

Livingston County, Michigan

**Financial Report
with Supplemental Information
December 31, 2014**

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 (the "County") as of and for the year ended December 31, 2014 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 opinions on these financial statements based on our audit. We did not audit the financial statements of Livingston County Road Commission, which represents 59 percent, 72 percent, and 80 percent of the assets, net position, and revenues 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 opinions.

To the County Board of Commissioners
Livingston County, Michigan

Opinions

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, 2014 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 2 to the basic financial statements, the 2014 basic financial statements have been restated to show a change in reporting entity. 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 and OPEB systems 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 opinions 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.

To the County Board of Commissioners
Livingston County, Michigan

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2015 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 19, 2015

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, 2014. 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, 2014:

- The County's primary source of General Fund revenue is property taxes, representing 63.2 percent of total revenue. The percentage increase in property tax revenue for Livingston County 7-10 years ago was impressive: 12.5 percent in 2005, 9.7 percent in 2006, and 4.2 percent in 2007. The growth trend was not sustainable long term and Livingston County saw a decrease in General Fund tax revenue for five consecutive years at a cumulative loss of approximately \$11.5 million. In 2013, the County finally began to see signs of recovery, which was reflected in a 1.95 percent increase in tax revenue over 2012 and then again in 2014 with an increase of 2.8 percent realized over 2013. Property tax revenue is expected to continue at a slightly higher rate in 2015.
- The County faces several challenges from amendments to the Property Tax Act. Public Act 356 imposed a mandatory and permanent shift from a December to a July tax levy. This legislation creates a major challenge for counties like ours 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 created cash flow concerns and the potential risk of having to incur costs to borrow money to sustain operations during the first nine months of the year. To avoid this, the County has assigned \$15 million of fund balance to cover operating requirements. Also challenging is Proposal A, which 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 aggressively and successfully reduced the cost of providing services to our residents and preserving Livingston County's future financial capacity. This has been accomplished with reductions in personnel costs through attrition, departmental restructuring, and redesigning personnel wage and benefit packages with a focus on reducing high legacy costs. Departments do a commendable job monitoring expenses to stay within budget, utilizing County purchasing services, complying with the purchasing policy, and competitively bid supplies and services. However, in 2014 the County did have some large one-time expenditures, which required the use of fund balance. These expenditures include building improvements to the animal shelter and jail intake areas, equipment for the sheriff department road patrol, and software and implementation costs for the work order and inventory modules for the County's new integrated financial system. The combination of these efforts resulted in the use of \$281,262 to the General Fund's fund balance in 2014.

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 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 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 the fiscal years ended December 31, 2014 and 2013:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
	(As restated)					
Assets						
Current assets	\$ 88,487	\$ 71,665	\$ 51,511	\$ 50,762	\$ 139,998	\$ 122,427
Capital assets	63,571	62,855	36,848	37,155	100,419	100,010
Total assets	152,058	134,520	88,359	87,917	240,417	222,437
Deferred Outflows of Resources -						
Deferred charge on refunding	-	-	88	94	88	94
Liabilities						
Current liabilities	10,003	9,282	4,269	4,578	14,272	13,860
Long-term liabilities	23,552	11,173	2,416	2,455	25,968	13,628
Total liabilities	33,555	20,455	6,685	7,033	40,240	27,488
Deferred Inflows of Resources -						
Property taxes levied for the following year	2,662	2,599	-	-	2,662	2,599
Net Position						
Net investment in capital assets	52,025	51,800	34,394	34,458	86,419	86,258
Restricted	24,210	11,151	5,545	4,097	29,755	15,248
Unrestricted	39,606	48,515	41,823	42,423	81,429	90,938
Total net position	<u>\$ 115,841</u>	<u>\$ 111,466</u>	<u>\$ 81,762</u>	<u>\$ 80,978</u>	<u>\$ 197,603</u>	<u>\$ 192,444</u>

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

The County's combined net position for both governmental and business-type activities totals \$197.6 million for fiscal year 2014 as compared to \$192.4 million for fiscal year 2013. This is an increase of \$5.2 million or 2.7 percent from 2013 to 2014. The increase in the total net position is attributed mainly to an increase in assets relating to the bond proceeds received for the construction of the new jail. 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, 2014 and 2013 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue						
Program revenue:						
Charges for services	\$ 19,696	\$ 20,091	\$ 10,321	\$ 8,094	\$ 30,017	\$ 28,185
Operating grants and contributions	12,596	9,746	1,874	2,104	14,470	11,850
Capital grants and contributions	158	218	668	747	826	965
General revenue:						
Property taxes	28,540	27,775	-	-	28,540	27,775
State alcohol and convention tax	1,743	1,488	-	-	1,743	1,488
State-shared revenue	2,298	2,463	-	-	2,298	2,463
Unrestricted investment income	232	172	108	127	340	299
Transfers and other revenue	3,326	1,110	(2,987)	(894)	339	216
Total revenue	68,589	63,063	9,984	10,178	78,573	73,241
Program Expenses						
General government	6,591	8,859	-	-	6,591	8,859
Public safety	35,321	33,468	-	-	35,321	33,468
Health and welfare	18,309	16,029	-	-	18,309	16,029
Community and economic development	3,562	2,917	-	-	3,562	2,917
Interest on long-term debt	431	342	-	-	431	342
Building and safety	-	-	1,832	1,473	1,832	1,473
Airport	-	-	1,748	1,634	1,748	1,634
Livingston Essential Transportation Services	-	-	3,006	2,904	3,006	2,904
Septage receiving station	-	-	1,232	1,084	1,232	1,084
Delinquent tax revolving funds	-	-	1,382	347	1,382	347
Total program expenses	64,214	61,615	9,200	7,442	73,414	69,057
Change in Net Position	\$ 4,375	\$ 1,448	\$ 784	\$ 2,736	\$ 5,159	\$ 4,184

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

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, and charges for service.

The County expenses increased from 2013 to 2014. The cost of providing services for governmental activities was \$64.2 million for fiscal year 2014, which includes the General Fund, special revenue fund, and internal service fund departments. This is a 4.2 percent increase, or \$2.6 million more than the cost of providing services in 2013. The increase in the cost of providing services can be attributed mainly to the continued implementation of the new Enterprise Resource Planning system, wage and associated benefit increases resulting from a cost of living increase provided to all employee groups. Tiered salaries, additional funding, and restructuring of benefit packages have reduced long-term legacy costs.

The County's total revenue generated from governmental activities increased by 8.8 percent, or \$5.5 million, from 2013 to 2014. This is a result of the increase in operating grants and contributions, property taxes, state alcohol and convention tax, and transfers in for additional payments for pension.

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 2013 and 2014 shows that the cost of providing services for all business-type activities overall resulted in an increase of 23.6 percent. There were increases in costs to all business-type activities resulting from the increasing demand for services. The largest increase, however, was in the Delinquent Tax Revolving Funds activity, which increased significantly (more than \$1.03 million) from 2013.

The Funds

Our analysis of the County's major funds begins on page 15, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the County as a whole. This includes the General Fund, EMS Fund, and the Jail Expansion Construction 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 \$38.1 million in 2014, and an additional \$3.3 million was transferred to other funds to subsidize operations. This was a 4.7 percent increase from providing services in 2013. General Fund revenue including transfers in from other funds was \$629,369 more in 2014 mainly attributed to property tax revenue. Livingston County came back into the state-shared revenue formula in 2013. The County used fund balance in the General Fund for one-time expenses of just over \$281,000 in 2014.

The EMS Fund provides emergency medical response and is financed by a special tax levy (24.3 percent of total revenue), charges for services (70.3 percent of total revenue), and other sources (less than 5.4 percent of total revenue). The cost of providing this service for 2014 was \$8.7 million. Fund balance in the EMS Fund decreased by \$88,781 from 2013. The EMS fund balance will be used in future years to meet the continual increase in demand for services and improved service response time.

The Jail Expansion Construction Fund was set up to record the construction and furnishing of a new addition to the Livingston County Jail. The new jail will add 157 additional beds to the existing jail. Capital outlay for the construction of the new expansion in 2014 was approximately \$1.5 million. The total cost of the jail expansion and renovation is estimated at \$16.4 million. The construction of the new addition is expected to be completed in late 2015.

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 additional payments to accelerate funding of long-term pension obligations, purchase of additional modules for the County Enterprise Resource Planning (ERP) System, and building improvements to the County animal shelter and jail intake area.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

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 2014, the County had \$100.0 million invested in a broad array of capital assets, including buildings, land, emergency response equipment, vehicles, etc. These assets are necessary to carry out the day-to-day operations of the County.

The County continues to sustain its excellent bond ratings with Moody's AAA rating, 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 healthcare costs, state legislative changes, and unfunded mandates hinder our abilities to provide services. A major challenge is the expected slow recovery of property tax and investment revenues.

The loss in tax revenue that began in fiscal year 2008 and continued through fiscal year 2013 changed the way the County does business. Major structural changes were made and will continue to be looked at to ensure sustainability of our operations into the future. Economic indicators also reflect that the economy in Livingston County is improving. Foreclosures have declined substantially from the high of 1,309 properties foreclosed on in 2010 to 261 properties in 2014. Permits for construction have also notably increased in our building, health, and drain departments. The most significant increase in 2014 was the building permits at 2,935 permits, which exceeds our high of 2,194 permits issued in 2006. The County treasurer is reporting an increase of 76 percent in the number of parcels going to tax sale. It is important to note that 70 percent of the parcels going to tax sale this year were from a single property owner. Livingston County has the highest median incomes at \$72,359 annually among the 83 counties in Michigan. The unemployment rate is one of the lowest in Michigan.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

The County has plans for several major projects in 2015 including the continued expansion and renovation to the Livingston County Jail. The board authorized the issuance of approximately \$14 million in Limited Tax General Obligation Capital Improvement bonds to fund the project.

The County continues to focus on meeting and collaborating with other local municipalities to find new partnership opportunities to share services. A few great examples of successful collaboration include contracting with the City of Brighton to share the building official, countywide broadband fiber network sharing, contracting with the City of Howell to provide custodial and preventative maintenance services, one countywide central 911 dispatch center, and the countywide use of OSSI public safety software which has all fire, emergency, and police agencies within the County utilizing the same records management system.

The County board continues to act tenaciously to monitor costs of providing quality services to Livingston County residents. However, with over 25 percent of the workforce eligible to retire within seven years, the County has begun to lift some of the requirements on the hiring freeze. The policy has been revised so that only those vacant positions, reclassifications, or reorganizations that were not included in the budget will have to go through the vacancy review process. Sharing of responsibilities/personnel by departments continues to be encouraged. The County offered the first wage increase in five years to its employees. Also, several major changes to reduce benefit costs over the past five years 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 newly hired nonunion and court employees.
 - Employees remaining in a defined benefit plan contribute 5 percent of pension eligible wages.
 - Additional payments were made for the fourth consecutive year to reduce the unfunded liability of the employee groups in the defined benefit plan. Total additional payment made in 2014 was \$2 million.
- Active healthcare
 - The base healthcare plan offered to all employee groups has been reduced to a PP04 plan which offers 80/20 coverage.
 - All full-time employees are responsible for 10 percent of the PP04 plan premium. Nonunion employees hired after June 31, 2009 pay 20 percent of the plan premium.
 - As of September 1, 2014, all new full-time union employees are responsible for 20 percent of the plan premium.
 - Effective January 1, 2010, all 30-34-hour nonunion employees are responsible for 25 percent of the premium.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

- Retiree healthcare
 - Retiree healthcare defined benefit plans are now closed for all employee groups.
 - 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.
 - In 2012, 2013, and 2014, sheriff union groups were offered a cash incentive to switch from a defined benefit plan to a defined contribution plan, of which 43 percent in these groups elected to switch.
 - Effective June 30, 2012, 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 revisions effectively closed the retiree healthcare defined benefit plan and reduced the unfunded liability for retiree healthcare from \$21.5 million to \$10.3 million based on the December 31, 2013 actuarial report.

The County closely monitors reserve balances, revenue, and expenditures. Historically, we have utilized a five-year financial forecasting model for early detection of bad revenue/expenditure policies and potential deficits. The last two years we have had our resources focused on the implementation of the ERP system. It is our plan to resume utilizing the five-year model in the upcoming budget year. It is projected that Livingston County's tax revenue will show another increase of 2-3 percent in 2015. 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, 2014

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
Assets				
Cash and investments (Note 3)	\$ 67,164,169	\$ 35,662,670	\$ 102,826,839	\$ 10,147,936
Receivables:				
Taxes	3,765,771	11,297,378	15,063,149	-
Accounts	3,212,355	73,352	3,285,707	-
Accrued interest	50,800	15,708	66,508	3,549,010
Due from other governmental units	4,992,210	588,691	5,580,901	713,122
Delinquent taxes interest and fees - Net of allowance	-	3,862,520	3,862,520	-
Special assessment receivable	-	-	-	2,895,378
Leases	-	-	-	42,760,440
Advances to component units (Note 5)	-	44,839	44,839	-
Internal balances	129,927	(129,927)	-	-
Inventories	37,508	68,818	106,326	1,214,996
Prepaid costs and other assets	882,772	1,612	884,384	317
Restricted assets - Cash and investments	-	-	-	334,568
Net pension asset (Note 10)	7,921,387	-	7,921,387	-
Net OPEB asset (Note 12)	330,249	24,532	354,781	15,307
Capital assets (Note 4):				
Assets not subject to depreciation	12,056,368	12,811,719	24,868,087	27,495,338
Assets subject to depreciation	51,514,692	24,037,572	75,552,264	148,745,427
Total assets	152,058,208	88,359,484	240,417,692	237,871,839
Deferred Outflows of Resources -				
Deferred charge on refunding of debt	-	87,568	87,568	537,846
Liabilities				
Accounts payable	2,902,955	495,817	3,398,772	674,481
Due to other governmental units	187,486	741,545	929,031	181,008
Advances from primary government (Note 5)	-	-	-	44,839
Deposits	-	708,522	708,522	-
Accrued and other liabilities	2,346,008	356,000	2,702,008	1,324,819
Unearned revenue	911,876	5,417	917,293	-
Net OPEB obligation (Note 13)	-	-	-	2,045,096
Long-term obligations (Note 6):				
Due within one year	3,653,972	1,803,499	5,457,471	5,336,377
Due in more than one year	23,552,308	2,415,517	25,967,825	41,523,154
Other noncurrent liability	-	159,003	159,003	-
Total liabilities	33,554,605	6,685,320	40,239,925	51,129,774
Deferred Inflows of Resources				
State revenue	-	-	-	750,000
Property taxes levied for the following year	2,662,091	-	2,662,091	-
Total deferred inflows of resources	2,662,091	-	2,662,091	750,000
Net Position				
Net investment in capital assets	52,025,459	34,394,291	86,419,750	143,999,020
Restricted for:				
Health and welfare expense	3,001,710	-	3,001,710	-
Public safety expense	6,852,427	-	6,852,427	-
Community and economic development expense	1,470,908	-	1,470,908	-
Unspent bond proceeds - Jail Expansion	12,670,727	-	12,670,727	-
Restricted for debt service	213,977	-	213,977	-
Building and safety programs	-	5,544,899	5,544,899	-
Foundation nonexpendable	-	-	-	274,462
County roads	-	-	-	6,545,336
Capital projects	-	-	-	123,723
Unrestricted	39,606,304	41,822,542	81,428,846	35,587,370
Total net position	\$ 115,841,512	\$ 81,761,732	\$ 197,603,244	\$ 186,529,911

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

Livingston County, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 6,590,860	\$ 259,058	\$ -	\$ -
Public safety	35,320,783	9,653,235	5,831,119	158,206
Health and welfare	18,309,291	8,425,873	5,668,774	-
Community and economic development	3,561,866	1,358,226	1,096,064	-
Interest on long-term debt	431,202	-	-	-
Total governmental activities	64,214,002	19,696,392	12,595,957	158,206
Business-type activities:				
Airport Fund	1,748,817	1,295,187	-	361,504
Delinquent Tax Revolving Fund	1,381,813	3,622,593	-	-
Septage receiving station	1,232,034	1,804,423	-	-
Livingston Essential Transportation Service	3,005,946	325,415	1,874,024	306,053
Building and Safety Fund	1,831,828	3,273,374	-	-
Total business-type activities	9,200,438	10,320,992	1,874,024	667,557
Total primary government	\$ 73,414,440	\$ 30,017,384	\$ 14,469,981	\$ 825,763
Component units:				
Drain Commission	\$ 3,182,544	\$ 2,249,163	\$ 967,149	\$ -
Department of Public Works	3,683,916	3,291,090	68,196	-
Road Commission	19,380,903	-	-	26,280,901
Livingston County Foundation	-	14,435	-	-
Total component units	\$ 26,247,363	\$ 5,554,688	\$ 1,035,345	\$ 26,280,901
General revenue:				
Property taxes				
State alcohol and convention tax				
State-shared revenue				
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 2)				
Net Position - End of year				

Statement of Activities Year Ended December 31, 2014

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (6,331,802)	\$ -	\$ (6,331,802)	\$ -
(19,678,223)	-	(19,678,223)	-
(4,214,644)	-	(4,214,644)	-
(1,107,576)	-	(1,107,576)	-
(431,202)	-	(431,202)	-
(31,763,447)	-	(31,763,447)	-
-	(92,126)	(92,126)	-
-	2,240,780	2,240,780	-
-	572,389	572,389	-
-	(500,454)	(500,454)	-
-	1,441,546	1,441,546	-
-	3,662,135	3,662,135	-
(31,763,447)	3,662,135	(28,101,312)	-
-	-	-	33,768
-	-	-	(324,630)
-	-	-	6,899,998
-	-	-	14,435
-	-	-	6,623,571
28,540,324	-	28,540,324	-
1,743,444	-	1,743,444	-
2,297,584	-	2,297,584	-
231,865	107,913	339,778	(4,751)
320,165	18,773	338,938	529,852
-	-	-	138,239
33,133,382	126,686	33,260,068	663,340
3,005,034	(3,005,034)	-	-
4,374,969	783,787	5,158,756	7,286,911
111,466,543	80,977,945	192,444,488	179,243,000
\$ 115,841,512	\$ 81,761,732	\$ 197,603,244	\$ 186,529,911

Livingston County, Michigan

Governmental Funds Balance Sheet December 31, 2014

	General Fund	EMS Fund	Jail Expansion	Nonmajor Funds	Total
Assets					
Cash and investments (Note 3)	\$ 23,797,599	\$ 1,910,942	\$ 12,972,462	\$ 21,075,965	\$ 59,756,968
Receivables:					
Taxes	1,103,681	2,280,241	-	381,849	3,765,771
Accounts	145,370	988,168	-	2,004,159	3,137,697
Accrued interest receivable	33,147	10	9,925	7,718	50,800
Due from other governmental units	3,043,454	-	-	1,933,370	4,976,824
Advances to other funds (Note 5)	166,231	-	-	11,635	177,866
Prepaid costs and other assets	327,662	132,351	-	18,079	478,092
	<u>\$ 28,617,144</u>	<u>\$ 5,311,712</u>	<u>\$ 12,982,387</u>	<u>\$ 25,432,775</u>	<u>\$ 72,344,018</u>
Total assets					
Liabilities					
Accounts payable	\$ 774,825	\$ 75,490	\$ 292,490	\$ 1,225,235	\$ 2,368,040
Due to other governmental units	6,495	-	-	144,446	150,941
Advances from other funds (Note 5)	-	-	-	36,304	36,304
Accrued and other liabilities	791,365	183,149	19,170	249,391	1,243,075
Unearned revenue	-	-	-	911,876	911,876
	<u>1,572,685</u>	<u>258,639</u>	<u>311,660</u>	<u>2,567,252</u>	<u>4,710,236</u>
Total liabilities					
Deferred Inflows of Resources					
Unavailable revenue	2,541,473	520,101	-	681,308	3,742,882
Property taxes levied for the following year	-	2,280,242	-	381,849	2,662,091
	<u>2,541,473</u>	<u>2,800,343</u>	<u>-</u>	<u>1,063,157</u>	<u>6,404,973</u>
Total deferred inflows of resources					
Fund Balances (Note 8)					
Nonspendable	493,893	132,351	-	16,187	642,431
Restricted	-	-	12,670,727	11,539,022	24,209,749
Committed	2,324,375	596,080	-	2,034,021	4,954,476
Assigned	15,000,000	1,524,299	-	8,333,167	24,857,466
Unassigned	6,684,718	-	-	(120,031)	6,564,687
	<u>24,502,986</u>	<u>2,252,730</u>	<u>12,670,727</u>	<u>21,802,366</u>	<u>61,228,809</u>
Total fund balances					
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,617,144</u>	<u>\$ 5,311,712</u>	<u>\$ 12,982,387</u>	<u>\$ 25,432,775</u>	<u>\$ 72,344,018</u>

Livingston County, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position December 31, 2014

Fund Balance Reported in Governmental Funds	\$ 61,228,809
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	61,761,703
Net pension asset is not included as an asset of the funds	7,921,387
Net OPEB asset is not included as an asset of the funds	311,594
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	2,880,357
Property tax 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	862,525
Bonds payable, capital lease obligations, and landfill postclosure liabilities are not due and payable in the current period and are not reported in the funds	(24,343,500)
Unamortized bond premiums are not reported in the funds	(496,328)
Accrued interest is not due and payable in the current period and is not reported in the funds	(127,213)
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	(2,233,410)
Net self-insurance liabilities are not reported in the funds	(459,567)
Internal service funds are included as part of governmental activities	<u>8,535,155</u>
Net Position of Governmental Activities	<u>\$ 115,841,512</u>

Livingston County, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2014

	General Fund	EMS Fund	Jail Expansion	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Taxes	\$ 26,001,750	\$ 2,239,538	\$ -	\$ 375,175	\$ 28,616,463
Licenses and permits	444,402	-	-	170,221	614,623
Federal sources	42,210	-	-	5,243,174	5,285,384
State sources	5,184,564	-	-	3,376,094	8,560,658
Charges for services	5,871,487	6,475,879	-	6,194,438	18,541,804
Fines and forfeitures	317,959	-	-	-	317,959
Interest and rent	171,958	3,707	12,882	45,566	234,113
Rental income	201,822	347,503	-	10,200	559,525
Other	828,660	138,607	-	267,699	1,234,966
Total revenue	39,064,812	9,205,234	12,882	15,682,567	63,965,495
Expenditures					
Current:					
General government	8,822,463	-	-	232,423	9,054,886
Court systems	9,561,209	-	-	5,493,235	15,054,444
Public safety	15,190,060	-	156,754	5,113,026	20,459,840
Health and welfare	1,636,980	8,684,753	-	6,934,528	17,256,261
Economic development	2,913,040	-	-	434,933	3,347,973
Capital outlay	-	-	1,493,579	280,209	1,773,788
Debt service:					
Principal	-	-	-	1,400,000	1,400,000
Interest on long-term debt	-	-	-	387,277	387,277
Total expenditures	38,123,752	8,684,753	1,650,333	20,275,631	68,734,469
Excess of Revenue Over (Under) Expenditures					
	941,060	520,481	(1,637,451)	(4,593,064)	(4,768,974)
Other Financing Sources (Uses)					
Face value of debt issue (Note 6)	-	-	14,200,000	-	14,200,000
Proceeds from sale of capital assets	-	-	392,178	-	392,178
Operating transfers in (Note 5)	2,077,449	-	-	5,193,833	7,271,282
Operating transfers out (Note 5)	(3,299,771)	(609,262)	(284,000)	(73,215)	(4,266,248)
Total other financing (uses) sources	(1,222,322)	(609,262)	14,308,178	5,120,618	17,597,212
Net Change in Fund Balances					
	(281,262)	(88,781)	12,670,727	527,554	12,828,238
Fund Balances - Beginning of year (as restated) (Note 2)					
	24,784,248	2,341,511	-	21,274,812	48,400,571
Fund Balances - End of year					
	<u>\$ 24,502,986</u>	<u>\$ 2,252,730</u>	<u>\$ 12,670,727</u>	<u>\$ 21,802,366</u>	<u>\$ 61,228,809</u>

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

Livingston County, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 12,828,238

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

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

Capital outlay	3,111,461
Depreciation expense	(2,481,696)

Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	1,596,444
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Decrease in net self-insurance liability is recorded as a decrease of expense on the statement of activities	163,435
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Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position	(14,581,285)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,574,500
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Bond premiums are amortized as a component of interest expense in the statement of activities	6,481
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Change in accrued interest payable and other	(61,302)
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Increase in net pension asset is recorded in the statement of activities	2,133,974
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Decrease in net OPEB asset is recorded in the statement of activities	(375,571)
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Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(35,002)
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Internal service funds are included as part of governmental activities	495,292
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Change in Net Position of Governmental Activities \$ 4,374,969

Livingston County, Michigan

	Enterprise Funds		
	Major Funds		
	Airport Fund	Delinquent Tax Revolving Fund	Septage Receiving Station
Assets			
Current assets:			
Cash and investments (Note 3)	\$ 530,901	\$ 27,706,876	\$ 1,527,955
Receivables:			
Taxes - Net of allowance	-	11,297,378	-
Accounts	52,650	-	-
Accrued interest receivable	-	14,272	-
Due from other governmental units	40,152	119,478	-
Delinquent taxes interest and fees - Net of allowance	-	3,862,520	-
Inventories	65,369	-	-
Prepaid costs and other assets	-	-	-
Total current assets	<u>689,072</u>	<u>43,000,524</u>	<u>1,527,955</u>
Noncurrent assets:			
Advances to component units (Note 5)	-	44,839	-
Advances to other funds (Note 5)	-	2,399,744	-
Net OPEB asset (Note 12)	1,431	-	-
Capital assets - Net (Note 4)	<u>32,084,333</u>	<u>-</u>	<u>2,899,405</u>
Total noncurrent assets	<u>32,085,764</u>	<u>2,444,583</u>	<u>2,899,405</u>
Total assets	<u>32,774,836</u>	<u>45,445,107</u>	<u>4,427,360</u>
Deferred Outflows of Resources - Deferred charge on refunding of debt	-	-	87,568
Liabilities			
Current liabilities:			
Accounts payable	284,310	7,283	126,467
Due to other governmental units	-	471,871	-
Deposits	-	708,522	-
Accrued and other liabilities	109,898	658	10,458
Unearned revenue	-	-	-
Current portion of long-term debt (Note 6)	-	1,650,000	153,499
Total current liabilities	<u>394,208</u>	<u>2,838,334</u>	<u>290,424</u>
Noncurrent liabilities:			
Advances from other funds (Note 5)	2,107,017	-	422,654
Other noncurrent liability	159,003	-	-
Long-term debt - Net of current portion (Note 6)	-	-	2,415,517
Total noncurrent liabilities	<u>2,266,020</u>	<u>-</u>	<u>2,838,171</u>
Total liabilities	<u>2,660,228</u>	<u>2,838,334</u>	<u>3,128,595</u>
Net Position			
Net investment in capital assets	32,084,333	-	523,474
Restricted for building and safety programs	-	-	-
Unrestricted (deficit)	<u>(1,969,725)</u>	<u>42,606,773</u>	<u>862,859</u>
Total net position	<u>\$ 30,114,608</u>	<u>\$ 42,606,773</u>	<u>\$ 1,386,333</u>

**Proprietary Funds
Statement of Net Position
December 31, 2014**

Enterprise Funds			Governmental Activities
Nonmajor Funds			
Livingston Essential Transportation Service	Building and Safety Fund	Total Enterprise Funds	Internal Service Fund
\$ 221,048	\$ 5,675,890	\$ 35,662,670	\$ 6,936,588
-	-	11,297,378	-
20,702	-	73,352	74,658
-	1,436	15,708	-
429,061	-	588,691	15,386
-	-	3,862,520	-
3,449	-	68,818	37,508
1,612	-	1,612	404,680
<u>675,872</u>	<u>5,677,326</u>	<u>51,570,749</u>	<u>7,468,820</u>
-	-	44,839	-
-	-	2,399,744	-
10,879	12,222	24,532	18,655
1,865,553	-	36,849,291	1,809,357
<u>1,876,432</u>	<u>12,222</u>	<u>39,318,406</u>	<u>1,828,012</u>
2,552,304	5,689,548	90,889,155	9,296,832
-	-	87,568	-
30,036	47,721	495,817	534,915
269,674	-	741,545	-
-	-	708,522	-
143,475	91,511	356,000	215,127
-	5,417	5,417	-
-	-	1,803,499	-
<u>443,185</u>	<u>144,649</u>	<u>4,110,800</u>	<u>750,042</u>
-	-	2,529,671	11,635
-	-	159,003	-
-	-	2,415,517	-
<u>-</u>	<u>-</u>	<u>5,104,191</u>	<u>11,635</u>
<u>443,185</u>	<u>144,649</u>	<u>9,214,991</u>	<u>761,677</u>
1,865,553	-	34,473,360	1,809,357
-	5,544,899	5,544,899	-
243,566	-	41,743,473	6,725,798
<u>\$ 2,109,119</u>	<u>\$ 5,544,899</u>	<u>\$ 81,761,732</u>	<u>\$ 8,535,155</u>

Livingston County, Michigan

	Enterprise Funds		
	Major Funds		
	Airport Fund	Delinquent Tax Revolving Fund	Septage Receiving Station
Operating Revenue			
Charges for services	\$ 1,295,187	\$ 574,021	\$ 1,799,816
Penalties and interest	-	3,004,583	-
Other revenue	-	43,989	4,607
Total operating revenue	1,295,187	3,622,593	1,804,423
Operating Expenses			
Personnel	210,144	-	-
Operating	962,304	-	-
Other expenses	-	1,369,402	983,143
Depreciation	512,801	-	177,219
Total operating expenses	1,685,249	1,369,402	1,160,362
Operating (Loss) Income	(390,062)	2,253,191	644,061
Nonoperating Revenue (Expenses)			
Interest earnings	134	101,221	49
Interest expense	(63,568)	(12,411)	(71,672)
Gain (loss) on sale of fixed assets	-	-	-
Federal and state operating subsidies	-	-	-
Other nonoperating general revenue	18,773	-	-
Total nonoperating revenue (expenses)	(44,661)	88,810	(71,623)
(Loss) Income - Before contributions and transfers	(434,723)	2,342,001	572,438
Capital Contributions - Capital grants	361,504	-	-
Transfers Out (Note 5)	-	(3,005,034)	-
Change in Net Position	(73,219)	(663,033)	572,438
Net Position - Beginning of year	30,187,827	43,269,806	813,895
Net Position - End of year	\$ 30,114,608	\$ 42,606,773	\$ 1,386,333

Proprietary Funds

Statement of Revenue, Expenses, and Changes in Net Position
Year Ended December 31, 2014

Enterprise Funds			Governmental Activities
Nonmajor Funds			
Livingston Essential Transportation Service	Building and Safety Fund	Total Enterprise Funds	Internal Service Fund
\$ 325,415	\$ 3,273,374	\$ 7,267,813	\$ 15,449,444
-	-	3,004,583	-
-	-	48,596	-
325,415	3,273,374	10,320,992	15,449,444
1,760,510	1,395,768	3,366,422	9,970,882
730,359	388,378	2,081,041	4,111,850
341,434	-	2,693,979	-
173,643	-	863,663	897,067
3,005,946	1,784,146	9,005,105	14,979,799
(2,680,531)	1,489,228	1,315,887	469,645
-	6,509	107,913	-
-	-	(147,651)	-
-	(47,682)	(47,682)	25,647
1,874,024	-	1,874,024	-
-	-	18,773	-
1,874,024	(41,173)	1,805,377	25,647
(806,507)	1,448,055	3,121,264	495,292
306,053	-	667,557	-
-	-	(3,005,034)	-
(500,454)	1,448,055	783,787	495,292
2,609,573	4,096,844	80,977,945	8,039,863
\$ 2,109,119	\$ 5,544,899	\$ 81,761,732	\$ 8,535,155

Livingston County, Michigan

	Enterprise Funds		
	Major Funds		
	Airport Fund	Delinquent Tax Revolving Fund	Septage Receiving Station
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,328,478	\$ 18,395,027	\$ 1,804,423
Receipts from interfund services and reimbursements	-	-	-
Payments to suppliers	(888,881)	(1,191,038)	(977,033)
Payments to employees	(218,730)	-	-
Settlement of delinquent taxes	-	(11,399,487)	-
Net cash provided by (used in) operating activities	220,867	5,804,502	827,390
Cash Flows from Noncapital Financing Activities			
Federal and state operating subsidies	-	-	-
Repayments of loans made to other funds	-	76,355	-
Transfers to other funds	-	(3,005,034)	-
Repayments of loans from other funds	(88,534)	-	(16,681)
Net cash (used in) provided by noncapital financing activities	(88,534)	(2,928,679)	(16,681)
Cash Flows from Capital and Related Financing Activities			
Issuance of bonds and related premiums	-	7,000,000	-
Receipt of capital grants	376,285	-	-
Easement proceeds	18,773	-	-
Proceeds from sales of capital assets	-	-	-
Purchase of capital assets	(515,780)	-	(39,422)
Principal and interest paid on capital debt	(63,568)	(7,763,127)	(200,686)
Net cash (used in) provided by capital and related financing activities	(184,290)	(763,127)	(240,108)
Cash Flows from Investing Activities			
Interest received on investments	134	94,509	173
Purchase of investment securities	-	-	-
Net proceeds and purchases of investment securities	-	(966,203)	654,917
Net cash provided by (used in) investing activities	134	(871,694)	655,090
Net (Decrease) Increase in Cash and Cash Equivalents	(51,823)	1,241,002	1,225,691
Cash and Cash Equivalents - Beginning of year	582,724	123,848	302,264
Cash and Cash Equivalents - End of year	\$ 530,901	\$ 1,364,850	\$ 1,527,955
Statement of Net Position Classification of Cash and Cash Equivalents			
Cash and investments	\$ 530,901	\$ 27,706,876	\$ 1,527,955
Less amounts classified as investments	-	(26,342,026)	-
Total cash and cash equivalents	\$ 530,901	\$ 1,364,850	\$ 1,527,955
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities			
Operating (loss) income	\$ (390,062)	\$ 2,253,191	\$ 644,061
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	512,801	-	177,219
Changes in assets and liabilities:			
Receivables	33,291	3,394,766	-
Inventories	(18,104)	-	-
Prepaid and other assets	2,749	-	-
Accounts payable	91,527	178,364	6,110
Accrued and other liabilities	(11,335)	(21,819)	-
Net cash provided by (used in) operating activities	\$ 220,867	\$ 5,804,502	\$ 827,390

**Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2014**

Enterprise Funds			Governmental Activities
Nonmajor Funds			
Livingston Essential Transportation Service	Building and Safety Fund	Total Enterprise Funds	Proprietary Internal Service Fund
\$ 410,763	\$ 3,274,624	\$ 25,213,315	\$ 345,137
-	-	-	15,068,570
(808,550)	(350,345)	(4,215,847)	(4,344,766)
(1,722,094)	(1,395,200)	(3,336,024)	(9,976,741)
-	-	(11,399,487)	-
(2,119,881)	1,529,079	6,261,957	1,092,200
1,874,024	-	1,874,024	-
-	-	76,355	-
-	-	(3,005,034)	-
-	-	(105,215)	(19,292)
1,874,024	-	(1,159,870)	(19,292)
-	-	7,000,000	-
306,053	-	682,338	-
-	-	18,773	-
-	-	-	25,645
(2,000)	(47,682)	(604,884)	(983,779)
-	-	(8,027,381)	(12,714)
304,053	(47,682)	(931,154)	(970,848)
-	5,158	99,974	-
-	(3,880,300)	(3,880,300)	-
-	-	(311,286)	-
-	(3,875,142)	(4,091,612)	-
58,196	(2,393,745)	79,321	102,060
162,852	3,477,635	4,649,323	6,834,528
\$ 221,048	\$ 1,083,890	\$ 4,728,644	\$ 6,936,588
\$ 221,048	\$ 5,675,890	\$ 35,662,670	\$ 6,936,588
-	(4,592,000)	(30,934,026)	-
\$ 221,048	\$ 1,083,890	\$ 4,728,644	\$ 6,936,588
\$ (2,680,531)	\$ 1,489,228	\$ 1,315,887	\$ 469,645
173,643	-	863,663	897,067
85,348	1,250	3,514,655	(35,737)
3,928	-	(14,176)	(37,508)
8,928	10,589	22,266	(178,138)
260,927	38,033	574,961	6,226
27,876	(10,021)	(15,299)	(29,355)
\$ (2,119,881)	\$ 1,529,079	\$ 6,261,957	\$ 1,092,200

Livingston County, Michigan

Fiduciary Funds Statement of Fiduciary Net Position December 31, 2014

	Other Employee Benefits Trust Fund	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ 333,426	\$ 4,027,064
Investments (Note 3):		
Mutual funds	7,256	-
U.S. government securities	5,362,681	-
Equities	12,406,468	-
Accrued interest and other receivables	-	39,627
Total assets	18,109,831	<u>\$ 4,066,691</u>
Liabilities		
Due to other governmental units	-	\$ 1,407,649
Other liabilities	-	2,659,042
Total liabilities	-	<u>\$ 4,066,691</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 18,109,831</u>	

Livingston County, Michigan

Fiduciary Funds **Statement of Changes in Fiduciary Net Position - Other Employee** **Benefits Trust Fund** **Year Ended December 31, 2014**

	<u>Other Employee Benefits Trust Fund</u>
Additions	
Investment income:	
Interest and dividends	\$ 199,093
Net increase in fair value of investments	855,340
Investment-related expenses	<u>(120,629)</u>
Net investment income	933,804
Contributions - Payment of current premiums	<u>1,012,606</u>
Total additions	1,946,410
Deductions - Benefit payments	<u>1,012,606</u>
Net Increase in Net Position Held in Trust	933,804
Net Position Held in Trust for Other Employee Benefits - Beginning of year	<u>17,176,027</u>
Net Position Held in Trust for Other Employee Benefits - End of year	<u><u>\$ 18,109,831</u></u>

Livingston County, Michigan

Component Units Statement of Net Position December 31, 2014

	Drain Commission	Department of Public Works	Road Commission	Livingston County Foundation	Total
Assets					
Cash and investments (Note 3)	\$ 3,725,769	\$ 982,946	\$ 5,258,909	\$ 180,312	\$ 10,147,936
Receivables:					
Interest and other receivables	170,347	182,802	3,195,861	-	3,549,010
Due from other governmental units	-	113,122	600,000	-	713,122
Special assessments receivable	2,895,378	-	-	-	2,895,378
Leases receivable from local units	11,230,440	31,530,000	-	-	42,760,440
Inventories	-	-	1,214,996	-	1,214,996
Prepaid expenses and other assets	317	-	-	-	317
Restricted assets - Cash and investments	-	60,106	-	274,462	334,568
Net OPEB asset (Note 12)	14,478	829	-	-	15,307
Capital assets (Note 4)	3,322,652	43,407,038	129,511,075	-	176,240,765
Total assets	21,359,381	76,276,843	139,780,841	454,774	237,871,839
Deferred Outflows of Resources - Deferred charges on refunding of debt (Note 6)					
	-	537,846	-	-	537,846
Liabilities					
Accounts payable	64,388	419,221	190,872	-	674,481
Due to other governmental units	39,220	60,064	81,724	-	181,008
Advance to primary government (Note 5)	-	44,839	-	-	44,839
Other current liabilities	880,897	244,583	199,339	-	1,324,819
Net OPEB obligation (Note 13)	-	-	2,045,096	-	2,045,096
Long-term debt (Note 6):					
Due within one year	2,305,000	2,455,297	576,080	-	5,336,377
Due in more than one year	10,660,440	29,792,101	1,070,613	-	41,523,154
Total liabilities	13,949,945	33,016,105	4,163,724	-	51,129,774
Deferred Inflows of Resources - State revenue					
	-	-	750,000	-	750,000
Net Position					
Net investment in capital assets	3,322,652	12,354,587	128,321,781	-	143,999,020
Restricted:					
Foundation nonexpendable	-	-	-	274,462	274,462
County roads	-	-	6,545,336	-	6,545,336
Capital projects	-	123,723	-	-	123,723
Unrestricted	4,086,784	31,320,274	-	180,312	35,587,370
Total net position	\$ 7,409,436	\$ 43,798,584	\$ 134,867,117	\$ 454,774	\$ 186,529,911

Livingston County, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Drain Commission	\$ 3,182,544	\$ 2,249,163	\$ 967,149	\$ -
Department of Public Works	3,683,916	3,291,090	68,196	-
Road Commission	19,380,903	-	-	26,280,901
Livingston County Foundation	-	14,435	-	-
Total component units	\$ 26,247,363	\$ 5,554,688	\$ 1,035,345	\$ 26,280,901

General revenue:

Unrestricted investment earnings

Miscellaneous

Gain (loss) on sale of fixed assets

Total general revenue

Transfers

Change in Net Position

Net Position - Beginning of year (as restated) (Note 2)

Net Position - End of year

**Component Units
Statement of Activities
Year Ended December 31, 2014**

Net (Expense) Revenue and Changes in Net Position				
Drain Commission	Department of Public Works	Road Commission	Livingston County Foundation	Total
\$ 33,768	\$ -	\$ -	\$ -	\$ 33,768
-	(324,630)	-	-	(324,630)
-	-	6,899,998	-	6,899,998
-	-	-	14,435	14,435
33,768	(324,630)	6,899,998	14,435	6,623,571
2,555	123	6,112	(13,541)	(4,751)
-	140,000	389,852	-	529,852
(27,160)	-	165,399	-	138,239
(24,605)	140,123	561,363	(13,541)	663,340
87,463	(87,463)	-	-	-
96,626	(271,970)	7,461,361	894	7,286,911
7,312,810	44,070,554	127,405,756	453,880	179,243,000
\$ 7,409,436	\$ 43,798,584	\$ 134,867,117	\$ 454,774	\$ 186,529,911

Livingston County, Michigan

Notes to Financial Statements December 31, 2014

Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by Livingston County, Michigan (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. Although blended component units are legal separate entities, in substance, they are part of the County's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County (see discussion below for description).

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.

Discretely Presented Component Units - 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, 2014

Note I - Summary of 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.

Accounting and Reporting Principles

The County follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. 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. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Note I - Summary of Significant Accounting Policies (Continued)

For the most part, the effect of interfund activity has been removed from these 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 revenues reported for the various functions concerned.

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.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the County considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow."

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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.

Note I - Summary of Significant Accounting Policies (Continued)

Fund Accounting

The County accounts for its various activities in several different funds, in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenues were used. The various funds are aggregated into three broad fund types:

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The County reports the following funds as "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.
- **Jail Expansion Fund** - The majority of financing for this project comes from the issuance of \$14.2 million Capital Improvement Bonds in 2014. This major project is for expanding the County Jail in Livingston County.

Additionally, the County reports the following "nonmajor" governmental funds:

- **Special Revenue Funds** - Special revenue funds account for the revenue and expenditures related to health services, job training services, childcare services, family counseling, friend of the court, the small cities community development block grant, the community development block grant OLHSA, 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, 911 services, homestead property exemption fund, correction officers' training, 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 debt service sinking fund, the Building Authority Mental Health Fund, Jail Debt Expansion Fund, and EMS Debt 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 other capital improvements of the County, jail renovations, EMS Construction Fund, and the West Complex construction.

Note I - Summary of Significant Accounting Policies (Continued)

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

Proprietary funds include enterprise funds, (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the County). The County reports the following funds as "major" enterprise 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 "nonmajor" enterprise funds to account for building and safety and Livingston Essential Transportation Services revenue collected from users and expenses related to operations.

Internal Service Funds - The County's internal service funds are used to allocate building services, information technology, car pool, and benefit services to the various funds on a full accrual basis, so that the full costs are recognized and allocated to the various funds in the year that the costs are incurred.

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include:

- **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.

Note I - Summary of Significant Accounting Policies (Continued)

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Specific Balances and Transactions

Cash, Cash Equivalents, 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 - All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The EMS Fund accounts receivable balance includes \$2,510,094 as an allowance for doubtful accounts.

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 \$25,000 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.

Livingston County, Michigan

Notes to Financial Statements December 31, 2014

Note I - Summary of Significant Accounting Policies (Continued)

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

Capital Asset Class	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

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 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 deferred charges are amortized over the term of the related debt. Issuance costs are reported as an expense. 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 expenditures. The debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Note 1 - Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category. The deferred inflows of resources related to unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: grants, special assessments, and other miscellaneous sources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government also has property taxes recorded as a receivable before the period when the resources are required to be used. These property taxes are shown as deferred inflows of resources on both the governmental funds balance sheet as well as the statement of net position. Those property taxes will be recognized as revenue next year, as those amounts were levied for the subsequent year's budgeted operations.

Net Position Flow Assumption - Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption - Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies - Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Note I - Summary of Significant Accounting Policies (Continued)

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The County Board of Commissioners is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The County Board of Commissioners may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue - Property taxes are levied and become a lien 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 2013 taxable valuation of the County totaled \$7.57 billion, on which ad valorem taxes levied on December 1, 2013 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, 2014, the general operating millage for the 2014 fiscal year, or 3.3897 mills, was levied on the 2014 taxable valuation of \$7.72 billion for general operating purposes. The ad valorem taxes raised were approximately \$25.8 million for general operations, \$2.2 million for ambulance operations, and \$376,000 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.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - 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). Compensated absences attributable to the governmental activities will be liquidated by the fund from which the employee's salary and wage was earned.

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues relate to charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Note 2 - Change in Reporting Entity

In the current year, the County became aware of the fact that the County does not have fiduciary responsibilities for two trusts: the Lutz County Park Trust and the Fillmore Estate County Park Trust. Per the original trust agreements, Livingston County Foundation, a component unit of the County, has fiduciary responsibilities for both parks. Conversely to this fact, the County has been recording the activity of the Lutz County Park and the Fillmore Estate County Park as two special revenue funds since their inception in 2005 to 2013. The Lutz County Park Fund and the Fillmore Estate County Park Fund were previously recorded as nonmajor special revenue funds in the financial statements.

Livingston County, Michigan

Notes to Financial Statements December 31, 2014

Note 2 - Change in Reporting Entity (Continued)

After this discovery, the County determined to relinquish responsibility for the trusts to Livingston County Foundation at the beginning of 2014 fiscal year and restate prior year fund balances and net position for the 2014 financial statements. In the current year financial statements, the Lutz County Park Fund and Fillmore Estate County Park Fund are no longer included in the County's governmental statements. Instead, the activity of the trusts are accounted for in the Livingston County Foundation component unit.

As a result of the change in reporting entity, the following beginning balance for fund balance and net position have been restated as indicated:

	Total Governmental Funds - Fund Balance	Governmental Activities - Net Position	Component Units - Net Position
Fund Balance/Net Position - December 31, 2013 - As previously reported	\$ 48,528,295	\$ 111,594,267	\$ 179,115,276
Adjustment for Lutz County Park Fund	(88,215)	(88,215)	88,215
Adjustment for Fillmore Estate County Park Fund	<u>(39,509)</u>	<u>(39,509)</u>	<u>39,509</u>
Fund Balance/Net Position - December 31, 2013 - As restated	<u>\$ 48,400,571</u>	<u>\$ 111,466,543</u>	<u>\$ 179,243,000</u>

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, 2014

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 \$94,095,047, of which \$2,500,000 was covered by federal depository insurance and of which \$91,595,047 was uninsured and uncollateralized. The County believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the County evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

Government-wide

Type of Investment	Fair Value	Less Than 1 Year	1-5 Years	5-10 Years
Federal Home Loan Mortgage Corp	\$ 4,986,800	\$ -	\$ 4,986,800	\$ -
Federal Home Loan Bank	6,805,371	1,990,140	4,815,231	-
Federal National Mortgage Association	2,496,475	-	2,496,475	-
Fowlerville Downtown Development Board	150,000	-	150,000	-
Commercial paper	1,995,042	1,995,042	-	-

Livingston County, Michigan

Notes to Financial Statements December 31, 2014

Note 3 - Deposits and Investments (Continued)

Fiduciary Funds

Type of Investment	Fair Value	1-5 Years
Other Employee Benefits Trust Fund		
Federal Home Loan Bank	\$ 2,272,477	\$ 2,272,477
Federal Farm Credit Bank	1,630,128	1,630,128
Federal National Mortgage Association	340,012	340,012
Federal Home Loan Mortgage Corp	1,120,064	1,120,064

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 Home Loan Mortgage Corp	\$ 4,986,800	Aaa	Moody's
Federal Home Loan Bank	6,805,371	Aaa	Moody's
Federal National Mortgage Association	2,496,475	Aaa	Moody's
Fowlerville Downtown Development Bond	150,000	NR	N/A
Commercial paper	1,995,042	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	\$12,406,468	NR	N/A
Federal Home Loan Mortgage Corp	1,120,064	Aaa	Moody's
Federal Farm Credit Bank	1,630,128	Aaa	Moody's
Federal Home Loan Bank	2,272,477	Aaa	Moody's
Federal National Mortgage Association	340,012	Aaa	Moody's

Livingston County, Michigan

Notes to Financial Statements December 31, 2014

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 Home Loan Bank	\$ 6,805,371
Federal Home Loan Mortgage Corp	4,986,800

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	
Federal Farm Credit Bank	\$ 1,630,128
Federal Home Loan Mortgage Corp	1,120,064
Federal Home Loan Bank	2,272,477

Livingston County, Michigan

Notes to Financial Statements December 31, 2014

Note 4 - Capital Assets

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

	Balance January 1, 2014	Reclassifications	Additions	Disposals and Reclassifications	Balance December 31, 2014
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 10,380,655	\$ -	\$ -	\$ -	\$ 10,380,655
Construction in progress	1,757,791	(1,757,791)	1,675,713	-	1,675,713
Subtotal	12,138,446	(1,757,791)	1,675,713	-	12,056,368
Capital assets being depreciated:					
Buildings	66,286,425	21,958	554,073	-	66,862,456
Equipment and furniture	25,345,284	1,735,833	909,418	-	27,990,535
Vehicles	5,009,938	-	952,718	(326,984)	5,635,672
Improvements other than building	2,162,631	-	3,320	-	2,165,951
Subtotal	98,804,278	1,757,791	2,419,529	(326,984)	102,654,614
Accumulated depreciation:					
Buildings	20,491,421	-	1,410,193	-	21,901,614
Equipment and furniture	21,874,719	-	1,283,557	-	23,158,276
Vehicles	3,730,649	-	669,855	(326,984)	4,073,520
Improvements other than building	1,991,354	-	15,158	-	2,006,512
Subtotal	48,088,143	-	3,378,763	(326,984)	51,139,922
Net capital assets being depreciated	50,716,135	1,757,791	(959,234)	-	51,514,692
Net capital assets	\$ 62,854,581	\$ -	\$ 716,479	\$ -	\$ 63,571,060

Livingston County, Michigan

Notes to Financial Statements December 31, 2014

Note 4 - Capital Assets (Continued)

	Balance January 1, 2014	Reclassifications	Additions	Disposals and Reclassifications	Balance December 31, 2014
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 12,516,959	\$ -	\$ -	\$ -	\$ 12,516,959
Construction in progress	35,835	(11,013)	269,938	-	294,760
Subtotal	12,552,794	(11,013)	269,938	-	12,811,719
Capital assets being depreciated:					
Buildings	7,078,455	-	-	-	7,078,455
Improvements other than buildings	21,203,602	11,013	188,742	-	21,403,357
Vehicles	1,645,980	-	-	-	1,645,980
Machinery and equipment	1,901,937	-	146,204	(47,682)	2,000,459
Subtotal	31,829,974	11,013	334,946	(47,682)	32,128,251
Accumulated depreciation:					
Buildings	1,889,447	-	163,651	-	2,053,098
Improvements other than buildings	2,785,945	-	443,383	-	3,229,328
Vehicles	1,370,818	-	99,951	-	1,470,769
Machinery and equipment	1,180,806	-	156,678	-	1,337,484
Subtotal	7,227,016	-	863,663	-	8,090,679
Net capital assets being depreciated	24,602,958	11,013	(528,717)	(47,682)	24,037,572
Net capital assets	\$ 37,155,752	\$ -	\$ (258,779)	\$ (47,682)	\$ 36,849,291

Livingston County, Michigan

Notes to Financial Statements December 31, 2014

Note 4 - Capital Assets (Continued)

Component Units	Balance January 1, 2014	Additions	Disposals and Reclassifications	Balance December 31, 2014
Capital assets not being depreciated:				
Land	\$ 27,172,776	\$ 33,496	\$ -	\$ 27,206,272
Construction in progress	-	289,066	-	289,066
Subtotal	27,172,776	322,562	-	27,495,338
Capital assets being depreciated:				
Land improvements	159,393	-	-	159,393
Buildings and improvements	12,881,900	684,725	-	13,566,625
Drains and septic systems	32,592,553	156,830	(123,457)	32,625,926
Machinery, equipment, and vehicles	12,058,011	1,073,134	(539,467)	12,591,678
Infrastructure - Roads and bridges	210,373,345	14,454,371	-	224,827,716
Draining flow rights	16,477,420	-	-	16,477,420
Depletable assets	488,543	-	-	488,543
Subtotal	285,031,165	16,369,060	(662,924)	300,737,301
Accumulated depreciation:				
Land improvements	133,072	-	-	133,072
Buildings and improvements	4,278,954	378,184	-	4,657,138
Drains and septic systems	6,490,677	905,313	(96,297)	7,299,693
Machinery, equipment, and vehicles	10,079,334	726,819	(530,778)	10,275,375
Infrastructure - Roads and bridges	119,759,280	8,175,918	-	127,935,198
Draining flow rights	1,405,974	166,439	-	1,572,413
Depletable assets	118,985	-	-	118,985
Subtotal	142,266,276	10,352,673	(627,075)	151,991,874
Net capital assets being depreciated	142,764,889	6,016,387	(35,849)	148,745,427
Net capital assets	\$ 169,937,665	\$ 6,338,949	\$ (35,849)	\$ 176,240,765

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

Governmental activities:

General government	\$ 687,818
Public safety	750,318
Health and welfare	909,578
Community and economic development	3,961
Public works	130,024
Internal service funds	897,064
Total governmental activities	\$ 3,378,763

Livingston County, Michigan

Notes to Financial Statements December 31, 2014

Note 4 - Capital Assets (Continued)

Business-type activities:	
Airport	\$ 512,801
Septage receiving station	177,219
L.E.T.S.	<u>173,643</u>
Total business-type activities	<u>\$ 863,663</u>
Component unit activities:	
Drain Commission districts	\$ 366,875
Department of Public Works	1,063,960
Road Commission	<u>8,921,838</u>
Total component unit activities	<u>\$ 10,352,673</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>
Tyler software project	\$ 490,100	\$ 737,729
LETS generator	2,000	70,730
Airport fuel farm	292,518	205,992
Jail expansion	1,509,688	13,540,312
Jail Renovation	175,925	2,324,375
Jail roof	16,109	675,232
Lake Tyrone	<u>322,562</u>	<u>1,477,438</u>
Total	<u>\$ 2,808,902</u>	<u>\$ 19,031,808</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2014

Note 5 - Interfund Receivables, Payables, Transfers, and Advances

Interfund balances represent routine and temporary cash flow assistance.

The composition of interfund balances is as follows:

Advances

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	\$ 36,304
	Septage Receiving Station Fund	109,927
	Airport Fund	20,000
	Total General Fund	166,231
Delinquent Tax Revolving Fund	Airport Fund	2,087,017
	Septage Receiving Station Fund	312,727
	Total Delinquent Tax Revolving Fund	2,399,744
Nonmajor governmental funds	Internal Service Fund	11,635
Delinquent Tax Revolving Fund	Department of Public Works	44,839
	Total advances	<u>\$ 2,577,610</u>

Interfund Transfers

Transferred To	Transferred From	Amount
General Fund	Nonmajor governmental funds	\$ 73,215
	Delinquent Tax Revolving Fund	2,004,234
	Total General Fund	2,077,449
Nonmajor governmental funds	General Fund	3,299,771
	EMS Fund	609,262
	Delinquent Tax Revolving Fund	1,000,800
	Jail Expansion Fund	284,000
	Total nonmajor governmental funds	5,193,833
	Total operating transfers out	<u>\$ 7,271,282</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2014

Note 5 - 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. The transfer from the Jail Expansion Fund to the Jail Debt Expansion Fund was to transfer monies to cover debt service payments. The transfer from the EMS Fund to the EMS Construction Fund was to transfer monies to complete the EMS building project.

Note 6 - 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%	\$ 8,200,000	\$ -	\$ (310,000)	\$ 7,890,000	\$ 320,000
2005 Mental health refunding bonds	2024	4.00%-5.00%	1,760,000	-	(130,000)	1,630,000	140,000
2005 Building Authority - Mental health refunding bonds	2014	4.25%-5.00%	960,000	-	(960,000)	-	-
Jail Expansion Bonds	2029	2.00%-3.00%	-	14,200,000	-	14,200,000	750,000
Plus premiums on bonds payable			121,524	392,178	(17,374)	496,328	32,627
Total bonds payable			11,041,524	14,592,178	(1,417,374)	24,216,328	1,242,627
Notes payable - Information technology - Cisco			12,714	-	(12,714)	-	-
Other obligations:							
Drain at large assessments			157,500	-	(14,000)	143,500	14,000
Landfill postclosure liability			640,500	-	(160,500)	480,000	80,000
Employee compensated absences			2,329,733	2,354,064	(2,317,345)	2,366,452	2,317,345
Total governmental activities			\$ 14,181,971	\$ 16,946,242	\$ (3,921,933)	\$ 27,206,280	\$ 3,653,972
Business-type Activities							
Regional waste (septage receiving station)	2028	4.00% - 4.25%	\$ 2,575,000	\$ -	\$ (120,000)	\$ 2,455,000	\$ 145,000
Tax notes - 2013	2014	0.30% + LIBOR	2,400,000	-	(2,400,000)	-	-
Tax notes - 2014	2015	0.30% + LIBOR	-	7,000,000	(5,350,000)	1,650,000	1,650,000
Plus premiums on bonds payable			122,515	-	(8,499)	114,016	8,499
Total business-type activities			\$ 5,097,515	\$ 7,000,000	\$ (7,878,499)	\$ 4,219,016	\$ 1,803,499

Livingston County, Michigan

Notes to Financial Statements December 31, 2014

Note 6 - Long-term Debt (Continued)

	Matures	Interest Rate	Beginning Balance	Additions	Reductions/ Adjustments	Ending Balance	Due Within One Year
Component Unit Debt							
Drain Commission districts	2013-2026	1.66%-5.05%	\$ 15,086,440	\$ 170,000	\$ (2,291,000)	\$ 12,965,440	\$ 2,305,000
Department of Public Works	2013-2030	2.00%-6.15%	34,054,615	-	(2,524,615)	31,530,000	2,395,000
Road Commission	2013-2018	3.20%-8.08%	1,286,234	498,245	(137,786)	1,646,693	576,080
Plus premiums on Department of Public Works bonds payable			777,695	-	(60,297)	717,398	60,297
Total component debt			\$ 51,204,984	\$ 668,245	\$ (5,013,698)	\$ 46,859,531	\$ 5,336,377

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
2015	\$ 1,210,000	\$ 629,819	\$ 1,839,819	\$ 1,795,000	\$ 61,300	\$ 1,856,300	\$ 5,276,080	\$ 1,829,557	\$ 7,105,637
2016	1,250,000	602,394	1,852,394	145,000	58,400	203,400	4,806,954	1,606,829	6,413,783
2017	1,290,000	574,344	1,864,344	155,000	55,400	210,400	4,280,266	1,452,027	5,732,293
2018	1,335,000	543,330	1,878,330	155,000	52,300	207,300	4,267,261	1,274,282	5,541,543
2019	1,385,000	509,031	1,894,031	160,000	49,150	209,150	5,006,572	1,093,786	6,100,358
2020-2024	7,635,000	1,963,171	9,598,171	875,000	187,125	1,062,125	15,290,000	2,965,336	18,255,336
2025-2029	7,935,000	859,125	8,794,125	820,000	50,400	870,400	6,160,000	764,838	6,924,838
2029-2033	1,680,000	102,000	1,782,000	-	-	-	1,055,000	27,275	1,082,275
Total	\$ 23,720,000	\$ 5,783,214	\$ 29,503,214	\$ 4,105,000	\$ 514,075	\$ 4,619,075	\$ 46,142,133	\$ 11,013,930	\$ 57,156,063

Debt Issuance - During the year, the County issued Limited Tax General Obligation Capital Improvement Bonds (Jail Expansion Bonds) with a par amount of \$14,200,000 and an original issue premium of \$392,178 with an interest range of 2.50 to 3.00 percent. The proceeds of this bond were used to provide funds for the Livingston County Jail Expansion Project. The net proceeds of the bond issuance were \$14,342,000 (after payment of \$252,178 in underwriting fees, insurance and other issuance costs).

Bond Premiums - The long-term debt issuance of the 2014 Jail Expansion Capital Improvement Bonds resulted in an unamortized bond premium of \$392,178. The unamortized bond premium will be amortized over the life of the respective bonds through the year 2028.

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.

Livingston County, Michigan

Notes to Financial Statements December 31, 2014

Note 6 - 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.

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, 2014, \$4,875,000 of bonds outstanding is considered defeased.

Note 7 - 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, 2014 total \$53,236,269, with annual requirements ranging from \$6,294,833 to \$535,250. The local unit contributions from which the appropriations will be made have averaged approximately \$7.4 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 \$4,655,000 and \$1,891,613, respectively.

Livingston County, Michigan

Notes to Financial Statements December 31, 2014

Note 8 - Fund Balance Constraints

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

	General Fund	EMS Fund	Jail Expansion	Nonmajor Funds	Total
Fund Balances					
Nonspendable:					
Prepaid costs and other assets	\$ 327,662	\$ 132,351	\$ -	\$ 4,552	\$ 464,565
Long-term receivable	166,231	-	-	11,635	177,866
Total	493,893	132,351	-	16,187	642,431
Restricted:					
Health and welfare	-	-	-	3,001,710	3,001,710
Public safety expense	-	-	-	6,852,427	6,852,427
Community and economic development	-	-	-	1,470,908	1,470,908
Debt service	-	-	-	213,977	213,977
Capital projects (unspent bond proceeds)	-	-	12,670,727	-	12,670,727
Total	-	-	12,670,727	11,539,022	24,209,749
Committed:					
EMS construction	-	596,080	-	5,090	601,170
Debt service	2,324,375	-	-	2,013,296	4,337,671
West Complex construction	-	-	-	15,635	15,635
Total	2,324,375	596,080	-	2,034,021	4,954,476
Assigned:					
Future operating requirements	15,000,000	-	-	-	15,000,000
Health and welfare	-	1,524,299	-	982,070	2,506,369
Capital replacement	-	-	-	7,351,097	7,351,097
Total	15,000,000	1,524,299	-	8,333,167	24,857,466
Unassigned	6,684,718	-	-	(120,031)	6,564,687
Total fund balances	<u>\$24,502,986</u>	<u>\$ 2,252,730</u>	<u>\$12,670,727</u>	<u>\$21,802,366</u>	<u>\$61,228,809</u>

Note 9 - 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, 2014

Note 9 - Risk Management (Continued)

At December 31, 2014, the County's Member Retention Fund with the Authority includes approximately \$471,000 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>2014</u>	<u>2013</u>
Unpaid claims - Beginning of year	\$ 812,102	\$ 735,523
Incurred claims	377,041	221,990
Change in incurred but not reported estimate	(43,636)	197,579
Claim payments	<u>(215,327)</u>	<u>(342,990)</u>
Unpaid claims - End of year	<u>\$ 930,180</u>	<u>\$ 812,102</u>

In addition to the claims paid, the County incurred an additional \$1,203,066 for insurance expense for the year ended December 31, 2014.

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. There is no liability for unpaid claims at December 31, 2014.

Note 10 - 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 10 - 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 \$214,582 during the year ended December 31, 2014.

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 contribute 5 percent of MERS eligible compensation to the costs of the plan. All of these defined benefit programs are now closed to new hires. 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 1.25 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, 2014, the County's annual pension cost was \$3,224,192 for the plan. The required contribution to the plan was \$3,358,166. The annual required contribution was determined as part of an actuarial valuation at December 31, 2012 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 13 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 \$2,000,000 contribution above the annual required contribution in 2014 for a total contribution of \$5,358,166.

The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over a period of 26 years and 10 years for negative unfunded accrued liabilities.

Livingston County, Michigan

Notes to Financial Statements December 31, 2014

Note 10 - Defined Benefit Pension Plan (Continued)

For the year ended December 31, 2014, the County's annual pension cost and net pension asset are as follows:

Annual required contribution	\$ 3,358,166
Interest on net pension asset	(462,993)
Adjustment to annual required contribution	<u>329,019</u>
Annual pension cost (APC)	3,224,192
Contributions made	<u>(5,358,166)</u>
Increase in net pension asset	(2,133,974)
Net pension asset - Beginning of year	<u>5,787,413</u>
Net pension asset - End of year	<u>\$ 7,921,387</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
2012	\$ 2,849,419	136 %	\$ 2,762,681	141 %	\$ 4,673,356
2013	3,120,022	132	3,055,966	135	5,787,413
2014	3,358,166	160	3,224,192	166	7,921,387

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
12/31/2011	\$ 75,914,394	\$102,788,649	\$ 26,874,255	74 %	\$ 22,632,843	119 %
12/31/2012	79,875,603	108,155,474	28,279,871	74	22,213,767	127
12/31/2013	84,685,040	114,208,101	29,523,061	74	23,254,390	127

Note 11 - 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, 2014

Note 11 - Defined Benefit Pension Plan - Road Commission (Continued)

Annual Pension Cost - During the fiscal year ended December 31, 2014, Livingston County Road Commission's contributions totaling \$398,726 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2012. 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 26 years.

Schedule of Employer Contributions

Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 397,350	100 %	\$ -
2013	397,166	100	-
2014	398,726	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
12/31/2012	\$ 16,958,334	\$ 18,735,384	\$ 1,777,050	91 %	\$ 3,336,207	53 %
12/31/2013	17,420,587	19,839,195	2,418,608	88	3,568,710	68
12/31/2014	17,803,008	21,075,225	3,272,217	85	3,645,812	90

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

Note 12 - 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, 2014

Note 12 - 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 199 members, including 49 employees in active service and 150 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. Those who retired after December 31, 2014 will be responsible for paying the same rate as the active bargaining unit members. For elected officials and non-union employees, the County and eligible participants will share health insurance costs as follows:

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

Note 12 - Other Postemployment Benefits (Continued)

Beginning January 1, 2009, nonunion members and their spouses or beneficiaries and beginning January 1, 2015 those who retired from the sheriff's collective bargaining after December 31, 2014 will 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. Also, those who retired from the sheriff's collective bargaining unit after December 31, 2014 after age 65 will receive an annual payment of \$300 for single-person coverage and \$600 for two-person coverage.

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's December 31, 2012 actuary valuation reflects the plan changes to the sheriff (lieutenants and deputies) unions as noted above.

Livingston County, Michigan

Notes to Financial Statements December 31, 2014

Note 12 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended December 31, 2014, the County has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2012. 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 24 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual OPEB cost - Annual required contribution	\$ 1,465,222
Interest on the prior year's net OPEB asset	(56,662)
Less adjustment to the annual required contribution	<u>43,394</u>
Annual OPEB cost	1,451,954
Amounts contributed - Payments of current premiums	<u>1,012,605</u>
Decrease in net OPEB asset	439,349
OPEB asset - Beginning of year	<u>809,437</u>
OPEB asset - End of year	<u><u>\$ 370,088</u></u>

The net OPEB asset is reported in the following:

Primary government:	
Governmental activities	\$ 330,249
Business-type activities	<u>24,532</u>
Total primary government	354,781
Component units	<u>15,307</u>
Total net OPEB asset	<u><u>\$ 370,088</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, 2014, 2013, and 2012 were as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual OPEB costs	\$ 1,451,954	\$ 1,280,884	\$ 1,236,652
Percentage contributed	70 %	63 %	53 %
Net OPEB asset	\$ 370,088	\$ 809,437	\$ 1,278,900

Livingston County, Michigan

Notes to Financial Statements December 31, 2014

Note 12 - 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			
	2012		2010	2008
	Union	Nonunion	Total	Total
Present value of future benefit payments	\$ 22,874,445	\$ 3,616,755	\$ 25,117,936	\$ 34,543,511
Actuarial value of assets	\$ 6,413,729	\$ 5,473,020	\$ 11,260,991	\$ 8,420,707
Actuarial accrued liability (AAL)	\$ 18,582,943	\$ 3,587,734	\$ 21,124,919	\$ 27,403,425
Unfunded AAL (UAAL)	\$ 12,169,214	\$ (1,885,286)	\$ 9,863,928	\$ 18,982,718
Funded ratio	35%	152%	53%	31%
Annual covered payroll	\$ 3,827,319	\$ 389,679	\$ 3,419,799	\$ 9,646,911
Ratio of UAAL to covered payroll	318%	-484%	153%	197%

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.

In the December 31, 2012 actuarial valuation, the entry age normal level percent of pay actuarial cost method was used. The actuarial assumptions included a 7.0 percent investment rate of return (net of administrative expenses) for all groups, 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. The rate includes 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 over 12 years based on a closed group for nonunion participants and as a level dollar amount over 24 years on a closed group for all other groups at December 31, 2012.

Note 12 - Other Postemployment Benefits (Continued)

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

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 healthcare 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 \$610 per year (prorated); beginning with the sixth year of service with the County until termination of participation - up to \$1,831 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.

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 \$530,442 during the year ended December 31, 2014.

Livingston County, Michigan

Notes to Financial Statements December 31, 2014

Note 13 - 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:

2014 annual required contribution	\$ 360,417
Interest on the prior year's net OPEB obligation	77,137
Less adjustment to the annual required contribution	<u>(64,281)</u>
Annual OPEB cost	373,273
Payments of current premiums	<u>(256,602)</u>
Increase in net OPEB obligation	116,671
OPEB obligation - Beginning of year	<u>1,928,425</u>
OPEB obligation - End of year	<u>\$ 2,045,096</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2014

Note 13 - 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, 2014 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of OPEB Costs Contributed	Net OPEB Obligation
12/31/14	\$ 373,273	68.70	\$ 2,045,096
12/31/13	421,109	58.92	1,928,425
12/31/12	402,090	62.33	1,755,445

The funded status of the OPEB obligation per the three 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
12/31/12	-	6,538,689	6,538,689	-	3,336,207	196.0

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

Note 14 - Subsequent Events

In May 2015, the County sold general obligation limited tax notes in the amount of \$6,000,000. The initial interest rate on the variable rate notes was at the rate of the 30-day LIBOR plus 1.00 percent. The bonds will mature on October 1, 2016.

Note 15 - Upcoming Accounting Pronouncements

In June 2012, the Government Accounting Standards Board (GASB) issued GASB 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.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued in June 2015. This new accounting standard addresses reporting by Postemployment Benefit Plans other than pensions (OPEB) that administer defined benefit OPEB benefits on behalf of governments. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. The provisions of this new standard are effective for financial statements for fiscal years beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the County to recognize on the face of the financial statements its net OPEB liability related to its participation in the Livingston County Retiree Health Care Plan. 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 the County's financial statements for the year ending December 31, 2018.

Livingston County, Michigan

Notes to Financial Statements December 31, 2014

Note 15 - Upcoming Accounting Pronouncements (Continued)

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The County is currently evaluating the impact this standard will have on the financial statements when adopted, during the County's 2016 fiscal year.

Required Supplemental Information

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 25,851,523	\$ 25,741,273	\$ 26,001,750	\$ 260,477
Licenses and permits	405,100	405,100	444,402	39,302
Federal grants	48,500	21,428	42,210	20,782
State sources	4,773,864	4,771,364	5,184,564	413,200
Charges for services	6,312,703	5,849,328	5,871,487	22,159
Fines and forfeitures	427,500	424,500	317,959	(106,541)
Interest and rent	102,500	215,250	171,958	(43,292)
Rental income	2,880	167,380	201,822	34,442
Other	1,563,001	2,401,528	2,531,635	130,107
Total revenue	39,487,571	39,997,151	40,767,787	770,636
Expenditures - Current				
General government:				
Board of Commissioners	486,874	509,394	506,541	2,853
County administration	555,595	582,065	574,318	7,747
Purchasing	197,386	204,112	186,023	18,089
Internal/External audit	125,000	120,444	106,391	14,053
Information technology	360,835	365,412	267,362	98,050
Treasurer	(70,027)	965,656	927,416	38,240
Equalization	462,980	474,579	448,457	26,122
Clerk	1,167,488	1,211,009	1,197,896	13,113
Elections	141,121	128,121	98,638	29,483
Buildings and grounds	17,208	17,208	17,208	-
Attorney	200,000	200,000	203,438	(3,438)
Human resources	516,799	597,461	597,281	180
Register of Deeds	652,362	667,464	646,827	20,637
Insurance and other functions	3,536,907	4,130,718	3,971,547	159,171
Total general government	8,350,528	10,173,643	9,749,343	424,300
Court systems	9,498,622	9,667,951	9,566,168	101,783
Public safety - Sheriff and jail	14,111,017	15,238,378	15,197,127	41,251
Health and welfare	1,826,653	2,037,004	2,006,743	30,261
Economic development	3,485,623	3,701,666	3,677,109	24,557
Total expenditures	37,272,443	40,818,642	40,196,490	622,152
Excess of Revenue Over (Under) Expenditures	2,215,128	(821,491)	571,297	1,392,788
Other Financing Sources (Uses)				
Operating transfers in	394,220	2,467,370	2,447,212	(20,158)
Operating transfers out	(3,173,727)	(3,283,966)	(3,299,771)	(15,805)
Total other financing uses	(2,779,507)	(816,596)	(852,559)	(35,963)
Net Change in Fund Balance	(564,379)	(1,638,087)	(281,262)	1,356,825
Fund Balance - Beginning of year	24,784,248	24,784,248	24,784,248	-
Fund Balance - End of year	\$ 24,219,869	\$ 23,146,161	\$ 24,502,986	\$ 1,356,825

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds EMS Fund Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 2,211,743	\$ 2,211,743	\$ 2,239,538	\$ 27,795
Charges for services	6,284,556	6,411,018	6,475,879	64,861
Interest and rent	-	-	3,707	3,707
Rental income	295,347	295,347	347,503	52,156
Other	-	-	138,607	138,607
Total revenue	<u>8,791,646</u>	<u>8,918,108</u>	<u>9,205,234</u>	<u>287,126</u>
Expenditures - Current - Health and welfare	<u>7,911,317</u>	<u>8,324,683</u>	<u>8,399,532</u>	<u>(74,849)</u>
Excess of Revenue Over Expenditures	880,329	593,425	805,702	212,277
Other Financing Uses - Operating transfers out	<u>(787,908)</u>	<u>(787,908)</u>	<u>(894,483)</u>	<u>(106,575)</u>
Net Change in Fund Balance	92,421	(194,483)	(88,781)	105,702
Fund Balance - Beginning of year	<u>2,341,511</u>	<u>2,341,511</u>	<u>2,341,511</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 2,433,932</u></u>	<u><u>\$ 2,147,028</u></u>	<u><u>\$ 2,252,730</u></u>	<u><u>\$ 105,702</u></u>

Livingston County, Michigan

Required Supplemental Information Pension System Schedule Year Ended December 31, 2014

The schedule of funding progress 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
12/31/11	\$ 75,914,394	\$102,788,649	\$ 26,874,255	73.9	\$ 22,632,843	118.7
12/31/12	79,875,603	108,155,474	28,279,871	73.9	22,213,767	127.3
12/31/13	84,685,040	114,208,101	29,523,061	74.1	23,254,390	127.0

Livingston County, Michigan

Required Supplemental Information OPEB System Schedule Year Ended December 31, 2014

The schedule of funding progress 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
12/31/08	\$ 8,420,707	\$ 27,403,425	\$ 18,982,718	30.7	\$ 9,646,911	196.8
12/31/10	11,260,991	21,124,919	9,863,928	53.3	3,419,799	288.4
12/31/12	11,886,749	22,170,677	10,283,928	53.6	4,216,998	243.9

Livingston County, Michigan

Note to Required Supplemental Information December 31, 2014

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, except that reimbursements have been included as "other finance sources (uses)," rather than in the "revenue" and "expenditures" categories.

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 \$25,000. Department directors, elected officials, or their designee, are authorized to transfer budgeted funds, with a net change effect of zero between certain available object codes within their department organization code. All budget transfer requests are monitored and posted by County administration.

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

- Projected revenue and/or expenditures were adjusted to reflect actual collection and expenditure activity.
- Projected expenditures were adjusted for delayed or unanticipated expenses that arose.
- Recognize new grants and revisions to existing grant awards
- Renovations to the jail and improvements to the animal control building
- Additional payment to pension to reduce unfunded liabilities
- 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 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 late spring 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.

Livingston County, Michigan

Note to Required Supplemental Information (Continued) December 31, 2014

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

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

In October, County administration finance reviews and analyzes the department budget requests and makes recommendations to present to the Board subcommittees. Board subcommittee meetings are held with the departments to review requests and potentially make modifications. In the fall, the budget plan is compiled and the County Administrator distributes or makes available the recommended budget plan to the Board of Commissioners, elected officials, and department heads.

During November, 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.

A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Total Other Financing Sources (Uses)</u>
General Fund			
Amounts per operating statement	\$ 39,064,812	\$ 38,123,752	\$ (1,222,322)
Reimbursements from other funds budgeted as transfers	-	369,763	369,763
Reimbursements from other funds are budgeted as revenue instead of net of expenditures	<u>1,702,975</u>	<u>1,702,975</u>	<u>-</u>
Amounts per budget statement	<u>\$ 40,767,787</u>	<u>\$ 40,196,490</u>	<u>\$ (852,559)</u>

Livingston County, Michigan

Note to Required Supplemental Information (Continued) December 31, 2014

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Other Financing Sources</u>
EMS Fund			
Amounts per operating statement	\$ 9,205,234	\$ 8,684,753	\$ 609,262
Reimbursements from other funds budgeted as transfers	<u>-</u>	<u>(285,221)</u>	<u>285,221</u>
Amounts per budget statement	<u>\$ 9,205,234</u>	<u>\$ 8,399,532</u>	<u>\$ 894,483</u>

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>	<u>Variance</u>
General Fund - General government - Attorney	\$ 200,000	\$ 203,438	\$ (3,438)
General Fund - Operating transfers out	3,283,966	3,299,771	(15,805)
EMS Fund - Health and welfare	8,324,683	8,399,532	(74,849)
EMS Fund - Operating transfers out	787,908	894,483	(106,575)

Other Supplemental Information

Livingston County, Michigan



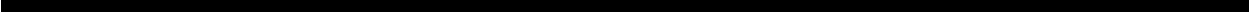
Special Revenue Funds							
	Job Training Services	Health Fund	Community Development Block Grant OLHSA	Child Care	Family Counseling	Friend of the Court	Small Cities Community Development Block Grant
Assets							
Cash and investments	\$ -	\$ 1,037,619	\$ 28,961	\$ 1,565,840	\$ 65,249	\$ 320,258	\$ 150,000
Receivables:							
Taxes	-	-	-	-	-	-	-
Accounts	-	11,111	930,372	-	-	1,521	-
Accrued interest receivable	-	-	10	-	-	1	1,137
Due from other governmental units	864,896	192,597	-	183	-	208,580	-
Advances to other funds	-	-	-	-	-	-	-
Prepaid costs and other assets	2,228	890	-	-	-	-	-
Total assets	\$ 867,124	\$ 1,242,217	\$ 959,343	\$ 1,566,023	\$ 65,249	\$ 530,360	\$ 151,137
Liabilities							
Accounts payable	\$ 575,714	\$ 24,849	\$ -	\$ 133,736	\$ 270	\$ 8,342	\$ -
Due to other governmental units	6,950	5,776	-	131,660	-	-	-
Advances from other funds	36,304	-	-	-	-	-	-
Accrued and other liabilities	10,337	69,499	-	5,421	-	48,152	-
Unearned revenue	-	-	911,876	-	-	-	-
Total liabilities	629,305	100,124	911,876	270,817	270	56,494	-
Deferred Inflows of Resources							
Unavailable revenue	41,071	159,133	18,497	183	-	125,410	-
Property taxes levied for the following year	-	-	-	-	-	-	-
Total deferred inflows of resources	41,071	159,133	18,497	183	-	125,410	-
Fund Balances							
Nonspendable	2,228	890	-	-	-	-	-
Restricted	194,520	-	28,970	1,295,023	64,979	348,456	151,137
Committed	-	-	-	-	-	-	-
Assigned	-	982,070	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	196,748	982,960	28,970	1,295,023	64,979	348,456	151,137
Total liabilities, deferred inflows of resources, and fund balances	\$ 867,124	\$ 1,242,217	\$ 959,343	\$ 1,566,023	\$ 65,249	\$ 530,360	\$ 151,137

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2014**

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
\$ 1,228,620	\$ 4,902	\$ 70,597	\$ 22,112	\$ 36,835	\$ 27,308	\$ 11,293	\$ 21,408	\$ 118,809	\$ 3,560
-	-	-	-	-	-	-	-	381,849	-
10	-	-	-	-	-	-	-	1	-
60,893	-	-	-	-	-	49,426	-	-	-
-	-	1,434	-	-	-	-	-	-	-
\$ 1,289,523	\$ 4,902	\$ 72,031	\$ 22,112	\$ 36,835	\$ 27,308	\$ 60,719	\$ 21,408	\$ 500,659	\$ 3,560
\$ 14,200	\$ -	\$ -	\$ -	\$ -	\$ 804	\$ 3,038	\$ 1,110	\$ 1,612	\$ 2,338
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	3,986	-	-	-
-	-	-	-	-	-	-	-	-	-
14,200	-	-	-	-	804	7,024	1,110	1,612	2,338
60,893	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	381,849	-
60,893	-	-	-	-	-	-	-	381,849	-
-	-	1,434	-	-	-	-	-	-	-
1,214,430	4,902	70,597	22,112	36,835	26,504	53,695	20,298	117,198	1,222
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1,214,430	4,902	72,031	22,112	36,835	26,504	53,695	20,298	117,198	1,222
\$ 1,289,523	\$ 4,902	\$ 72,031	\$ 22,112	\$ 36,835	\$ 27,308	\$ 60,719	\$ 21,408	\$ 500,659	\$ 3,560

Livingston County, Michigan



Special Revenue Funds							
	Register of Deeds	Federal Equitable Sharing Fund	Homestead Property Exemption Fund	Correction Officers Training	Federal Grants	State and Other Grants	911 Services Fund
Assets							
Cash and investments	\$ 1,308,494	\$ 141,167	\$ 23,482	\$ -	\$ 160,556	\$ -	\$ 5,105,467
Receivables:							
Taxes	-	-	-	-	-	-	-
Accounts	-	600	-	6,187	-	-	1,049,278
Accrued interest receivable	-	-	-	-	-	-	82
Due from other governmental units	-	-	-	-	100,861	350,863	105,071
Advances to other funds	-	-	-	-	-	-	-
Prepaid costs and other assets	-	-	-	-	-	-	-
Total assets	\$ 1,308,494	\$ 141,767	\$ 23,482	\$ 6,187	\$ 261,417	\$ 350,863	\$ 6,259,898
Liabilities							
Accounts payable	\$ 24	\$ -	\$ -	\$ 2,113	\$ 21,676	\$ 209,994	\$ 212,125
Due to other governmental units	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-
Accrued and other liabilities	-	6,680	-	-	5,473	16,206	73,945
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	24	6,680	-	2,113	27,149	226,200	286,070
Deferred Inflows of Resources							
Unavailable revenue	-	-	-	-	23,051	244,694	8,376
Property taxes levied for the following year	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	23,051	244,694	8,376
Fund Balances							
Nonspendable	-	-	-	-	-	-	-
Restricted	1,308,470	135,087	23,482	4,074	211,217	-	5,965,452
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(120,031)	-
Total fund balances	1,308,470	135,087	23,482	4,074	211,217	(120,031)	5,965,452
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,308,494	\$ 141,767	\$ 23,482	\$ 6,187	\$ 261,417	\$ 350,863	\$ 6,259,898

**Other Supplemental Information
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
December 31, 2014**

Debt Service Funds				Capital Projects Funds				Permanent Fund	Total Nonmajor Governmental Funds
Debt Service Sinking Fund	Refunding Building Authority Mental Health Bonds	EMS Debt Fund	Jail Expansion Debt Service	Capital Replacement	EMS Construction	West Complex Construction Fund	Jail Renovation Fund	Cemetery Trust	
\$ 2,013,277	\$ 11,791	\$ 617	\$ 201,567	\$ 7,331,114	\$ 9,692	\$ 15,635	\$ 13,290	\$ 26,445	\$ 21,075,965
-	-	-	-	-	-	-	-	-	381,849
-	-	-	-	-	5,090	-	-	-	2,004,159
19	-	-	2	6,456	-	-	-	-	7,718
-	-	-	-	-	-	-	-	-	1,933,370
-	-	-	-	11,635	-	-	-	-	11,635
-	-	-	-	13,527	-	-	-	-	18,079
\$ 2,013,296	\$ 11,791	\$ 617	\$ 201,569	\$ 7,362,732	\$ 14,782	\$ 15,635	\$ 13,290	\$ 26,445	\$ 25,432,775
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,290	\$ -	\$ 1,225,235
-	-	-	-	-	-	-	-	60	144,446
-	-	-	-	-	-	-	-	-	36,304
-	-	-	-	-	9,692	-	-	-	249,391
-	-	-	-	-	-	-	-	-	911,876
-	-	-	-	-	9,692	-	13,290	60	2,567,252
-	-	-	-	-	-	-	-	-	681,308
-	-	-	-	-	-	-	-	-	381,849
-	-	-	-	-	-	-	-	-	1,063,157
-	-	-	-	11,635	-	-	-	-	16,187
-	11,791	617	201,569	-	-	-	-	26,385	11,539,022
2,013,296	-	-	-	-	5,090	15,635	-	-	2,034,021
-	-	-	-	7,351,097	-	-	-	-	8,333,167
-	-	-	-	-	-	-	-	-	(120,031)
2,013,296	11,791	617	201,569	7,362,732	5,090	15,635	-	26,385	21,802,366
\$ 2,013,296	\$ 11,791	\$ 617	\$ 201,569	\$ 7,362,732	\$ 14,782	\$ 15,635	\$ 13,290	\$ 26,445	\$ 25,432,775

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	-	170,221	-	-	-	-	-
Federal sources	2,592,070	807,015	-	-	-	1,114,626	-
State sources	325,195	853,355	-	872,986	-	136,139	-
Charges for services	18,977	1,289,675	-	207,673	16,703	156,075	-
Interest earned	-	-	534	-	-	184	8,017
Rental income	-	-	-	-	-	-	-
Contributions from local units and other	-	-	3,851	-	-	4,090	-
Total revenue	2,936,242	3,120,266	4,385	1,080,659	16,703	1,411,114	8,017
Expenditures							
Current:							
General government	-	-	-	-	-	-	-
Court systems	-	-	-	2,371,702	6,271	2,247,892	-
Public safety	-	-	-	-	-	-	-
Health and welfare	2,954,743	3,554,670	20,163	-	-	-	-
Economic development	-	-	-	-	-	-	434,933
Capital outlay	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	2,954,743	3,554,670	20,163	2,371,702	6,271	2,247,892	434,933
Excess of Revenue (Under) Over Expenditures	(18,501)	(434,404)	(15,778)	(1,291,043)	10,432	(836,778)	(426,916)
Other Financing Sources (Uses)							
Operating transfers in	-	438,684	-	1,140,108	-	644,064	-
Operating transfers out	-	(67,450)	-	-	-	-	-
Total other financing sources (uses)	-	371,234	-	1,140,108	-	644,064	-
Net Change in Fund Balances	(18,501)	(63,170)	(15,778)	(150,935)	10,432	(192,714)	(426,916)
Fund Balances (as restated) - Beginning of year	215,249	1,046,130	44,748	1,445,958	54,547	541,170	578,053
Fund Balances - End of year	\$ 196,748	\$ 982,960	\$ 28,970	\$ 1,295,023	\$ 64,979	\$ 348,456	\$ 151,137

**Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2014**

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 375,175	\$ -
-	-	-	-	-	-	-	-	-	-
79,063	-	-	-	-	-	177,549	83	-	2,913
69,485	-	-	-	-	-	3,768	182	-	-
1,701	-	-	-	-	13	-	-	393	-
-	-	-	-	-	-	10,200	-	-	-
-	2,332	24,727	-	3,856	6,500	-	-	-	-
150,249	2,332	24,727	-	3,856	6,513	191,517	265	375,568	2,913
134,356	-	-	-	-	-	-	-	-	-
-	3,100	-	-	-	6,600	-	-	-	-
-	-	127,778	314	-	-	195,940	-	-	-
-	-	-	-	-	-	-	10,128	384,506	2,538
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
134,356	3,100	127,778	314	-	6,600	195,940	10,128	384,506	2,538
15,893	(768)	(103,051)	(314)	3,856	(87)	(4,423)	(9,863)	(8,938)	375
-	-	-	-	-	-	11,871	9,000	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	11,871	9,000	-	-
15,893	(768)	(103,051)	(314)	3,856	(87)	7,448	(863)	(8,938)	375
1,198,537	5,670	175,082	22,426	32,979	26,591	46,247	21,161	126,136	847
\$ 1,214,430	\$ 4,902	\$ 72,031	\$ 22,112	\$ 36,835	\$ 26,504	\$ 53,695	\$ 20,298	\$ 117,198	\$ 1,222

Livingston County, Michigan

Special Revenue Funds

	Register of Deeds	Federal Equitable Sharing Fund	Homestead Property Exemption Fund	Correction Officers Training	Federal Grants	State and Other Grants	911 Services Fund
Revenue							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Federal sources	-	194,200	-	-	314,833	-	220,430
State sources	-	-	-	-	-	526,253	402,558
Charges for services	195,820	-	-	24,274	-	-	4,211,806
Interest earned	1,601	410	4,647	-	-	-	7,265
Rental income	-	-	-	-	-	-	-
Contributions from local units and other	-	10,155	-	-	-	-	8,382
Total revenue	197,421	204,765	4,647	24,274	314,833	526,253	4,850,441
Expenditures							
Current:							
General government	88,350	-	1,225	-	-	8,492	-
Court systems	-	-	-	-	378,757	478,913	-
Public safety	-	196,336	-	31,095	15,001	252,529	3,907,741
Health and welfare	-	-	-	-	-	7,780	-
Economic development	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	88,350	196,336	1,225	31,095	393,758	747,714	3,907,741
Excess of Revenue (Under) Over Expenditures	109,071	8,429	3,422	(6,821)	(78,925)	(221,461)	942,700
Other Financing Sources (Uses)							
Operating transfers in	-	-	-	-	68,551	144,368	-
Operating transfers out	-	-	(5,765)	-	-	-	-
Total other financing sources (uses)	-	-	(5,765)	-	68,551	144,368	-
Net Change in Fund Balances	109,071	8,429	(2,343)	(6,821)	(10,374)	(77,093)	942,700
Fund Balances (as restated) - Beginning of year	1,199,399	126,658	25,825	10,895	221,591	(42,938)	5,022,752
Fund Balances - End of year	\$ 1,308,470	\$ 135,087	\$ 23,482	\$ 4,074	\$ 211,217	\$ (120,031)	\$ 5,965,452

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
Year Ended December 31, 2014**

Debt Service Funds				Capital Projects Funds				Permanent Fund		Total Nonmajor Governmental Funds
Debt Service Sinking Fund	Refunding Building Authority Mental Health Bonds	EMS Debt Fund	Jail Expansion Debt Service	Capital Replacement	EMS Construction	West Complex Construction Fund	Jail Renovation Fund	Cemetery Trust		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 375,175	
-	-	-	-	-	-	-	-	-	170,221	
-	-	-	-	-	-	-	-	-	5,243,174	
-	-	-	-	-	-	-	-	-	3,376,094	
-	-	-	-	-	-	-	-	-	6,194,438	
3,365	1	-	2	17,432	1	-	-	-	45,566	
-	-	-	-	-	-	-	-	-	10,200	
-	203,806	-	-	-	-	-	-	-	267,699	
<u>3,365</u>	<u>203,807</u>	<u>-</u>	<u>2</u>	<u>17,432</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,682,567</u>	
-	-	-	-	-	-	-	-	-	232,423	
-	-	-	-	-	-	-	-	-	5,493,235	
-	-	-	-	386,292	-	-	-	-	5,113,026	
-	-	-	-	-	-	-	-	-	6,934,528	
-	-	-	-	-	-	-	-	-	434,933	
-	-	-	-	-	104,584	-	175,625	-	280,209	
-	1,090,000	310,000	-	-	-	-	-	-	1,400,000	
-	114,606	190,238	82,433	-	-	-	-	-	387,277	
<u>-</u>	<u>1,204,606</u>	<u>500,238</u>	<u>82,433</u>	<u>386,292</u>	<u>104,584</u>	<u>-</u>	<u>175,625</u>	<u>-</u>	<u>20,275,631</u>	
3,365	(1,000,799)	(500,238)	(82,431)	(368,860)	(104,583)	-	(175,625)	-	(4,593,064)	
-	1,000,800	500,069	284,000	667,500	109,193	-	175,625	-	5,193,833	
-	-	-	-	-	-	-	-	-	(73,215)	
<u>-</u>	<u>1,000,800</u>	<u>500,069</u>	<u>284,000</u>	<u>667,500</u>	<u>109,193</u>	<u>-</u>	<u>175,625</u>	<u>-</u>	<u>5,120,618</u>	
3,365	1	(169)	201,569	298,640	4,610	-	-	-	527,554	
2,009,931	11,790	786	-	7,064,092	480	15,635	-	26,385	21,274,812	
<u>\$ 2,013,296</u>	<u>\$ 11,791</u>	<u>\$ 617</u>	<u>\$ 201,569</u>	<u>\$ 7,362,732</u>	<u>\$ 5,090</u>	<u>\$ 15,635</u>	<u>\$ -</u>	<u>\$ 26,385</u>	<u>\$ 21,802,366</u>	

Livingston County, Michigan

Other Supplemental Information Combining Statement of Net Position Internal Service Funds December 31, 2014

	Building Services	Information Technology	Carpool	Benefits	Total
Assets					
Current assets:					
Cash and investments	\$ 635,670	\$ -	\$ 1,311,183	\$ 4,989,735	\$ 6,936,588
Accounts receivable	46,612	22,957	20,475	-	90,044
Inventory	27,192	-	10,316	-	37,508
Prepaid costs and other assets	-	404,680	-	-	404,680
Total current assets	709,474	427,637	1,341,974	4,989,735	7,468,820
Noncurrent assets:					
Net OPEB asset	7,950	10,127	578	-	18,655
Capital assets - Net	447,575	538,091	823,691	-	1,809,357
Total noncurrent assets	455,525	548,218	824,269	-	1,828,012
Total assets	1,164,999	975,855	2,166,243	4,989,735	9,296,832
Liabilities					
Current liabilities:					
Accounts payable	106,053	233,083	66,975	128,804	534,915
Accrued liabilities and other	81,289	90,631	1,507	41,700	215,127
Total current liabilities	187,342	323,714	68,482	170,504	750,042
Noncurrent liabilities -					
Advances from other funds	-	11,635	-	-	11,635
Total liabilities	187,342	335,349	68,482	170,504	761,677
Net Position					
Net investment in capital assets	447,575	538,091	823,691	-	1,809,357
Unrestricted	530,082	102,415	1,274,070	4,819,231	6,725,798
Total net position	\$ 977,657	\$ 640,506	\$ 2,097,761	\$ 4,819,231	\$ 8,535,155

Livingston County, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended December 31, 2014

	Building Services	Information Technology	Carpool	Benefits	Total
Operating Revenue - Charges for services	\$ 2,189,672	\$ 3,189,085	\$ 1,383,623	\$ 8,687,064	\$15,449,444
Operating Expenses					
Personnel	1,083,090	1,189,661	65,141	7,632,990	9,970,882
Operating expenses	1,261,079	1,893,044	957,727	-	4,111,850
Depreciation	22,913	572,293	301,861	-	897,067
Total operating expenses	<u>2,367,082</u>	<u>3,654,998</u>	<u>1,324,729</u>	<u>7,632,990</u>	<u>14,979,799</u>
Operating (Loss) Income	(177,410)	(465,913)	58,894	1,054,074	469,645
Nonoperating Revenue - Gain on sale of assets	<u>-</u>	<u>3,721</u>	<u>21,926</u>	<u>-</u>	<u>25,647</u>
Change in Net Position	(177,410)	(462,192)	80,820	1,054,074	495,292
Net Position - Beginning of year	<u>1,155,067</u>	<u>1,102,698</u>	<u>2,016,941</u>	<u>3,765,157</u>	<u>8,039,863</u>
Net Position - End of year	<u><u>\$ 977,657</u></u>	<u><u>\$ 640,506</u></u>	<u><u>\$2,097,761</u></u>	<u><u>\$4,819,231</u></u>	<u><u>\$8,535,155</u></u>

Livingston County, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended December 31, 2014

	Building Services	Information Technology	Carpool	Benefits	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 233,217	\$ 111,920	\$ -	\$ -	\$ 345,137
Receipts from interfund services and reimbursements	1,947,192	3,069,926	1,364,388	8,687,064	15,068,570
Payments to suppliers	(1,361,599)	(1,960,068)	(972,170)	(50,929)	(4,344,766)
Payments to employees	(1,056,139)	(1,204,772)	(64,360)	(7,651,470)	(9,976,741)
Net cash (used in) provided by operating activities	(237,329)	17,006	327,858	984,665	1,092,200
Cash Flows from Noncapital Financing Activities -					
Repayments of loans from other funds	-	(19,292)	-	-	(19,292)
Cash Flows from Capital and Related Financing Activities					
Proceeds from sales of capital assets	-	3,721	21,924	-	25,645
Purchase of capital assets	(83,609)	(409,689)	(490,481)	-	(983,779)
Principal and interest paid on capital debt	-	(12,714)	-	-	(12,714)
Net cash used in capital and related financing activities	(83,609)	(418,682)	(468,557)	-	(970,848)
Net (Decrease) Increase in Cash and Cash Equivalents	(320,938)	(420,968)	(140,699)	984,665	102,060
Cash and Cash Equivalents - Beginning of year	956,608	420,968	1,451,882	4,005,070	6,834,528
Cash and Cash Equivalents - End of year	\$ 635,670	\$ -	\$ 1,311,183	\$ 4,989,735	\$ 6,936,588
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities					
Operating (loss) income	\$ (177,410)	\$ (465,913)	\$ 58,894	\$ 1,054,074	\$ 469,645
Adjustments to reconcile operating (loss) income to net cash from operating activities:					
Depreciation and amortization	22,913	572,293	301,861	-	897,067
Changes in assets and liabilities:					
Receivables	(9,263)	(7,239)	(19,235)	-	(35,737)
Inventories	(27,192)	-	(10,316)	-	(37,508)
Other assets	9,859	(188,533)	536	-	(178,138)
Accounts payable	(73,328)	134,610	(4,127)	(50,929)	6,226
Accrued and other liabilities	17,092	(28,212)	245	(18,480)	(29,355)
Net cash (used in) provided by operating activities	\$ (237,329)	\$ 17,006	\$ 327,858	\$ 984,665	\$ 1,092,200

Livingston County, Michigan

Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds December 31, 2014

	Agency Funds		
	Trust and Agency	Library Penal Fines	Total Agency Funds
Assets			
Cash and cash equivalents	\$ 3,549,434	\$ 477,630	\$ 4,027,064
Accrued interest receivable	39,415	212	39,627
Total assets	<u>\$ 3,588,849</u>	<u>\$ 477,842</u>	<u>\$ 4,066,691</u>
Liabilities			
Due to other governmental units	\$ 1,407,649	\$ -	\$ 1,407,649
Accrued liabilities and other	2,181,200	477,842	2,659,042
Total liabilities	<u>\$ 3,588,849</u>	<u>\$ 477,842</u>	<u>\$ 4,066,691</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Operating, Nonoperating, and Other Revenue Sources Year Ended December 31, 2014

	January 1, 2014 to September 30, 2014	October 1, 2014 to December 31, 2014	Total
Operating Revenue			
Demand-response - Passenger fares	\$ 101,645	\$ 36,998	\$ 138,643
Special transit fares - Contracts	124,384	43,586	167,970
Other - Sale of fuel to other county departments	8,833	187	9,020
Total operating revenue	<u>\$ 234,862</u>	<u>\$ 80,771</u>	<u>\$ 315,633</u>
Nonoperating Revenue			
Federal operating and capital grants:			
U.S. DOT operating grant - Section 5307 (FY '14 # MI-90-X688 and FY '15 applied for)	\$ 572,767	\$ 249,751	\$ 822,518
U.S. DOT capital grant - Preventative maintenance - Section 5307 (FY '14 # MI-90-X688 and FY '15 applied for)	223,189	62,861	286,050
U.S. DOT capital grant - Equipment - Section 5307 (FY '13 # MI-90-X104 and FY '13 applied for)	2,032	-	2,032
Other federal grants - CMAQ Grant	-	69,854	69,854
State operating and capital grants:			
State operating reconciliations - Prior year overpayments	18,004	3,608	21,612
State capital match - Equipment (PA # 2012-0118/P12)	-	17,463	17,463
State capital match - Equipment (PA # 2012-0118/P11)	508	-	508
State preventative maintenance match (PA # 2012-0118/P3)	56,029	15,715	71,744
Transit operating assistance	610,019	190,626	800,645
Total nonoperating revenue	<u>\$ 1,482,548</u>	<u>\$ 609,878</u>	<u>\$ 2,092,426</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Operating, Nonoperating, and Other Revenue Sources - JARC Year Ended December 31, 2014

	January 1, 2014 to September 30, 2014	October 1, 2014 to December 31, 2014	<u>Total</u>	
Operating Revenue				
Demand-response - Passenger fares	\$ 7,760	\$ 2,022	\$ 9,782	
U.S. DOT operating grant - (PA# 2012-0188/P6) ('14)	14,151	-	14,151	A
State operating and capital grants:				
Transportation to Work (PA #2012-0118/P17) ('15)	-	19,416	19,416	A
State of MI operating grant - (PA #2012-0118/P6) ('14)	<u>54,084</u>	<u>-</u>	<u>54,084</u>	A
Total operating revenue	<u>\$ 75,995</u>	<u>\$ 21,438</u>	<u>\$ 97,433</u>	

A JARC operating grants are included in nonoperating revenue in the proprietary funds statement of revenue, expenses, and changes in net position.

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Operating Expenses Year Ended December 31, 2014

	General					Total
	Operations	Dispatch	Maintenance	Administration	JARC	
Labor	\$ 879,534	\$ 146,486	\$ 40,006	\$ 91,378	\$ 60,257	\$ 1,217,661
Pension	94,880	18,244	6,093	24,215	10,767	154,199
Other fringe benefits	222,157	50,974	33,108	33,991	12,424	352,654
Advertising	-	-	-	230	-	230
Services	330,943	-	226,568	89,184	5,231	651,926
Materials and supplies consumed:						
Fuel and lubricants	229,795	-	-	-	3,579	233,374
Tires and tubes	24,795	-	-	-	689	25,484
Other materials and supplies	298	-	33,020	2,694	531	36,543
Utilities	-	-	-	55,129	975	56,104
Depreciation	164,324	-	-	-	9,319	173,643
Casualty and liability costs	1,506	-	-	-	-	1,506
Miscellaneous	(831)	155	5,026	6,851	132	11,333
OPEB cost	-	-	-	38,176	-	38,176
Operating leases and rentals	19,349	-	13,926	17,170	2,668	53,113
Total operating expenses	1,966,750	215,859	357,747	359,018	106,572	3,005,946
Ineligible expenses:						
Revenue associated with fuel sold to county departments	9,020	-	-	-	-	9,020
Association dues	-	-	-	145	-	145
Depreciation	164,324	-	-	-	9,319	173,643
Ineligible farebox revenue	-	-	-	-	9,782	9,782
Ineligible MPTA dues	-	-	-	-	8	8
OPEB Cost Retiree Health Care	-	-	-	10,541	-	10,541
U.S. DOT capital grant - Preventative maintenance Section 5307 FY '14 (MI-90-X688)	-	-	223,188	-	-	223,188
U.S. DOT capital grant - Preventative maintenance Section 5307 (FY '15 Grant # Applied For)	-	-	62,861	-	-	62,861
State of MI capital grant - Preventative maintenance Section 5307 (PA # 2012-0118/P15)	-	-	71,698	-	-	71,698
Total ineligible expenses	173,344	-	357,747	10,686	19,109	560,886
Total eligible expenses	\$ 1,793,406	\$ 215,859	\$ -	\$ 348,332	\$ 87,463	\$ 2,445,060

1. LETS subtracts out 100 percent of its depreciation expense.

2. Expenses associated with charter services and the sale of fuel are subtracted out as ineligible. There are no other 406 and 407 expenses that are required to be subtracted out as ineligible.

3. LETS has four cost allocation plans that have been approved by OPT. Those are JARC services, charter services, rent, and sale of fuel. LETS no longer rents to EMS, and thus the rent allocation was not used in the preparation of the financial statements. The approved cost allocation plans for JARC services, charter services, and sale of fuel were adhered to in the preparation of the financial statements.

4. No capital funds were used to pay for operating expenses, thus no ineligible expenses associated with such are subtracted out.

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Net Eligible Cost Computations of General Operations Year Ended December 31, 2014

	January 1, 2014 to September 30, 2014	October 1, 2014 to December 31, 2014	Total
Labor	\$ 860,210	\$ 297,194	\$ 1,157,404
Pension	98,263	45,169	143,432
Other fringe benefits	248,596	91,634	340,230
Advertising	230	-	230
Services	555,814	90,882	646,696
Materials and supplies consumed:			
Fuel and lubricants	195,137	34,658	229,795
Tires and tubes	10,760	14,035	24,795
Other materials and supplies	27,379	8,632	36,011
Utilities	41,525	13,604	55,129
Casualty and liability costs	1,506	-	1,506
Depreciation	122,386	41,938	164,324
Miscellaneous	8,364	2,837	11,201
OPEB cost	27,635	10,541	38,176
Operating leases and rentals	<u>38,476</u>	<u>11,969</u>	<u>50,445</u>
Total operating expenses	2,236,281	663,093	2,899,374
Ineligible operating expenses:			
Revenue associated with fuel sold to other departments	8,833	187	9,020
Association dues	57	88	145
U.S. DOT capital grant - Preventative maintenance Section 5307	223,188	62,861	286,049
OPEB cost (retiree health care)	9,193	1,348	10,541
State of MI capital grant - Preventative maintenance Section 5307	55,983	15,715	71,698
Depreciation	<u>122,386</u>	<u>41,938</u>	<u>164,324</u>
Total ineligible expenses	<u>419,640</u>	<u>122,137</u>	<u>541,777</u>
Total eligible expenses	<u>\$ 1,816,641</u>	<u>\$ 540,956</u>	<u>\$ 2,357,597</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Net Eligible Cost Computations of General Operations - JARC Year Ended December 31, 2014

	January 1, 2014 to September 30, 2014	October 1, 2014 to December 31, 2014	Total
Labor	\$ 49,822	\$ 10,435	\$ 60,257
Pension	9,181	1,586	10,767
Other fringe benefits	9,207	3,217	12,424
Services	2,040	3,191	5,231
Materials and supplies consumed:			
Fuel and lubricants	2,362	1,217	3,579
Tires and tubes	196	493	689
Other materials and supplies	228	303	531
Utilities	497	478	975
Depreciation	7,846	1,473	9,319
Operating leases and rentals	2,248	420	2,668
Miscellaneous	33	99	132
Total operating expenses	83,660	22,912	106,572
Ineligible operating expenses:			
Ineligible MPTA dues	5	3	8
Depreciation	7,846	1,473	9,319
Ineligible farebox revenue	7,760	2,022	9,782
Total ineligible expenses	15,611	3,498	19,109
Total eligible expenses	<u>\$ 68,049</u>	<u>\$ 19,414</u>	<u>\$ 87,463</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Annual Pension Cost and Net Pension Liability Years Ended December 31

	January 1 through December 31			
	2011	2012	2013	2014
Annual required contribution	\$ 121,660	\$ 137,824	\$ 133,315	\$ 139,351
Interest on net pension asset	-	-	-	-
Adjustment to the annual required contribution	-	-	-	-
Annual pension cost	121,660	137,824	133,315	139,351
 Contributions	<u>121,660</u>	<u>137,824</u>	<u>133,315</u>	<u>139,351</u>
Contributions made	<u>121,660</u>	<u>137,824</u>	<u>133,315</u>	<u>139,351</u>
Increase in net pension liability	-	-	-	-
Net pension liability - Beginning of year	-	-	-	-
Net pension liability - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

1. For the twelve months ended December 31, 2014, LETS paid \$14,848 in DC pension and \$139,351 in DB pensions. The DC and DB pension is pay-as-you-go. Therefore, the pension cost was both expensed on the books and paid out of pocket.

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			
	2011	2012	2013	2014
Annual OPEB cost - Annual required contribution	\$ 32,689	\$ 17,041	\$ 34,500	\$ 43,067
Interest on the prior year's net OPEB asset	(3,147)	(2,919)	(2,369)	(1,665)
Adjustment to the annual required contribution	149	253	(5,509)	(1,097)
Annual OPEB cost	29,691	14,375	26,622	40,305
Amounts contributed:				
Payments of current premiums	19,178	14,654	21,472	29,764
Contributions	7,461	-	-	-
Change in estimate	-	-	(13,544)	-
Total amounts contributed	26,639	14,654	7,928	29,764
(Decrease) increase in net OPEB asset	(3,052)	279	(18,694)	(10,541)
OPEB asset - Beginning of year	42,886	39,834	40,113	21,419
OPEB asset - End of year	<u>\$ 39,834</u>	<u>\$ 40,113</u>	<u>\$ 21,419</u>	<u>\$ 10,878</u>

1. For the twelve months ended December 31, 2014, LETS paid \$29,764 in retiree health care. Retiree health care is pay-as-you-go so the cost was both expensed on the books and paid out of pocket. A total of \$10,541 was expensed on the books but not paid out of pocket related to the decrease in net OPEB asset. The amount of \$10,541 is considered ineligible.

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Revenue and Eligible and Ineligible Expenditures Year Ended September 30, 2014

	October 1, 2013 to December 31, 2013	January 1, 2014 to September 30, 2014	Total
Operating Revenue			
Demand-response - Passenger fares	\$ 67,549	\$ 101,645	\$ 169,194
Special transit fares - Contracts	42,636	124,384	167,020
Other - Sale of fuel to other departments	2,173	8,833	11,006
Total operating revenue	<u>\$ 112,358</u>	<u>\$ 234,862</u>	<u>\$ 347,220</u>
Operating Expenses			
Labor	\$ 401,863	\$ 860,210	\$ 1,262,073
Pension	45,631	98,263	143,894
Other fringe benefits	125,550	248,596	374,146
Advertising	-	230	230
Services	188,969	555,814	744,783
Materials and supplies consumed:			
Fuel and lubricants	55,373	195,137	250,510
Tires and tubes	6,636	10,760	17,396
Other materials and supplies	10,613	27,379	37,992
Utilities	17,030	41,525	58,555
Casualty and liability costs	-	1,506	1,506
Depreciation	61,849	122,386	184,235
Operating leases and rentals	23,368	8,364	31,732
OPEB cost	-	27,635	27,635
Miscellaneous	9,651	38,476	48,127
Total operating expenses	946,533	2,236,281	3,182,814
Less Ineligible Expenses			
Revenue associated with fuel sold to other departments	2,172	8,833	11,005
Association dues	281	-	281
Depreciation	61,849	122,386	184,235
U.S. DOT capital grant - Preventative maintenance Section 5307 (MI-90-X688)	75,790	223,188	298,978
OPEB Cost (retiree healthcare):	-	9,193	9,193
State of MI capital grant - Preventative maintenance (PA # 2012-0118/PI5)	18,762	55,983	74,745
Total ineligible expenses	<u>158,854</u>	<u>419,583</u>	<u>578,437</u>
Total eligible expenses	<u>\$ 787,679</u>	<u>\$ 1,816,698</u>	<u>\$ 2,604,377</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Revenue and Eligible and Ineligible Expenditures - JARC Year Ended September 30, 2014

	October 1, 2013 to December 31, 2013	January 1, 2014 to September 30, 2014	Total
Operating Revenue			
JARC passenger fares	\$ 2,387	\$ 7,760	\$ 10,147
U.S. DOT operating grant - JARC - Section 5316 ('14)	4,717	14,151	18,868
State of MI operating grant - JARC - Section 5316 ('14)	4,717	54,084	58,801
Total operating revenue	<u>\$ 11,821</u>	<u>\$ 75,995</u>	<u>\$ 87,816</u>
Operating Expenses			
Labor	\$ 9,508	\$ 49,822	\$ 59,330
Pension	239	9,181	9,420
Other fringe benefits	1,095	9,207	10,302
Services	561	2,040	2,601
Materials and supplies consumed:			
Fuel and lubricants	285	2,362	2,647
Tires and tubes	35	196	231
Other materials and supplies	56	228	284
Utilities	85	497	582
Depreciation	2,615	7,846	10,461
Operating leases and rentals	121	2,248	2,369
Miscellaneous	22	33	55
Total operating expenses	14,622	83,660	98,282
Less Ineligible Expenses			
Ineligible MPTA dues	-	5	5
Depreciation	2,615	7,846	10,461
Farebox return	2,387	7,760	10,147
Total ineligible expenses	<u>5,002</u>	<u>15,611</u>	<u>20,613</u>
Total eligible expenses	<u>\$ 9,620</u>	<u>\$ 68,049</u>	<u>\$ 77,669</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Annual Pension Cost and Net Pension Liability Years Ended September 30

	October 1 through September 30			
	2011	2012	2013	2014
Annual required contribution	\$ 119,838	\$ 141,028	\$ 126,344	\$ 140,435
Interest on net pension asset	-	-	-	-
Adjustment to the annual required contribution	-	-	-	-
Annual pension cost	119,838	141,028	126,344	140,435
Contributions	<u>119,838</u>	<u>141,028</u>	<u>126,344</u>	<u>140,435</u>
Contributions made	<u>119,838</u>	<u>141,028</u>	<u>126,344</u>	<u>140,435</u>
Increase in net pension liability	-	-	-	-
Net pension liability - Beginning of year	-	-	-	-
Net pension liability - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

1. For the twelve months ended September 30, 2014, LETS paid \$12,879 in DC pension and \$129,162 in DB pensions. The DC and DB pension is pay-as-you-go. Therefore, the pension cost was both expensed on the books and paid out of pocket.

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			
	2011	2012	2013	2014
Annual OPEB cost - Annual required contribution	\$ 31,826	\$ 20,953	\$ 30,135	\$ 40,925
Interest on the prior year's net OPEB asset	(2,806)	(2,976)	(2,507)	(1,841)
Less adjustment to the annual required contribution	<u>112</u>	<u>227</u>	<u>(4,069)</u>	<u>(2,200)</u>
Annual OPEB cost	29,132	18,204	23,559	36,884
Amounts contributed:				
Payments of current premiums	18,292	15,786	19,768	27,691
Contributions	12,905	1,865	-	-
Change in estimate	<u>-</u>	<u>-</u>	<u>(10,158)</u>	<u>(3,386)</u>
Total amounts contributed	<u>31,197</u>	<u>17,651</u>	<u>9,610</u>	<u>24,305</u>
Increase (decrease) in net OPEB asset	2,065	(553)	(13,949)	(12,579)
OPEB asset - Beginning of year	<u>35,791</u>	<u>37,856</u>	<u>37,303</u>	<u>23,354</u>
OPEB asset - End of year	<u>\$ 37,856</u>	<u>\$ 37,303</u>	<u>\$ 23,354</u>	<u>\$ 10,775</u>

I. For the twelve months ended September 30, 2014, LETS paid \$27,691 in retiree health care. Retiree health care is pay-as-you-go so the cost was both expensed on the books and paid out of pocket. A total of \$9,193 was expensed on the books but not paid out of pocket related to the decrease in net OPEB asset. The amount of \$9,193 is considered ineligible.

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Property and Equipment Year Ended December 31, 2014

		Accumulated		Total
		Cost	Depreciation	
Contruction in Progress	Generator Project	\$ 2,000	\$ -	\$ 2,000
Buildings and building improvements	Intermodel building	2,302,676	672,557	1,630,119
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	79,541	-
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	244,344	-
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	81,449	-
Grant MI 90-x453 Fed Sec 5307 and 2002-0060 Z15 (state match)	One Eldorado National bus	80,941	80,941	-
Grant MI 90-x453 Fed Sec 5307	One Eldorado National bus	79,161	79,161	-
Grant MI-030-0226 Fed Sec 5307 and 2002-0060 Z16 (state match)	One Eldorado National bus	79,161	79,161	-
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	12,938	6,230
Grant MI 90-x425 Fed Sec 5307 and 2002-0060 Z14 (state match)	Surveillance system	14,250	9,500	4,750
State Match 2002-0060/Z15 \$8,825, 2002-0060-Z/19 \$3,784 LETS Funds \$6,460	One Eldorado National bus	68,810	47,512	21,298
Grant MI-96-X019 - ARRA (100% Federal Funds)	Three Eldorado National buses	229,603	153,068	76,535
Grant MI-96-X019 - ARRA (100% Federal Funds)	Three Dodge minivans	95,465	95,465	-
Grant MI-96-X019 - ARRA (100% Federal Funds) \$114,000 LETS Funds \$12,034	One Eldorado National bus	125,910	83,940	41,970
Grant MI-37-X037 - JARC Section 5316 (state match 2007-0245/Z6)	One Eldorado National bus	73,226	48,817	24,409
Grant MI-96-X019 - ARRA (100% Fed Funds)	PCTTRANS map software	31,800	22,083	9,717
Grant MI-96-X019 - ARRA (100% Fed Funds)	PCTTRANS map hardware	64,330	26,804	37,526
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	12,570	10,999
Total vehicles and vehicle equipment		1,789,112	1,555,678	233,434
Office furniture - Purchased with local funds		43,211	43,211	-
Total property and equipment		<u>\$ 4,136,999</u>	<u>\$ 2,271,446</u>	<u>\$ 1,865,553</u>

Livingston County, Michigan

Livingston Essential Transportation System Statistical Data - Public Transportation Mileage Data (Unaudited) Year Ended December 31, 2014

	Total Mileage	Passenger Trips
Demand - Response mileage data (unaudited):		
First quarter	185,025	33,331
Second quarter	199,551	38,201
Third quarter	196,018	36,239
Fourth quarter	<u>193,149</u>	<u>37,373</u>
Total	<u>773,743</u>	<u>145,144</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) Years Ended December 31

	2010	2011	2012	2013	2014
<u>Financial Position (Status of Assets, Liabilities, Deferred Inflows, and Equity)</u>					
General Fund:					
Unreserved fund balance compared to expenditures*	56.9%	-	-	-	-
Unrestricted fund balance compared to expenditures*	-	61.8%	62.5%	67.3%	62.2%
Current ratio (assets/liabilities, excluding deferred revenue and deferred inflows of revenues)	20.7	16.8	17.4	19.0	18.2
All governmental activities:					
Unreserved fund balance compared to expenditures	78.9%	-	-	-	-
Unrestricted fund balance compared to expenditures*	-	54.7%	54.8%	52.3%	52.9%
Current ratio (assets/liabilities, excluding deferred revenue and deferred inflows of revenues)	23.0	19.9	11.1	15.0	19.0
<u>Fiscal Capacity (Measures of Ability to Raise Revenue, Incur Debt, and Meet Obligations)</u>					
General Fund:					
Property taxes per capita (operating millage only)	\$ 150	\$ 141	\$ 136	\$ 137	\$ 142
Millage capacity (ability to levy additional taxes without a vote)	None	None	None	None	None
Expenditures per capita	\$ 208	\$ 200	\$ 199	\$ 195	\$ 212
Ratio of revenue compared to expenditures	1.06	1.05	1.01	1.09	1.02
All governmental activities:					
Total property taxes levied per capita (with extra voted mills)	\$ 166	\$ 156	\$ 150	\$ 150	\$ 156
County taxes paid per household	\$ 263	\$ 271	\$ 271	\$ 276	\$ 297
County taxes paid per household as a percentage of household income	0.364%	0.376%	0.378%	0.382%	0.412%
Taxable value (in 000s)	\$ 8,572,601	\$ 7,953,593	\$ 7,607,449	\$ 7,482,442	\$ 7,718,985
Annual change in taxable value	-2.9%	-7.2%	-4.4%	-1.6%	3.2%
State equalized value (SEV)	\$ 8,195,852	\$ 8,302,402	\$ 7,967,344	\$ 8,102,004	\$ 8,553,156
Annual change in SEV	-16.3%	1.3%	-4.0%	1.7%	5.6%
Debt information:					
County-funded debt per capita	\$ 57	\$ 45	\$ 85	\$ 76	\$ 148
Debt saturation (percent of debt limitation utilized)	0.8%	0.6%	1.6%	1.5%	3.1%

* The adoption of GASB Statement 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.