and 2012)	141,401	129,436	270,837
State operating and capital grants:			
State operating reconciliations - Prior year (overpayments) underpayments	(23,861)	2,760	(21,101)
State capital matching grant - Vehicle	-	-	-
State Preventative Maintenance Match	39,323	25,911	65,234
Transit operating assistance	440,459	156,363	596,822
Total nonoperating revenue	<u>\$ 1,224,850</u>	<u>\$ 552,206</u>	<u>\$ 1,777,056</u>

^A Sale of vehicles is included in nonoperating revenue in the proprietary funds statement of revenue, expenses, and changes in net assets.

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Operating, Nonoperating, and Other Revenue Sources - JARC Year Ended December 31, 2011

	January 1, 2011 to September 30, 2011	October 1, 2011 to December 31, 2011	Total
Operating Revenue			
Demand-response - Passenger fares	\$ 7,759	\$ 2,315	\$ 10,074
U.S. DOT operating grant - JARC - Section 5316 (2011)	24,780	11,145	35,925 B
State of MI operating grant - JARC - Section 5316 (2011)	24,780	11,145	35,925 B
Total operating revenue	<u>\$ 57,319</u>	<u>\$ 24,605</u>	<u>\$ 81,924</u>

B JARC operating grants are included in nonoperating revenue in the proprietary funds statement of revenue, expense and changes in net assets.

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Operating Expenses Year Ended December 31, 2011

	General				Total
	Operations	Maintenance	Administration	JARC	
Labor	\$ 888,628	\$ 68,672	\$ 91,077	\$ 43,468	\$ 1,091,845
Pension	98,602	7,856	10,419	4,783	121,660
Other fringe benefits	251,278	19,890	26,379	10,474	308,021
Services	1,644	205,639	142,302	6,691	356,276
Materials and supplies consumed:					
Fuel and lubricants	252,030	-	-	14,833	266,863
Tires and tubes	7,230	-	-	558	7,788
Other materials and supplies	-	25,402	8,232	223	33,857
Utilities	-	-	68,714	433	69,147
Depreciation	272,940	-	-	10,461	283,401
Casualty and liability costs	485	-	-	3	488
Miscellaneous	940	8,612	5,911	184	15,647
Operating leases and rentals	17,855	-	35,265	353	53,473
Total operating expenses	1,791,632	336,071	388,299	92,464	2,608,466
Ineligible expenses:					
Revenue associated with fuel sold to EMS	46,896	-	-	-	46,896
Revenue associated with building rental	-	-	82,327	-	82,327
Association dues	-	-	135	-	135
Depreciation	272,940	-	-	10,461	283,401
Ineligible farebox revenue	-	-	-	10,074	10,074
Misc reimbursement	-	-	2,709	-	2,709
U.S. DOT capital grant - Preventative maintenance Section 5307	-	270,837	-	-	270,837
State of MI capital grant -Preventative maintenance Section 5307	-	65,234	-	-	65,234
Total ineligible expenses	319,836	336,071	85,171	20,535	761,613
Total eligible expenses	\$ 1,471,796	\$ -	\$ 303,128	\$ 71,929	\$ 1,846,853

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Net Eligible Cost Computations of General Operations Year Ended December 31, 2011

	January 1, 2011 to September 30, 2011	October 1, 2011 to December 31, 2011	Total
Labor	\$ 690,646	\$ 357,731	\$ 1,048,377
Pension	76,283	40,594	116,877
Other fringe benefits	241,282	56,265	297,547
Services	215,810	133,775	349,585
Materials and supplies consumed:			
Fuel and lubricants	206,966	45,064	252,030
Tires and tubes	3,842	3,388	7,230
Other materials and supplies	26,999	6,635	33,634
Utilities	48,986	19,728	68,714
Casualty and liability costs	485	(0)	485
Depreciation	204,705	68,235	272,940
Operating leases and rentals	38,662	14,458	53,120
Miscellaneous	6,477	8,986	15,463
Total operating expenses	1,761,143	754,859	2,516,002
Ineligible operating expenses:			
Revenue associated with fuel sold to EMS	46,135	761	46,896
Revenue associated with building rental	62,134	20,193	82,327
Insurance reimbursement	-	-	-
Association dues	-	135	135
Depreciation	204,705	68,235	272,940
Misc reimbursement	178	2,531	2,709
U.S. DOT capital grant - Preventative maintenance Section 5307	163,479	107,358	270,837
State of MI capital grant - Preventative maintenance Section 5307	39,485	25,749	65,234
Total ineligible expenses	516,116	224,962	741,078
Total eligible expenses	\$ 1,245,027	\$ 529,897	\$ 1,774,924

Capital money used to pay for operating expenses has been subtracted out as ineligible and is not included in the costs to be reimbursed by the State.

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Net Eligible Cost Computations of General Operations - JARC Year Ended December 31, 2011

	January 1, 2011 to September 30, 2011	October 1, 2011 to December 31, 2011	Total
Labor	\$ 30,411	\$ 13,057	\$ 43,468
Pension	3,274	1,509	4,783
Other fringe benefits	9,075	1,399	10,474
Services	3,773	2,918	6,691
Materials and supplies consumed:			
Fuel and lubricants	9,841	4,992	14,833
Tires and tubes	506	52	558
Other materials and supplies	122	101	223
Utilities	186	247	433
Casualty and liability costs	3	-	3
Depreciation	7,846	2,615	10,461
Operating leases and rentals	132	221	353
Miscellaneous	73	111	184
Total operating expenses	65,242	27,222	92,464
Ineligible operating expenses:			
Depreciation	7,846	2,615	10,461
Ineligible farebox revenue	7,759	2,315	10,074
Total ineligible expenses	15,605	4,930	20,535
Total eligible expenses	\$ 49,637	\$ 22,292	\$ 71,929

Capital money used to pay for operating expenses has been subtracted out as ineligible and is not included in the costs to be reimbursed by the State.

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Revenue and Eligible and Ineligible Expenditures Year Ended December 31, 2011

	October 1, 2010 to December 31, 2010	January 1, 2011 to September 30, 2011	Total
Operating Revenue			
Demand-response - Passenger fares	\$ 27,620	\$ 103,326	\$ 130,946
Special transit fares - Contracts	66,796	112,829	179,625
Rent - EMS	26,924	62,134	89,058
Other:			
Sale of fuel to EMS	18,643	46,135	64,778
Insurance reimbursement	-	178	178
Sale of vehicles	17,290	7,045	24,335
Total other revenue	<u>35,933</u>	<u>53,358</u>	<u>89,291</u>
Total operating revenue	<u>\$ 157,273</u>	<u>\$ 331,647</u>	<u>\$ 488,920</u>
Operating Expenses			
Labor	\$ 249,554	\$ 690,646	\$ 940,200
Pension	27,534	76,283	103,817
Other fringe benefits	67,270	241,282	308,552
Services	112,451	215,810	328,261
Materials and supplies consumed:			
Fuel and lubricants	70,725	206,966	277,691
Tires and tubes	-	3,842	3,842
Other materials and supplies	67,232	26,999	94,231
Utilities	14,350	48,986	63,336
Casualty and liability costs	-	485	485
Depreciation	88,726	204,705	293,431
Operating leases and rentals	9,522	38,662	48,184
Miscellaneous	3,901	6,477	10,378
Total operating expenses	711,265	1,761,143	2,472,408
Less Ineligible Expenses			
Revenue associated with fuel sold to EMS	18,643	46,135	64,778
Revenue associated with building rental	26,924	62,134	89,058
Association dues	119	-	119
Depreciation	88,726	204,705	293,431
Major purchases - Grant	52,179	-	52,179
Misc reimbursement	-	178	178
U.S. DOT capital grant - Preventative maintenance Section 5307	106,896	163,479	270,375
State of MI capital grant - Preventative maintenance Section 5307	-	39,485	39,485
Total ineligible expenses	<u>293,487</u>	<u>516,116</u>	<u>809,603</u>
Total eligible expenses	<u>\$ 417,778</u>	<u>\$ 1,245,027</u>	<u>\$ 1,662,805</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Revenue and Eligible and Ineligible Expenditures - JARC Year Ended December 31, 2011

	October 1, 2010 to December 31, 2010	January 1, 2011 to September 30, 2011	Total
Operating Revenue			
JARC passenger fares	\$ 2,728	\$ 7,759	\$ 10,487
U.S. DOT operating grant - JARC - Section 5316 (2011)	8,091	24,780	32,871
State of MI operating grant - JARC - Section 5316 (2011)	8,091	24,780	32,871
Total operating revenue	<u>\$ 18,910</u>	<u>\$ 57,319</u>	<u>\$ 76,229</u>
Operating Expenses			
Labor	\$ 11,697	\$ 30,411	\$ 42,108
Pension	1,267	3,274	4,541
Other fringe benefits	1,711	9,075	10,786
Services	790	3,773	4,563
Materials and supplies consumed:			
Fuel and lubricants	2,701	9,841	12,542
Tires and tubes	744	506	1,250
Other materials and supplies	-	122	122
Utilities	-	186	186
Casualty and liability costs	-	3	3
Depreciation	1,743	7,846	9,589
Operating leases and rentals	-	132	132
Miscellaneous	-	73	73
Total operating expenses	20,653	65,242	85,895
Less Ineligible Expenses			
Farebox return	2,728	7,759	10,487
Depreciation	1,744	7,846	9,590
Total ineligible expenses	<u>4,472</u>	<u>15,605</u>	<u>20,077</u>
Total eligible expenses	<u>\$ 16,181</u>	<u>\$ 49,637</u>	<u>\$ 65,818</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Property and Equipment Year Ended December 31, 2011

		Cost	Accumulated Depreciation	Total
Construction in progress - Grant MI-96-X019 - ARRA (100% Fed Funds)	PCTTRANS map software	\$ 31,800	\$ -	\$ 31,800
Buildings and building improvements	Intermodel building	2,302,676	531,902	1,770,774
Vehicles and vehicle equipment:				
Grant MI-03-0189 Fed 5307 and 2002-0060 (state match)	One Eldorado National buses	88,074	88,074	-
Grant MI-03-0189 and MI-03-0192 - Fed 5309 (2002) and 2002-0060 Z11 (state match)	Three Ford E-350 cut-away buses	141,822	138,445	3,377
Grant MI-03-0192 Fed 5309 (2003) and 2002-0060 Z11 (state match)	Two Eldorado National buses	153,048	151,226	1,822
Grant MI-03-0212 Fed 5309 (2004) and 2002-0060 Z11 (state match)	One Eldorado National bus	79,541	64,390	15,151
Grant MI-03-0212 Fed 5309 (2004) and 2002-0060-Z11 RI (state match)	One Ford E-350 passenger van	20,591	20,591	-
Grant MI 90-x425 and MI 90-x453 Fed Sec 5307 and 2002-0060 Z14 and Z15 (state match)	Three Eldorado National buses	244,344	165,806	78,538
Grant MI 90-x425 Fed Sec 5307 and MI 90-x453 Fed Sec 5307 and MI 90-x453 Fed Sec 5307 and 2002-0060 Z15 (state match)	One Eldorado National bus	81,449	55,269	26,180
Grant MI 90-x453 Fed Sec 5307 and 2002-0060 Z15 (state match)	One Eldorado National bus	80,941	54,924	26,017
Grant MI 90-x453 Fed Sec 5307	One Eldorado National bus	79,161	53,716	25,445
Grant MI-030-0226 Fed Sec 5307 and 2002-0060 Z16 (state match)	One Eldorado National bus	79,161	53,716	25,445
Grant MI 90-x425 Fed Sec 5307 and 2002-0060 Z14 (state match)	Bus backup cameras	13,585	12,227	1,358
Grant MI 90-x453 Fed Sec 5307 and 2002-0060 Z15 (state match)	Bus radios	1,855	1,483	372
Grant MI-03-0226 Fed 5309 (2005) and 2002-0060 Z16 (state match)	Bus washing system	19,168	7,188	11,980
Grant MI 90-x425 Fed Sec 5307 and 2002-0060 Z14 (state match)	Surveillance system	14,250	5,225	9,025
State Match 2002-0060/Z15 \$8,825, 2002-0060-Z19 \$3,784 LETS Funds \$6,460		68,810	18,022	50,788
Grant MI-96-X019 - ARRA (100% Federal Funds)	Three Eldorado National buses	229,603	54,667	174,936
Grant MI-96-X019 - ARRA (100% Federal Funds)	Three Dodge minivans	95,465	43,755	51,710
Grant MI-96-X019 - ARRA (100% Federal Funds) \$114,000 LETS Funds \$12,034	One Eldorado National bus	125,910	29,977	95,933
Grant MI-37-X037 - JARC Section 5316 (state match 2007-0245/Z6)	One Eldorado National bus	73,226	17,435	55,791
Total vehicles and vehicle equipment		1,690,004	1,036,136	653,868
Office furniture - Purchased with local funds		43,210	43,210	-
Total property and equipment		\$ 4,067,690	\$ 1,611,248	\$ 2,456,442

Livingston County, Michigan

Livingston Essential Transportation System Statistical Data - Public Transportation Mileage Data (Unaudited) Year Ended December 31, 2011

	Total Mileage	Passenger Trips
Demand - Response mileage data (unaudited):		
First quarter	192,108	33,658
Second quarter	189,456	34,237
Third quarter	191,266	32,871
Fourth quarter	188,824	33,576
Total	<u>761,654</u>	<u>134,342</u>

Livingston County, Michigan

Livingston Essential Transportation System Statistical Data - Financial Trends (Unaudited) Year Ended December 31, 2011

	2007	2008	2009	2010	2011
<u>Financial Position (Status of Assets, Liabilities, and Equity)</u>					
General Fund:					
Unreserved fund balance compared to expenditures*	36.8%	38.4%	49.2%	56.9%	
Unassigned fund balance compared to expenditures*					20.5%
Current ratio (assets/liabilities, excluding deferred revenue)	10.1	8.6	15.9	20.7	16.8
All governmental activities:					
Unreserved fund balance compared to expenditures	51.6%	52.9%	74.9%	78.9%	
Unassigned fund balance compared to expenditures*					11.1%
Current ratio (assets/liabilities, excluding deferred revenue)	17.1	13.9	19.0	23.0	19.9
<u>Fiscal Capacity (Measures of Ability to Raise Revenue, Incur Debt, and Meet Obligations)</u>					
General Fund:					
Property taxes per capita (operating millage only)	\$ 154	\$ 160	\$ 157	\$ 150	\$ 141
Millage capacity (ability to levy additional taxes without a vote)	None	None	None	None	None
Expenditures per capita	\$ 215	\$ 218	\$ 211	\$ 208	\$ 200
Ratio of revenue compared to expenditures	1.10	1.08	1.09	1.06	1.05
All governmental activities:					
Total property taxes levied per capita (with extra voted mills)	\$ 166	\$ 173	\$ 170	\$ 166	\$ 156
County taxes paid per household	\$ 309	\$ 294	\$ 294	\$ 263	\$ 271
County taxes paid per household as a percentage of household income	0.461%	0.416%	0.408%	0.364%	0.376%
Taxable value (in 000s)	\$ 8,793,696	\$ 8,825,751	\$ 8,825,751	\$ 8,572,601	\$ 7,953,593
Annual change in taxable value	5.3%	5.7%	0.4%	-2.9%	-9.9%
State equalized value (SEV)	\$ 10,618	\$ 9,791,590	\$ 9,791,590	\$ 8,195,852	\$ 8,302,402
Annual change in SEV	24.4%	14.7%	14.7%	-16.3%	1.3%
Debt information:					
County-funded debt per capita	\$ 79	\$ 72	\$ 66	\$ 57	\$ 45
Debt saturation (percent of debt limitation utilized)	1.4%	1.2%	1.0%	0.8%	0.6%