

Livingston County, Michigan

**Financial Report
with Supplemental Information
December 31, 2012**

Livingston County, Michigan

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Independent Auditor's Report

To the County Board of Commissioners
Livingston County, Michigan

Report on the Financial Statements

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 as of and for the year ended December 31, 2012 and the related notes to the financial statements, which collectively comprise Livingston County, Michigan's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Livingston County Road Commission, which represents 52 percent, 69 percent, and 76 percent of the assets, net position, and revenue of discretely presented component units, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Livingston County Road Commission, is based solely on the report of the 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 from material misstatement. Livingston County Road Commission was not audited under *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the County Board of Commissioners
Livingston County, Michigan

Opinion

In our opinion, based on our audit and the report of other auditors, 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, 2012 and the respective changes in its financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the basic financial statements, the 2012 basic financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension system schedules of funding progress and employer contributions, and the major fund budgetary comparison schedules 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Livingston County, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, and Livingston Essential Transportation System schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Livingston Essential Transportation System schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

To the County Board of Commissioners
Livingston County, Michigan

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2013 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 an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Livingston County, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

June 10, 2013

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, 2012. This should be read in conjunction with the County's financial statements.

Financial Highlights

The following represents the most significant financial highlights for the year ended December 31, 2012:

- The County's primary source of General Fund revenue is property taxes, representing 67.24 percent of total revenue. The percentage increase in property taxes for Livingston County 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 2012, the County experienced its fifth straight year whereby tax revenue came in under the previous year level. In 2012, the County experienced a 3.17 percent decrease in tax revenue when compared to 2011. Property tax revenue in 2013 is expected to increase for the first time since 2007 by 1.18 percent.
- The County continues to face challenges from amendments to the Property Tax Act. Most recently was Public Act 356, which imposed a mandatory and permanent shift from a December to a July tax levy. This legislation creates 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 risk of incurring costs to borrow money to sustain operations during the first nine months. To avoid this, the County continues to designate \$15 million of assigned fund balance for future operating requirements. Also, Proposal A limits the increase of taxable value to the rate of inflation, or 5 percent, whichever is lowest for individual properties. The Headlee rollback limits the millage rate to the annual rate of inflation. Recovery from the recent recession and decline in property tax revenue will be slow because of the Proposal A and Headlee property tax amendments.
- 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 accomplished with reductions in personnel through attrition, departmental restructuring, and redesigning personnel wage and benefit packages, including those with major legacy costs. Departments have done a commendable job in monitoring expenses to stay within budget, utilize County purchasing services, comply with the purchasing policy, and competitively bid supplies and services. The combination of these efforts resulted in an increase of about \$293,000 to the General Fund's fund balance in 2012.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position 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 funds. 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.

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 position (in thousands of dollars) for fiscal years ended December 31, 2012 and 2011:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current assets	\$ 79,367	\$ 70,009	\$ 49,167	\$ 46,119	\$ 128,534	\$ 116,128
Capital assets	57,053	54,433	37,488	36,221	94,541	90,654
Total assets	136,420	124,442	86,655	82,340	223,075	206,782
Liabilities						
Current liabilities	14,114	12,998	5,678	5,640	19,792	18,638
Long-term liabilities	12,160	5,161	2,735	2,852	14,895	8,013
Total liabilities	26,274	18,159	8,413	8,492	34,687	26,651
Net Position						
Net investment in capital assets	50,231	47,485	34,824	33,446	85,055	80,931
Restricted	11,713	21,376	2,929	2,239	14,642	23,615
Unrestricted	48,202	37,422	40,489	38,163	88,691	75,585
Total net position	<u>\$ 110,146</u>	<u>\$ 106,283</u>	<u>\$ 78,242</u>	<u>\$ 73,848</u>	<u>\$ 188,388</u>	<u>\$ 180,131</u>

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

The County's combined net position for both governmental and business-type activities totals \$188.4 million for fiscal year 2012 as compared to \$180.1 million for fiscal year 2011. This is an increase of \$8.3 million (4.6 percent) from 2011 to 2012. The increase in the total net position is attributed in part to increased assets including receivables, benefit assets, and capital assets related to the construction of the new EMS training facility. Net position is further segregated between the restricted and unrestricted net position. The restricted net position is comprised of assets that are restricted for a specific purpose/use and invested in capital assets. Unrestricted net position is that net position that can be used to finance day-to-day operations.

The following table shows the changes in net position during the years ended December 31, 2012 and 2011 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue						
Program revenue:						
Charges for services	\$ 21,046	\$ 20,366	\$ 8,443	\$ 6,984	\$ 29,489	\$ 27,350
Operating grants and contributions	10,653	11,948	1,722	1,487	12,375	13,435
Capital grants and contributions	500	-	2,349	1,844	2,849	1,844
General revenue:						
Property taxes	28,324	28,330	-	-	28,324	28,330
Unrestricted investment income	131	152	171	171	302	323
Transfers and other revenue	2,933	3,531	(916)	(2,248)	2,017	1,283
Total revenue	63,587	64,327	11,769	8,238	75,356	72,565
Program Expenses						
General government	3,166	5,536	-	-	3,166	5,536
Public safety	31,304	33,750	-	-	31,304	33,750
Health and welfare	20,282	20,473	-	-	20,282	20,473
Community and economic development	4,685	3,017	-	-	4,685	3,017
Interest on long-term debt	287	268	-	-	287	268
Building and safety	-	-	1,155	979	1,155	979
Airport	-	-	1,353	1,288	1,353	1,288
Livingston Essential Transportation Services	-	-	2,770	2,608	2,770	2,608
Septage receiving station	-	-	1,002	850	1,002	850
Delinquent tax revolving funds	-	-	1,095	292	1,095	292
Total program expenses	59,724	63,044	7,375	6,017	67,099	69,061
Change in Net Position	\$ 3,863	\$ 1,283	\$ 4,394	\$ 2,221	\$ 8,257	\$ 3,504

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.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

The County expenses decreased from 2011 to 2012. The cost of providing services for governmental activities was \$59.7 million for fiscal year 2012, which includes the General Fund, special revenue fund, and internal service fund departments. This is a 5.3 percent decrease, or \$3.3 million less than the cost of providing services in 2011. The decrease in the cost of providing services can be attributed mainly to a decrease in federal funding for grant programs and savings in personnel costs. Tiered salaries and restructuring of benefit packages have reduced both short-term and long-term legacy costs. The County did see an increase in community and economic development expenditures of \$1.6 million attributed mainly to the County's participation in the Latson Road/I-96 interchange in Livingston County.

The County's total revenue generated from governmental activities decreased by 1.2 percent, or \$740,000, from 2011 to 2012. This is a result of decreased operating grants and contributions.

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, Septage Receiving Station, and Tax Delinquent Revolving Funds, the types of operations most similar to private businesses. A comparative analysis between fiscal years 2011 and 2012 shows that the overall cost of providing services for all business-type activities increased by 22.6 percent, or \$1.36 million, with most business-type funds seeing an increase in 2012. The increase in costs is a direct result of increased demand for services as is reflected in the increase of more than 42.9 percent in business-type activity revenue, or more than \$3.5 million. Increased revenue from charges for services were significant in both the Septage Receiving Station Fund and the Building and Safety Fund, which saw increases from 2011 charges of 32 percent and 43 percent, respectively.

The Funds

Our analysis of the County's major funds begins on pages 16 and 17, 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, EMS Fund, EMS Construction Fund, and 911 Services 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.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

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, County Clerk, Treasurer, Register of Deeds, 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 expenditures of \$36.5 million in 2012, and an additional \$3.6 million was transferred to other funds to subsidize operations. This was less than a 1 percent decrease from providing services in 2011. General Fund revenue in 2012 was \$1.08 million less than revenue generated in 2011 mainly attributed to the continued decrease of tax revenue. Despite a decrease of more than 2.8 percent in General Fund revenue from 2011, the County still managed to increase the fund balance in the General Fund by more than \$292,000.

The EMS Fund provides emergency medical response and is financed by a special tax levy (27.4 percent of total revenue), charges for services (72.5 percent of total revenue), and other sources (less than 1 percent of total revenue). The cost of providing this service for 2012 was \$8.08 million. Fund balance in the EMS Fund increased by \$5,375. The fund balance will be used in future years to meet the continual increase in demand for services and improved service response time.

The EMS Construction Fund was set up to record the construction and furnishing of the new EMS public safety training facility. Debt in the amount of \$8.5 million was issued for the new construction. Capital outlay for the construction of the new building in 2012 was approximately \$3.6 million. The construction of the facility is expected to be completed by fall 2013.

911 dispatchers respond to calls by citizens and dispatch the appropriate public safety responders. The main revenue source for the 911 Service Fund is surcharges. Surcharge revenue was approximately 86 percent of the 911 Service Fund total revenue in 2012. The cost of providing 911 services in 2012 was approximately \$5.2 million with 81 percent going toward operations and 19 percent for capital outlay purchases for local public safety units.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

The Revenue Sharing Reserve Fund was a major fund until 2012 and was 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 \$3.0 million) until the fund is depleted. In 2012, this fund balance decreased by about \$3.0 million. This fund will be depleted in 2013. This will be 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. Rather than receive its allocation of state-share revenue, the County is now required to meet specific requirements in three payment categories under the State of Michigan Economic Vitality Incentive Program (EVIP)/County Incentive Program (CIP) to receive a pro-rated share of an amount of the state appropriated funding. The County has and will continue to meet these requirements. Livingston County is expecting a significant decrease beginning in 2014 of state-shared revenue, or an estimated \$712,000 less than the full funding amount of \$3.1 million.

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/decreases in grant revenue
- Board authorization of one-time payments including the Latson Road interchange, additional payments to accelerate funding of long-term pension obligations, and purchase of a County Enterprise Resource Planning (ERP) System.

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/decreases in grant revenue

Capital Asset and Debt Administration

At the end of 2012, the County had \$94.5 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.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

The County continues to sustain its excellent bond ratings with Moody's AAA rating, thereby managing interest payments and reducing costs for infrastructure improvements. This rating is an accomplishment and maintained by those entities with transparency, sound financial management, and healthy General Fund reserves. 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 for these units.

Economic Factors and Next Year's Budgets and Rates

Michigan's economy continues to show signs of recovery; however, we must continue to proceed with conservative optimism and monitor closely how the national and world economy impacts Michigan residents. Challenges such as federal healthcare reform and legislative changes made at the state level have hindered our abilities to provide services. Those major challenges and exposures include declining state funds for mandated services, job creation versus job losses, special assessment districts lack of revenue to pay debt payments, and projected slow recovery of property and investment revenues.

The loss in tax revenue that began in fiscal year 2008, continuing through fiscal year 2012, 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. Economic indicators also reflect the economy in Livingston County is improving. Foreclosures have declined substantially from the high of 1,333 properties foreclosed on in 2008 to 728 properties in 2012. Permits for construction have also notably increased in our building, health, and drain departments. The most significant increase in 2012 was the building permits, with a 40 percent increase, or 674 permits, over 2011 levels. The County treasurer is reporting a 24 percent decline in the number of parcels going to tax sale. At \$72,129, Livingston County has the highest median income among the 83 counties in Michigan. The unemployment rate is lower than other counties and the Economic Growth Alliance has indicated that Livingston County is projected to have 91.7 percent more jobs in 2015 than 2000 levels.

The County continues to meet and collaborate with other local municipalities to look for new partnership opportunities to share services. A few great examples of successful collaboration include contracting with the City of Brighton and the City of Howell to share the building official, countywide broadband fiber network sharing, contracting with the City of Howell to provide custodial services, contracting with Jackson County to share the public health official, collaborating with Oakland County in the redesign of the Livingston County website, one countywide central 911 dispatch center, 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.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

The County board continues to act tenaciously to monitor costs of providing quality services to Livingston County residents. A hiring freeze of all vacant positions remains in force, sharing of responsibilities/personnel by departments is encouraged, and the County again has not offered wage increases since 2009. Also, several major changes to reduce benefit costs should be noted. The changes include the following:

- Pension
 - A hybrid pension plan offering both a defined benefit and a defined contribution plan is now offered to all nonunion employees hired after August 31, 2009 and court employees hired after January 1, 2011.
 - Employees remaining in a defined benefit plan contribute 5 percent of pension eligible wages.
 - Additional payments of over \$1 million were made for the second consecutive year to reduce the unfunded liability of the employee groups in the defined benefit plan.
- Active health care
 - The base healthcare plan offered to all 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). Union groups also have an option to buy up to a PP01 plan option.
 - All full-time, 35-40-hour employees are responsible for 10 percent of the PP04 plan premium plus any buy-up costs. Nonunion employees hired after June 31, 2009 pay 20 percent of plan premium plus any buy-up costs.
 - As of September 1, 2012, 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 are responsible for 25 percent of the premium plus any buy-up costs.
- Retiree health care
 - Retiree healthcare benefits are not available to full-time, nonunion employees hired after November 1, 2009.
 - 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 health care under the retiree healthcare plan.
 - Nonunion employees not eligible to retire were converted from a defined benefit plan to a Retiree Health Savings Plan and received a lump-sum deposit into a RHCS based on their years of service.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

- As of June 30, 2011, sheriff deputies and lieutenants were offered a cash incentive to switch from a defined benefit plan to a defined contribution plan, of which 39 percent in the group elected to switch. Sergeants were offered the same incentive in January 2012.
- Effective June 30, 2011, all new full-time sheriff deputies 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 health care from \$21.5 million to \$3.2 million based on the December 31, 2010 actuarial report.

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. It is projected that Livingston County's tax revenue will show a modest increase of 1.18 percent in 2013 and a conservative estimate of 2.0 percent to 2.5 percent increase in 2014 and 2015, respectively. As previously stated, recovery will be slow because Proposal A limits the increase of taxable value to the rate of inflation, or 5 percent, whichever is lowest, and the Headlee rollback limits the millage rate to the annual rate of inflation. However, Livingston County must continue to proceed with caution when making decisions to ensure its history of 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 Position December 31, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 54,554,368	\$ 26,750,942	\$ 81,305,310	\$ 7,894,445
Receivables:				
Taxes	4,034,014	16,192,259	20,226,273	-
Accounts	3,510,648	77,923	3,588,571	-
Accrued interest	18,895	11,060	29,955	629,896
Due from other governmental units	2,100,647	606,655	2,707,302	2,944,518
Other	-	5,460,142	5,460,142	-
Special assessments receivable	-	-	-	3,133,791
Leases	-	-	-	52,880,440
Advances to component units (Note 6)	36,133	-	36,133	-
Advances to primary government (Note 6)	-	-	-	55,417
Internal balances	161,036	(161,036)	-	-
Inventories	-	63,940	63,940	1,310,178
Prepaid costs and other assets	809,836	81,606	891,442	416,576
Restricted assets - Cash and investments	7,820,522	-	7,820,522	334,866
Net pension asset (Note 12)	4,673,356	-	4,673,356	-
Net OPEB asset (Note 14)	1,647,813	83,270	1,731,083	59,649
Capital assets (Note 5):				
Assets not subject to depreciation	14,994,092	15,443,684	30,437,776	26,814,350
Assets subject to depreciation	42,058,935	22,044,862	64,103,797	134,765,472
Total assets	136,420,295	86,655,307	223,075,602	231,239,598
Liabilities				
Accounts payable	5,074,688	236,445	5,311,133	352,496
Due to other governmental units	300,030	321,528	621,558	1,446,205
Advances from component units (Note 6)	-	55,417	55,417	-
Advances from primary government (Note 6)	-	-	-	36,133
Deposits	-	374,674	374,674	-
Accrued and other liabilities	1,936,432	330,978	2,267,410	1,376,081
Deferred revenue (Note 4)	3,378,778	43,739	3,422,517	-
Unamortized bond premium (Note 7)	129,626	-	129,626	463,332
Net OPEB obligation	-	-	-	1,755,446
Long-term obligations:				
Due within one year (Note 7)	3,294,528	4,315,000	7,609,528	5,434,717
Due in more than one year (Note 7)	12,160,321	2,735,504	14,895,825	50,552,035
Total liabilities	26,274,403	8,413,285	34,687,688	61,416,445
Net Position				
Net investment in capital assets	50,230,755	34,823,546	85,054,301	160,994,750
Restricted for:				
Special revenue fund purposes (Note 9)	11,712,750	-	11,712,750	-
Restricted for building and safety programs	-	2,929,064	2,929,064	-
Foundation nonexpendable	-	-	-	254,132
County roads	-	-	-	4,329,098
Unrestricted	48,202,387	40,489,412	88,691,799	4,245,173
Total net position	\$ 110,145,892	\$ 78,242,022	\$ 188,387,914	\$ 169,823,153

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	\$ 3,166,388	\$ 513,986	\$ -	\$ -
Public safety	31,303,858	11,064,715	3,913,826	-
Health and welfare	20,282,049	7,859,640	5,775,957	-
Community and economic development	4,685,073	1,607,388	963,526	500,000
Interest on long-term debt	287,530	-	-	-
Total governmental activities	59,724,898	21,045,729	10,653,309	500,000
Business-type activities:				
Airport Fund	1,352,632	970,425	-	1,977,318
Delinquent Tax Revolving Fund	1,095,449	3,999,195	-	-
Septage receiving station	1,001,772	1,238,547	-	-
Livingston Essential Transportation Service	2,769,758	392,817	1,721,621	371,776
Building and Safety Fund	1,155,091	1,842,254	-	-
Total business-type activities	7,374,702	8,443,238	1,721,621	2,349,094
Total primary government	\$ 67,099,600	\$ 29,488,967	\$ 12,374,930	\$ 2,849,094
Component units:				
Drain Commission	\$ 2,642,382	\$ 1,190,540	\$ 1,075,033	\$ -
Department of Public Works	4,236,274	2,763,711	68,196	-
Road Commission	16,613,067	-	16,033,084	-
Livingston County Foundation	-	-	-	-
Total component units:	\$ 23,491,723	\$ 3,954,251	\$ 17,176,313	\$ -
General revenue:				
Property taxes				
Unrestricted investment earnings				
Miscellaneous				
Gain on sale of fixed assets				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year - As restated (Note 17)				
Net Position - End of year				

Statement of Activities
Year Ended December 31, 2012

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,652,402)	\$ -	\$ (2,652,402)	\$ -
(16,325,317)	-	(16,325,317)	-
(6,646,452)	-	(6,646,452)	-
(1,614,159)	-	(1,614,159)	-
(287,530)	-	(287,530)	-
(27,525,860)	-	(27,525,860)	-
-	1,595,111	1,595,111	-
-	2,903,746	2,903,746	-
-	236,775	236,775	-
-	(283,544)	(283,544)	-
-	687,163	687,163	-
-	5,139,251	5,139,251	-
(27,525,860)	5,139,251	(22,386,609)	-
-	-	-	(376,809)
-	-	-	(1,404,367)
-	-	-	(579,983)
-	-	-	-
-	-	-	(2,361,159)
28,324,253	-	28,324,253	-
131,595	171,403	302,998	27,570
1,561,081	455,652	2,016,733	257,378
-	-	-	141,521
30,016,929	627,055	30,643,984	426,469
1,372,306	(1,372,306)	-	-
3,863,375	4,394,000	8,257,375	(1,934,690)
106,282,517	73,848,022	180,130,539	171,757,843
\$ 110,145,892	\$ 78,242,022	\$ 188,387,914	\$ 169,823,153

Livingston County, Michigan

	General Fund	EMS Fund	EMS Construction	911 Services Fund
Assets				
Cash and investments (Note 3)	\$ 23,019,337	\$ 4,140,034	\$ -	\$ 4,421,922
Receivables:				
Taxes	1,464,033	2,196,793	-	-
Accounts	130,576	1,368,672	-	1,059,994
Accrued interest receivable	15,917	-	310	98
Due from other governmental units	566,289	158,195	-	380,466
Due from other funds (Note 6)	30,000	-	-	-
Advance to component units (Note 6)	36,133	-	-	-
Advances to other funds (Note 6)	167,340	-	-	-
Prepaid costs and other assets	539,260	4,000	-	13,805
Restricted assets	-	-	7,820,522	-
Total assets	<u>\$25,968,885</u>	<u>\$ 7,867,694</u>	<u>\$ 7,820,832</u>	<u>\$ 5,876,285</u>
Liabilities				
Accounts payable	\$ 764,569	\$ 72,078	\$ 1,982,464	\$ 1,062,628
Due to other governmental units	182,507	-	-	-
Advances from other funds (Note 6)	-	-	-	-
Accrued and other liabilities	544,150	134,434	196,869	49,102
Deferred revenue (Note 4)	949,243	2,891,778	-	256,802
Total liabilities	2,440,469	3,098,290	2,179,333	1,368,532
Fund Balances (Note 10)				
Nonspendable	742,733	4,000	-	13,805
Restricted	-	-	5,641,499	4,493,948
Committed	-	3,000,000	-	-
Assigned	15,000,000	1,765,404	-	-
Unassigned	7,785,683	-	-	-
Total fund balances	<u>23,528,416</u>	<u>4,769,404</u>	<u>5,641,499</u>	<u>4,507,753</u>
Total liabilities and fund balances	<u>\$25,968,885</u>	<u>\$ 7,867,694</u>	<u>\$ 7,820,832</u>	<u>\$ 5,876,285</u>

**Governmental Funds
Balance Sheet
December 31, 2012**

Nonmajor Funds	Total
\$ 17,434,071	\$ 49,015,364
368,218	4,029,044
831,276	3,390,518
2,570	18,895
990,221	2,095,171
-	30,000
-	36,133
49,280	216,620
26,868	583,933
-	7,820,522
<u>\$19,702,504</u>	<u>\$67,236,200</u>
\$ 810,853	\$ 4,692,592
117,523	300,030
36,304	36,304
121,065	1,045,620
1,430,234	5,528,057
2,515,979	11,602,603
62,621	823,159
7,218,802	17,354,249
2,022,044	5,022,044
7,900,215	24,665,619
(17,157)	7,768,526
17,186,525	55,633,597
<u>\$19,702,504</u>	<u>\$67,236,200</u>

Livingston County, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position December 31, 2012

Fund Balance Reported in Governmental Funds	\$ 55,633,597
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	54,924,660
Net pension asset is not included as an asset of the funds	4,673,356
Net OPEB asset is not included as an asset of the funds	1,560,246
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	1,200,036
Personal property taxes receivable in governmental activities are not financial resources and are not reported in the funds	4,970
Governmental funds report revenue when it is available and earned; in the statement of activities, revenue is reported when it has been earned	949,243
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(13,183,500)
Unamortized bond premiums are not reported in the funds	(129,626)
Accrued interest is not due and payable in the current period and is not reported in the funds	(68,661)
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	(2,068,196)
Net self-insurance liabilities are not reported in the funds	(461,487)
Internal service funds are included as part of governmental activities	7,111,254
Net Position of Governmental Activities	<u>\$ 110,145,892</u>

Livingston County, Michigan

	General Fund	EMS Fund	EMS Construction	911 Services Fund
Revenue				
Taxes	\$ 24,805,729	\$ 2,213,748	\$ -	\$ -
Licenses and permits	290,599	-	-	-
Federal sources	30,743	-	-	299,157
State sources	2,066,131	-	-	388,064
Charges for services	8,193,048	5,866,146	-	4,243,890
Fines and forfeitures	425,422	-	-	-
Interest and rent	68,837	9,479	13,052	4,504
Other	1,011,856	227	500,000	1,893
Total revenue	<u>36,892,365</u>	<u>8,089,600</u>	<u>513,052</u>	<u>4,937,508</u>
Expenditures				
Current:				
General government	5,725,597	-	-	-
Court systems	9,810,366	-	-	-
Public safety	14,306,833	-	-	4,160,913
Health and welfare	2,151,663	8,084,225	-	-
Economic development	4,471,356	-	-	-
Capital outlay	-	-	3,640,621	1,005,572
Debt service:				
Principal	-	-	-	-
Interest on long-term debt	-	-	-	-
Total expenditures	<u>36,465,815</u>	<u>8,084,225</u>	<u>3,640,621</u>	<u>5,166,485</u>
Excess of Revenue Over (Under) Expenditures	426,550	5,375	(3,127,569)	(228,977)
Other Financing Sources (Uses)				
Face value of debt issue (Note 7)	-	-	8,500,000	-
Operating transfers in (Note 6)	3,438,331	-	-	-
Operating transfers out (Note 6)	(3,572,330)	-	-	-
Total other financing (uses) sources	<u>(133,999)</u>	<u>-</u>	<u>8,500,000</u>	<u>-</u>
Net Change in Fund Balances	292,551	5,375	5,372,431	(228,977)
Fund Balances - Beginning of year	<u>23,235,865</u>	<u>4,764,029</u>	<u>269,068</u>	<u>4,736,730</u>
Fund Balances - End of year	<u>\$ 23,528,416</u>	<u>\$ 4,769,404</u>	<u>\$ 5,641,499</u>	<u>\$ 4,507,753</u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2012

Nonmajor Governmental Funds	Total Governmental Funds
\$ 371,736	\$ 27,391,213
122,172	412,771
5,591,505	5,921,405
2,440,846	4,895,041
2,130,895	20,433,979
-	425,422
37,685	133,557
<u>346,665</u>	<u>1,860,641</u>
11,041,504	61,474,029
-	5,725,597
-	9,810,366
3,691,899	22,159,645
9,657,040	19,892,928
384,060	4,855,416
-	4,646,193
1,010,000	1,010,000
<u>239,996</u>	<u>239,996</u>
<u>14,982,995</u>	<u>68,340,141</u>
(3,941,491)	(6,866,112)
129,626	8,629,626
4,588,438	8,026,769
<u>(3,082,133)</u>	<u>(6,654,463)</u>
<u>1,635,931</u>	<u>10,001,932</u>
(2,305,560)	3,135,820
<u>19,492,085</u>	<u>52,497,777</u>
<u>\$ 17,186,525</u>	<u>\$ 55,633,597</u>

Livingston County, Michigan

	Enterprise Funds		
	Major Funds		
	Airport Fund	Delinquent Tax Revolving Fund	Septage Receiving Station
Assets			
Current assets:			
Cash and investments (Note 3)	\$ 459,521	\$ 22,598,071	\$ 713,387
Receivables:			
Taxes - Net of allowance	-	16,192,259	-
Accounts	51,958	-	-
Accrued interest receivable	-	10,889	109
Due from other governmental units	652	38,523	-
Other	-	5,460,142	-
Inventories	55,801	-	-
Prepaid costs and other assets	7,296	74,310	-
Total current assets	575,228	44,374,194	713,496
Noncurrent assets:			
Advances to other funds (Note 6)	-	2,544,619	-
Net OPEB asset (Note 14)	8,775	-	-
Capital assets - Net (Note 5)	32,155,663	-	3,037,826
Total noncurrent assets	32,164,438	2,544,619	3,037,826
Total assets	32,739,666	46,918,813	3,751,322
Liabilities			
Current liabilities:			
Accounts payable	48,028	1,482	90,521
Due to other governmental units	-	321,528	-
Due to other funds (Note 6)	30,000	-	-
Deposits	-	374,674	-
Accrued and other liabilities	97,823	2,122	18,266
Deferred revenue (Note 4)	-	-	-
Current portion of long-term debt (Note 7)	-	4,200,000	115,000
Total current liabilities	175,851	4,899,806	223,787
Noncurrent liabilities:			
Advances from other funds (Note 6)	2,227,675	-	447,980
Advances from component units (Note 6)	-	-	55,417
Other noncurrent liability	185,504	-	-
Long-term debt - Net of current portion (Note 7)	-	-	2,550,000
Total noncurrent liabilities	2,413,179	-	3,053,397
Total liabilities	2,589,030	4,899,806	3,277,184
Net Position			
Net investment in capital assets	32,155,663	-	372,826
Restricted for building and safety programs	-	-	-
Unrestricted (deficit)	(2,005,027)	42,019,007	101,312
Total net position	\$ 30,150,636	\$ 42,019,007	\$ 474,138

**Proprietary Funds
Statement of Net Position
December 31, 2012**

Enterprise Funds			Governmental Activities
Nonmajor Funds			
Livingston Essential Transportation Service	Building and Safety Fund	Total Enterprise Funds	Internal Service Fund
\$ -	\$ 2,979,963	\$ 26,750,942	\$ 5,264,969
-	-	16,192,259	-
25,965	-	77,923	120,130
-	62	11,060	-
513,440	54,040	606,655	5,476
-	-	5,460,142	-
8,139	-	63,940	-
-	-	81,606	225,903
547,544	3,034,065	49,244,527	5,616,478
-	-	2,544,619	-
40,113	34,382	83,270	87,566
2,295,057	-	37,488,546	2,128,367
<u>2,335,170</u>	<u>34,382</u>	<u>40,116,435</u>	<u>2,215,933</u>
2,882,714	3,068,447	89,360,962	7,832,411
92,009	4,405	236,445	382,096
-	-	321,528	-
-	-	30,000	-
-	-	374,674	-
121,528	91,239	330,978	235,636
-	43,739	43,739	-
-	-	4,315,000	46,057
213,537	139,383	5,652,364	663,789
-	-	2,675,655	49,280
-	-	55,417	-
-	-	185,504	-
-	-	2,550,000	8,088
-	-	5,466,576	57,368
213,537	139,383	11,118,940	721,157
2,295,057	-	34,823,546	2,074,222
-	2,929,064	2,929,064	-
374,120	-	40,489,412	5,037,032
<u>\$ 2,669,177</u>	<u>\$ 2,929,064</u>	<u>\$ 78,242,022</u>	<u>\$ 7,111,254</u>

Livingston County, Michigan

	Enterprise Funds		
	Major Funds		
	Airport Fund	Delinquent Tax Revolving Fund	Septage Receiving Station
Operating Revenue			
Charges for services	\$ 970,425	\$ 668,406	\$ 1,234,697
Penalties and interest	-	3,279,604	-
Other revenue	-	51,185	3,850
Total operating revenue	970,425	3,999,195	1,238,547
Operating Expenses			
Personnel	210,821	-	-
Operating	650,444	-	-
Other expenses	-	1,062,321	717,342
Depreciation	415,168	-	158,371
Total operating expenses	1,276,433	1,062,321	875,713
Operating (Loss) Income	(306,008)	2,936,874	362,834
Nonoperating Revenue (Expenses)			
Interest earnings	-	168,363	540
Interest expense	(76,199)	(33,128)	(126,059)
Gain on sale of fixed assets	-	-	-
Federal and state operating subsidies	-	-	-
Other nonoperating general revenue	455,652	-	-
Total nonoperating revenue (expenses)	379,453	135,235	(125,519)
Income (Loss) - Before contributions and transfers	73,445	3,072,109	237,315
Capital Contributions - Capital grants	1,977,318	-	-
Transfers Out (Note 6)	-	(1,372,306)	-
Change in Net Position	2,050,763	1,699,803	237,315
Net Position - Beginning of year	28,099,873	40,319,204	236,823
Net Position - End of year	\$ 30,150,636	\$ 42,019,007	\$ 474,138

Proprietary Funds
Statement of Revenue, Expenses, and Changes in Net Position
Year Ended December 31, 2012

Enterprise Funds			Governmental Activities
Nonmajor Funds			
Livingston Essential Transportation Service	Building and Safety Fund	Total Enterprise Funds	Internal Service Fund
\$ 331,677	\$ 1,842,254	\$ 5,047,459	\$ 15,273,759
-	-	3,279,604	-
61,140	-	116,175	-
<u>392,817</u>	<u>1,842,254</u>	<u>8,443,238</u>	<u>15,273,759</u>
1,595,642	893,611	2,700,074	10,524,131
595,752	261,480	1,507,676	4,020,243
329,081	-	2,108,744	-
249,283	-	822,822	1,117,830
<u>2,769,758</u>	<u>1,155,091</u>	<u>7,139,316</u>	<u>15,662,204</u>
(2,376,941)	687,163	1,303,922	(388,445)
-	2,500	171,403	-
-	-	(235,386)	-
-	-	-	55,107
1,721,621	-	1,721,621	-
-	-	455,652	-
<u>1,721,621</u>	<u>2,500</u>	<u>2,113,290</u>	<u>55,107</u>
(655,320)	689,663	3,417,212	(333,338)
371,776	-	2,349,094	-
-	-	(1,372,306)	-
(283,544)	689,663	4,394,000	(333,338)
<u>2,952,721</u>	<u>2,239,401</u>	<u>73,848,022</u>	<u>7,444,592</u>
<u>\$ 2,669,177</u>	<u>\$ 2,929,064</u>	<u>\$ 78,242,022</u>	<u>\$ 7,111,254</u>

Livingston County, Michigan

	Enterprise Funds		
	Major Funds		
	Airport Fund	Delinquent Tax Revolving Fund	Septage Receiving Station
Cash Flows from Operating Activities			
Receipts from customers	\$ 955,854	\$ 20,731,648	\$ 1,238,547
Receipts from other funds	-	-	-
Payments to suppliers	(690,122)	(735,955)	(1,041,416)
Payments to employees	(218,352)	-	-
Internal activity - Payments to other funds	26,319	-	-
Settlement of delinquent taxes	-	(16,054,617)	-
Net cash provided by (used in) operating activities	73,699	3,941,076	197,131
Cash Flows from Noncapital Financing Activities			
Federal and state operating subsidies	-	-	-
Loans received from other funds	-	-	314,226
Transfers to other funds	-	(1,372,306)	-
Loans made to other funds	-	(412,291)	-
Repayments of loans from other funds	-	-	-
Net cash (used in) provided by noncapital financing activities	-	(1,784,597)	314,226
Cash Flows from Capital and Related Financing Activities			
Issuance of bonds	-	10,000,000	-
Receipt of capital grants	-	-	-
Easement proceeds	455,652	-	-
Proceeds from sales of capital assets	-	-	-
Purchase of capital assets	(24,889)	-	-
Principal and interest paid on capital debt	(76,199)	(10,034,121)	(236,793)
Net cash provided by (used in) capital and related financing activities	354,564	(34,121)	(236,793)
Cash Flows from Investing Activities			
Interest received on investments	-	175,538	490
Net proceeds and purchases of investment securities	-	(2,785,788)	(267,311)
Net cash (used in) provided by investing activities	-	(2,610,250)	(266,821)
Net Increase (Decrease) in Cash and Cash Equivalents	428,263	(487,892)	7,743
Cash and Cash Equivalents - Beginning of year	31,258	811,535	66,388
Cash and Cash Equivalents - End of year	\$ 459,521	\$ 323,643	\$ 74,131

**Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2012**

Enterprise Funds			Governmental Activities
Nonmajor Funds			
Livingston Essential Transportation Service	Building and Safety Fund	Total Enterprise Funds	Proprietary Internal Service Fund
\$ 319,187	\$ 1,842,425	\$ 25,087,661	\$ 2,631,907
-	-	-	12,852,932
(867,968)	(275,085)	(3,610,546)	(3,986,391)
(1,584,344)	(864,766)	(2,667,462)	(10,515,060)
-	-	26,319	-
-	(10,291)	(16,064,908)	-
(2,133,125)	692,283	2,771,064	983,388
1,721,621	-	1,721,621	-
-	-	314,226	-
-	-	(1,372,306)	-
-	-	(412,291)	-
-	-	-	(17,460)
1,721,621	-	251,250	(17,460)
-	-	10,000,000	-
231,550	-	231,550	-
-	-	455,652	-
-	-	-	55,107
52,327	-	27,438	(460,910)
-	-	(10,347,113)	(86,792)
283,877	-	367,527	(492,595)
-	2,500	178,528	-
-	74,127	(2,978,972)	-
-	76,627	(2,800,444)	-
(127,627)	768,910	589,397	473,333
127,627	1,411,180	2,447,988	4,791,636
\$ -	\$ 2,180,090	\$ 3,037,385	\$ 5,264,969

Livingston County, Michigan

	Enterprise Funds		
	Major Funds		
	Airport Fund	Delinquent Tax Revolving Fund	Septage Receiving Station
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and investments	\$ 459,521	\$ 22,598,071	\$ 713,387
Less amounts classified as investments	-	(22,274,428)	(639,256)
Total cash and cash equivalents	<u>\$ 459,521</u>	<u>\$ 323,643</u>	<u>\$ 74,131</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities			
Operating (loss) income	\$ (306,008)	\$ 2,936,874	\$ 362,834
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	415,168	-	158,371
Changes in assets and liabilities:			
Receivables	(14,571)	541,464	-
Inventories	(21,616)	-	-
Prepaid and other assets	(7,137)	171,486	-
Accounts payable	(10,925)	154,880	(324,074)
Due to others	26,319	-	-
Accrued and other liabilities	(7,531)	136,372	-
Net cash provided by (used in) operating activities	<u>\$ 73,699</u>	<u>\$ 3,941,076</u>	<u>\$ 197,131</u>
Noncash Transactions - Contributed assets	<u>\$ 1,977,318</u>	<u>\$ -</u>	<u>\$ -</u>

Proprietary Funds
Statement of Cash Flows (Continued)
Year Ended December 31, 2012

Enterprise Funds			Governmental Activities
Nonmajor Funds			
Livingston Essential Transportation Service	Building and Safety Fund	Total Enterprise Funds	Proprietary Internal Service Fund
\$ -	\$ 2,979,963	\$ 26,750,942	\$ 5,264,969
-	(799,873)	(23,713,557)	-
\$ -	\$ 2,180,090	\$ 3,037,385	\$ 5,264,969
\$ (2,376,941)	\$ 687,163	\$ 1,303,922	\$ (388,445)
249,283	-	822,822	1,117,830
(73,630)	(10,120)	443,143	211,080
4,744	-	(16,872)	-
(279)	(4,600)	159,470	13,469
52,326	(9,005)	(136,798)	20,383
-	-	26,319	-
11,372	28,845	169,058	9,071
\$ (2,133,125)	\$ 692,283	\$ 2,771,064	\$ 983,388
\$ 140,226	\$ -	\$ 2,117,544	\$ -

Livingston County, Michigan

Fiduciary Funds Statement of Fiduciary Net Position December 31, 2012

	Other Employee Benefits Trust Fund	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ 234,138	\$ 3,578,122
Investments (Note 3):		
Mutual funds	28,898	-
U.S. government securities	3,775,511	-
Equities	9,933,259	-
Accrued interest and other receivables	-	31,648
Total assets	13,971,806	<u>\$ 3,609,770</u>
Liabilities		
Due to other governmental units	-	\$ 1,301,175
Other liabilities	-	2,308,595
Total liabilities	-	<u>\$ 3,609,770</u>
Net Position Held in Trust for Other Employee Benefits	<u>\$ 13,971,806</u>	

Livingston County, Michigan

Fiduciary Funds **Statement of Changes in Fiduciary Net Position - Other Employee** **Benefits Trust Fund** **Year Ended December 31, 2012**

	<u>Other Employee Benefits Trust Fund</u>
Additions	
Investment income:	
Interest and dividends	\$ 205,619
Net increase in fair value of investments	1,404,385
Investment-related expenses	<u>(125,699)</u>
Net investment income	1,484,305
Contributions - Payment of current premiums	<u>654,167</u>
Total additions	2,138,472
Deductions - Benefit payments	<u>654,167</u>
Net Increase in Net Position Held in Trust	1,484,305
Net Position Held in Trust for Other Employee Benefits - Beginning of year	<u>12,487,501</u>
Net Position Held in Trust for Other Employee Benefits - End of year	<u><u>\$ 13,971,806</u></u>

Livingston County, Michigan

Component Units Statement of Net Position December 31, 2012

	Drain Commission	Department of Public Works	Road Commission	Livingston County Foundation	Total
Assets					
Cash and investments (Note 3)	\$ 3,297,761	\$ 823,898	\$ 3,719,480	\$ 53,306	\$ 7,894,445
Receivables:					
Interest and other receivables	186,878	575,891	280,667	-	1,043,436
Due from other governmental units	981,289	-	1,963,229	-	2,944,518
Special assessments receivable	3,133,791	-	-	-	3,133,791
Leases receivable from local units	15,515,440	37,365,000	-	-	52,880,440
Advance from primary government (Note 6)	55,417	-	-	-	55,417
Inventories	-	-	1,310,178	-	1,310,178
Prepaid expenses and other assets	-	-	3,036	-	3,036
Restricted assets - Cash and investments	-	80,734	-	254,132	334,866
Net OPEB asset (Note 14)	56,408	3,241	-	-	59,649
Capital assets (Note 5)	3,791,792	44,429,053	113,358,977	-	161,579,822
Total assets	27,018,776	83,277,817	120,635,567	307,438	231,239,598
Liabilities					
Accounts payable	68,010	106,802	177,684	-	352,496
Due to other governmental units	1,012,669	767	432,769	-	1,446,205
Advance to primary government (Note 6)	-	36,133	-	-	36,133
Other current liabilities	883,851	314,877	177,353	-	1,376,081
Unamortized bond premium (Note 7)	-	463,332	-	-	463,332
Net OPEB obligation	-	-	1,755,446	-	1,755,446
Long-term debt (Note 7):					
Due within one year	2,321,000	2,650,359	463,358	-	5,434,717
Due in more than one year	15,311,440	34,769,615	470,980	-	50,552,035
Total liabilities	19,596,970	38,341,885	3,477,590	-	61,416,445
Net Position					
Net investment in capital assets	3,791,792	44,374,079	112,828,879	-	160,994,750
Restricted:					
Foundation nonexpendable	-	-	-	254,132	254,132
County roads	-	-	4,329,098	-	4,329,098
Unrestricted	3,630,014	561,853	-	53,306	4,245,173
Total net position	<u>\$ 7,421,806</u>	<u>\$ 44,935,932</u>	<u>\$ 117,157,977</u>	<u>\$ 307,438</u>	<u>\$ 169,823,153</u>

Livingston County, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Drain Commission	\$ 2,642,382	\$ 1,190,540	\$ 1,075,033	\$ -
Department of Public Works	4,236,274	2,763,711	68,196	-
Road Commission	16,613,067	-	16,033,084	-
Livingston County Foundation	-	-	-	-
Total component units	\$ 23,491,723	\$ 3,954,251	\$ 17,176,313	\$ -

General revenue:

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

Total general revenue

Change in Net Position

Net Position - Beginning of year - As restated (Note 17)

Net Position - End of year

**Component Units
Statement of Activities
Year Ended December 31, 2012**

Net (Expense) Revenue and Changes in Net Position				
Drain Commission	Department of Public Works	Road Commission	Livingston County Foundation	Total
\$ (376,809)	\$ -	\$ -	\$ -	\$ (376,809)
-	(1,404,367)	-	-	(1,404,367)
-	-	(579,983)	-	(579,983)
-	-	-	-	-
(376,809)	(1,404,367)	(579,983)	-	(2,361,159)
7,666	1,098	5,491	13,315	27,570
-	32,623	224,755	-	257,378
-	-	141,521	-	141,521
7,666	33,721	371,767	13,315	426,469
(369,143)	(1,370,646)	(208,216)	13,315	(1,934,690)
7,790,949	46,306,578	117,366,193	294,123	171,757,843
\$ 7,421,806	\$ 44,935,932	\$ 117,157,977	\$ 307,438	\$ 169,823,153

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

Note I - 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, 2012

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 position 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 I - 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.

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 position 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.

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

EMS Construction Capital Projects Fund - The majority of financing for this project comes from the issuance of \$8.5 million Capital Improvement Bonds in 2012. This major project in Livingston County is for constructing, equipping, and furnishing a new County emergency medical service facility.

911 Services Fund - 911 is funded primarily through surcharges and homeland security grants. 911 provides telecommunication response to calls by citizens and dispatches the appropriate public safety responders; it also coordinates plans to assist in the safety of the people in Livingston County.

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

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 revenue-sharing reserve, health, 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 officers' training, Lutz County Park, Fillmore Estate County Park, and federal and state 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.

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 administration building renovations, other capital improvements of the County, 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.

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

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 Position 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.

The 2011 taxable valuation of the County totaled \$7.61 billion, on which ad valorem taxes levied on December 1, 2011 consisted of 0.3000 mills for EMS operating purposes and 0.0500 mills for assistance to indigent veterans as authorized by PA 214 of 1899. On July 1, 2012, the general operating millage for the 2012 fiscal year, or 3.3897 mills, was levied on the 2012 taxable valuation of \$7.48 billion for general operating purposes. The ad valorem taxes raised were approximately \$25.4 million for general operations, \$2.3 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.

The EMS Fund accounts receivable balance includes \$2,612,033 as an allowance for doubtful accounts.

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

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

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 position. 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 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
- **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

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

- 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.

Implementation of GASB Statement Number 63 - In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The 2012 financial report reflects the implementation of this statement. 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.

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.

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.

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.

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

- Projected expenditures were adjusted for delayed or unanticipated expenses that arose.
- Recognize new grants and revisions to existing grant awards
- Additional payment to pension to reduce unfunded liabilities
- One-time payment for economic development project - I-96/Latson Road interchange
- General Fund departments continue taking proactive measures to operate within or under the approved budget and eliminate or reduce future ongoing costs.

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.

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.

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

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

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 Fund Balance Deficits - At December 31, 2012, the State and Other Grants Fund had a deficit of \$17,157, 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 - Public safety - Sheriff and jail	\$ 13,402,339	\$ 13,408,305
General Fund - Health and welfare	2,041,896	2,151,663
EMS Fund - Health and welfare	7,970,040	8,084,225

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.

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

Note 3 - Deposits and Investments (Continued)

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 \$72,808,278, of which \$20,715,418 was covered by federal depository insurance and of which \$52,092,860 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. Effective January 1, 2013, the Dodd-Frank provisions providing unlimited FDIC insurance to noninterest-bearing accounts will expire and reduce the amount of insurance on the County's deposits.

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:

Government-wide

Type of Investment	Fair Value	Less Than		
		1 Year	1-5 Years	5-10 Years
Federal Farm Credit Bank	\$ 1,999,440	\$ -	\$ 1,999,440	\$ -
Federal Home Loan Bank	1,600,608	-	1,600,608	-
Federal National Mortgage Association	1,001,160	-	1,001,160	-
Municipal bond	1,809,805	1,227,468	582,337	-
Commercial paper	16,253,849	16,253,849	-	-
Fowlerville Downtown Development Bond	285,000	285,000	-	-

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

Note 3 - Deposits and Investments (Continued)

Fiduciary Funds

Type of Investment	Fair Value	Less Than 1 Year
Other Employee Benefits Trust Fund		
Equities	\$ 9,933,259	\$ 9,933,259
Federal Home Loan Bank	649,412	649,412
Federal Farm Credit Bank	720,634	720,634
Federal National Mortgage Association	2,396,170	2,396,170

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
Federal Farm Credit Bank	\$ 1,999,440	Aaa	Moody's
Federal Home Loan Bank	1,600,608	Aaa	Moody's
Federal National Mortgage Association	1,001,160	Aaa	Moody's
Fowlerville Downtown Development Bond	285,000	NR	N/A
Municipal bond	204,998	A+	S&P
Municipal bond	1,320,277	AAA	S&P
Municipal bond	284,530	Aa2	Moody's
Commercial paper	16,253,849	P-1	Moody's

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	\$ 9,933,259	NR	N/A
Federal Home Loan Bank	649,412	Aaa	Moody's
Federal Farm Credit Bank	720,634	Aaa	Moody's
Federal National Mortgage Association	2,396,170	Aaa	Moody's

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

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
Federal Farm Credit Bank	\$ 1,999,440
Federal Home Loan Bank	1,600,608
Federal National Mortgage Association	1,001,160
Municipal bond	1,809,805
Commercial paper	16,253,849
Fowlerville Downtown Development Bond	285,000

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	\$ 9,933,259
Federal Home Loan Bank	649,412
Federal Farm Credit Bank	720,634
Federal Home Loan Mortgage Association	2,396,170

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	\$ 949,243	\$ 2,561,338	\$ 3,510,581	\$ -
Grant revenue	505,052	-	505,052	-
Other	694,984	817,440	1,512,424	43,739
Total	<u>\$ 2,149,279</u>	<u>\$ 3,378,778</u>	<u>\$ 5,528,057</u>	<u>\$ 43,739</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

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, 2012	Additions	Disposals and Reclassifications	Balance December 31, 2012
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 9,200,884	\$ 22,054	\$ (102,982)	\$ 9,119,956
Construction in progress	1,726,884	4,916,230	(768,978)	5,874,136
Subtotal	10,927,768	4,938,284	(871,960)	14,994,092
Capital assets being depreciated:				
Buildings	55,586,262	122,847	-	55,709,109
Leasehold improvements	32,610	-	-	32,610
Equipment and furniture	23,391,581	376,555	768,978	24,537,114
Vehicles	4,690,983	587,505	(654,944)	4,623,544
Improvements other than building	2,059,649	-	102,982	2,162,631
Subtotal	85,761,085	1,086,907	217,016	87,065,008
Accumulated depreciation:				
Buildings	18,136,991	1,130,718	-	19,267,709
Leasehold improvements	18,479	3,262	-	21,741
Equipment and furniture	18,949,302	1,537,979	-	20,487,281
Vehicles	3,190,732	717,566	(654,944)	3,253,354
Improvements other than building	1,959,927	16,061	-	1,975,988
Subtotal	42,255,431	3,405,586	(654,944)	45,006,073
Net capital assets being depreciated	43,505,654	(2,318,679)	871,960	42,058,935
Net capital assets	\$ 54,433,422	\$ 2,619,605	\$ -	\$ 57,053,027

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

Note 5 - Capital Assets (Continued)

	Balance January 1, 2012	Additions	Disposals and Reclassifications	Balance December 31, 2012
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 12,183,028	\$ 285,310	\$ 48,621	\$ 12,516,959
Construction in progress	1,290,249	1,716,898	(80,422)	2,926,725
Subtotal	13,473,277	2,002,208	(31,801)	15,443,684
Capital assets being depreciated:				
Buildings	6,020,140	-	-	6,020,140
Improvements other than buildings	18,972,157	-	-	18,972,157
Vehicles	1,643,002	23,569	-	1,666,571
Machinery and equipment	1,643,637	64,329	31,801	1,739,767
Subtotal	28,278,936	87,898	31,801	28,398,635
Accumulated depreciation:				
Buildings	1,602,848	136,516	-	1,739,364
Improvements other than buildings	2,035,839	352,831	-	2,388,670
Vehicles	1,011,498	195,742	-	1,207,240
Machinery and equipment	880,766	137,733	-	1,018,499
Subtotal	5,530,951	822,822	-	6,353,773
Net capital assets being depreciated	22,747,985	(734,924)	31,801	22,044,862
Net capital assets	\$ 36,221,262	\$ 1,267,284	\$ -	\$ 37,488,546

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

Note 5 - Capital Assets (Continued)

	Balance - As restated (Note 17) January 1, 2012	Additions	Disposals and Reclassifications	Balance December 31, 2012
Component Units				
Capital assets not being depreciated -				
Land	\$ 27,075,549	\$ 38,801	\$ -	\$ 27,114,350
Capital assets being depreciated:				
Land improvements	159,393	-	-	159,393
Buildings and improvements	12,825,623	-	-	12,825,623
Drains and septic systems	32,569,727	12,642	-	32,582,369
Machinery, equipment, and vehicles	11,288,874	830,261	(512,384)	11,606,751
Infrastructure - Roads and bridges	186,768,492	6,543,835	-	193,312,327
Draining flow rights	16,477,420	-	-	16,477,420
Depletable assets	488,543	-	-	488,543
Subtotal	260,578,072	7,386,738	(512,384)	267,452,426
Accumulated depreciation:				
Land improvements	133,072	-	-	133,072
Buildings and improvements	3,608,738	335,670	-	3,944,408
Drains and septic systems	4,699,668	893,962	-	5,593,630
Machinery, equipment, and vehicles	9,563,288	736,844	(416,486)	9,883,646
Infrastructure - Roads and bridges	104,754,122	7,319,556	-	112,073,678
Draining flow rights	1,073,096	166,439	-	1,239,535
Depletable assets	118,985	-	-	118,985
Subtotal	123,950,969	9,452,471	(416,486)	132,986,954
Net capital assets being depreciated	136,627,103	(2,065,733)	(95,898)	134,465,472
Net capital assets	\$ 163,702,652	\$ (2,026,932)	\$ (95,898)	\$ 161,579,822

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

Governmental activities:

General government	\$ 694,836
Public safety	782,467
Health and welfare	674,731
Community and economic development	4,623
Public works	131,099
Internal service funds	1,117,830
Total governmental activities	\$ 3,405,586

Business-type activities:

Airport	\$ 415,168
Septage receiving station	158,371
L.E.T.S.	249,283
Total business-type activities	\$ 822,822

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

Note 5 - Capital Assets (Continued)

Component unit activities:	
Drain Commission districts	\$ 374,108
Department of Public Works	1,019,749
Road Commission	<u>8,058,614</u>
Total component unit activities	<u>\$ 9,452,471</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.

Construction Commitments - The County has the following active construction projects at year end. At year end, the County's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Airport Terminal Project	\$ 2,926,725	\$ 336,780
EMS Building Project	3,873,486	6,430,602
Tyler Software Project	284,389	943,440
Simulcast Project	<u>1,672,887</u>	<u>139,717</u>
Total	<u>\$ 8,757,487</u>	<u>\$ 7,850,539</u>

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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from Other Funds		
General Fund	Airport Fund	<u>\$ 30,000</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

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

Receivable Fund	Payable Fund	Amount
Advances		
General Fund	Nonmajor governmental funds	\$ 36,304
	Septage Receiving Station Fund	116,515
	Airport Fund	14,521
	Total General Fund	167,340
Delinquent Tax Revolving Fund	Airport Fund	2,213,154
	Septage Receiving Station Fund	331,465
	Total Delinquent Tax Revolving Fund	2,544,619
Nonmajor governmental funds	Internal Service Funds	49,280
	Total advances	<u>\$ 2,761,239</u>
Receivable Fund	Payable Fund	Amount
Advances from Primary Government to Component Unit		
General Fund	Department of Public Works	\$ 36,133
Drain Commission	Septage Receiving Station	55,417
	Total	<u>\$ 91,550</u>
Interfund Transfers		
Transferred To	Transferred From	Amount
General Fund	Nonmajor governmental funds	\$ 3,078,725
	Delinquent Tax Revolving Fund	359,606
	Total General Fund	3,438,331
Nonmajor governmental funds	General Fund	3,572,330
	Nonmajor governmental funds	3,408
	Delinquent Tax Revolving Fund	1,012,700
	Total nonmajor governmental funds	4,588,438
	Total operating transfers out	<u>\$ 8,026,769</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

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

The transfer from the nonmajor governmental funds provides for operations of the General Fund per Public Act 357 of 2004. 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. Transfers from the General Fund to the nonmajor governmental funds provide for operations of those funds, capital projects, and capital acquisitions. The transfers from the Delinquent Tax Revolving Fund to the nonmajor governmental funds provide for debt payments and capital improvements.

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:							
2012 Capital Improvement bonds	2032	2.00%-3.00%	\$ -	\$ 8,500,000	\$ -	\$ 8,500,000	\$ 300,000
2005 Mental health refunding bonds	2024	4.00%-5.00%	2,005,000	-	(120,000)	1,885,000	125,000
2005 Building Authority - Mental health refunding bonds	2014	4.25%-5.00%	2,785,000	-	(890,000)	1,895,000	935,000
Total bonds payable			4,790,000	8,500,000	(1,010,000)	12,280,000	1,360,000
Notes payable - Information technology - Cisco			140,937	-	(86,792)	54,145	46,057
Other obligations:							
Drain at large assessments			185,500	-	(14,000)	171,500	32,699
Landfill postclosure liability			823,500	-	(91,500)	732,000	91,500
Employee compensated absences			2,217,388	1,764,088	(1,764,272)	2,217,204	1,764,272
Total governmental activities			\$ 8,157,325	\$ 10,264,088	\$ (2,966,564)	\$ 15,454,849	\$ 3,294,528
Business-type Activities							
Regional waste (septage receiving station)	2028	4.00%-4.25%	\$ 2,775,000	\$ -	\$ (110,000)	\$ 2,665,000	\$ 115,000
Tax notes - 2011	2012	0.55% + LIBOR	4,200,000	-	(4,200,000)	-	-
Tax notes - 2012	2013	0.40% + LIBOR	-	10,000,000	(5,800,000)	4,200,000	4,200,000
Total business-type activities			\$ 6,975,000	\$ 10,000,000	\$ (10,110,000)	\$ 6,865,000	\$ 4,315,000

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

Note 7 - Long-term Debt (Continued)

	Matures	Interest Rate	Beginning Balance	Additions	Reductions/ Adjustments	Ending Balance	Due Within One Year
Component Unit Debt							
Drain Commission districts	2012-2026	1.66%-5.05%	\$ 20,098,685	\$ -	\$ (2,466,245)	\$ 17,632,440	\$ 2,321,000
Department of Public Works	2012-2030	2.00%-6.15%	39,949,342	5,990,000	(8,519,368)	37,419,974	2,650,359
Road Commission	2012-2012	3.20%-8.08%	654,782	530,097	(250,541)	934,338	463,358
Total component debt			\$ 60,702,809	\$ 6,520,097	\$ (11,236,154)	\$ 55,986,752	\$ 5,434,717

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
2013	\$ 1,406,057	\$ 354,550	\$ 1,760,607	\$ 4,315,000	\$ 113,612	\$ 4,428,612	\$ 5,434,717	\$ 2,311,946	\$ 7,746,663
2014	1,408,088	304,553	1,712,641	120,000	102,598	222,598	5,097,172	2,093,144	7,190,316
2015	460,000	251,919	711,919	125,000	97,698	222,698	4,975,515	1,893,295	6,868,810
2016	475,000	239,744	714,744	130,000	92,598	222,598	4,860,094	1,677,806	6,537,900
2017	490,000	227,444	717,444	140,000	87,198	227,198	4,263,254	1,507,354	5,770,608
2018-2022	2,740,000	934,783	3,674,783	795,000	345,400	1,140,400	19,296,000	4,690,204	23,986,204
2023-2027	2,650,000	562,875	3,212,875	1,005,000	160,405	1,165,405	9,140,000	1,520,999	10,660,999
2028-2031	2,705,000	242,725	2,947,725	235,000	4,994	239,994	2,920,000	188,319	3,108,319
Total	\$ 12,334,145	\$ 3,118,593	\$ 15,452,738	\$ 6,865,000	\$ 1,004,503	\$ 7,869,503	\$ 55,986,752	\$ 15,883,067	\$ 71,869,819

Bond Premiums - The long-term debt issuances of the 2012 Capital Improvement Bonds and the 2012 Refunding Sewer Improvement Bonds resulted in an unamortized bond premium of \$129,626 and \$463,332, respectively. The unamortized bond premiums will be amortized over the life of the respective bonds.

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.

Note 7 - Long-term Debt (Continued)

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.

Current Refundings - During the year, the County issued \$5,990,000 in limited tax general obligation bonds with an interest rate range from 2.00 to 4.00 percent. The proceeds of these bonds were used to refund \$2,465,000 of outstanding Livingston County (Township of Handy) Sewer System General Obligation Limited Tax Bonds with an interest rate range from 4.00 to 4.75 percent and \$3,735,000 of outstanding Livingston County Sewage Disposal (Handy Township 2005 Improvements and Extensions) Bonds with an interest rate range from 4.00 to 4.50 percent. The net proceeds of \$6,332,214 (after payment of \$121,118 in underwriting fees, insurance, and other issuance costs) were deposited in an irrevocable trust with an escrow agent and held until June 1, 2012, when the proceeds were then used to pay the outstanding bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the financial report in the Department of Public Works Component Unit. The refunding increased total debt service payments over the next 18 years by approximately \$222,000 but extended the repayment period by five years. The new limited tax general obligation bonds are paid through special assessments of Handy Township and does not affect the County's cash flow.

Defeased Debt - In current and 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, 2012, \$18,860,000 of bonds outstanding is considered defeased.

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

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, 2012 total \$68,130,610, with annual requirements ranging from \$6,948,664 to \$496,375. The local unit contributions from which the appropriations will be made have averaged approximately \$8.6 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 \$4,300,000 and \$2,297,444, respectively.

Note 9 - Restricted Net Position

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

	<u>Governmental Activities</u>
Health and welfare expense	\$ 2,816,948
Public safety expense	5,563,742
Community and economic development expense	1,890,574
Revenue-sharing reserve	1,429,773
Restricted for debt service	<u>11,713</u>
Total restricted net position	<u>\$ 11,712,750</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

Note 10 - Fund Balance Constraints

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

	General Fund	EMS Fund	EMS Construction	911 Services Fund	Nonmajor Funds	Total
Fund Balances						
Nonspendable:						
Prepaid costs and other assets	\$ 539,260	\$ 4,000	\$ -	\$ 13,805	\$ 13,341	\$ 570,406
Long-term receivable	203,473	-	-	-	49,280	252,753
Total	742,733	4,000	-	13,805	62,621	823,159
Restricted:						
Health and welfare	-	-	-	-	2,816,948	2,816,948
Public safety expense	-	-	-	4,493,948	1,069,794	5,563,742
Community and economic development	-	-	5,641,499	-	1,902,287	7,543,786
Revenue sharing	-	-	-	-	1,429,773	1,429,773
Total	-	-	5,641,499	4,493,948	7,218,802	17,354,249
Committed:						
EMS construction	-	3,000,000	-	-	-	3,000,000
Debt service	-	-	-	-	2,006,409	2,006,409
West Complex construction	-	-	-	-	15,635	15,635
Total	-	3,000,000	-	-	2,022,044	5,022,044
Assigned:						
Future operating requirements	15,000,000	-	-	-	-	15,000,000
Health and welfare	-	1,765,404	-	-	1,037,172	2,802,576
Debt service	-	-	-	-	34,946	34,946
Capital replacement	-	-	-	-	6,828,097	6,828,097
Total	15,000,000	1,765,404	-	-	7,900,215	24,665,619
Unassigned	7,785,683	-	-	-	(17,157)	7,768,526
Total fund balances	\$23,528,416	\$ 4,769,404	\$ 5,641,499	\$ 4,507,753	\$17,186,525	\$55,633,597

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, 2012

Note 11 - Risk Management (Continued)

At December 31, 2012, the County's Member Retention Fund with the Authority includes approximately \$274,000 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>2012</u>	<u>2011</u>
Unpaid claims - Beginning of year	\$ 2,056,818	\$ 1,238,036
Incurred claims	77,606	2,034,092
Change in incurred but not reported estimate	(1,254,680)	-
Claim payments	<u>(144,221)</u>	<u>(1,215,310)</u>
Unpaid claims - End of year	<u>\$ 735,523</u>	<u>\$ 2,056,818</u>

In addition to the claims paid, the County incurred an additional \$1,028,211 for insurance expense for the year ended December 31, 2012.

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 Blue Cross/Blue Shield of Michigan. The County is self-insured under the Blue Cross/Blue Shield of Michigan program up to \$150,000 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 MERS at 1134 Municipal Way, Lansing, Michigan 48917.

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.

Note 12 - Defined Benefit Pension Plan (Continued)

During the year ended December 31, 2009, the County started a new hybrid pension plan for nonunion employees hired after August 1, 2009 and court employees hired after January 1, 2011. 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. For all employee groups participating in the hybrid plan, the County contributed \$139,726 during the year ended December 31, 2012.

Nonunion 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, 2012, the County's annual pension cost was \$2,762,681 for the plan. The required and actual contribution to the plan was \$2,849,419. 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 \$1,032,601 contribution above the annual required contribution in 2012 for a total contribution of \$3,882,020.

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.

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

Note 12 - Defined Benefit Pension Plan (Continued)

For the year ended December 31, 2012, the County's annual pension cost and net pension asset are as follows:

Annual required contribution	\$ 2,849,419
Interest on net pension asset	(284,321)
Adjustment to annual required contribution	<u>197,583</u>
Annual pension cost (APC)	2,762,681
Contributions made	(3,882,020)
Change in estimate	<u>(1,114,199)</u>
Decrease in net pension asset	(2,233,538)
Net pension asset - Beginning of year	<u>2,439,818</u>
Net pension asset - End of year	<u>\$ 4,673,356</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
2010	\$ 3,145,058	100 %	\$ 3,085,660	102 %	\$ 1,519,909
2011	2,955,324	134	2,894,476	137	2,439,818
2012	2,849,419	136	2,762,681	141	4,673,356

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
12/31/2009	\$ 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
12/31/2011	75,914,394	102,788,649	26,874,255	74	22,632,843	119

Note 13 - Defined Benefit Pension Plan - Road Commission

Plan Description - Livingston County Road Commission participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, and nonduty-connected death and postretirement adjustments to plan members and their beneficiaries.

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

Note 13 - Defined Benefit Pension Plan - Road Commission (Continued)

Annual Pension Cost - During the fiscal year ended December 31, 2012, Livingston County Road Commission's contributions totaling \$417,402 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2009. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years.

Schedule of Employer Contributions

Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 415,179	100 %	\$ -
2011	460,402	100	-
2012	417,402	100	-

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
12/31/2009	\$ 15,298,441	\$ 16,677,245	\$ 1,378,804	92 %	\$ 3,705,079	37 %
12/31/2010	16,024,500	17,169,481	1,144,981	93	3,583,159	32
12/31/2011	16,625,484	18,092,420	1,466,936	92	3,596,043	41

For further information, refer to the Livingston County Road Commission separately issued financial statements.

Note 14 - 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, Michigan

Notes to Financial Statements December 31, 2012

Note 14 - Other Postemployment Benefits (Continued)

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 297 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%

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.

Note 14 - Other Postemployment Benefits (Continued)

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.

The County closed participation in the plan to all nonunion employees hired on or after March 17, 2003. Then in 2009, the County amended the plan and changed the eligibility requirements for those still participating in the Retiree Health Care Plan. Effective February 28, 2010, nonunion employees hired on or before March 27, 2003 who were eligible to participate in the plan and who satisfied the age and service requirements were given the opportunity to make a one-time irrevocable “opt-out” decision to participate in the Retiree Health Savings Plan. The nonunion participants who did not meet the age and service requirements 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. Also effective February 28, 2010, the eligible nonunion 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. Currently, there are eight nonunion employees remaining in the plan.

In 2011, the sheriff lieutenants and deputies unions, and in 2012, the sergeants union were given the same opportunity to make a one-time irrevocable “opt-out” decision to participate in the Retiree Health Savings Plan. The plan was closed to new hires in all three sheriff unions. New hires will be enrolled into the Retiree Health Savings Plan and receive an employer contribution based on 4 percent of the employee’s base salary.

The County requested a supplemental actuarial valuation reflecting the plan changes to the sheriff (lieutenants and deputies) unions as noted above. This report was completed during the month of January 2012. The supplemental valuation results for the union groups reflect a funded ratio of 30.3 percent for lieutenants and 69.9 percent for deputies. There are five lieutenants, 11 sergeants, and 48 deputies remaining in the plan.

Funding Progress - For the year ended December 31, 2012, the County has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2010. 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:

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

Note 14 - Other Postemployment Benefits (Continued)

Annual OPEB cost - Annual required contribution	\$ 760,737
Interest on the prior year's net OPEB asset	(130,297)
Less adjustment to the annual required contribution	<u>94,379</u>
Annual OPEB cost	724,819
Amounts contributed - Payments of current premiums	<u>654,167</u>
Decrease in net OPEB asset	(70,652)
OPEB asset - Beginning of year	<u>1,861,384</u>
OPEB asset - End of year	<u><u>\$ 1,790,732</u></u>

The net OPEB asset is reported in the following:

Primary government:	
Governmental activities	\$ 1,647,813
Business-type activities	<u>83,270</u>
Total primary government	1,731,083
Component units	<u>59,649</u>
Total net OPEB asset	<u><u>\$ 1,790,732</u></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, 2012, 2011, and 2010 were as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual OPEB costs	\$ 724,819	\$ 1,527,687	\$ 1,372,584
Percentage contributed	90 %	81 %	163 %
Net OPEB assets	\$ 1,790,732	\$ 1,861,384	\$ 2,144,293

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

Note 14 - 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 2003 and the available multi-year 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.

Note 14 - Other Postemployment Benefits (Continued)

In the December 31, 2010 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) for nonunion and a 5.0 percent for all other divisions, which is a blended rate of the expected long-term investment returns on plan assets, and an annual healthcare cost trend rate of 9.00 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, 2010 was 26 years.

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.

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 healthcare savings plan or as a direct payment of taxable income. In addition, the employees who opted out of retiree health care had a healthcare savings account established through MERS of Michigan into which quarterly payments equaling 4 percent of their base 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 (lieutenants and deputies) union employees, the employer contributes 4 percent of base salary quarterly.

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

Note 14 - Other Postemployment Benefits (Continued)

During 2009, the County amended the Retiree Health Savings 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 healthcare savings plan, the County contributed \$479,321 during the year ended December 31, 2012.

Note 15 - Other Postemployment Benefits - Road Commission

Plan Description - The Road Commission provides postretirement healthcare benefits to all employees who retire from the Road Commission, in accordance with the agreement between the Board of County Road Commissioners and the American Federation of State, County, and Municipal Employees Council #25 AFL-CIO Local #1071.

The Road Commission provides health insurance coverage for retirees on a "pay-as-you-go" basis. There is no obligation to make contributions in advance. For employees who retired before September 30, 2008, the Road Commission bears the full cost of the health insurance premium. Employees who retire after September 30, 2008 and are over 65 years of age must bear the cost of insurance premiums for amounts in excess of \$300. All retirees are responsible for 100 percent of the cost of insurance premiums for spousal coverage, if it is elected. The spouse may continue to have coverage through the Road Commission after the death of the retiree, but must bear the entire cost of the insurance premium. Currently, there are 31 retirees.

The following table shows, for the current year, the components of the Road Commission's annual OPEB cost, the amounts actually contributed, and the changes in the Road Commission's net OPEB obligation:

2012 annual required contribution	\$ 383,377
Interest on the prior year's net OPEB obligation	72,179
Less adjustment to the annual required contribution	<u>(53,465)</u>
Annual OPEB cost	402,091
Payments of current premiums	<u>(250,639)</u>
Increase in net OPEB obligation	151,452
OPEB obligation - Beginning of year	<u>1,603,994</u>
OPEB obligation - End of year	<u><u>\$ 1,755,446</u></u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

Note 15 - Other Postemployment Benefits - Road Commission (Continued)

The Road Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of December 31, 2012 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage OPEB Costs Contributed	Net OPEB Obligation
12/31/12	\$ 402,090	62.33	\$ 1,755,445
12/31/11	339,998	70.25	1,603,994
12/31/10	846,042	29.00	1,502,835

The funded status of the OPEB obligation per the two most recent actuarial valuations is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/06	\$ -	\$12,069,831	\$12,069,831	-	\$ 3,376,715	357.4
12/31/09	-	7,049,418	7,049,418	-	3,705,079	190.3

For further information, refer to the Livingston County Road Commission separately issued financial statements.

Note 16 - Subsequent Events

On March 18, 2013, the Livingston County Board of Commissioners authorized the refunding of \$4,945,000 of bonds for the Livingston County Sanitary Sewer Improvement Bonds - Tyrone Township (the "Township"). This allowed the Township to reduce the debt service on the bonds by a net present value (NPV) savings of over 3 percent of the bonds to be refunded. On that same date, the board authorized the refunding of \$2,455,000 of bonds related to the Livingston County Capital Improvement Bonds, Series 2006 (Regional Wastewater System). This refunding was intended to reduce the debt service on the bonds by a NPV savings of over 3 percent as well.

In May 2013, the County sold general obligation limited tax notes in the amount of \$8,600,000. The initial interest rate on the variable rate notes was at the rate of the 30-day LIBOR + .300 percent. The bonds will mature on October 1, 2014.

Livingston County, Michigan

Notes to Financial Statements December 31, 2012

Note 17 - Reporting Change (Prior Period Adjustments)

During 2012, the Road Commission discovered that the value of land acquired through donation had been overstated by \$226,858 in the prior year. It was also discovered that the accumulated depreciation related to infrastructure assets had been understated by \$3,281,153. These adjustments only affect the assets and net position of the Road Commission component unit. The December 31, 2011 balances of the affected accounts have been restated as follows:

	Road Commission
Net position - December 31, 2011 - As previously reported	\$ 120,874,204
Land easement/right of way	(226,858)
Accumulated depreciation - Infrastructure	<u>(3,281,153)</u>
Net position - December 31, 2011 - As restated	<u>\$ 117,366,193</u>

Note 18 - Upcoming Accounting Pronouncements

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 March 2012, the GASB issued 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 during the County's 2013 fiscal year.

Note 18 - Upcoming Accounting Pronouncements (Continued)

In June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued by the Governmental Accounting Standards Board. This new standard, which replaces the requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, establishes standards for financial reporting that outline the basic framework for separately issued pension plan financial reports and specifies the required approach to measuring the liability of employer(s) and certain nonemployer contributing entities, about which information is required to be disclosed. GASB Statement No. 67 is required to be adopted for years beginning after June 15, 2013. For Livingston County, Michigan, this standard will be adopted for the year ending December 31, 2014.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The County is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending December 31, 2015.

Required Supplemental Information

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 24,543,000	\$ 24,793,000	\$ 24,805,729	\$ 12,729
Licenses and permits	276,248	305,248	290,599	(14,649)
Federal grants	34,000	34,000	30,743	(3,257)
State sources	1,580,305	1,582,605	2,066,131	483,526
Charges for services	7,704,889	8,036,989	8,193,048	156,059
Fines and forfeitures	450,250	450,250	425,422	(24,828)
Interest and rent	115,100	115,100	68,837	(46,263)
Other	961,925	932,925	1,011,856	78,931
Total revenue	35,665,717	36,250,117	36,892,365	642,248
Expenditures - Current				
General government:				
Governing body (council, board)	481,399	481,399	469,503	11,896
CEO (manager, supervisor, mayor)	434,446	445,746	443,235	2,511
Finance/Accounting/Budget department	214,000	194,000	145,829	48,171
Purchasing	217,905	217,905	216,229	1,676
Internal audit department	120,000	216,960	210,140	6,820
Information technology/data processing	757,950	757,950	757,950	-
Treasurer	1,090,716	890,716	874,976	15,740
Assessing	1,150	1,150	780	370
Clerk	470,626	477,007	472,809	4,198
Elections	162,124	162,124	136,617	25,507
Human resources/personnel	558,500	558,500	542,539	15,961
Insurance and other functions	2,658,197	1,608,083	1,454,990	153,093
Total general government	7,167,013	6,011,540	5,725,597	285,943
Court systems	10,114,517	10,120,814	9,810,366	310,448
Public safety:				
Sheriff and jail	13,376,799	13,402,339	13,408,305	(5,966)
Other public safety	850,967	983,312	898,528	84,784
Total public safety	14,227,766	14,385,651	14,306,833	78,818
Health and welfare	1,989,896	2,041,896	2,151,663	(109,767)
Economic development	2,826,762	4,583,362	4,471,356	112,006
Total expenditures	36,325,954	37,143,263	36,465,815	677,448
Excess of Revenue (Under) Over Expenditures	(660,237)	(893,146)	426,550	1,319,696
Other Financing Sources (Uses)				
Operating transfers in	3,095,730	3,441,730	3,438,331	(3,399)
Operating transfers out	(3,550,545)	(3,585,236)	(3,572,330)	12,906
Total other financing uses	(454,815)	(143,506)	(133,999)	9,507
Net Change in Fund Balance	(1,115,052)	(1,036,652)	292,551	1,329,203
Fund Balance - Beginning of year	23,235,865	23,235,865	23,235,865	-
Fund Balance - End of year	\$ 22,120,813	\$ 22,199,213	\$ 23,528,416	\$ 1,329,203

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule EMS Fund Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 2,315,473	\$ 2,315,473	\$ 2,213,748	\$ (101,725)
Charges for services	5,684,267	5,684,267	5,866,146	181,879
Interest and rent	10,300	10,300	9,479	(821)
Other	-	210,000	227	(209,773)
Total revenue	<u>8,010,040</u>	<u>8,220,040</u>	<u>8,089,600</u>	<u>(130,440)</u>
Expenditures - Current - Health and welfare	<u>7,760,040</u>	<u>7,970,040</u>	<u>8,084,225</u>	<u>(114,185)</u>
Excess of Revenue Over Expenditures	250,000	250,000	5,375	(244,625)
Other Financing Uses - Operating transfers out	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>	<u>250,000</u>
Net Change in Fund Balance	-	-	5,375	5,375
Fund Balance - Beginning of year	<u>4,764,029</u>	<u>4,764,029</u>	<u>4,764,029</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 4,764,029</u></u>	<u><u>\$ 4,764,029</u></u>	<u><u>\$ 4,769,404</u></u>	<u><u>\$ 5,375</u></u>

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule 911 Services Fund Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ 566,311	\$ 566,311	\$ 299,157	\$ (267,154)
State-shared revenue and grants	295,000	295,000	388,064	93,064
Charges for services	4,000,000	4,000,000	4,243,890	243,890
Investment income	-	-	4,504	4,504
Other	1,036,820	1,141,820	1,893	(1,139,927)
Total revenue	5,898,131	6,003,131	4,937,508	(1,065,623)
Expenditures				
Current - Public safety	4,269,584	4,279,919	4,160,913	119,006
Capital outlay	1,606,000	1,711,000	1,005,572	705,428
Total expenditures	5,875,584	5,990,919	5,166,485	824,434
Net Change in Fund Balance	22,547	12,212	(228,977)	(241,189)
Fund Balance - Beginning of year	4,736,730	4,736,730	4,736,730	-
Fund Balance - End of year	<u>\$ 4,759,277</u>	<u>\$ 4,748,942</u>	<u>\$ 4,507,753</u>	<u>\$ (241,189)</u>

Other Supplemental Information

Livingston County, Michigan



		Special Revenue Funds						
		Job Training	Health Fund	Community Development Block Grant OLHSA	Child Care	Family Counseling	Friend of the Court	Small Cities Community Development Block Grant
Assets								
Cash and investments		\$ 303,113	\$ 1,007,154	\$ 10,296	\$ 1,702,493	\$ 46,052	\$ 190,692	\$ 565,108
Receivables:								
Taxes		-	-	-	-	-	-	-
Accounts		-	570	815,584	-	-	1,554	-
Accrued interest receivable		-	-	-	-	-	1	2,161
Due from other governmental units		254,156	84,585	-	101	-	268,140	-
Advances to other funds		-	-	-	-	-	-	-
Prepaid costs and other assets		-	4,977	-	-	-	-	-
	Total assets	<u>\$ 557,269</u>	<u>\$ 1,097,286</u>	<u>\$ 825,880</u>	<u>\$ 1,702,594</u>	<u>\$ 46,052</u>	<u>\$ 460,387</u>	<u>\$ 567,269</u>
Liabilities and Fund Balances								
Liabilities								
Accounts payable		\$ 327,238	\$ 7,861	\$ -	\$ 183,662	\$ -	\$ 4,871	\$ -
Due to other governmental units		-	-	-	95,483	-	-	-
Advances from other funds		36,304	-	-	-	-	-	-
Accrued and other liabilities		7,137	47,276	-	1,387	-	34,382	-
Deferred revenue		2,835	-	815,583	-	-	66,466	-
	Total liabilities	373,514	55,137	815,583	280,532	-	105,719	-
Fund Balances								
Nonspendable		-	4,977	-	-	-	-	-
Restricted		183,755	-	10,297	1,422,062	46,052	354,668	567,269
Committed		-	-	-	-	-	-	-
Assigned		-	1,037,172	-	-	-	-	-
Unassigned		-	-	-	-	-	-	-
	Total fund balances	183,755	1,042,149	10,297	1,422,062	46,052	354,668	567,269
	Total liabilities and fund balances	<u>\$ 557,269</u>	<u>\$ 1,097,286</u>	<u>\$ 825,880</u>	<u>\$ 1,702,594</u>	<u>\$ 46,052</u>	<u>\$ 460,387</u>	<u>\$ 567,269</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2012**

Special Revenue Funds

	Survey and Remuneration	Prosecutor's Drug Enforcement	Drug Law Enforcement	Criminal Forfeiture	OUIL Forfeiture	Law Library	Community Corrections	Social Welfare	Soldiers and Sailors Relief	Veterans' Trust
\$	1,182,308	\$ 11,020	\$ 254,064	\$ 23,001	\$ 28,332	\$ 26,382	\$ 23,568	\$ 31,221	\$ 109,370	\$ 252
	-	-	-	-	-	-	-	-	368,218	-
	-	-	-	-	-	-	1,134	-	-	-
	61,378	-	-	-	-	-	51,583	23,630	9	2,681
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
\$	1,243,686	\$ 11,020	\$ 254,064	\$ 23,001	\$ 28,332	\$ 26,382	\$ 76,285	\$ 54,851	\$ 477,597	\$ 2,933
\$	61,362	\$ -	\$ 5,634	\$ -	\$ -	\$ -	\$ 10,332	\$ 6,491	\$ 5,187	\$ -
	-	-	-	-	-	-	-	22,000	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	3,782	-	-	-
	61,378	-	-	-	-	-	15,926	-	368,218	-
	122,740	-	5,634	-	-	-	30,040	28,491	373,405	-
	-	-	-	-	-	-	-	-	-	-
	1,120,946	11,020	248,430	23,001	28,332	26,382	46,245	26,360	104,192	2,933
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	1,120,946	11,020	248,430	23,001	28,332	26,382	46,245	26,360	104,192	2,933
\$	1,243,686	\$ 11,020	\$ 254,064	\$ 23,001	\$ 28,332	\$ 26,382	\$ 76,285	\$ 54,851	\$ 477,597	\$ 2,933

Livingston County, Michigan

Special Revenue Funds								
	Register of Deeds	Federal Equitable Sharing Fund	Homestead Property Exemption Fund	Correction Officers Training	Lutz County Park	Fillmore Estate County Park	Federal Grants	State and Other Grants
Assets								
Cash and investments	\$ 1,031,594	\$ 147,925	\$ 18,619	\$ 24,310	\$ 83,690	\$ 33,651	\$ 240,783	\$ -
Receivables:								
Taxes	-	-	-	-	-	-	-	-
Accounts	-	-	-	5,654	-	6,750	30	-
Accrued interest receivable	-	-	-	-	1	-	-	-
Due from other governmental units	-	-	-	-	-	-	78,382	165,585
Advances to other funds	-	-	-	-	-	-	-	-
Prepaid costs and other assets	-	8,364	-	-	-	-	-	-
Total assets	\$ 1,031,594	\$ 156,289	\$ 18,619	\$ 29,964	\$ 83,691	\$ 40,401	\$ 319,195	\$ 165,585
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	\$ 16,884	\$ -	\$ 546	\$ 810	\$ -	\$ 82,917	\$ 97,058
Due to other governmental units	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-
Accrued and other liabilities	-	2,819	-	-	750	-	14,363	9,169
Deferred revenue	-	-	-	-	1,856	-	21,457	76,515
Total liabilities	-	19,703	-	546	3,416	-	118,737	182,742
Fund Balances								
Nonspendable	-	8,364	-	-	-	-	-	-
Restricted	1,031,594	128,222	18,619	29,418	80,275	40,401	200,458	-
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	(17,157)
Total fund balances	1,031,594	136,586	18,619	29,418	80,275	40,401	200,458	(17,157)
Total liabilities and fund balances	\$ 1,031,594	\$ 156,289	\$ 18,619	\$ 29,964	\$ 83,691	\$ 40,401	\$ 319,195	\$ 165,585

**Other Supplemental Information
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
December 31, 2012**

Special Revenue Funds	Debt Service Funds					Capital Projects Funds		Permanent Fund	Total Nonmajor Governmental Funds
Revenue Sharing Reserve Fund	Debt Service Sinking Fund	Mental Health Bonds	2001 Bonds - Road Commission Refunding Bonds	Refunding Building Authority Mental Health Bonds	EMS Debt Fund	Capital Replacement	West Complex Construction Fund	Cemetery Trust	Total Nonmajor Governmental Funds
\$ 1,429,773	\$ 2,006,111	\$ -	\$ -	\$ 11,713	\$ 34,939	\$ 6,814,477	\$ 15,635	\$ 26,425	\$ 17,434,071
-	-	-	-	-	-	-	-	-	368,218
-	298	-	-	-	7	93	-	-	831,276
-	-	-	-	-	-	-	-	-	2,570
-	-	-	-	-	-	49,280	-	-	990,221
-	-	-	-	-	-	13,527	-	-	49,280
<u>\$ 1,429,773</u>	<u>\$ 2,006,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,713</u>	<u>\$ 34,946</u>	<u>\$ 6,877,377</u>	<u>\$ 15,635</u>	<u>\$ 26,425</u>	<u>\$ 19,702,504</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 810,853
-	-	-	-	-	-	-	-	40	117,523
-	-	-	-	-	-	-	-	-	36,304
-	-	-	-	-	-	-	-	-	121,065
-	-	-	-	-	-	-	-	-	1,430,234
-	-	-	-	-	-	-	-	40	2,515,979
-	-	-	-	-	-	49,280	-	-	62,621
1,429,773	-	-	-	11,713	-	-	-	26,385	7,218,802
-	2,006,409	-	-	-	-	-	15,635	-	2,022,044
-	-	-	-	-	34,946	6,828,097	-	-	7,900,215
-	-	-	-	-	-	-	-	-	(17,157)
<u>1,429,773</u>	<u>2,006,409</u>	<u>-</u>	<u>-</u>	<u>11,713</u>	<u>34,946</u>	<u>6,877,377</u>	<u>15,635</u>	<u>26,385</u>	<u>17,186,525</u>
<u>\$ 1,429,773</u>	<u>\$ 2,006,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,713</u>	<u>\$ 34,946</u>	<u>\$ 6,877,377</u>	<u>\$ 15,635</u>	<u>\$ 26,425</u>	<u>\$ 19,702,504</u>

Livingston County, Michigan

Special Revenue Funds							
	Job Training Services	Health Fund	Community Development Block Grant OLHSA	Child Care	Family Counseling	Friend of the Court	Small Cities Community Development Block Grant
Revenue							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	122,172	-	-	-	-	-
Federal sources	2,896,835	839,973	-	-	-	1,245,552	-
State sources	69,859	849,080	-	819,557	-	-	-
Charges for services	16,495	1,214,804	-	199,051	13,880	157,123	-
Interest earned	-	-	560	-	-	218	13,945
Contributions from local units and other	-	-	7,455	-	-	10,788	-
Total revenue	2,983,189	3,026,029	8,015	1,018,608	13,880	1,413,681	13,945
Expenditures							
Current:							
Public safety	-	-	-	-	-	2,252,487	-
Health and welfare	3,010,374	3,335,316	-	2,529,712	600	-	-
Economic development	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	3,010,374	3,335,316	-	2,529,712	600	2,252,487	-
Excess of Revenue (Under) Over Expenditures	(27,185)	(309,287)	8,015	(1,511,104)	13,280	(838,806)	13,945
Other Financing Sources (Uses)							
Face value of debt issue	-	-	-	-	-	-	-
Operating transfers in	-	350,880	-	1,360,068	-	807,108	-
Operating transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	350,880	-	1,360,068	-	807,108	-
Net Change in Fund Balances	(27,185)	41,593	8,015	(151,036)	13,280	(31,698)	13,945
Fund Balances - Beginning of year	210,940	1,000,556	2,282	1,573,098	32,772	386,366	553,324
Fund Balances - End of year	\$ 183,755	\$ 1,042,149	\$ 10,297	\$ 1,422,062	\$ 46,052	\$ 354,668	\$ 567,269

**Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2012**

Special Revenue Funds

Survey and Re monumentation	Prosecutor's Drug Enforcement	Drug Law Enforcement	Criminal Forfeiture	OUIL Forfeiture	Law Library	Community Corrections	Social Welfare	Soldiers and Sailors Relief	Veterans' Trust
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 371,736	\$ -
-	-	-	-	-	-	-	-	-	-
40,919	-	-	-	-	-	214,026	132,959	-	10,724
99,487	-	-	-	-	-	2,831	15,820	-	-
1,371	-	-	-	-	31	-	-	418	-
-	5,409	72,317	500	5,343	6,500	10,200	-	-	-
141,777	5,409	72,317	500	5,343	6,531	227,057	148,779	372,154	10,724
-	19,527	12,738	-	-	-	260,119	-	-	-
-	-	-	-	-	-	-	145,726	396,500	10,985
126,938	-	-	-	-	5,297	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
126,938	19,527	12,738	-	-	5,297	260,119	145,726	396,500	10,985
14,839	(14,118)	59,579	500	5,343	1,234	(33,062)	3,053	(24,346)	(261)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	93,950	9,000	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	93,950	9,000	-	-
14,839	(14,118)	59,579	500	5,343	1,234	60,888	12,053	(24,346)	(261)
1,106,107	25,138	188,851	22,501	22,989	25,148	(14,643)	14,307	128,538	3,194
\$ 1,120,946	\$ 11,020	\$ 248,430	\$ 23,001	\$ 28,332	\$ 26,382	\$ 46,245	\$ 26,360	\$ 104,192	\$ 2,933

Livingston County, Michigan

Special Revenue Funds								
	Register of Deeds	Federal Equitable Sharing Fund	Homestead Property Exemption Fund	Correction Officers Training	Lutz County Park	Fillmore Estate County Park	Federal Grants	State and Other Grants
Revenue								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	38,635	-	-	-	-	570,510	-
State sources	-	-	-	-	-	-	-	303,722
Charges for services	243,455	-	-	28,111	26,684	8,610	-	-
Interest earned	1,109	529	10	-	78	37	-	-
Contributions from local units and other	-	8,349	13,498	-	1,500	-	-	-
Total revenue	244,564	47,513	13,508	28,111	28,262	8,647	570,510	303,722
Expenditures								
Current:								
Public safety	-	141,409	-	30,500	-	-	437,594	515,389
Health and welfare	131,987	-	-	-	-	-	95,840	-
Economic development	-	-	1,449	-	12,564	1,788	172,103	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenditures	131,987	141,409	1,449	30,500	12,564	1,788	705,537	515,389
Excess of Revenue (Under) Over Expenditures	112,577	(93,896)	12,059	(2,389)	15,698	6,859	(135,027)	(211,667)
Other Financing Sources (Uses)								
Face value of debt issue	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-	155,436	128,388
Operating transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	155,436	128,388
Net Change in Fund Balances	112,577	(93,896)	12,059	(2,389)	15,698	6,859	20,409	(83,279)
Fund Balances - Beginning of year	919,017	230,482	6,560	31,807	64,577	33,542	180,049	66,122
Fund Balances - End of year	\$ 1,031,594	\$ 136,586	\$ 18,619	\$ 29,418	\$ 80,275	\$ 40,401	\$ 200,458	\$ (17,157)

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
Year Ended December 31, 2012**

Special Revenue Funds	Debt Service Funds					Capital Projects Funds			Permanent Fund	Total Nonmajor Governmental Funds
	Revenue Sharing Reserve Fund	Debt Service Sinking Fund	Mental Health Bonds	2001 Bonds - Road Commission Refunding Bonds	Refunding Building Authority Mental Health Bonds	EMS Debt Fund	Capital Replacement	West Complex Construction Fund	Cemetery Trust	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 371,736
-	-	-	-	-	-	-	-	-	-	122,172
-	-	-	-	-	-	-	-	-	-	5,591,505
-	-	-	-	-	-	-	-	-	-	2,440,846
-	-	-	-	-	-	104,544	-	-	-	2,130,895
3,615	4,275	-	-	-	10	11,479	-	-	-	37,685
-	-	-	-	204,806	-	-	-	-	-	346,665
3,615	4,275	-	-	204,806	10	116,023	-	-	-	11,041,504
-	-	-	-	-	-	22,136	-	-	-	3,691,899
-	-	-	-	-	-	-	-	-	-	9,657,040
-	-	-	1,796	225	61,900	-	-	-	-	384,060
-	-	-	-	1,010,000	-	-	-	-	-	1,010,000
-	-	-	-	207,206	32,790	-	-	-	-	239,996
-	-	-	1,796	1,217,431	94,690	22,136	-	-	-	14,982,995
3,615	4,275	-	(1,796)	(1,012,625)	(94,680)	93,887	-	-	-	(3,941,491)
-	-	-	-	-	129,626	-	-	-	-	129,626
-	-	-	-	1,016,108	-	667,500	-	-	-	4,588,438
(3,078,725)	-	(3,408)	-	-	-	-	-	-	-	(3,082,133)
(3,078,725)	-	(3,408)	-	1,016,108	129,626	667,500	-	-	-	1,635,931
(3,075,110)	4,275	(3,408)	(1,796)	3,483	34,946	761,387	-	-	-	(2,305,560)
4,504,883	2,002,134	3,408	1,796	8,230	-	6,115,990	15,635	26,385	-	19,492,085
\$ 1,429,773	\$ 2,006,409	\$ -	\$ -	\$ 11,713	\$ 34,946	\$ 6,877,377	\$ 15,635	\$ 26,385	\$ -	\$ 17,186,525

Livingston County, Michigan

Other Supplemental Information Combining Statement of Net Position Internal Service Funds December 31, 2012

	Building Services	Information Technology	Carpool	Benefits	Total
Assets					
Current assets:					
Cash and investments	\$ 1,042,462	\$ 247,713	\$ 1,373,452	\$ 2,601,342	\$ 5,264,969
Accounts receivable	26,902	12,958	-	85,746	125,606
Prepaid costs and other assets	298	225,605	-	-	225,903
Total current assets	1,069,662	486,276	1,373,452	2,687,088	5,616,478
Noncurrent assets:					
Net OPEB asset	36,531	49,066	1,969	-	87,566
Capital assets - Net	83,572	1,431,194	613,601	-	2,128,367
Total noncurrent assets	120,103	1,480,260	615,570	-	2,215,933
Total assets	1,189,765	1,966,536	1,989,022	2,687,088	7,832,411
Liabilities					
Current liabilities:					
Accounts payable	128,954	191,341	61,801	-	382,096
Accrued liabilities and other	69,286	114,228	986	51,136	235,636
Current portion of long-term debt	-	46,057	-	-	46,057
Total current liabilities	198,240	351,626	62,787	51,136	663,789
Noncurrent liabilities:					
Advances from other funds	-	49,280	-	-	49,280
Long-term debt	-	8,088	-	-	8,088
Total noncurrent liabilities	-	57,368	-	-	57,368
Total liabilities	198,240	408,994	62,787	51,136	721,157
Net Position					
Net investment in capital assets	83,572	1,377,049	613,601	-	2,074,222
Unrestricted	907,953	180,493	1,312,634	2,635,952	5,037,032
Total net position	<u>\$ 991,525</u>	<u>\$ 1,557,542</u>	<u>\$ 1,926,235</u>	<u>\$ 2,635,952</u>	<u>\$ 7,111,254</u>

Livingston County, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended December 31, 2012

	Building Services	Information Technology	Carpool	Benefits	Total
Operating Revenue - Charges for services	\$ 2,319,773	\$ 3,557,942	\$ 1,148,707	\$ 8,247,337	\$15,273,759
Operating Expenses					
Personnel	981,849	1,199,667	57,272	8,285,343	10,524,131
Operating expenses	1,181,533	1,961,882	876,828	-	4,020,243
Depreciation	6,117	811,377	300,336	-	1,117,830
Total operating expenses	<u>2,169,499</u>	<u>3,972,926</u>	<u>1,234,436</u>	<u>8,285,343</u>	<u>15,662,204</u>
Operating Income (Loss)	150,274	(414,984)	(85,729)	(38,006)	(388,445)
Nonoperating Revenue -					
Gain on sale of assets	-	1,712	53,395	-	55,107
Change in Net Position	150,274	(413,272)	(32,334)	(38,006)	(333,338)
Net Position - Beginning of year	<u>841,251</u>	<u>1,970,814</u>	<u>1,958,569</u>	<u>2,673,958</u>	<u>7,444,592</u>
Net Position - End of year	<u>\$ 991,525</u>	<u>\$ 1,557,542</u>	<u>\$ 1,926,235</u>	<u>\$ 2,635,952</u>	<u>\$ 7,111,254</u>

Livingston County, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended December 31, 2012

	Building Services	Information Technology	Carpool	Benefits	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 2,343,002	\$ 97,883	\$ -	\$ 191,022	\$ 2,631,907
Receipts from interfund services and reimbursements	-	3,456,888	1,148,707	8,247,337	12,852,932
Payments to suppliers	(1,219,135)	(1,872,447)	(883,237)	(11,572)	(3,986,391)
Payments to employees	(978,467)	(1,203,888)	(57,135)	(8,275,570)	(10,515,060)
Net cash provided by operating activities	145,400	478,436	208,335	151,217	983,388
Cash Flows from Noncapital Financing Activities -					
Repayments of loans from other funds	-	(17,460)	-	-	(17,460)
Cash Flows from Capital and Related Financing Activities					
Proceeds from sales of capital assets	-	1,712	53,395	-	55,107
Purchase of capital assets	-	(144,892)	(316,018)	-	(460,910)
Principal and interest paid on capital debt	-	(86,792)	-	-	(86,792)
Net cash used in capital and related financing activities	-	(229,972)	(262,623)	-	(492,595)
Net Increase (Decrease) in Cash and Cash Equivalents	145,400	231,004	(54,288)	151,217	473,333
Cash and Cash Equivalents - Beginning of year	897,062	16,709	1,427,740	2,450,125	4,791,636
Cash and Cash Equivalents - End of year	\$ 1,042,462	\$ 247,713	\$ 1,373,452	\$ 2,601,342	\$ 5,264,969
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 150,274	\$ (414,984)	\$ (85,729)	\$ (38,006)	\$ (388,445)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	6,117	811,377	300,336	-	1,117,830
Changes in assets and liabilities:					
Receivables	23,229	(3,171)	-	191,022	211,080
Other assets	(532)	(2,226)	79	16,148	13,469
Accounts payable	(37,070)	91,661	(6,488)	(27,720)	20,383
Accrued and other liabilities	3,382	(4,221)	137	9,773	9,071
Net cash provided by operating activities	\$ 145,400	\$ 478,436	\$ 208,335	\$ 151,217	\$ 983,388

Livingston County, Michigan

Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds December 31, 2012

	Agency Funds		
	Trust and Agency	Library Penal Fines	Total Agency Funds
Assets			
Cash and cash equivalents	\$ 3,165,544	\$ 412,578	\$ 3,578,122
Accrued interest receivable	31,504	144	31,648
Total assets	<u>\$ 3,197,048</u>	<u>\$ 412,722</u>	<u>\$ 3,609,770</u>
Liabilities			
Due to other governmental units	\$ 1,301,175	\$ -	\$ 1,301,175
Accrued liabilities and other	1,895,873	412,722	2,308,595
Total liabilities	<u>\$ 3,197,048</u>	<u>\$ 412,722</u>	<u>\$ 3,609,770</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Operating, Nonoperating, and Other Revenue Sources Year Ended December 31, 2012

	January 1, 2012 to September 30, 2012	October 1, 2012 to December 31, 2012	Total
Operating Revenue			
Demand-response - Passenger fares	\$ 110,596	\$ 35,709	\$ 146,305
Special transit fares - Contracts	102,765	71,052	173,817
Rent - EMS	45,855	15,285	61,140
Other - Sale of fuel to other county departments	2,183	658	2,841
Total operating revenue	<u>\$ 261,399</u>	<u>\$ 122,704</u>	<u>\$ 384,103</u>
Nonoperating Revenue			
Federal operating and capital grants:			
U.S. DOT operating grant - Section 5307 (FY '12 # MI-90-X652 and FY '13 applied for)	\$ 644,747	\$ 274,653	\$ 919,400
U.S. DOT capital grant - Preventative maintenance - Section 5307 (FY '12 # MI-90-X652 and FY '13 applied for)	117,564	101,208	218,772
U.S. DOT capital grant - Equipment - Section 5307 (FY '12 # MI-90-X652 and FY '13 applied for)	574	3,233	3,807
U.S. DOT capital grant - Vehicle - Section 5307 (FY '11 # MI-90-X635)	18,855	-	18,855
Federal capital grant - Capital assistance - Federal ARRA grant	32,231	(1,172)	31,059
Other federal grants - CMAQ Grant	57,245	31,055	88,300
State operating and capital grants:			
State operating reconciliations - Prior year overpayments	(888)	-	(888)
State capital matching grant - Vehicle (PA # 2007-0245/Z12)	4,400	-	4,400
State capital match - Equipment (PA # 2012-0118/P3)	143	809	952
State preventative maintenance match (PA # 2012-0118/P3)	61,750	24,407	86,157
Transit operating assistance	469,083	175,962	645,045
Total nonoperating revenue	<u>\$ 1,405,704</u>	<u>\$ 610,155</u>	<u>\$ 2,015,859</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Operating, Nonoperating, and Other Revenue Sources - JARC Year Ended December 31, 2012

	January 1, 2012 to September 30, 2012	October 1, 2012 to December 31, 2012	Total	
Operating Revenue				
Demand-response - Passenger fares	\$ 6,121	\$ 2,593	\$ 8,714	
U.S. DOT operating grant - JARC - Section 5316 ('12)	29,125	9,708	38,833	B
State of MI operating grant - JARC - Section 5316 ('12)	29,125	9,708	38,833	B
U.S. DOT operating grant - JARC - Section 5316 ('11) payback	(61)	(3)	(64)	B
State of MI operating grant - JARC - Section 5316 ('11) payback	(61)	(3)	(64)	B
Total operating revenue	<u>\$ 64,249</u>	<u>\$ 22,003</u>	<u>\$ 86,252</u>	

B JARC operating grants are 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 Expenses Year Ended December 31, 2012

	General				Total
	Operations	Maintenance	Administration	JARC	
Labor	\$ 902,408	\$ 75,902	\$ 84,760	\$ 55,306	\$ 1,118,376
Pension	114,370	9,620	10,742	3,093	137,825
Other fringe benefits	280,447	23,589	26,342	9,068	339,446
Advertising	-	-	220	120	340
Services	2,262	245,767	231,500	9,927	489,456
Materials and supplies consumed:					
Fuel and lubricants	226,478	-	-	6,093	232,571
Tires and tubes	10,719	-	-	249	10,968
Other materials and supplies	4,759	23,746	6,769	803	36,077
Utilities	-	-	59,669	1,689	61,358
Depreciation	238,822	-	-	10,461	249,283
Casualty and liability costs	481	-	-	10	491
Miscellaneous	6,611	2,573	8,383	283	17,850
Operating leases and rentals	22,568	-	51,186	1,963	75,717
Total operating expenses	1,809,925	381,197	479,571	99,065	2,769,758
Ineligible expenses:					
Revenue associated with fuel sold to county departments	2,841	-	-	-	2,841
Revenue associated with building rental	-	-	61,140	-	61,140
Association dues	-	-	143	-	143
Depreciation	238,822	-	-	10,461	249,283
Ineligible farebox revenue	-	-	-	8,715	8,715
OPEB revaluation (retiree health care)	(279)	-	-	-	(279)
CMAQ grant - Pass-through - People's express	-	-	88,300	-	88,300
CMAQ grant - Pass-through - Prior year	-	-	8,782	-	8,782
U.S. DOT capital grant - Preventative maintenance Section 5307 FY '12 (MI-90-X652)	-	218,771	-	-	218,771
State of MI capital grant - Preventative maintenance Section 5307 (PA # 2012-0118/P3)	-	86,157	-	-	86,157
Grant reimbursed operating supplies (# MI-90-X652 and PA # 2012-0118/P3)	4,759	-	-	-	4,759
Total ineligible expenses	246,143	304,928	158,365	19,176	728,612
Total eligible expenses	\$ 1,563,782	\$ 76,269	\$ 321,206	\$ 79,889	\$ 2,041,146

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Net Eligible Cost Computations of General Operations Year Ended December 31, 2012

	January 1, 2012 to September 30, 2012	October 1, 2012 to December 31, 2012	Total
Labor	\$ 714,084	\$ 348,986	\$ 1,063,070
Pension	96,563	38,169	134,732
Other fringe benefits	241,638	88,739	330,377
Advertising	220	-	220
Services	341,648	137,881	479,529
Materials and supplies consumed:			
Fuel and lubricants	163,229	63,249	226,478
Tires and tubes	8,196	2,523	10,719
Other materials and supplies	21,983	13,292	35,275
Utilities	37,606	22,064	59,670
Casualty and liability costs	481	-	481
Depreciation	177,651	61,171	238,822
Miscellaneous	6,976	10,590	17,566
Operating leases and rentals	51,167	22,587	73,754
Total operating expenses	<u>1,861,442</u>	<u>809,251</u>	<u>2,670,693</u>
Ineligible operating expenses:			
Revenue associated with fuel sold to other departments	2,183	658	2,841
Revenue associated with building rental	45,855	15,285	61,140
Association dues	-	143	143
Miscellaneous reimbursement			
U.S. DOT capital grant - Preventative maintenance Section 5307	117,564	101,207	218,771
OPEB revaluation (retiree health care)	-	(279)	(279)
State of MI capital grant - Preventative maintenance Section 5307	61,750	24,407	86,157
CMAQ pass-through - People's express	57,245	31,055	88,300
CMAQ pass-through - People's express - Prior year	8,782	-	8,782
Grant reimbursed operation supplies (MI-90-X652 and 2012-0118/P3)	717	4,042	4,759
Depreciation	177,651	61,171	238,822
Total ineligible expenses	<u>471,747</u>	<u>237,689</u>	<u>709,436</u>
Total eligible expenses	<u>\$ 1,389,695</u>	<u>\$ 571,562</u>	<u>\$ 1,961,257</u>

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, 2012

	January 1, 2012 to September 30, 2012	October 1, 2012 to December 31, 2012	Total
Labor	\$ 40,449	\$ 14,857	\$ 55,306
Pension	2,362	730	3,092
Other fringe benefits	6,960	2,107	9,067
Advertising	120	-	120
Services	7,589	2,339	9,928
Materials and supplies consumed:			
Fuel and lubricants	4,544	1,549	6,093
Tires and tubes	187	62	249
Other materials and supplies	577	226	803
Utilities	1,204	486	1,690
Casualty and liability costs	10	-	10
Depreciation	7,845	2,616	10,461
Operating leases and rentals	1,433	530	1,963
Miscellaneous	109	174	283
Total operating expenses	73,389	25,676	99,065
Ineligible operating expenses:			
Depreciation	7,845	2,616	10,461
Ineligible farebox revenue	6,121	2,594	8,715
Total ineligible expenses	13,966	5,210	19,176
Total eligible expenses	\$ 59,423	\$ 20,466	\$ 79,889

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

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Annual OPEB Cost and Net OPEB Asset Years Ended December 31

	January 1 through December 31			
	2009	2010	2011	2012
Annual OPEB cost - Annual required contribution	\$ 30,401	\$ 29,235	\$ 32,689	\$ 17,041
Interest on the prior year's net OPEB asset	(367)	(1,783)	(3,147)	(2,919)
Less adjustment to the annual required contribution	-	-	149	253
Annual OPEB cost	<u>30,034</u>	<u>27,452</u>	<u>29,691</u>	<u>14,375</u>
Amounts contributed:				
Payments of current premiums	14,139	15,631	19,178	14,654
Contributions	<u>30,401</u>	<u>29,235</u>	<u>7,461</u>	<u>-</u>
Total amounts contributed	<u>44,540</u>	<u>44,866</u>	<u>26,639</u>	<u>14,654</u>
Increase (decrease) in net OPEB asset	14,506	17,414	(3,052)	279
OPEB asset - Beginning of year	<u>10,966</u>	<u>25,472</u>	<u>42,886</u>	<u>39,834</u>
OPEB asset - End of year	<u>\$ 25,472</u>	<u>\$ 42,886</u>	<u>\$ 39,834</u>	<u>\$ 40,113</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Revenue and Eligible and Ineligible Expenditures Year Ended September 30, 2012

	October 1, 2011 to December 31, 2011	January 1, 2012 to September 30, 2012	Total
Operating Revenue			
Demand-response - Passenger fares	\$ 33,472	\$ 110,596	\$ 144,068
Special transit fares - Contracts	61,098	102,765	163,863
Rent - EMS	20,193	45,855	66,048
Other:			
Sale of fuel to other departments	761	2,183	2,944
Miscellaneous reimbursement (Benefit Fund)	2,531	-	2,531
Total operating revenue	<u>\$ 118,055</u>	<u>\$ 261,399</u>	<u>\$ 379,454</u>
Operating Expenses			
Labor	\$ 357,731	\$ 714,084	\$ 1,071,815
Pension	40,594	96,563	137,157
Other fringe benefits	56,265	241,638	297,903
Advertising	-	220	220
Services	133,775	341,648	475,423
Materials and supplies consumed:			
Fuel and lubricants	45,064	163,229	208,293
Tires and tubes	3,388	8,196	11,584
Other materials and supplies	6,635	21,983	28,618
Utilities	19,728	37,606	57,334
Casualty and liability costs	-	481	481
Depreciation	68,235	177,651	245,886
Operating leases and rentals	14,458	6,976	21,434
Miscellaneous	8,986	51,167	60,153
Total operating expenses	<u>754,859</u>	<u>1,861,442</u>	<u>2,616,301</u>
Less Ineligible Expenses			
Revenue associated with fuel sold to other departments	761	2,183	2,944
Revenue associated with building rental	20,193	45,855	66,048
Association dues	135	-	135
Depreciation	68,235	177,651	245,886
Miscellaneous reimbursement	2,531	-	2,531
U.S. DOT capital grant - Preventative maintenance Section 5307 (MI-90-X652)	107,358	117,564	224,922
State of MI capital grant - Preventative maintenance (PA # 2012-0118/P3)	25,749	61,750	87,499
CMAQ Pass-through - People's express	-	57,245	57,245
CMAQ Pass-through - People's express - Prior year	-	8,782	8,782
Grant reimbursed operation supplies (MI-90-X652 and 2012-0118/P3)	-	717	717
Total ineligible expenses	<u>224,962</u>	<u>471,747</u>	<u>696,709</u>
Total eligible expenses	<u>\$ 529,897</u>	<u>\$ 1,389,695</u>	<u>\$ 1,919,592</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Revenue and Eligible and Ineligible Expenditures - JARC Year Ended September 30, 2012

	October 1, 2011 to December 31, 2011	January 1, 2012 to September 30, 2012	Total
Operating Revenue			
JARC passenger fares	\$ 2,315	\$ 6,121	\$ 8,436
U.S. DOT operating grant - JARC - Section 5316 (FY '11 and FY '12)	11,145	29,125	40,270
State of MI operating grant - JARC - Section 5316 (FY '11 and FY '12)	11,145	29,125	40,270
U.S. DOT operating grant - JARC - Section 5316 (11) payback	-	(61)	(61)
State of MI operating grant - JARC - Section 5316 (11) payback	-	(61)	(61)
Total operating revenue	<u>\$ 24,605</u>	<u>\$ 64,249</u>	<u>\$ 88,854</u>
Operating Expenses			
Labor	\$ 13,057	\$ 40,449	\$ 53,506
Pension	1,509	2,362	3,871
Other fringe benefits	1,399	6,960	8,359
Advertising	-	120	120
Services	2,918	7,589	10,507
Materials and supplies consumed:			
Fuel and lubricants	4,992	4,544	9,536
Tires and tubes	52	187	239
Other materials and supplies	101	577	678
Utilities	247	1,204	1,451
Casualty and liability costs	-	10	10
Depreciation	2,615	7,845	10,460
Operating leases and rentals	221	1,433	1,654
Miscellaneous	111	109	220
Total operating expenses	27,222	73,389	100,611
Less Ineligible Expenses			
Farebox return	2,315	6,121	8,436
Depreciation	2,615	7,845	10,460
Total ineligible expenses	4,930	13,966	18,896
Total eligible expenses	<u>\$ 22,292</u>	<u>\$ 59,423</u>	<u>\$ 81,715</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Annual OPEB Cost and Net OPEB Asset Years Ended September 30

	October 1 through September 30			
	2009	2010	2011	2012
Annual OPEB cost - Annual required contribution	\$ 22,801	\$ 29,526	\$ 31,826	\$ 20,953
Interest on the prior year's net OPEB asset	(275)	(1,429)	(2,806)	(2,976)
Less adjustment to the annual required contribution	-	-	112	227
Annual OPEB cost	<u>22,526</u>	<u>28,097</u>	<u>29,132</u>	<u>18,204</u>
Amounts contributed:				
Payments of current premiums	10,604	15,258	18,292	15,786
Contributions	<u>22,801</u>	<u>29,526</u>	<u>12,905</u>	<u>1,865</u>
Total amounts contributed	<u>33,405</u>	<u>44,784</u>	<u>31,197</u>	<u>17,651</u>
Increase (decrease) in net OPEB asset	10,879	16,687	2,065	(553)
OPEB asset - Beginning of year	<u>8,225</u>	<u>19,104</u>	<u>35,791</u>	<u>37,856</u>
OPEB asset - End of year	<u>\$ 19,104</u>	<u>\$ 35,791</u>	<u>\$ 37,856</u>	<u>\$ 37,303</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Property and Equipment Year Ended December 31, 2012

		Cost	Accumulated Depreciation	Total
Buildings and building improvements	Intermodel building	\$ 2,302,676	\$ 578,787	\$ 1,723,889
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	141,822	-
Grant MI-03-0192 Fed 5309 (2003) and 2002-0060 Z11 (state match)	Two Eldorado National buses	153,048	153,048	-
Grant MI-03-0212 Fed 5309 (2004) and 2002-0060 Z11 (state match)	One Eldorado National bus	79,541	75,753	3,788
Grant MI-03-0212 Fed 5309 (2004) and 2002-0060-Z11 R1 (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	200,712	43,632
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	66,904	14,545
Grant MI 90-x453 Fed Sec 5307 and 2002-0060 Z15 (state match)	One Eldorado National bus	80,941	66,487	14,454
Grant MI 90-x453 Fed Sec 5307	One Eldorado National bus	79,161	65,025	14,136
Grant MI-030-0226 Fed Sec 5307 and 2002-0060 Z16 (state match)	One Eldorado National bus	79,161	65,025	14,136
Grant MI 90-x425 Fed Sec 5307 and 2002-0060 Z14 (state match)	Bus backup cameras	13,585	13,585	-
Grant MI 90-x453 Fed Sec 5307 and 2002-0060 Z15 (state match)	Bus radios	1,855	1,855	-
Grant MI-03-0226 Fed 5309 (2005) and 2002-0060 Z16 (state match)	Bus washing system	19,168	9,105	10,063
Grant MI 90-x425 Fed Sec 5307 and 2002-0060 Z14 (state match)	Surveillance system	14,250	6,650	7,600
State Match 2002-0060/Z15 \$8,825, 2002-0060-Z/19 \$3,784 LETS Funds \$6,460		68,810	27,852	40,958
Grant MI-96-X019 - ARRA (100% Federal Funds)	Three Eldorado National buses	229,603	87,468	142,135
Grant MI-96-X019 - ARRA (100% Federal Funds)	Three Dodge minivans	95,465	67,621	27,844
Grant MI-96-X019 - ARRA (100% Federal Funds) \$114,000 LETS Funds \$12,034	One Eldorado National bus	125,910	47,966	77,944
Grant MI-37-X037 - JARC Section 5316 (state match 2007-0245/Z6)	One Eldorado National bus	73,226	27,896	45,330
Grant MI-96-X019 - ARRA (100% Fed Funds)	PCTTRANS map software	31,800	882	30,918
Grant MI-96-X019 - ARRA (100% Fed Funds)	PCTTRANS map hardware	64,330	1,072	63,258
Federal Grant #MI-90-X635 (\$18,855) and State Project Authorization 2007-0245/Z12 (\$4,400) balance from fares (\$314)	2013 Ford 4x4 white	23,569	3,142	20,427
Total vehicles and vehicle equipment		1,809,703	1,238,535	571,168
Office furniture - Purchased with local funds		43,210	43,210	-
Total property and equipment		<u>\$ 4,155,589</u>	<u>\$ 1,860,532</u>	<u>\$ 2,295,057</u>

Livingston County, Michigan

Livingston Essential Transportation System Statistical Data - Public Transportation Mileage Data (Unaudited) Year Ended December 31, 2012

	Total Mileage	Passenger Trips
Demand - Response mileage data (unaudited):		
First quarter	202,845	38,305
Second quarter	199,904	37,723
Third quarter	187,677	32,653
Fourth quarter	194,211	34,799
Total	<u>784,637</u>	<u>143,480</u>

The methodology used for compiling miles has been reviewed and the recording method has been found to be adequate and reliable. LETS does not use the above information in the allocation of costs.

Livingston County, Michigan

Livingston Essential Transportation System Statistical Data - Financial Trends (Unaudited) Year Ended December 31, 2012

	2008	2009	2010	2011	2012
Financial Position (Status of Assets, Liabilities, and Equity)					
General Fund:					
Unreserved fund balance compared to expenditures*	38.4%	49.2%	56.9%	-	-
Unrestricted fund balance compared to expenditures*	-	-	-	61.8%	62.5%
Current ratio (assets/liabilities, excluding deferred revenue)	8.6	15.9	20.7	16.8	17.4
All governmental activities:					
Unreserved fund balance compared to expenditures	52.9%	74.9%	78.9%	-	-
Unrestricted fund balance compared to expenditures*	-	-	-	54.7%	54.8%
Current ratio (assets/liabilities, excluding deferred revenue)	13.9	19.0	23.0	19.9	11.1
Fiscal Capacity (Measures of Ability to Raise Revenue, Incur Debt, and Meet Obligations)					
General Fund:					
Property taxes per capita (operating millage only)	\$ 160	\$ 157	\$ 150	\$ 141	\$ 136
Millage capacity (ability to levy additional taxes without a vote)	None	None	None	None	None
Expenditures per capita	\$ 218	\$ 211	\$ 208	\$ 200	\$ 199
Ratio of revenue compared to expenditures	1.08	1.09	1.06	1.05	1.01
All governmental activities:					
Total property taxes levied per capita (with extra voted mills)	\$ 173	\$ 170	\$ 166	\$ 156	\$ 150
County taxes paid per household	\$ 294	\$ 294	\$ 263	\$ 271	\$ 271
County taxes paid per household as a percentage of household income	0.416%	0.408%	0.364%	0.376%	0.378%
Taxable value (in 000s)	\$ 8,825,751	\$ 8,825,751	\$ 8,572,601	\$ 7,953,593	\$ 7,607,449
Annual change in taxable value	5.7%	0.4%	-2.9%	-9.9%	-11.3%
State equalized value (SEV)	\$ 9,791,590	\$ 9,791,590	\$ 8,195,852	\$ 8,302,402	\$ 7,967,344
Annual change in SEV	14.7%	14.7%	-16.3%	1.3%	-4.0%
Debt information:					
County-funded debt per capita	\$ 72	\$ 66	\$ 57	\$ 45	\$ 85
Debt saturation (percent of debt limitation utilized)	1.2%	1.0%	0.8%	0.6%	1.6%

* The adoption of GASB No. 54 has made the term unreserved fund balance obsolete. The term unrestricted fund balance will be used on this schedule beginning in 2011 and will represent committed, assigned, and unassigned fund balance.