

Livingston County, Michigan

**Financial Report
with Supplemental Information
December 31, 2015**

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, 2015 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 60, 73, and 77 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 opinion.

To the County Board of Commissioners
Livingston County, Michigan

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Livingston County, Michigan as of December 31, 2015 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 described in Note 2 to the financial statements, during the year ended December 31, 2015, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of implementing this pronouncement, the County's net pension liability has been recognized on the government-wide, proprietary, and component unit statements and as discussed in Note 2, the beginning year net position has been restated. 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, retirement system schedules of investment returns, changes in the County net pension liability and related ratios, pension contributions, OPEB systems schedules of funding progress, 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.

To the County Board of Commissioners
Livingston County, Michigan

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2016 on our consideration of Livingston County, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Livingston County, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

June 10, 2016

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, 2015. 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, 2015:

- In total, Livingston County's financial net position increased by \$6.43 million to \$170.2 million during fiscal year 2015.
- The County's primary source of General Fund revenue is property taxes, representing 63.5 percent of total revenue. Livingston County's increase in property tax revenue 7-10 years ago was impressive, peaking at a high of 12.5 percent in 2005. This growth trend was not sustainable long term and Livingston County, along with the rest of the state of Michigan, experienced 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 modest 1.95 percent increase in tax revenue in 2013, a 2.8 percent increase in 2014, and again in 2015 with an increase of 3.8 percent. Property tax revenue is expected to remain at or about the same level in 2016 and 2017.
- Public Act 356 imposed a mandatory and permanent shift from a December to a July tax levy. This created a major challenge for counties with calendar fiscal years because our largest revenue source is collected nine months into the fiscal year, creating cash flow concerns and the potential risk of having to borrow money to sustain operations during the first three quarters of the year. To avoid this, \$15 million of fund balance has been assigned 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 Proposal A and Headlee property tax amendments.
- Livingston County remains focused on containing the costs of providing services to our residents and preserving our future financial capacity. This has been accomplished with reductions in personnel costs through departmental restructuring and the redesign of personnel wage and benefit packages. Reducing high legacy costs remains a strong focus of the Board of Commissioners. Departments do a commendable job of maximizing the services they provide while staying within their approved budget. They do so by utilizing County purchasing services, complying with the purchasing policy, and going out for competitive bids for supplies and services.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

- In 2015, the County did not use fund balance as was projected when the budget was originally approved. Construction and operating expenditures related to the new jail project did not materialize as anticipated due to the delay in opening the new jail addition which took place in November 2015. The second phase of the project, the renovation to the existing jail, was pushed back to the end of 2015 and into the current year. The unused portion of the funds dedicated to renovation of the existing jail has been recognized and rolled over through a budget amendment into the 2016 budget. The jail renovation project is expected to be completed in 2016.

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.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

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, 2015 and 2014:

	Governmental Activities		Business-type Activities		Total	
	2015	2014 (As Restated)	2015	2014 (As Restated)	2015	2014 (As Restated)
Assets						
Current assets	\$ 72,465	\$ 80,566	\$ 53,190	\$ 51,511	\$ 125,655	\$ 132,077
Capital assets	74,921	63,571	37,558	36,848	112,479	100,419
Total assets	147,386	144,137	90,748	88,359	238,134	232,496
Deferred Outflows of Resources -						
Deferred charge on refunding	19	-	81	88	100	88
Deferred outflows related to pensions	5,059	4,858	376	280	5,435	5,138
Total deferred outflows of resources	5,078	4,858	457	368	5,535	5,226
Liabilities						
Current liabilities	9,663	10,003	3,300	4,269	12,963	14,272
Long-term liabilities	53,061	52,879	4,640	4,105	57,701	56,984
Total liabilities	62,724	62,882	7,940	8,374	70,664	71,256
Deferred Inflows of Resources -						
Property taxes levied for the following year	2,771	2,662	-	-	2,771	2,662
Net Position						
Net investment in capital assets	53,869	52,025	35,224	34,394	89,093	86,419
Restricted	11,300	24,210	5,365	5,545	16,665	29,755
Unrestricted	21,800	7,216	42,676	40,414	64,476	47,630
Total net position	\$ 86,969	\$ 83,451	\$ 83,265	\$ 80,353	\$ 170,234	\$ 163,804

The County's combined net position for both governmental and business-type activities totals \$170.2 million for fiscal year 2015 as compared to \$163.8 million (restated) for fiscal year 2014. This is an increase of \$6.43 million or 3.9 percent from 2014 to 2015. The increase in the total net position is attributed mainly to an increase in capital assets relating to 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.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net position during the years ended December 31, 2015 and 2014 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue						
Program revenue:						
Charges for services	\$ 20,207	\$ 19,696	\$ 8,980	\$ 10,321	\$ 29,187	\$ 30,017
Operating grants and contributions	12,621	12,596	1,818	1,874	14,439	14,470
Capital grants and contributions	202	158	1,754	668	1,956	826
General revenue:						
Property taxes	29,629	28,540	-	-	29,629	28,540
State alcohol and convention tax	1,008	1,743	-	-	1,008	1,743
State-shared revenue	3,580	2,298	-	-	3,580	2,298
Unrestricted investment income	351	232	156	108	507	340
Transfers and other revenue	1,132	3,326	(915)	(2,987)	217	339
Total revenue	68,730	68,589	11,793	9,984	80,523	78,573
Program Expenses						
General government	7,622	6,591	-	-	7,622	6,591
Public safety	36,509	35,321	-	-	36,509	35,321
Health and welfare	17,621	18,309	-	-	17,621	18,309
Community and economic development	2,914	3,562	-	-	2,914	3,562
Interest on long-term debt	546	431	-	-	546	431
Building and safety	-	-	2,232	1,832	2,232	1,832
Airport	-	-	1,465	1,748	1,465	1,748
Livingston Essential Transportation Services	-	-	3,183	3,006	3,183	3,006
Septage receiving station	-	-	1,307	1,232	1,307	1,232
Delinquent tax revolving funds	-	-	694	1,382	694	1,382
Total program expenses	65,212	64,214	8,881	9,200	74,093	73,414
Change in Net Position	\$ 3,518	\$ 4,375	\$ 2,912	\$ 784	\$ 6,430	\$ 5,159

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 for governmental activities increased from 2014 to 2015. The cost of providing services for governmental activities was \$65.2 million for fiscal year 2015, which includes the General Fund, special revenue fund, and internal service fund departments. This is less than a 1.6 percent increase, or \$998 thousand more than the cost of providing services in 2014. The increase in the cost of providing services can be attributed mainly to a General Fund appropriation for the sheriff jail renovation project, the implementation of the new integrated imaging system at the County Clerk Court and Friend of the Court offices, the implementation of a wage study for nonunion employees, and across the board 3 percent cost of living increase for all employee groups in 2015.

The County's total revenue generated from governmental activities increased slightly by about \$141 thousand, or less than a .21 percent increase from 2014 to 2015. This increase in property tax revenue was offset by a decrease in state alcohol and convention tax.

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 2014 and 2015 shows that the cost of providing services for all business-type activities overall resulted in a decrease of 3.5 percent, or \$319 thousand. The most significant decrease was in the tax delinquent revolving funds activity, which decreased by more than \$688 thousand from 2014.

The Funds

Our analysis of the County's major funds begins on page 17, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the County as a whole. This includes the General Fund, EMS Fund, 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 \$35.3 million in 2015, and an additional \$4.6 million was transferred to other funds to subsidize operations and for the jail renovation project. This was a 7.4 percent decrease from providing services in 2014 and is mainly attributed to a \$2 million additional payment that was made to the Municipal Employees' Retirement System (MERS) pension fund from the General Fund in 2014. General Fund revenue, including transfers in from other funds, was \$1.37 million more in 2015, with \$0.9 million attributed to property tax revenue.

The EMS Fund provides emergency medical response and is financed by a special tax levy (24 percent of total revenue), charges for services (70.6 percent of total revenue), and other sources (5.4 percent of total revenue). The cost of providing this service for 2015 was \$8.6 million. Fund balance in the EMS Fund increased by \$353.6 thousand from 2014. 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 2015 was approximately \$10.7 million. The total cost of the jail expansion and renovation is estimated at \$16.4 million. The construction of the new addition was 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.
- Implementation of results from a wage study for nonunion employees
- Recognition of increases/decreases in grant revenue
- Board authorization of one-time payments including additional adjustment for an approved cost of living increase .50 percent above what was originally budgeted, payments to accelerate funding of long-term pension obligations, and an increase in the inmate medical contract for additional services.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

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

- Creation of a Concealed Pistol License Fund
- Implementation of a wage study for nonunion employees
- 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 2015, the County had over \$110.0 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. Challenges such as rising healthcare costs, state legislative changes, and unfunded mandates hinder our abilities to provide or expand services. A continued challenge is the slow recovery of property tax and investment revenue.

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 are positive and reflect that the economy in Livingston County is improving. Foreclosures have declined substantially and permits for construction have increased in our building, health, and drain departments. Livingston County has the highest median household income at \$73,694 annually among the 83 counties in Michigan. The unemployment rate is one of the lowest in Michigan.

Planning for a dental clinic to provide services to low-income residents of the County has begun. It is anticipated that operations will commence in early 2017. The project is estimated to cost \$1.3 million and will be financed with funds on hand.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

Efforts to improve efficiencies through collaboration and regionalization continue. In 2015, the County-operated Michigan Works! Agency was consolidated into the Southeast Michigan Works! Consortium, a five-county agency. The County Planning Department contracted to provide services to the City of Brighton and existing collaborative efforts with other local units of government continue.

Further, several major changes to reduce benefit costs over the past six 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 fifth consecutive year to reduce the unfunded liability of the employee groups in the defined benefit plan. The total additional payment made in 2015 was \$1 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.
- 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 an RHCS based on their years of service.
 - In 2012-2015, 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.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

- 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 \$10.3 million to \$4.0 million based on the December 31, 2014 actuarial report.

The County closely monitors reserve balances, revenue, and expenditures. It is our plan to begin preparing a two-year budget in the upcoming budget year. It is projected that Livingston County's tax revenue will show another minimal increase of less than 1 percent in 2016. 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. Livingston County will 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, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 60,014,913	\$ 41,576,794	\$ 101,591,707	\$ 11,636,396
Receivables:				
Taxes	3,822,022	7,654,566	11,476,588	-
Accounts	3,402,215	104,378	3,506,593	-
Accrued interest	54,552	29,587	84,139	3,125,385
Due from other governmental units	4,189,153	666,275	4,855,428	1,236,451
Delinquent taxes interest and fees - Net of allowance	-	3,133,741	3,133,741	-
Special assessment receivables	-	-	-	3,335,613
Leases	-	-	-	38,787,546
Internal balances	114,322	(114,322)	-	-
Inventories	67,697	92,516	160,213	1,347,122
Prepaid costs and other assets	799,968	688	800,656	6,200
Restricted assets - Cash and investments	-	-	-	303,500
Advances to component units (Note 5)	-	44,839	44,839	-
Capital assets (Note 4):				
Assets not subject to depreciation	24,520,041	12,546,959	37,067,000	28,475,939
Assets subject to depreciation	50,400,657	25,011,878	75,412,535	151,525,740
Total assets	147,385,540	90,747,899	238,133,439	239,779,892
Deferred Outflows of Resources				
Deferred charge on refunding of debt	19,420	81,041	100,461	506,195
Deferred outflows related to pensions (Note 10)	5,058,593	375,759	5,434,352	473,350
Total deferred outflows of resources	5,078,013	456,800	5,534,813	979,545
Liabilities				
Accounts payable	2,441,337	480,677	2,922,014	924,045
Due to other governmental units	2,719	357,130	359,849	145,821
Accrued and other liabilities	2,957,078	402,851	3,359,929	1,355,544
Unearned revenue	936,011	5,417	941,428	-
Advances from primary government (Note 5)	-	-	-	44,839
Noncurrent liabilities:				
Due within one year - Current portion of long-term debt (Note 6)	3,326,220	2,053,499	5,379,719	5,699,137
Due in more than one year:				
Other noncurrent liability	-	145,753	145,753	-
Net OPEB obligation (Note 12)	988,896	76,745	1,065,641	2,239,056
Net pension liability (Note 10)	29,019,287	2,155,592	31,174,879	5,118,946
Long-term debt (Note 6)	23,052,463	2,262,019	25,314,482	37,670,258
Total liabilities	62,724,011	7,939,683	70,663,694	53,197,646
Deferred Inflows for Resources - Property taxes levied for the following year	2,770,839	-	2,770,839	-

Livingston County, Michigan

Statement of Net Position (Continued) December 31, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 53,868,781	\$ 35,224,360	\$ 89,093,141	\$ 148,547,254
Restricted for:				
General government expense	3,327,052	-	3,327,052	-
Court systems expense	1,313,680	-	1,313,680	-
Public safety expense	6,355,547	-	6,355,547	-
Economic development expense	75,566	-	75,566	-
Health and welfare expense	210,884	-	210,884	-
Debt service expense	16,864	-	16,864	-
Building and safety programs	-	5,364,650	5,364,650	-
Foundation nonexpendable	-	-	-	243,364
County roads	-	-	-	4,692,632
Unrestricted	21,800,329	42,676,006	64,476,335	34,078,541
Total net position	\$ 86,968,703	\$ 83,265,016	\$ 170,233,719	\$ 187,561,791

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	\$ 7,621,548	\$ 298,126	\$ 1,182	\$ -
Public safety	36,509,005	10,190,120	4,704,876	202,372
Health and welfare	17,621,102	8,183,061	6,669,412	-
Community and economic development	2,914,214	1,535,625	1,245,656	-
Interest on long-term debt	546,046	-	-	-
Total governmental activities	65,211,915	20,206,932	12,621,126	202,372
Business-type activities:				
Airport Fund	1,465,653	1,191,060	-	368,139
Delinquent Tax Revolving Fund	694,338	2,690,205	-	-
Septage receiving station	1,307,309	1,823,284	-	-
Livingston Essential Transportation Service	3,182,794	348,832	1,818,088	1,386,261
Building and Safety Fund	2,231,847	2,926,725	-	-
Total business-type activities	8,881,941	8,980,106	1,818,088	1,754,400
Total primary government	<u>\$ 74,093,856</u>	<u>\$ 29,187,038</u>	<u>\$ 14,439,214</u>	<u>\$ 1,956,772</u>
Component units:				
Drain Commission	\$ 3,398,156	\$ 2,037,557	\$ 1,009,512	\$ -
Department of Public Works	3,890,121	4,246,035	68,197	-
Road Commission	19,504,613	-	-	24,231,740
Livingston County Foundation	21,337	17,261	-	-
Total component units	<u>\$ 26,814,227</u>	<u>\$ 6,300,853</u>	<u>\$ 1,077,709</u>	<u>\$ 24,231,740</u>
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, 2015

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (7,322,240)	\$ -	\$ (7,322,240)	\$ -
(21,411,637)	-	(21,411,637)	-
(2,768,629)	-	(2,768,629)	-
(132,933)	-	(132,933)	-
(546,046)	-	(546,046)	-
(32,181,485)	-	(32,181,485)	-
-	93,546	93,546	-
-	1,995,867	1,995,867	-
-	515,975	515,975	-
-	370,387	370,387	-
-	694,878	694,878	-
-	3,670,653	3,670,653	-
(32,181,485)	3,670,653	(28,510,832)	-
-	-	-	(351,087)
-	-	-	424,111
-	-	-	4,727,127
-	-	-	(4,076)
-	-	-	4,796,075
29,629,376	-	29,629,376	-
1,008,197	-	1,008,197	-
3,580,449	-	3,580,449	-
351,078	156,247	507,325	(14,420)
187,652	28,299	215,951	437,008
-	-	-	132,712
34,756,752	184,546	34,941,298	555,300
942,660	(942,660)	-	-
3,517,927	2,912,539	6,430,466	5,351,375
83,450,776	80,352,477	163,803,253	182,210,416
\$ 86,968,703	\$ 83,265,016	\$ 170,233,719	\$ 187,561,791

Livingston County, Michigan

Governmental Funds Balance Sheet December 31, 2015

	General Fund	EMS Fund	Jail Expansion	Nonmajor Funds	Total
Assets					
Cash and investments (Note 3)	\$ 27,056,487	\$ 2,426,065	\$ 2,939,156	\$ 21,126,797	\$ 53,548,505
Receivables:					
Taxes	1,051,183	2,373,203	-	397,636	3,822,022
Accounts	226,071	766,302	-	1,987,290	2,979,663
Accrued interest receivable	49,281	35	-	5,236	54,552
Due from other governmental units	2,466,857	3,003	-	1,719,293	4,189,153
Advances to other funds (Note 5)	150,626	-	-	-	150,626
Prepaid costs and other assets	339,143	-	-	19,406	358,549
	<u>\$ 31,339,648</u>	<u>\$ 5,568,608</u>	<u>\$ 2,939,156</u>	<u>\$ 25,255,658</u>	<u>\$ 65,103,070</u>
Total assets					
Liabilities					
Accounts payable	\$ 711,601	\$ 58,236	\$ 199,544	\$ 1,046,146	\$ 2,015,527
Due to other governmental units	1,862	-	-	857	2,719
Advances from other funds (Note 5)	-	-	-	36,304	36,304
Accrued and other liabilities	940,617	224,339	762,827	383,743	2,311,526
Unearned revenue	-	27,123	-	908,888	936,011
	<u>1,654,080</u>	<u>309,698</u>	<u>962,371</u>	<u>2,375,938</u>	<u>5,302,087</u>
Total liabilities					
Deferred Inflows of Resources					
Unavailable revenue	2,532,362	279,369	-	1,028,834	3,840,565
Property taxes levied for the following year	-	2,373,203	-	397,636	2,770,839
	<u>2,532,362</u>	<u>2,652,572</u>	<u>-</u>	<u>1,426,470</u>	<u>6,611,404</u>
Total deferred inflows of resources					
Fund Balances (Note 8)					
Nonspendable	489,769	-	-	5,879	495,648
Restricted	-	-	1,976,785	11,299,593	13,276,378
Committed	1,195,131	-	-	2,044,736	3,239,867
Assigned	15,000,000	2,606,338	-	8,488,929	26,095,267
Unassigned	10,468,306	-	-	(385,887)	10,082,419
	<u>27,153,206</u>	<u>2,606,338</u>	<u>1,976,785</u>	<u>21,453,250</u>	<u>53,189,579</u>
Total fund balances					
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 31,339,648</u>	<u>\$ 5,568,608</u>	<u>\$ 2,939,156</u>	<u>\$ 25,255,658</u>	<u>\$ 65,103,070</u>

Livingston County, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position December 31, 2015

Fund Balance Reported in Governmental Funds	\$ 53,189,579
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	72,539,746
Net OPEB liability is not included as a liability of the funds	(927,938)
Net pension liabilities are not due and payable in the current period and are not reported in the funds	(27,380,059)
Deferred outflows due to County contributions made after the measurement date of the net pension liability that are not reported in the funds	4,772,845
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	2,987,134
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	853,431
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	(23,094,500)
Unamortized bond premiums are not reported in the funds	(463,702)
Deferred charges on bond refundings are amortized over the related bond terms, and are not reported in the funds	19,420
Accrued interest is not due and payable in the current period and is not reported in the funds	(45,161)
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	(2,666,682)
Net self-insurance assets are not reported in the funds	408,657
Internal service funds are included as part of governmental activities	6,775,933
Net Position of Governmental Activities	<u>\$ 86,968,703</u>

Livingston County, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2015

	General Fund	EMS Fund	Jail Expansion	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Taxes	\$ 26,993,968	\$ 2,289,280	\$ -	\$ 383,427	\$ 29,666,675
Licenses and permits	460,077	-	-	319,562	779,639
Federal sources	22,056	-	-	4,690,728	4,712,784
State sources	5,740,435	-	-	3,941,628	9,682,063
Charges for services	6,176,733	6,721,097	-	5,515,955	18,413,785
Fines and forfeitures	322,618	-	-	-	322,618
Interest earned	249,765	3,533	26,484	72,933	352,715
Rental income	751,223	375,476	-	11,050	1,137,749
Other	896,464	134,499	-	1,738,020	2,768,983
Total revenue	41,613,339	9,523,885	26,484	16,673,303	67,837,011
Expenditures					
Current:					
General government	6,357,895	-	-	796,239	7,154,134
Court systems	9,747,044	-	-	6,069,283	15,816,327
Public safety	15,201,157	-	-	5,346,927	20,548,084
Health and welfare	1,258,384	8,666,857	-	6,883,589	16,808,830
Economic development	2,726,649	-	-	80,062	2,806,711
Capital outlay	-	-	10,720,426	1,129,244	11,849,670
Debt service:					
Principal	-	-	-	1,210,000	1,210,000
Interest on long-term debt	-	-	-	660,725	660,725
Total expenditures	35,291,129	8,666,857	10,720,426	22,176,069	76,854,481
Excess of Revenue Over (Under) Expenditures					
	6,322,210	857,028	(10,693,942)	(5,502,766)	(9,017,470)
Other Financing Sources (Uses)					
Face value of debt issue (Note 6)	-	-	-	1,545,000	1,545,000
Payment to bond refunding escrow agent	-	-	-	(1,509,420)	(1,509,420)
Operating transfers in (Note 5)	898,255	-	-	6,000,904	6,899,159
Operating transfers out (Note 5)	(4,570,245)	(503,420)	-	(882,834)	(5,956,499)
Total other financing (uses) sources	(3,671,990)	(503,420)	-	5,153,650	978,240
Net Change in Fund Balances	2,650,220	353,608	(10,693,942)	(349,116)	(8,039,230)
Fund Balances - Beginning of year	24,502,986	2,252,730	12,670,727	21,802,366	61,228,809
Fund Balances - End of year	\$ 27,153,206	\$ 2,606,338	\$ 1,976,785	\$ 21,453,250	\$ 53,189,579

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, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ (8,039,230)
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	13,447,801
Depreciation expense	(2,631,066)
Net book value of assets disposed of	(38,694)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	97,684
Decrease in net self-insurance liability is recorded as a decrease of expense on the statement of activities	868,224
Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position	(1,545,000)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,794,000
Deferred charges on bond refundings are amortized over the related bond terms, and are not reported in the funds	19,420
Bond premiums are amortized as a component of interest expense in the statement of activities	32,626
Change in accrued interest payable and other	82,052
The change in net pension liability amounts does not require the use of current resources and is not reported in the governmental fund	444,516
Decrease in net OPEB asset is recorded in the statement of activities	(1,239,532)
Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(433,272)
Internal service funds are included as part of governmental activities	<u>(341,602)</u>
Change in Net Position of Governmental Activities	<u>\$ 3,517,927</u>

Livingston County, Michigan

	Enterprise Funds				
	Airport Fund	Delinquent Tax Revolving Fund	Septage Receiving Station	Livingston Essential	
				Transportation Service	Building and Safety Fund
Assets					
Current assets:					
Cash and investments (Note 3)	\$ 551,306	\$ 32,526,879	\$ 2,038,909	\$ 12,592	\$ 6,447,108
Receivables:					
Taxes - Net of allowance	-	7,654,566	-	-	-
Accounts	72,421	-	-	31,957	-
Accrued interest receivable	9	28,495	146	-	937
Due from other governmental units	15,728	130,381	-	520,166	-
Delinquent taxes interest and fees - Net of allowance	-	3,133,741	-	-	-
Inventory	80,018	-	-	12,498	-
Prepaid costs and other assets	-	-	688	-	-
Total current assets	719,482	43,474,062	2,039,743	577,213	6,448,045
Noncurrent assets:					
Advances to other funds (Note 5)	-	2,535,595	-	-	-
Advances to component units (Note 5)	-	44,839	-	-	-
Capital assets - Net (Note 4)	32,010,292	-	2,751,858	2,682,016	114,671
Total noncurrent assets	32,010,292	2,580,434	2,751,858	2,682,016	114,671
Total assets	32,729,774	46,054,496	4,791,601	3,259,229	6,562,716
Deferred Outflows of Resources					
Deferred charge on refunding of debt	-	-	81,041	-	-
Deferred outflows related to pensions (Note 10)	21,931	-	-	166,617	187,211
Total deferred outflows	21,931	-	81,041	166,617	187,211
Liabilities					
Current liabilities:					
Accounts payable	19,910	-	140,444	276,862	43,461
Due to other governmental units	12,751	344,379	-	-	-
Accrued and other liabilities	121,543	2,201	11,592	157,779	109,736
Unearned revenue	-	-	-	-	5,417
Current portion of long-term debt (Note 6)	-	1,900,000	153,499	-	-
Total current liabilities	154,204	2,246,580	305,535	434,641	158,614
Noncurrent liabilities:					
Advances from other funds (Note 6)	2,248,814	-	401,103	-	-
Net OPEB obligation (Note 12)	5,149	-	556	33,008	38,032
Net pension liability (Note 10)	125,813	-	-	955,819	1,073,960
Other noncurrent liability	145,753	-	-	-	-
Long-term debt - Net of current portion (Note 6)	-	-	2,262,019	-	-
Total noncurrent liabilities	2,525,529	-	2,663,678	988,827	1,111,992
Total liabilities	2,679,733	2,246,580	2,969,213	1,423,468	1,270,606
Net Position					
Net investment in capital assets	32,010,292	-	417,381	2,682,016	114,671
Restricted for building and safety program	-	-	-	-	5,364,650
Unrestricted (deficit)	(1,938,320)	43,807,916	1,486,048	(679,638)	-
Total net position	\$ 30,071,972	\$ 43,807,916	\$ 1,903,429	\$ 2,002,378	\$ 5,479,321

**Proprietary Funds
Statement of Net Position
December 31, 2015**

<u>Enterprise Funds</u>	Governmental <u>Activities</u>
<u>Total</u>	Proprietary Internal <u>Service Fund</u>
\$ 41,576,794	\$ 5,626,215
7,654,566	-
104,378	422,552
29,587	-
666,275	-
3,133,741	-
92,516	67,697
688	441,419
<u>53,258,545</u>	<u>6,557,883</u>
2,535,595	-
44,839	-
<u>37,558,837</u>	<u>2,380,952</u>
<u>40,139,271</u>	<u>2,380,952</u>
93,397,816	8,938,835
81,041	-
<u>375,759</u>	<u>285,748</u>
456,800	285,748
480,677	425,810
357,130	-
402,851	322,654
5,417	-
<u>2,053,499</u>	<u>-</u>
3,299,574	748,464
2,649,917	-
76,745	60,958
2,155,592	1,639,228
145,753	-
<u>2,262,019</u>	<u>-</u>
<u>7,290,026</u>	<u>1,700,186</u>
<u>10,589,600</u>	<u>2,448,650</u>
35,224,360	2,380,952
5,364,650	-
<u>42,676,006</u>	<u>4,394,981</u>
<u>\$ 83,265,016</u>	<u>\$ 6,775,933</u>

Livingston County, Michigan

	Enterprise Funds				
	Major Funds				
	Airport Fund	Delinquent Tax Revolving Fund	Septage Receiving Station	Livingston Essential Transportation Service	Building and Safety Fund
Operating Revenue					
Charges for services	\$ 1,191,060	\$ 406,087	\$ 1,820,034	\$ 348,832	\$ 2,926,725
Penalties and interest	-	2,252,798	-	-	-
Other revenue	-	31,320	3,250	-	-
Total operating revenue	1,191,060	2,690,205	1,823,284	348,832	2,926,725
Operating Expenses					
Personnel	183,807	-	17,192	2,173,448	1,623,870
Operating	658,740	-	-	447,699	599,155
Other expenses	-	667,244	1,039,275	334,759	-
Depreciation	546,752	-	177,547	226,888	8,822
Total operating expenses	1,389,299	667,244	1,234,014	3,182,794	2,231,847
Operating (Loss) Income	(198,239)	2,022,961	589,270	(2,833,962)	694,878
Nonoperating Revenue (Expenses)					
Interest earnings	479	147,936	1,121	-	6,711
Interest expense	(76,354)	(27,094)	(73,295)	-	-
Gain (loss) on sale of fixed assets	-	-	-	23,379	-
Federal and state operating subsidies	-	-	-	1,818,088	-
Other nonoperating general revenue	3,920	-	-	1,000	-
Total nonoperating (expenses) revenue	(71,955)	120,842	(72,174)	1,842,467	6,711
(Loss) Income - Before contributions and transfers	(270,194)	2,143,803	517,096	(991,495)	701,589
Capital Contributions - Capital grants	368,139	-	-	1,386,261	-
Transfers Out (Note 5)	-	(942,660)	-	-	-
Change in Net Position	97,945	1,201,143	517,096	394,766	701,589
Net Position - As restated - Beginning of year (Note 2)	29,974,027	42,606,773	1,386,333	1,607,612	4,777,732
Net Position - End of year	\$ 30,071,972	\$ 43,807,916	\$ 1,903,429	\$ 2,002,378	\$ 5,479,321

Proprietary Funds

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended December 31, 2015

	<u>Governmental Activities</u>	
<u>Total Enterprise Funds</u>		<u>Internal Service Fund</u>
\$ 6,692,738	\$ 16,027,571	
2,252,798	-	
34,570	-	
8,980,106	16,027,571	
3,998,317	11,879,834	
1,705,594	3,877,698	
2,041,278	-	
960,009	609,199	
8,705,198	16,366,731	
274,908	(339,160)	
156,247	-	
(176,743)	-	
23,379	(2,442)	
1,818,088	-	
4,920	-	
1,825,891	(2,442)	
2,100,799	(341,602)	
1,754,400	-	
(942,660)	-	
2,912,539	(341,602)	
80,352,477	7,117,535	
\$ 83,265,016	\$ 6,775,933	

Livingston County, Michigan

	Enterprise Funds			
	Major Funds			
	Airport Fund	Delinquent Tax Revolving Fund	Septage Receiving Station	Livingston Essential Transportation Service
Cash Flows from Operating Activities				
Receipts from customers	\$ 1,171,289	\$ 15,836,487	\$ 1,823,284	\$ 246,472
Receipts from interfund services and reimbursements	-	-	-	-
Payments to suppliers	(928,056)	(802,019)	(1,041,005)	(812,743)
Payments to employees	(209,264)	-	-	(1,827,562)
Settlement of delinquent taxes	-	(9,494,116)	-	-
Net cash provided by (used in) operating activities	33,969	5,540,352	782,279	(2,393,833)
Cash Flows from Noncapital Financing Activities				
Federal and state operating subsidies	-	-	-	1,818,088
Loans received from other funds	141,797	-	-	-
Transfers to other funds	-	(942,660)	-	-
Loans made to other funds	-	(135,851)	-	-
Repayments of loans from other funds	-	-	(21,551)	-
Net cash provided by (used in) noncapital financing activities	141,797	(1,078,511)	(21,551)	1,818,088
Cash Flows from Capital and Related Financing Activities				
Issuance of bonds and related premiums	-	6,000,000	-	-
Receipt of capital grants and other contributions	392,563	-	-	1,387,261
Easement proceeds	3,920	-	-	-
Proceeds from sales of capital assets	-	-	-	23,379
Purchase of capital assets	(472,711)	-	(30,000)	(1,043,351)
Principal and interest paid on capital debt	(79,603)	(5,775,551)	(220,749)	-
Net cash (used in) provided by capital and related financing activities	(155,831)	224,449	(250,749)	367,289
Cash Flows from Investing Activities				
Interest received on investments	470	133,713	975	-
Net proceeds and purchases of investment securities	(350,000)	(3,314,906)	(278,000)	-
Net cash (used in) provided by investing activities	(349,530)	(3,181,193)	(277,025)	-
Net (Decrease) Increase in Cash and Cash Equivalents	(329,595)	1,505,097	232,954	(208,456)
Cash and Cash Equivalents - Beginning of year	530,901	1,364,850	1,527,955	221,048
Cash and Cash Equivalents - End of year	\$ 201,306	\$ 2,869,947	\$ 1,760,909	\$ 12,592
Statement of Net Position Classification of Cash and Cash Equivalents				
Cash and investments	\$ 551,306	\$ 32,526,879	\$ 2,038,909	\$ 12,592
Less amounts classified as investments	(350,000)	(29,656,932)	(278,000)	-
Total cash and cash equivalents	\$ 201,306	\$ 2,869,947	\$ 1,760,909	\$ 12,592
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (198,239)	\$ 2,022,961	\$ 589,270	\$ (2,833,962)
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	546,752	-	177,547	226,888
Changes in assets and liabilities:				
Receivables	(19,771)	4,360,688	-	(102,360)
Inventories	(14,649)	-	-	(9,049)
Prepaid and other assets	-	-	(688)	1,612
Accounts payable	(254,667)	(134,775)	13,977	(22,848)
Accrued and other liabilities	4,662	(708,522)	1,617	14,304
Deferred outflows	5,980	-	-	(67,047)
Net OPEB obligation	6,580	-	556	43,887
Net pension liability	(42,679)	-	-	354,742
Net cash provided by (used in) operating activities	\$ 33,969	\$ 5,540,352	\$ 782,279	\$ (2,393,833)

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2015

Enterprise Funds		Governmental Activities
Major Funds		
Building and Safety Fund	Total Enterprise Funds	Proprietary Internal Service Fund
\$ 2,926,725	\$ 22,004,257	\$ 360,389
-	-	15,334,674
(603,415)	(4,187,238)	(3,757,850)
(1,435,809)	(3,472,635)	(12,052,715)
-	(9,494,116)	-
<u>887,501</u>	<u>4,850,268</u>	<u>(115,502)</u>
-	1,818,088	-
-	141,797	-
-	(942,660)	-
-	(135,851)	-
-	(21,551)	(11,635)
-	859,823	(11,635)
-	6,000,000	-
-	1,779,824	-
-	3,920	-
-	23,379	57,031
(123,493)	(1,669,555)	(1,240,267)
-	(6,075,903)	-
(123,493)	61,665	(1,183,236)
7,210	142,368	-
755,000	(3,187,906)	-
<u>762,210</u>	<u>(3,045,538)</u>	<u>-</u>
1,526,218	2,726,218	(1,310,373)
1,083,890	4,728,644	6,936,588
<u>\$ 2,610,108</u>	<u>\$ 7,454,862</u>	<u>\$ 5,626,215</u>
\$ 6,447,108	\$ 41,576,794	\$ 5,626,215
(3,837,000)	(34,121,932)	-
<u>\$ 2,610,108</u>	<u>\$ 7,454,862</u>	<u>\$ 5,626,215</u>
\$ 694,878	\$ 274,908	\$ (339,160)
8,822	960,009	609,199
-	4,238,557	(332,508)
-	(23,698)	(30,189)
-	924	(36,739)
(4,260)	(402,573)	(109,105)
18,225	(669,714)	107,527
(34,896)	(95,963)	(4,292)
50,254	101,277	79,613
154,478	466,541	(59,848)
<u>\$ 887,501</u>	<u>\$ 4,850,268</u>	<u>\$ (115,502)</u>

Livingston County, Michigan

Fiduciary Funds Statement of Fiduciary Net Position December 31, 2015

	Other Employee Benefits Trust Fund	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ 272,564	\$ 3,905,182
Investments (Note 3):		
U.S. government securities	2,727,263	-
Corporate bonds	2,285,521	-
Equities	11,938,662	-
Accrued interest and other receivables	-	25,546
Total assets	17,224,010	<u>\$ 3,930,728</u>
Liabilities		
Accounts payable	267,457	\$ -
Due to other governmental units	-	1,252,761
Other liabilities	-	2,677,967
Total liabilities	267,457	<u>\$ 3,930,728</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 16,956,553</u>	

Livingston County, Michigan

Fiduciary Funds **Statement of Changes in Fiduciary Net Position - Other Employee** **Benefits Trust Fund** **Year Ended December 31, 2015**

	<u>Other Employee Benefits Trust Fund</u>
Additions - Investment income (loss)	
Interest and dividends	\$ 289,644
Net decrease in fair value of investments	(437,227)
Investment-related expenses	<u>(176,305)</u>
Net investment loss	(323,888)
Deductions - Benefit payments	<u>829,390</u>
Net Decrease in Net Position Held in Trust	(1,153,278)
Net Position Held in Trust for Other Employee Benefits - Beginning of year	<u>18,109,831</u>
Net Position Held in Trust for Other Employee Benefits - End of year	<u><u>\$ 16,956,553</u></u>

Livingston County, Michigan

Component Units Statement of Net Position December 31, 2015

	Drain Commission	Department of Public Works	Road Commission	Livingston County Foundation	Total
Assets					
Cash and investments (Note 3)	\$ 4,070,340	\$ 1,302,685	\$ 6,080,873	\$ 182,498	\$ 11,636,396
Receivables:					
Interest and other receivables	97,610	173,071	2,854,704	-	3,125,385
Due from other governmental units	7,400	146,345	1,082,706	-	1,236,451
Special assessments receivable	3,335,613	-	-	-	3,335,613
Leases receivable from local units	8,700,440	30,087,106	-	-	38,787,546
Inventories	-	-	1,347,122	-	1,347,122
Prepaid expenses and other assets	2,935	3,265	-	-	6,200
Restricted assets - Cash and investments	-	60,136	-	243,364	303,500
Capital assets (Note 4)	3,024,670	43,544,080	133,432,929	-	180,001,679
Total assets	19,239,008	75,316,688	144,798,334	425,862	239,779,892
Deferred Outflows of Resources					
Deferred charges on refunding of debt	-	506,195	-	-	506,195
Deferred outflows related to pensions (Note 10)	221,766	12,699	238,885	-	473,350
Total deferred outflows of resources	221,766	518,894	238,885	-	979,545
Liabilities					
Accounts payable	61,699	490,933	371,413	-	924,045
Due to other governmental units	25,035	59,530	61,256	-	145,821
Other current liabilities	1,048,804	231,279	75,461	-	1,355,544
Advance to primary government	-	44,839	-	-	44,839
Due within one year - Current portion of long-term debt (Note 6)	2,542,858	2,565,297	590,982	-	5,699,137
Due in more than one year:					
Net OPEB obligation (Notes 12 and 13)	41,348	2,437	2,195,271	-	2,239,056
Net pension liability (Note 10)	1,272,192	72,848	3,773,906	-	5,118,946
Long-term debt (Note 6)	8,431,566	28,178,909	1,059,783	-	37,670,258
Total liabilities	13,423,502	31,646,072	8,128,072	-	53,197,646
Net Position					
Net investment in capital assets	3,024,670	13,306,069	132,216,515	-	148,547,254
Restricted:					
Foundation nonexpendable	-	-	-	243,364	243,364
County roads	-	-	4,692,632	-	4,692,632
Unrestricted	3,012,602	30,883,441	-	182,498	34,078,541
Total net position	\$ 6,037,272	\$ 44,189,510	\$ 136,909,147	\$ 425,862	\$ 187,561,791

Livingston County, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Drain Commission	\$ 3,398,156	\$ 2,037,557	\$ 1,009,512	\$ -
Department of Public Works	3,890,121	4,246,035	68,197	-
Road Commission	19,504,613	-	-	24,231,740
Livingston County Foundation	21,337	17,261	-	-
Total component units	\$ 26,814,227	\$ 6,300,853	\$ 1,077,709	\$ 24,231,740

General revenue:

- Unrestricted investment earnings (losses)
- 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

**Component Units
Statement of Activities
Year Ended December 31, 2015**

Net (Expense) Revenue and Changes in Net Position				
Drain Commission	Department of Public Works	Road Commission	Livingston County Foundation	Total
\$ (351,087)	\$ -	\$ -	\$ -	\$ (351,087)
-	424,111	-	-	424,111
-	-	4,727,127	-	4,727,127
-	-	-	(4,076)	(4,076)
(351,087)	424,111	4,727,127	(4,076)	4,796,075
3,761	754	6,701	(25,636)	(14,420)
7,727	-	428,481	800	437,008
-	-	132,712	-	132,712
11,488	754	567,894	(24,836)	555,300
(23,877)	23,877	-	-	-
(363,476)	448,742	5,295,021	(28,912)	5,351,375
6,400,748	43,740,768	131,614,126	454,774	182,210,416
\$ 6,037,272	\$ 44,189,510	\$ 136,909,147	\$ 425,862	\$ 187,561,791

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

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, 2015

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 revenue 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 revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (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 revenue 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 revenue 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.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is 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 fund in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was 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, concealed pistol fund, 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, EMS Debt Fund, and 2015 Refunding of Mental Health Fund.
- **Capital Projects Funds** - Capital projects funds account for the development of capital facilities and equipment other than those financed by the operation of a proprietary fund. These projects include other capital improvements of the County, jail renovations, EMS Construction Fund, dental clinic, 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.
- **Building and Safety Fund** - The Building and Safety Fund is used to account for the operations related to the revenue from residential and commercial property permits. The primary revenue source is permits issued for residential and commercial projects.
- **Livingston Essential Transportation Service Fund** - The Livingston Essential Transportation Service Fund is used to account for the operations of the county-wide public transportation system. The primary revenue source is from fares charged to customers and federal or state grants.

Internal Service Funds - The County's internal service funds are used to allocate facility 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.

Note I - Summary of Significant Accounting Policies (Continued)

- **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.

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 \$2,554,006 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.

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

Note I - Summary of Significant Accounting Policies (Continued)

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.

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

<u>Capital Asset Class</u>	<u>Lives</u>
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.

Note I - Summary of Significant Accounting Policies (Continued)

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 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 three items that qualify for reporting in this category. The government-wide statements report a deferred outflow from the deferred charge on a refunding. 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. The government-wide statements, proprietary funds, and component units report deferred outflows from the difference between projected and actual investment earnings of the pension plan as well as the County's contribution made after the measurement date of the net pension liability.

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 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 revenue 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.

Note I - Summary of Significant Accounting Policies (Continued)

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).

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.

Note I - Summary of Significant Accounting Policies (Continued)

The 2014 taxable valuation of the County totaled \$7.72 billion, on which ad valorem taxes levied on December 1, 2014 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, 2015, the general operating millage for the 2015 fiscal year, or 3.389 mills, was levied on the 2015 taxable valuation of \$8.05 billion for general operating purposes. The ad valorem taxes raised were approximately \$26.9 million for general operations, \$2.30 million for ambulance operations, and \$385,000 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 - The County offers pension benefits to retirees. The County records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plan, and addition to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs - The County offers 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, 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.

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.

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue relates 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 revenue and expenses not meeting this definition are reported as nonoperating revenue 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 - Reporting Change (Prior Period Adjustments)

During the current year, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended. As a result, the government-wide, proprietary, and component unit statements now include a liability for the unfunded legacy costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to the pension note for further details. This change does not impact the General Fund or any other governmental fund.

The financial statements for the year ended December 31, 2014 have been restated in order to adopt GASB Statement No. 68. The effect of this new accounting standard was a decrease in net position to record the net pension liability at December 31, 2014.

As a result of implementing this statement, the beginning net position of the entities listed below have been restated as indicated:

	Governmental Activities	Business-type Activities	Component Units	Livingston Essential Transportation Service	Building and Safety Fund	Proprietary Internal Service Fund	Department of Public Works	Drain Commission	Road Commission	Building Services	Information Technology	Carpool	
Net position - December 31, 2014 - As previously reported	\$ 115,841,512	\$ 81,761,732	\$ 186,529,911	\$ 30,114,608	\$ 2,109,119	\$ 5,544,899	\$ 8,535,155	\$ 43,798,584	\$ 7,409,436	\$ 134,867,117	\$ 977,657	\$ 640,506	\$ 2,097,761
Adjustment for implementation of GASB Statement No. 68	(32,390,736)	(1,409,255)	(4,319,495)	(140,581)	(501,507)	(767,167)	(1,417,620)	(57,816)	(1,008,688)	(3,252,991)	(598,958)	(781,184)	(37,478)
Net position - December 31, 2014 - As restated	\$ 83,450,776	\$ 80,352,477	\$ 182,210,416	\$ 29,974,027	\$ 1,607,612	\$ 4,777,732	\$ 7,117,535	\$ 43,740,768	\$ 6,400,748	\$ 131,614,126	\$ 378,699	\$ (140,678)	\$ 2,060,283

Note 3 - Deposits and Investments

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

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

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

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's investment policy requires that it shall diversify its investments by security type and institution. No more than 60 percent of the total investment portfolio will be invested in a single security type or with a single financial institution. At year end, the County had bank deposits of \$84,622,275, of which \$3,000,000 was covered by federal depository insurance and of which \$81,622,275 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.

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

Note 3 - Deposits and Investments (Continued)

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
Federal Home Loan Mortgage Corp	\$ 11,786,239	\$ 1,498,290	\$ 10,287,949
Federal Farm Credit Bank	2,000,060	-	2,000,060
Federal National Mortgage Association	2,504,050	-	2,504,050
Fowlerville Downtown Development Board	75,000	75,000	-
Commercial paper	7,986,393	7,986,393	-

Fiduciary Funds

Type of Investment	Fair Value	Less Than 1 Year	1-5 Years	5-10 Years
Other Employee Benefits Trust				
Fund				
Corporate bonds	\$ 2,285,521	\$ -	\$ 1,089,107	\$ 1,196,414
U.S. Treasury note	1,232,936	253,697	728,483	250,756
Federal Home Loan Mortgage Corp	514,366	-	161,775	352,591
Federal National Mortgage Association	979,961	-	979,961	-

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

Note 3 - Deposits and Investments (Continued)

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	\$ 11,786,239	Aaa	Moody's
Federal Farm Credit Bank	2,000,060	Aaa	Moody's
Federal National Mortgage Association	2,504,050	Aaa	Moody's
Fowlerville Downtown Development Bond	75,000	NR	N/A
Commercial paper	7,986,393	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	\$ 11,938,662	NR	N/A
Federal Home Loan Mortgage Corp	514,366	Aaa	Moody's
Federal National Mortgage Association	979,961	Aaa	Moody's
Corporate bonds	218,962	A1	Moody's
Corporate bonds	298,593	A2	Moody's
Corporate bonds	698,109	A3	Moody's
Corporate bonds	61,596	AA1	Moody's
Corporate bonds	50,200	AA2	Moody's
Corporate bonds	677,993	BAA1	Moody's
Corporate bonds	164,090	BAA2	Moody's
Corporate bonds	115,978	BAA3	Moody's

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

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 Mortgage Corp	\$ 11,786,239

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, 2015	Reclassifications	Additions	Disposals	Balance December 31, 2015
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 10,380,655	\$ -	\$ -	\$ -	\$ 10,380,655
Construction in progress	1,675,713	(5,960)	12,469,633	-	14,139,386
Subtotal	12,056,368	(5,960)	12,469,633	-	24,520,041
Capital assets being depreciated:					
Buildings	66,862,456	-	-	(25,801)	66,836,655
Equipment and furniture	27,990,535	5,960	1,449,921	-	29,446,416
Vehicles	5,635,672	-	768,514	(502,877)	5,901,309
Improvements other than building	2,165,951	-	-	-	2,165,951
Subtotal	102,654,614	5,960	2,218,435	(528,678)	104,350,331
Accumulated depreciation:					
Buildings	21,901,614	-	1,433,211	(81)	23,334,744
Equipment and furniture	23,158,276	-	1,043,261	-	24,201,537
Vehicles	4,073,520	-	748,506	(430,432)	4,391,594
Improvements other than building	2,006,512	-	15,287	-	2,021,799
Subtotal	51,139,922	-	3,240,265	(430,513)	53,949,674
Net capital assets being depreciated	51,514,692	5,960	(1,021,830)	(98,165)	50,400,657
Net capital assets	\$ 63,571,060	\$ -	\$ 11,447,803	\$ (98,165)	\$ 74,920,698

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

Note 4 - Capital Assets (Continued)

	Balance January 1, 2015	Reclassifications	Additions	Disposals	Balance December 31, 2015
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 12,516,959	\$ -	\$ 30,000	\$ -	\$ 12,546,959
Construction in progress	294,760	(294,760)	-	-	-
Subtotal	12,811,719	(294,760)	30,000	-	12,546,959
Capital assets being depreciated:					
Buildings	7,078,455	2,000	188,295	-	7,268,750
Improvements other than buildings	21,403,357	292,760	440,501	-	22,136,618
Vehicles	1,645,980	-	855,056	(575,248)	1,925,788
Machinery and equipment	2,000,459	-	155,703	(233,041)	1,923,121
Subtotal	32,128,251	294,760	1,639,555	(808,289)	33,254,277
Accumulated depreciation:					
Buildings	2,053,098	-	168,892	-	2,221,990
Improvements other than buildings	3,229,328	-	474,036	-	3,703,364
Vehicles	1,470,769	-	148,837	(575,248)	1,044,358
Machinery and equipment	1,337,484	-	168,244	(233,041)	1,272,687
Subtotal	8,090,679	-	960,009	(808,289)	8,242,399
Net capital assets being depreciated	24,037,572	294,760	679,546	-	25,011,878
Net capital assets	\$ 36,849,291	\$ -	\$ 709,546	\$ -	\$ 37,558,837

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

Note 4 - Capital Assets (Continued)

	Balance January 1, 2015	Additions	Disposals	Balance December 31, 2015
Component Units				
Capital assets not being depreciated:				
Land	\$ 27,206,272	\$ 56,508	\$ -	\$ 27,262,780
Construction in progress	289,066	924,093	-	1,213,159
Subtotal	27,495,338	980,601	-	28,475,939
Capital assets being depreciated:				
Land improvements	159,393	-	-	159,393
Buildings and improvements	13,566,625	315,592	(5,000)	13,877,217
Drains and septic systems	32,625,926	13,999	-	32,639,925
Machinery, equipment, and vehicles	12,591,678	904,454	(774,963)	12,721,169
Infrastructure - Roads and bridges	224,827,716	12,422,007	-	237,249,723
Draining flow rights	16,477,420	-	-	16,477,420
Depletable assets	488,543	-	-	488,543
Subtotal	300,737,301	13,656,052	(779,963)	313,613,390
Accumulated depreciation:				
Land improvements	133,072	-	-	133,072
Buildings and improvements	4,657,138	414,442	(5,000)	5,066,580
Drains and septic systems	7,299,693	894,401	-	8,194,094
Machinery, equipment, and vehicles	10,275,375	859,895	(774,963)	10,360,307
Infrastructure - Roads and bridges	127,935,198	8,540,562	-	136,475,760
Draining flow rights	1,572,413	166,439	-	1,738,852
Depletable assets	118,985	-	-	118,985
Subtotal	151,991,874	10,875,739	(779,963)	162,087,650
Net capital assets being depreciated	148,745,427	2,780,313	-	151,525,740
Net capital assets	\$ 176,240,765	\$ 3,760,914	\$ -	\$ 180,001,679

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

Governmental activities:	
General government	\$ 685,047
Public safety	857,326
Health and welfare	954,709
Community and economic development	3,961
Public works	130,023
Internal service funds	609,199
Total governmental activities	<u>\$ 3,240,265</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

Note 4 - Capital Assets (Continued)

Business-type activities:	
Airport	\$ 546,752
Septage receiving station	177,547
L.E.T.S.	226,888
Building and safety	<u>8,822</u>
Total business-type activities	<u>\$ 960,009</u>
Component unit activities:	
Drain Commission districts	\$ 367,327
Department of Public Works	1,102,643
Road Commission	<u>9,405,769</u>
Total component unit activities	<u>\$ 10,875,739</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>
Downtown amphitheater	\$ 45,649	\$ 169,351
Jail expansion	12,230,114	2,819,886
Jail renovation	1,294,343	1,205,657
Jail roof	544,702	146,639
Lake Tyrone sanitary sewer system improvements	<u>1,246,655</u>	<u>553,345</u>
Total	<u>\$ 15,361,463</u>	<u>\$ 4,894,878</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

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	104,322
	Airport Fund	10,000
	Total General Fund	150,626
Delinquent Tax Revolving Fund	Airport Fund	2,238,814
	Septage Receiving Station Fund	296,781
	Department of Public Works	44,839
	Total Delinquent Tax Revolving Fund	2,580,434
	Total advances	\$ 2,731,060

Interfund Transfers

Transferred To	Transferred From	Amount
General Fund	Nonmajor governmental funds	\$ 882,834
	Delinquent Tax Revolving Fund	15,421
	Total General Fund	898,255
Nonmajor governmental funds	General Fund	4,570,245
	EMS Fund	503,420
	Delinquent Tax Revolving Fund	927,239
	Total nonmajor governmental funds	6,000,904
	Total operating transfers out	\$ 6,899,159

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

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. The transfer from the EMS Fund to the nonmajor governmental funds provide for debt payments.

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%	\$ 7,890,000	\$ -	\$ (320,000)	\$ 7,570,000	\$ 335,000
2005 Mental health refunding bonds	2024	4.00%-5.00%	1,630,000	-	(1,630,000)	-	-
2015 Mental health refunding bonds	2024	2.05%	-	1,545,000	-	1,545,000	165,000
Jail Expansion Bonds	2029	2.00%-3.00%	14,200,000	-	(750,000)	13,450,000	775,000
Plus premiums on bonds payable			496,328	-	(32,626)	463,702	32,627
Total bonds payable			24,216,328	1,545,000	(2,732,626)	23,028,702	1,307,627
Other obligations:							
Drain at large assessments			143,500	-	(14,000)	129,500	14,000
Landfill postclosure liability			480,000	-	(80,000)	400,000	80,000
Employee compensated absences			2,366,452	2,378,622	(1,924,593)	2,820,481	1,924,593
Total governmental activities			\$ 27,206,280	\$ 3,923,622	\$ (4,751,219)	\$ 26,378,683	\$ 3,326,220
Business-type Activities							
Regional waste (septage receiving station)							
Tax notes - 2014	2028	4.00% - 4.25%	\$ 2,455,000	\$ -	\$ (145,000)	\$ 2,310,000	\$ 145,000
Tax notes - 2015	2014	0.30% + LIBOR	1,650,000	-	(1,650,000)	-	-
Plus premiums on bonds payable	2015	1.0% + LIBOR	-	6,000,000	(4,100,000)	1,900,000	1,900,000
			114,016	-	(8,498)	105,518	8,499
Total business-type activities			\$ 4,219,016	\$ 6,000,000	\$ (5,903,498)	\$ 4,315,518	\$ 2,053,499

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

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%	\$ 12,965,440	\$ 8,120,000	\$ (10,550,000)	\$ 10,535,440	\$ 2,450,440
Department of Public Works	2013-2030	2.00%-6.15%	31,530,000	3,057,106	(4,500,000)	30,087,106	2,505,000
Road Commission	2013-2018	3.20%-8.08%	1,646,693	184,548	(180,476)	1,650,765	590,982
Plus premiums on Drain Commission districts bonds payable			-	462,088	(23,104)	438,984	92,418
Plus premiums on Department of Public Works bonds payable			717,398	-	(60,298)	657,100	60,297
Total component debt			\$ 46,859,531	\$ 11,823,742	\$ (15,313,878)	\$ 43,369,395	\$ 5,699,137

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
2016	\$ 1,275,000	\$ 564,734	\$ 1,839,734	\$ 2,045,000	\$ 58,400	\$ 2,103,400	\$ 5,546,422	\$ 1,501,847	\$ 7,048,269
2017	1,305,000	546,028	1,851,028	155,000	55,400	210,400	4,426,257	1,320,049	5,746,306
2018	1,345,000	517,534	1,862,534	155,000	52,300	207,300	4,364,148	1,192,226	5,556,374
2019	1,395,000	486,053	1,881,053	160,000	49,150	209,150	5,084,377	1,063,240	6,147,617
2020	1,430,000	453,480	1,883,480	165,000	45,900	210,900	4,742,001	873,940	5,615,941
2021-2025	7,685,000	2,430,362	10,115,362	905,000	162,900	1,067,900	12,755,106	2,312,685	15,067,791
2026-2030	6,990,000	651,538	7,641,538	625,000	28,725	653,725	5,355,000	512,231	5,867,231
2031-2035	1,140,000	51,600	1,191,600	-	-	-	-	-	-
Total	\$ 22,565,000	\$ 5,701,329	\$ 28,266,329	\$ 4,210,000	\$ 452,775	\$ 4,662,775	\$ 42,273,311	\$ 8,776,218	\$ 51,049,529

Debt Issuance - During the year, the County issued Lake Tyrone Sanitary Sewage Disposal, Series 2015 bonds with a par amount of \$897,106 with an interest of 2.50 percent. The proceeds of this bond were used to provide funds for the Department of Public Works.

During the year, the County issued General Obligation Limited Tax Notes, Series 2015 with a par amount of \$6,000,000 with an interest of LIBOR plus 1.00 percent. The proceeds of this bond were used to provide funds for the County for any or all delinquent real property taxes that are due and payable to the County, the State of Michigan, and any school district, intermediate school district, community college district, city, township, special assessment district, or other political unit for which delinquent tax payments are due.

Current Refundings - During the year, Brighton Township Sanitary Sewer Drainage District Bonds, Series 2015 were issued with a par amount of \$7,900,000 and an interest rate range from 2.00 to 4.00 percent. The proceeds of this bond were used to refund \$8,245,000 of outstanding refunded 2012 Brighton Township Sanitary Drainage District bonds with interest rates ranging from 4.00 to 4.20 percent. The refunding decreased total debt service payments over the next five years by \$691,529. The net present value savings from the refunding is \$667,925. The new Brighton Township Sanitary Sewer Drainage District bonds are paid through the Drain Commission.

Note 6 - Long-term Debt (Continued)

During the year, Village of Fowlerville Refunding Bonds, Series 2015 were issued with a par amount of \$2,160,000 and an interest rate of 2.17 percent. The proceeds of this bond were used to refund \$2,105,000 of outstanding Fowlerville Sewage Disposal bonds with interest rates ranging from 4.05 to 5.00 percent. The refunding decreased total debt service payments over the next 11 years by \$294,816. The net present value savings from the refunding is \$220,782. The new Village of Fowlerville Refunding bonds are paid through the Department of Public Works.

During the year, Mental Health Refunding Bonds, Series 2015 were issued with a par amount of \$1,545,000 and an interest rate of 2.05 percent. The proceeds of this bond were used to refund \$1,490,000 of outstanding Mental Health Refunding Bonds, Series 2005 with interest rates ranging from 4.00 to 5.00 percent. The refunding decreased total debt service payments over the next nine years by \$122,797. The net present value savings from the refunding is \$112,393. The new 2015 Mental Health Refunding Bonds are paid through the Refunding of Mental Health Bonds debt service fund.

Bond Premiums - The long-term debt issuance of the 2015 Brighton Township Sanitary Drainage District bonds resulted in an unamortized bond premium of \$462,088. The unamortized bond premiums will be amortized over the life of the respective bonds through the year 2020.

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, 2015

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.

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. Principal and interest remaining on the debt at December 31, 2015 total \$47,121,995, with annual requirements ranging from \$6,016,718 to \$535,250. The local unit contributions from which the appropriations will be made have averaged approximately \$6.8 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 \$4,580,000 and \$1,704,611, respectively.

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

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	\$ 339,143	\$ -	\$ -	\$ 5,879	\$ 345,022
Long-term receivable	150,626	-	-	-	150,626
Total	489,769	-	-	5,879	495,648
Restricted:					
General government expense	-	-	-	3,327,052	3,327,052
Court systems expense	-	-	-	1,313,680	1,313,680
Public safety expense	-	-	-	6,355,547	6,355,547
Economic development expense	-	-	-	75,566	75,566
Health and welfare expense	-	-	-	210,884	210,884
Debt service expense	-	-	-	16,864	16,864
Capital projects (unspent bond proceeds)	-	-	1,976,785	-	1,976,785
Total	-	-	1,976,785	11,299,593	13,276,378
Committed:					
EMS construction	-	-	-	14,782	14,782
Debt service	-	-	-	2,014,319	2,014,319
West Complex construction	-	-	-	15,635	15,635
Jail renovation construction	1,195,131	-	-	-	1,195,131
Total	1,195,131	-	-	2,044,736	3,239,867
Assigned:					
Future operating requirements	15,000,000	-	-	-	15,000,000
Health and welfare	-	2,606,338	-	939,641	3,545,979
Capital replacement	-	-	-	7,549,288	7,549,288
Total	15,000,000	2,606,338	-	8,488,929	26,095,267
Unassigned	10,468,306	-	-	(385,887)	10,082,419
Total fund balances	<u>\$ 27,153,206</u>	<u>\$ 2,606,338</u>	<u>\$ 1,976,785</u>	<u>\$ 21,453,250</u>	<u>\$ 53,189,579</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.

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

Note 9 - Risk Management (Continued)

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.

At December 31, 2015, the County's Member Retention Fund with the Authority includes approximately \$840,000 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:

	2015	2014
Unpaid claims - Beginning of year	\$ 930,180	\$ 812,102
Incurred claims	35,245	377,041
Change in incurred but not reported estimate	(267,325)	(43,636)
Claim payments	(266,564)	(215,327)
Unpaid claims - End of year	<u>\$ 431,536</u>	<u>\$ 930,180</u>

In addition to the claims paid, the County incurred an additional \$1,040,888 for insurance expense for the year ended December 31, 2015.

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, 2015.

Note 10 - Defined Benefit Pension Plan

Plan Description - The County participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS of Michigan), which covers all eligible employees of the County. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

Note 10 - Defined Benefit Pension Plan (Continued)

Benefits Provided - The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers eligible full-time employees.

01 - General Nonunion	Closed to new hires, linked to Division HA
Benefit multiplier	2.00% Multiplier (no max)
Normal retirement age	60
Vesting	10 years
Early retirement (unreduced)	-
Early retirement (reduced)	50/25 or 55/15
Final average compensation	5 years
COLA for future retirees	2.50% (noncompound)
COLA for current retirees	2.50% (noncompound)
Employee contributions	5%
02 - Police - Union Sergeant	Open Division
Benefit multiplier	2.25% Multiplier (80% max)
Normal retirement age	60
Vesting	10 years
Early retirement (unreduced)	50/25
Early retirement (reduced)	55/15
Final average compensation	3 years
COLA for future retirees	2.50% (noncompound)
Employee contributions	5.00%
10 - Court Employees	Closed to new hires, linked to Division HB
Benefit multiplier	2.00% Multiplier (no max)
Normal retirement age	60
Vesting	10 years
Early retirement (unreduced)	-
Early retirement (reduced)	50/25 or 55/15
Final average compensation	5 years
COLA for future retirees	2.50% (noncompound)
Employee contributions	5.00%

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

Note 10 - Defined Benefit Pension Plan (Continued)

<u>11 - Ambulance Employees</u>	<u>Closed to new hires, linked to Division 23</u>
Benefit multiplier	2.00% Multiplier (no max)
Normal retirement age	60
Vesting	10 years
Early retirement (unreduced)	-
Early retirement (reduced)	50/25 or 55/15
COLA for future retirees	2.50% (noncompound)
Final average compensation	5 years
DC plan for new hires	6/20/2002
Employee contributions	5.00%
<u>12 - Building Inspection</u>	<u>Closed to new hires</u>
Benefit multiplier	2.00% Multiplier (no max)
Normal retirement age	60
Vesting	10 years
Early retirement (unreduced)	-
Early retirement (reduced)	50/25 or 55/15
DC plan for new hires	1/4/2004
Final average compensation	5 years
Employee contributions	0.00%
<u>13 - 911 Dispatch</u>	<u>Closed to new hires</u>
Benefit multiplier	2.00% Multiplier (no max)
Normal retirement age	60
Vesting	10 years
Early retirement (unreduced)	-
Early retirement (reduced)	50/25 or 55/15
Final average compensation	5 years
DC plan for new hires	5/1/2003
Employee contributions	5.00%

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

Note 10 - Defined Benefit Pension Plan (Continued)

<u>20 - Sheriff Union</u>	<u>Closed to new hires, linked to Division HC</u>
Benefit multiplier	2.25% Multiplier (80% max)
Normal retirement age	60
Vesting	10 years
Early retirement (unreduced)	50/25 or 55/15
Early retirement (reduced)	-
Final average compensation	5 years
COLA for future retirees	2.50% (noncompound)
Employee contributions	5.00%
<u>21 - Union Lieutenants</u>	<u>Closed to new hires, linked to Division 23</u>
Benefit multiplier	2.25% Multiplier (80% max)
Normal retirement age	60
Vesting	10 years
Early retirement (unreduced)	50/25
Early retirement (reduced)	55/15
Final average compensation	3 years
COLA for future retirees	2.50% (noncompound)
Employee contributions	5.00%
<u>22 - Sheriff Union after 6/20/2011</u>	<u>Closed to new hires, linked to Division HC</u>
Benefit multiplier	2.00% Multiplier (80% max)
Normal retirement age	60
Vesting	10 years
Early retirement (unreduced)	50/25 or 55/15
Early retirement (reduced)	-
Final average compensation	5 years
COLA for future retirees	2.50% (noncompound)
Employee contributions	5.00%
<u>HA - Nonunion Employees</u>	<u>Open Division, linked to Division 01</u>
Benefit multiplier	Hybrid Plan - 1.25% Multiplier
Normal retirement age	60
Vesting	6 years
Early retirement (unreduced)	-
Early retirement (reduced)	-
Final average compensation	3 years
Employee contributions	0.00%

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

Note 10 - Defined Benefit Pension Plan (Continued)

<u>HB - Court New Hires as of 1/1/2011</u>	<u>Open Division, linked to Division 10</u>
Benefit multiplier	Hybrid Plan - 1.25% Multiplier
Normal retirement age	60
Vesting	6 years
Early retirement (unreduced)	-
Early retirement (reduced)	-
Final average compensation	3 years
Employee contributions	0.00%
<u>HC - Sheriff Union after 1/1/2014</u>	<u>Open Division, linked to Division 20, 22</u>
Benefit multiplier	Hybrid Plan - 1.25% Multiplier
Normal retirement age	60
Vesting	6 years
Early retirement (unreduced)	55/25
Early retirement (reduced)	-
Final average compensation	3 years
Employee contributions	0.00%

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Board of Commissioners, generally after negotiations of these terms with the affected unions. Police employees benefit terms may be subject to binding arbitration in certain circumstances.

Employees Covered by Benefit Terms - At the December 31, 2014 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	332
Inactive plan members entitled to but not yet receiving benefits	115
Active plan members	<u>472</u>
Total employees covered by MERS	<u><u>919</u></u>

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

Note 10 - Defined Benefit Pension Plan (Continued)

For the year ended December 31, 2015, the average employee contribution rate was 3.17 percent of annual pay and the County's average contribution rate was 16.37 percent of annual payroll.

Payable to the Pension Plan

At December 31, 2015, the County reported a payable of \$372,562 for the outstanding amount of contributions to the plan required for the year ended December 31, 2015.

Net Pension Liability

The net pension liability reported at December 31, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2013	\$ 112,047,940	\$ 79,753,105	\$ 32,294,835
Service cost	2,255,182	-	2,255,182
Interest	9,109,342	-	9,109,342
Contributions - Employer	-	5,349,726	(5,349,726)
Contributions - Employee	-	842,665	(842,665)
Net investment income	-	5,135,943	(5,135,943)
Benefit payments, including refunds	(5,518,497)	(5,518,497)	-
Administrative expenses	-	(188,894)	188,894
Net changes	5,846,027	5,620,943	225,084
Balance at December 31, 2014	\$ 117,893,967	\$ 85,374,048	\$ 32,519,919

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

Note 10 - Defined Benefit Pension Plan (Continued)

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

For the year ended December 31, 2015, the County recognized pension expense of \$4,403,855. At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,170,955	\$ -
Employer contributions to the plan subsequent to the measurement date	4,497,862	-
Total	<u>\$ 5,668,817</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31	Amount
2016	\$ 292,738
2017	292,739
2018	292,739
2019	292,739

Actuarial Assumptions - The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0-4.0 %	
Salary increases	4.5 %	In the long term, 2 percent and 3 percent for calendar years 2015 and 2016, respectively, including inflation
Investment rate of return	8.25 %	Gross of pension plan investment expense, including inflation

Mortality rates were based on the 1994 Group Annuity Mortality Table of a 50 percent male and 50 percent female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study in 2008.

Note 10 - Defined Benefit Pension Plan (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2014, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	58 %	5.02 %
Global fixed income	20	2.18
Real assets	13	4.23
Diversifying strategies	10	6.56

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the County, calculated using the discount rate of 8.25 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.25 percent) or 1 percentage point higher (9.25 percent) than the current rate:

	1 Percent Decrease (7.25%)	Current Discount Rate (8.25%)	1 Percent Increase (9.25%)
Net pension liability of the County	\$ 47,087,457	\$ 32,519,919	\$ 20,234,588

Note 10 - Defined Benefit Pension Plan (Continued)

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at www.mersofmichigan.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 11 - Defined Benefit Pension Plan - Road Commission

Plan Description - The 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.

Benefits Provided - The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers eligible full-time employees.

01 - Nonunion: Closed to new hires

Benefit multiplier	2.25 Multiplier (80% max)
Normal retirement age	60
Vesting	10 years
Early retirement (unreduced)	0
Early retirement (reduced)	50/25 or 55/15
Final average compensation	3 years
Employee contributions	0.00%
Act 88	Yes (Adopted 9/30/1971)

10 - Union: Closed to new hires

Benefit multiplier	2.25% Multiplier (80% max)
Normal retirement age	60
Vesting	10 years
Early retirement (unreduced)	55/25
Early retirement (reduced)	50/25 or 55/15
Final average compensation	3 years
Employee contributions	0.00%
Act 88	Yes (Adopted 9/30/1971)

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

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

12 - Union after 10/1/12

Benefit multiplier	1.70% Multiplier (no max)
Normal retirement age	60
Vesting	10 years
Early retirement (unreduced)	0
Early retirement (reduced)	50/25 or 55/15
Final average compensation	3 years
Employee contributions	0.00%
Act 88	Yes (Adopted 9/30/1971)

Employees Covered by Benefit Terms - At the December 31, 2014 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	52
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	<u>64</u>
Total employees covered by MERS	<u><u>121</u></u>

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Net Pension Liability

The net pension liability reported at December 31, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

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

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2013	\$ 19,659,029	\$ 16,406,038	\$ 3,252,991
Service cost	316,790	-	316,790
Interest	1,593,716	-	1,593,716
Contributions - Employer	-	398,726	(398,726)
Net investment income	-	1,028,562	(1,028,562)
Benefit payments, including refunds	(999,339)	(999,339)	-
Administrative expenses	-	(37,697)	37,697
Net changes	911,167	390,252	520,915
Balance at December 31, 2014	<u>\$ 20,570,196</u>	<u>\$ 16,796,290</u>	<u>\$ 3,773,906</u>

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

For the year ended December 31, 2015, the Road Commission recognized pension expense of \$282,030. At December 31, 2015, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 238,885	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31	Amount
2016	\$ 59,721
2017	59,721
2018	59,721
2019	59,722

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

Actuarial Assumptions - The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 - 4.0 %	
Salary increases	4.5 %	In the long term, 2 percent and 3 percent for calendar years 2015 and 2016, respectively, including inflation
Investment rate of return	8.25%	Gross of pension plan investment expense, including inflation

Mortality rates were based on the 1994 Group Annuity Mortality Tables of a 50 percent male blend and 50 percent female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study in 2008.

Discount Rate - The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2014, the measurement date, for each major asset class are summarized in the following table:

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

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

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	58 %	5.02 %
Global fixed income	20	2.18
Real assets	13	4.23
Diversifying strategies	10	6.56

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Road Commission, calculated using the discount rate of 8.25 percent, as well as what the Road Commission's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.25 percent) or 1 percentage point higher (9.25 percent) than the current rate:

	1 Percent Decrease (7.25%)	Current Discount Rate (8.25%)	1 Percent Increase (9.25%)
Net pension liability of the Road Commission	\$ 5,915,093	\$ 3,773,906	\$ 1,932,458

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at www.mersofmichigan.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

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, 2015

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 Employees' 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). As of December 31, 2014, the date of the most recent actuarial valuation, 87 general retirees are eligible. In addition, 37 active general employees may be entitled to benefits upon retirement.

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 nonunion employees, the County and eligible participants will share health insurance costs as follows:

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

Beginning January 1, 2009, nonunion members and their spouses or beneficiaries 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.

Note 12 - Other Postemployment Benefits (Continued)

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). The County has established a Postemployment Health Care Trust (the "Trust") and no contributions were made to the Trust in 2015. 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, 2015

Note 12 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended December 31, 2015, the County has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2014. 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	\$ 1,484,973
Interest on the prior year's net OPEB asset	(25,906)
Less adjustment to the annual required contribution	<u>20,447</u>
Annual OPEB cost	1,479,514
Amounts contributed - Payments of current premiums	<u>-</u>
Decrease in net OPEB asset	1,479,514
OPEB asset - Beginning of year	<u>(370,088)</u>
OPEB obligation - End of year	<u>\$ 1,109,426</u>

The net OPEB obligation is reported in the following:

Primary government:	
Governmental activities	\$ (988,896)
Business-type activities	<u>(76,745)</u>
Total primary government	(1,065,641)
Component units	<u>(43,785)</u>
Total net OPEB obligation	<u>\$ (1,109,426)</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, 2015, 2014, and 2013 were as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual OPEB costs	\$ 1,479,514	\$ 1,451,954	\$ 1,280,884
Percentage contributed	-	70 %	63 %
Net OPEB asset (obligation)	\$ (1,109,426)	\$ 370,088	\$ 809,437

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

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			
	2014		2012	2010
	Union	Nonunion	Total	Total
Present value of future benefit payments	\$ 17,075,477	\$ 3,485,778	\$ 26,491,200	\$ 25,117,936
Actuarial value of assets	\$ 8,009,625	\$ 6,834,844	\$ 11,886,749	\$ 11,260,991
Actuarial accrued liability (AAL)	\$ 15,390,227	\$ 3,469,499	\$ 22,170,677	\$ 21,124,919
Unfunded AAL (UAAL)	\$ 7,380,602	\$ (3,365,345)	\$ 10,283,928	\$ 9,863,928
Funded ratio	52%	197%	54%	53%
Annual covered payroll	\$ 2,447,003	\$ 329,406	\$ 4,216,998	\$ 3,419,799
Ratio of UAAL to covered payroll	302%	-1,022%	244	153%

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, 2014 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 3.0 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, 2014.

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 health care had a healthcare savings account established through MERS of Michigan into which quarterly payments equaling 4 percent of their base salary will be deposited.

The employer contributions will be subject to the following maximum limitation in each calendar year of participation: for nonunion employees - first five years of service with the County - up to \$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 \$539,173 during the year ended December 31, 2015.

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

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 34 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:

2015 annual required contribution	\$ 367,126
Interest on the prior year's net OPEB obligation	82,103
Less adjustment to the annual required contribution	<u>(68,419)</u>
Annual OPEB cost	380,810
Payments of current premiums	<u>(230,635)</u>
Increase in net OPEB obligation	150,175
OPEB obligation - Beginning of year	<u>2,045,096</u>
OPEB obligation - End of year	<u>\$ 2,195,271</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2015

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, 2015 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of OPEB Costs Contributed	Net OPEB Obligation
12/31/15	\$ 380,810	60.60	\$ 2,195,271
12/31/14	373,273	68.70	2,045,096
12/31/13	421,109	58.92	1,928,425

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 March 2016, the County sold Livingston County Regional Sanitary Sewer System Refunding Bonds (Hartland Township) in the amount of \$11,430,000. The notes have an interest rate that ranges from 1.5 to 3.0 percent, matures in November 2030, and provides a net present value savings of \$1,908,083.

Certain grant funded employment programs currently accounted for in the County's Job Training Services Fund will be moved to the Southeast Michigan Consortium effective June 30, 2016. Expenditures for these programs total approximately \$2,300,000 in 2015 and will no longer be accounted at the County.

Note 15 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board (GASB) issued 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.

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. 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. In addition, the County will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The County is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016, whereas GASB Statement No. 75 is effective one year later.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement will require governments to disclose in their financial statements information related to tax abatement agreements. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the December 31, 2016 year end.

Required Supplemental Information

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 26,569,635	\$ 26,933,888	\$ 26,993,968	\$ 60,080
Licenses and permits	390,600	351,517	460,077	108,560
Federal grants	41,874	24,500	22,056	(2,444)
State sources	5,835,268	5,832,768	5,740,435	(92,333)
Charges for services	5,089,492	5,331,736	6,176,765	845,029
Fines and forfeitures	327,000	327,000	322,618	(4,382)
Interest and rent	141,900	183,900	249,765	65,865
Rental income	1,318,880	874,671	751,223	(123,448)
Other	2,423,165	2,521,467	2,765,698	244,231
Total revenue	42,137,814	42,381,447	43,482,605	1,101,158
Expenditures - Current				
General government:				
Board of Commissioners	531,448	513,833	498,992	14,841
County administration	581,288	625,662	608,583	17,079
Purchasing	169,733	167,738	169,765	(2,027)
Internal/External audit	117,500	117,500	101,845	15,655
Treasurer	956,205	974,619	968,665	5,954
Equalization	438,214	445,141	434,977	10,164
Clerk	1,307,439	1,363,611	1,300,302	63,309
Elections	43,432	108,482	75,011	33,471
Attorney	144,584	144,584	140,572	4,012
Human resources	612,994	627,904	604,957	22,947
Register of Deeds	643,235	669,081	659,285	9,796
Insurance and other functions	2,970,584	1,546,276	1,111,117	435,159
Animal services	741,496	753,278	721,528	31,750
Total general government	9,258,152	8,057,709	7,395,599	662,110
Court systems	9,863,008	9,952,921	9,752,561	200,360
Public safety - Sheriff and jail	15,069,225	15,799,308	15,221,058	578,250
Health and welfare	1,682,037	1,676,337	1,634,046	42,291
Economic development	3,785,079	3,823,457	3,464,564	358,893
Total expenditures	39,657,501	39,309,732	37,467,828	1,841,904
Excess of Revenue Over Expenditures	2,480,313	3,071,715	6,014,777	2,943,062
Other Financing Sources (Uses)				
Operating transfers in	442,219	448,219	1,273,917	825,698
Operating transfers out	(5,759,363)	(5,769,934)	(4,638,474)	1,131,460
Total other financing uses	(5,317,144)	(5,321,715)	(3,364,557)	1,957,158
Net Change in Fund Balance	(2,836,831)	(2,250,000)	2,650,220	4,900,220
Fund Balance - Beginning of year	24,502,986	24,502,986	24,502,986	-
Fund Balance - End of year	<u>\$ 21,666,155</u>	<u>\$ 22,252,986</u>	<u>\$ 27,153,206</u>	<u>\$ 4,900,220</u>

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds EMS Fund Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 2,267,035	\$ 2,267,035	\$ 2,289,280	\$ 22,245
Charges for services	7,253,647	6,265,647	6,721,097	455,450
Interest and rent	5,400	5,400	3,533	(1,867)
Rental income	412,719	412,719	375,476	(37,243)
Other	14,000	145,751	134,499	(11,252)
Total revenue	<u>9,952,801</u>	<u>9,096,552</u>	<u>9,523,885</u>	427,333
Expenditures - Current - Health and welfare	<u>9,009,685</u>	<u>8,909,256</u>	<u>8,386,268</u>	522,988
Excess of Revenue Over Expenditures	943,116	187,296	1,137,617	950,321
Other Financing Uses - Operating transfers out	<u>(806,157)</u>	<u>(806,157)</u>	<u>(784,009)</u>	22,148
Net Change in Fund Balance	136,959	(618,861)	353,608	972,469
Fund Balance - Beginning of year	<u>2,252,730</u>	<u>2,252,730</u>	<u>2,252,730</u>	-
Fund Balance - End of year	<u><u>\$ 2,389,689</u></u>	<u><u>\$ 1,633,869</u></u>	<u><u>\$ 2,606,338</u></u>	<u><u>\$ 972,469</u></u>

Livingston County, Michigan

Required Supplemental Information Schedule of Changes in the Net Pension Liability and Related Ratios Last Fiscal Years

	2014
Total Pension Liability	
Service cost	\$ 2,255,182
Interest	9,109,342
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds	(5,518,497)
Net change in total pension liability	5,846,027
Total pension liability - Beginning of year	112,047,940
Total pension liability - End of year	\$ 117,893,967
Plan Fiduciary Net Position	
Contributions - Employer	\$ 5,349,726
Contributions - Employee	842,665
Net investment income	5,135,943
Administrative expenses	(188,894)
Benefit payments, including refunds	(5,518,497)
Other	-
Net change in plan fiduciary net position	5,620,943
Plan fiduciary net position - Beginning of year	79,753,105
Plan fiduciary net position - End of year	\$ 85,374,048
County's net pension liability - Ending	\$ 32,519,919
Plan fiduciary net position as a percentage of total pension liability	72.42 %
Covered employee payroll	\$ 24,373,699
County's net pension liability as a percentage of covered employee payroll	133.4 %

Livingston County, Michigan

Required Supplemental Information Schedule of Changes in the Road Commission Net Pension Liability and Related Ratios Last Ten Fiscal Years

	2014
Total Pension Liability	
Service cost	\$ 316,790
Interest	1,593,716
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds	(999,339)
Net change in total pension liability	911,167
Total pension liability - Beginning of year	19,659,029
Total pension liability - End of year	\$ 20,570,196
Plan Fiduciary Net Position	
Contributions - Employer	\$ 398,726
Contributions - Member	-
Net investment income	1,028,562
Administrative expenses	(37,697)
Benefit payments, including refunds	(999,339)
Other	-
Net change in plan fiduciary net position	390,252
Plan fiduciary net position - Beginning of year	16,406,038
Plan fiduciary net position - End of year	\$ 16,796,290
County's net pension liability - Ending	\$ 3,773,906
Plan fiduciary net position as a percentage of total pension liability	81.65 %
Covered employee payroll	\$ 3,645,812
County's net pension liability as a percentage of covered employee payroll	103.5 %

Livingston County, Michigan

Required Supplemental Information OPEB System Schedule Year Ended December 31, 2015

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
12/31/10	\$ 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
12/31/14	14,844,469	18,859,726	4,015,257	78.7	2,776,409	144.6

Livingston County, Michigan

Note to Required Supplemental Information December 31, 2015

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. General Fund departments continue to take proactive measures to operate within or under the approved budget and eliminate or reduce future ongoing costs.

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

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 at 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.

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.

Livingston County, Michigan

Note to Required Supplemental Information (Continued) December 31, 2015

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 County's internal service funds also prepare the projection for the department chargebacks. This is rolled out to departments as the base level budgets. Departments expand on this and add their budget requests for the remaining costs needed to operate their departments.

Departments are requested to submit budget requests within these limits. Budget requests are due from the departments by the middle of August.

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 (Uses) Sources</u>
General Fund:			
Amounts per operating statement	\$ 41,613,339	\$ 35,291,129	\$ (3,671,990)
Reimbursements from other funds budgeted as transfers	-	307,433	307,433
Reimbursements from other funds are budgeted as revenue instead of net of expenditures	<u>1,869,266</u>	<u>1,869,266</u>	<u>-</u>
Amounts per budget statement	<u>\$ 43,482,605</u>	<u>\$ 37,467,828</u>	<u>\$ (3,364,557)</u>
		Total	Other Financing
	<u>Total Revenue</u>	<u>Expenditures</u>	<u>Sources (Uses)</u>
EMS Fund:			
Amounts per operating statement	\$ 9,523,885	\$ 8,666,857	\$ (503,420)
Reimbursements from other funds budgeted as transfers	-	(280,589)	(280,589)
Amounts per budget statement	<u>\$ 9,523,885</u>	<u>\$ 8,386,268</u>	<u>\$ (784,009)</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 - Purchasing	\$ 167,738	\$ 169,765	\$ (2,027)
General Fund - General government - Buildings and grounds	18,816	18,908	(92)

Other Supplemental Information

Livingston County, Michigan

	Special Revenue Funds						
	Job Training Services	Health Fund	Community Development Block Grant	Child Care	Family Counseling	Friend of the Court	Small Cities Community Development Block Grant
			OLHSA				
Assets							
Cash and investments	\$ -	\$ 972,532	\$ 38,970	\$ 958,678	\$ 73,419	\$ 203,805	\$ 75,000
Receivables:							
Taxes	-	-	-	-	-	-	-
Accounts	2,247	2,947	932,941	-	-	-	-
Accrued interest receivable	-	-	-	-	-	-	566
Due from other governmental units	587,744	97,120	-	116,085	-	354,964	-
Prepaid costs and other assets	-	4,304	-	-	-	-	-
Total assets	\$ 589,991	\$ 1,076,903	\$ 971,912	\$ 1,074,763	\$ 73,419	\$ 558,769	\$ 75,566
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities							
Accounts payable	\$ 322,062	\$ 9,046	\$ -	\$ 199,709	\$ 1,000	\$ 18,036	\$ -
Due to other governmental units	-	-	-	-	-	-	-
Advances from other funds	36,304	-	-	-	-	-	-
Accrued and other liabilities	11,874	87,880	-	8,044	-	57,286	-
Unearned revenue	-	-	908,888	-	-	-	-
Total liabilities	370,240	96,926	908,888	207,753	1,000	75,322	-
Deferred Inflows of Resources							
Unavailable revenue	531,222	36,032	24,054	-	-	140,534	-
Property taxes levied for the following year	-	-	-	-	-	-	-
Total deferred inflows of resources	531,222	36,032	24,054	-	-	140,534	-
Fund Balances							
Nonspendable	-	4,304	-	-	-	-	-
Restricted	-	-	38,970	867,010	72,419	342,913	75,566
Committed	-	-	-	-	-	-	-
Assigned	-	939,641	-	-	-	-	-
Unassigned	(311,471)	-	-	-	-	-	-
Total fund balances	(311,471)	943,945	38,970	867,010	72,419	342,913	75,566
Total liabilities, deferred inflows of resources, and fund balances	\$ 589,991	\$ 1,076,903	\$ 971,912	\$ 1,074,763	\$ 73,419	\$ 558,769	\$ 75,566

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2015**

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
\$ 363,108	\$ 4,902	\$ 53,179	\$ 22,464	\$ 36,835	\$ 27,490	\$ 77,471	\$ 14,523	\$ 176,408
-	-	-	-	-	-	-	-	397,636
7	-	-	-	-	1	-	-	3
71,877	-	-	-	-	-	19,290	-	-
-	-	-	-	-	-	-	-	-
\$ 434,992	\$ 4,902	\$ 53,179	\$ 22,464	\$ 36,835	\$ 27,491	\$ 96,761	\$ 14,523	\$ 574,047
\$ 33,732	\$ -	\$ -	\$ -	\$ -	\$ 1,055	\$ 5,856	\$ -	\$ 22,552
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,338	-	-
-	-	-	-	-	-	-	-	-
33,732	-	-	-	-	1,055	7,194	-	22,552
71,877	-	-	-	-	-	19,290	-	-
-	-	-	-	-	-	-	-	397,636
-	-	-	-	-	-	-	-	-
71,877	-	-	-	-	-	19,290	-	397,636
-	-	-	-	-	-	-	-	-
329,383	4,902	53,179	22,464	36,835	26,436	70,277	14,523	153,859
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
329,383	4,902	53,179	22,464	36,835	26,436	70,277	14,523	153,859
\$ 434,992	\$ 4,902	\$ 53,179	\$ 22,464	\$ 36,835	\$ 27,491	\$ 96,761	\$ 14,523	\$ 574,047

Livingston County, Michigan

Special Revenue Funds							
	Veterans' Trust	Register of Deeds	Federal Equitable Sharing Fund	Homestead Property Exemption Fund	Correction Officers Training	Federal Grants	State and Other Grants
Assets							
Cash and investments	\$ 3,532	\$ 1,427,574	\$ 245,854	\$ 17,326	\$ 12,840	\$ 103,093	\$ -
Receivables:							
Taxes	-	-	-	-	-	-	-
Accounts	-	-	-	-	5,778	-	-
Accrued interest receivable	-	1,944	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	98,456	275,834
Prepaid costs and other assets	-	-	-	-	-	-	-
Total assets	\$ 3,532	\$ 1,429,518	\$ 245,854	\$ 17,326	\$ 18,618	\$ 201,549	\$ 275,834
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities							
Accounts payable	\$ -	\$ -	\$ 20,040	\$ -	\$ 600	\$ 27,114	\$ 145,586
Due to other governmental units	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-
Accrued and other liabilities	-	-	10,466	-	-	7,909	18,006
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	-	-	30,506	-	600	35,023	163,592
Deferred Inflows of Resources							
Unavailable revenue	-	-	-	-	-	18,509	186,658
Property taxes levied for the following year	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	18,509	186,658
Fund Balances							
Nonspendable	-	-	-	-	-	-	-
Restricted	3,532	1,429,518	215,348	17,326	18,018	148,017	-
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(74,416)
Total fund balances	3,532	1,429,518	215,348	17,326	18,018	148,017	(74,416)
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,532	\$ 1,429,518	\$ 245,854	\$ 17,326	\$ 18,618	\$ 201,549	\$ 275,834

**Other Supplemental Information
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
December 31, 2015**

Special Revenue Funds		Debt Service Funds					Capital Projects Funds	
911 Services Fund	Concealed Pistol	Debt Service Sinking Fund	Refunding Building Authority Mental Health Bonds	EMS Debt Fund	Jail Expansion Debt Service	2015 Refunding of Mental Health Bonds	Capital Replacement	EMS Construction
\$ 4,920,342	\$ 18,140	\$ 2,013,862	\$ 11,791	\$ -	\$ -	\$ -	\$ 7,533,811	\$ 14,782
-	-	-	-	-	-	-	-	-
1,038,304	-	-	-	-	-	5,073	-	-
306	-	457	-	-	-	-	1,950	-
97,923	-	-	-	-	-	-	-	-
1,575	-	-	-	-	-	-	13,527	-
\$ 6,058,450	\$ 18,140	\$ 2,014,319	\$ 11,791	\$ -	\$ -	\$ 5,073	\$ 7,549,288	\$ 14,782
\$ 21,092	\$ 59	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
779	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
94,920	772	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
116,791	831	-	-	-	-	-	-	-
658	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
658	-	-	-	-	-	-	-	-
1,575	-	-	-	-	-	-	-	-
5,939,426	17,309	-	11,791	-	-	5,073	-	-
-	-	2,014,319	-	-	-	-	-	14,782
-	-	-	-	-	-	-	7,549,288	-
-	-	-	-	-	-	-	-	-
5,941,001	17,309	2,014,319	11,791	-	-	5,073	7,549,288	14,782
\$ 6,058,450	\$ 18,140	\$ 2,014,319	\$ 11,791	\$ -	\$ -	\$ 5,073	\$ 7,549,288	\$ 14,782

Livingston County, Michigan

Other Supplemental Information Combining Balance Sheet (Continued) Nonmajor Governmental Funds December 31, 2015

	Capital Projects Funds			Permanent Funds	Total Nonmajor Governmental Funds
	West Complex Construction Fund	Jail Renovation Fund	Dental Clinic	Cemetery Trust	
	Fund	Fund	Fund	Fund	
Assets					
Cash and investments	\$ 15,635	\$ 303,855	\$ 1,359,114	\$ 26,462	\$ 21,126,797
Receivables:					
Taxes	-	-	-	-	397,636
Accounts	-	-	-	-	1,987,290
Accrued interest receivable	-	-	-	1	5,236
Due from other governmental units	-	-	-	-	1,719,293
Prepaid costs and other assets	-	-	-	-	19,406
	<u>\$ 15,635</u>	<u>\$ 303,855</u>	<u>\$ 1,359,114</u>	<u>\$ 26,463</u>	<u>\$ 25,255,658</u>
Total assets					
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 218,607	\$ -	\$ -	\$ 1,046,146
Due to other governmental units	-	-	-	78	857
Advances from other funds	-	-	-	-	36,304
Accrued and other liabilities	-	85,248	-	-	383,743
Unearned revenue	-	-	-	-	908,888
	<u>-</u>	<u>303,855</u>	<u>-</u>	<u>78</u>	<u>2,375,938</u>
Total liabilities					
Deferred Inflows of Resources					
Unavailable revenue	-	-	-	-	1,028,834
Property taxes levied for the following year	-	-	-	-	397,636
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>397,636</u>
Total deferred inflows of resources					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,426,470</u>
Fund Balances					
Nonspendable	-	-	-	-	5,879
Restricted	-	-	1,359,114	26,385	11,299,593
Committed	15,635	-	-	-	2,044,736
Assigned	-	-	-	-	8,488,929
Unassigned	-	-	-	-	(385,887)
	<u>15,635</u>	<u>-</u>	<u>1,359,114</u>	<u>26,385</u>	<u>21,453,250</u>
Total fund balances					
Total liabilities, deferred inflows of resources, and fund balances					
	<u>\$ 15,635</u>	<u>\$ 303,855</u>	<u>\$ 1,359,114</u>	<u>\$ 26,463</u>	<u>\$ 25,255,658</u>

Livingston County, Michigan

Special Revenue Funds

	Job Training Services	Health Fund	Community Development Block Grant OLHSA	Child Care	Family Counseling	Friend of the Court	Small Cities Community Development Block Grant
Revenue							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	264,580	-	-	-	-	-
Federal sources	1,722,763	947,696	-	-	-	1,293,020	-
State sources	692,555	846,046	-	858,201	-	180,316	-
Charges for services	19,565	735,664	-	147,646	15,795	154,670	-
Interest earned	-	-	329	-	-	25	4,491
Rental income	-	-	-	-	-	-	-
Contributions from local units and other	-	-	9,671	70,000	-	4,958	-
Total revenue	2,434,883	2,793,986	10,000	1,075,847	15,795	1,632,989	4,491
Expenditures							
Current:							
General government	-	-	-	-	-	-	-
Court systems	-	-	-	2,443,960	8,355	2,525,309	-
Public safety	-	-	-	-	-	-	-
Health and welfare	2,943,102	3,575,064	-	-	-	-	-
Economic development	-	-	-	-	-	-	80,062
Capital outlay	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	2,943,102	3,575,064	-	2,443,960	8,355	2,525,309	80,062
Excess of Revenue (Under) Over Expenditures	(508,219)	(781,078)	10,000	(1,368,113)	7,440	(892,320)	(75,571)
Other Financing Sources (Uses)							
Face value of debt issue	-	-	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	-	-	-
Operating transfers in	-	742,063	-	940,100	-	886,777	-
Operating transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	742,063	-	940,100	-	886,777	-
Net Change in Fund Balances	(508,219)	(39,015)	10,000	(428,013)	7,440	(5,543)	(75,571)
Fund Balances - Beginning of year	196,748	982,960	28,970	1,295,023	64,979	348,456	151,137
Fund Balances - End of year	\$ (311,471)	\$ 943,945	\$ 38,970	\$ 867,010	\$ 72,419	\$ 342,913	\$ 75,566

**Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2015**

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 383,427	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
116,061	-	-	-	-	-	131,942	-	-	5,826
2,133	-	-	-	-	-	2,960	-	-	-
1,277	-	-	-	-	31	-	-	366	-
-	-	-	-	-	-	11,050	-	-	-
-	-	12,839	2,852	-	6,500	-	-	-	-
119,471	-	12,839	2,852	-	6,531	145,952	-	383,793	5,826
140,088	-	-	-	-	-	-	-	-	-
-	-	-	-	-	6,599	-	-	-	-
-	-	31,691	2,500	-	-	176,639	-	-	-
-	-	-	-	-	-	-	14,775	347,132	3,516
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
140,088	-	31,691	2,500	-	6,599	176,639	14,775	347,132	3,516
(20,617)	-	(18,852)	352	-	(68)	(30,687)	(14,775)	36,661	2,310
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(864,430)	-	-	-	-	-	47,269	9,000	-	-
(864,430)	-	-	-	-	-	47,269	9,000	-	-
(885,047)	-	(18,852)	352	-	(68)	16,582	(5,775)	36,661	2,310
1,214,430	4,902	72,031	22,112	36,835	26,504	53,695	20,298	117,198	1,222
\$ 329,383	\$ 4,902	\$ 53,179	\$ 22,464	\$ 36,835	\$ 26,436	\$ 70,277	\$ 14,523	\$ 153,859	\$ 3,532

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	Concealed Pistol
Revenue								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	54,982
Federal sources	-	176,638	-	-	457,714	-	92,897	-
State sources	-	-	-	-	-	706,400	404,281	-
Charges for services	205,490	-	-	23,705	-	-	4,208,327	-
Interest earned	3,235	383	7,251	-	-	-	6,781	-
Rental income	-	-	-	-	-	-	-	-
Contributions from local units and other	-	10,275	-	-	-	-	43,838	-
Total revenue	208,725	187,296	7,251	23,705	457,714	706,400	4,756,124	54,982
Expenditures								
Current:								
General government	81,677	-	1,003	-	-	7,205	-	37,673
Court systems	-	-	-	-	545,478	539,582	-	-
Public safety	-	107,035	-	9,761	4,700	233,026	4,780,575	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenditures	81,677	107,035	1,003	9,761	550,178	779,813	4,780,575	37,673
Excess of Revenue (Under) Over Expenditures	127,048	80,261	6,248	13,944	(92,464)	(73,413)	(24,451)	17,309
Other Financing Sources (Uses)								
Face value of debt issue	-	-	-	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	29,264	119,028	-	-
Operating transfers out	(6,000)	-	(12,404)	-	-	-	-	-
Total other financing sources (uses)	(6,000)	-	(12,404)	-	29,264	119,028	-	-
Net Change in Fund Balances	121,048	80,261	(6,156)	13,944	(63,200)	45,615	(24,451)	17,309
Fund Balances - Beginning of year	1,308,470	135,087	23,482	4,074	211,217	(120,031)	5,965,452	-
Fund Balances - End of year	\$ 1,429,518	\$ 215,348	\$ 17,326	\$ 18,018	\$ 148,017	\$ (74,416)	\$ 5,941,001	\$ 17,309

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
Year Ended December 31, 2015**

Debt Service Funds					Capital Projects Funds				
Debt Service Sinking Fund	Refunding Building Authority Mental Health Bonds	EMS Debt Fund	Jail Expansion Debt Service	2015 Refunding of Mental Health Bonds	Capital Replacement	EMS Construction	West Complex Construction Fund	Jail Renovation Fund	Dental Clinic
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1,023	-	-	92	-	47,649	-	-	-	-
-	208,281	-	-	-	-	9,692	-	-	1,359,114
<u>1,023</u>	<u>208,281</u>	<u>-</u>	<u>92</u>	<u>-</u>	<u>47,649</u>	<u>9,692</u>	<u>-</u>	<u>-</u>	<u>1,359,114</u>
-	-	-	-	-	528,593	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	1,000	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	1,129,244	-
-	140,000	320,000	750,000	-	-	-	-	-	-
-	68,281	184,037	377,900	30,507	-	-	-	-	-
<u>-</u>	<u>208,281</u>	<u>504,037</u>	<u>1,128,900</u>	<u>30,507</u>	<u>528,593</u>	<u>-</u>	<u>-</u>	<u>1,129,244</u>	<u>-</u>
1,023	-	(504,037)	(1,128,808)	(30,507)	(480,944)	9,692	-	(1,129,244)	1,359,114
-	-	-	-	1,545,000	-	-	-	-	-
-	-	-	-	(1,509,420)	-	-	-	-	-
-	-	503,420	927,239	-	667,500	-	-	1,129,244	-
-	-	-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>503,420</u>	<u>927,239</u>	<u>35,580</u>	<u>667,500</u>	<u>-</u>	<u>-</u>	<u>1,129,244</u>	<u>-</u>
1,023	-	(617)	(201,569)	5,073	186,556	9,692	-	-	1,359,114
<u>2,013,296</u>	<u>11,791</u>	<u>617</u>	<u>201,569</u>	<u>-</u>	<u>7,362,732</u>	<u>5,090</u>	<u>15,635</u>	<u>-</u>	<u>-</u>
\$ 2,014,319	\$ 11,791	\$ -	\$ -	\$ 5,073	\$ 7,549,288	\$ 14,782	\$ 15,635	\$ -	\$ 1,359,114

Livingston County, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Continued) Nonmajor Governmental Funds Year Ended December 31, 2015

	<u>Permanent Fund</u>	
	Cemetery Trust	Total Nonmajor Governmental Funds
Revenue		
Property taxes	\$ -	\$ 383,427
Licenses and permits	-	319,562
Federal sources	-	4,690,728
State sources	-	3,941,628
Charges for services	-	5,515,955
Interest earned	-	72,933
Rental income	-	11,050
Contributions from local units and other	-	1,738,020
	<hr/>	<hr/>
Total revenue	-	16,673,303
Expenditures		
Current:		
General government	-	796,239
Court systems	-	6,069,283
Public safety	-	5,346,927
Health and welfare	-	6,883,589
Economic development	-	80,062
Capital outlay	-	1,129,244
Debt service:		
Principal	-	1,210,000
Interest	-	660,725
	<hr/>	<hr/>
Total expenditures	-	22,176,069
Excess of Revenue (Under) Over Expenditures	-	(5,502,766)
Other Financing Sources (Uses)		
Face value of debt issue	-	1,545,000
Payment to bond refunding escrow agent	-	(1,509,420)
Operating transfers in	-	6,000,904
Operating transfers out	-	(882,834)
	<hr/>	<hr/>
Total other financing sources (uses)	-	5,153,650
Net Change in Fund Balances	-	(349,116)
Fund Balances - Beginning of year	26,385	21,802,366
	<hr/>	<hr/>
Fund Balances - End of year	\$ 26,385	\$ 21,453,250

Livingston County, Michigan

Other Supplemental Information Combining Statement of Net Position Internal Service Funds December 31, 2015

	Building Services	Information Technology	Carpool	Benefits	Total
Assets					
Current assets:					
Cash and investments	\$ 478,051	\$ 628,611	\$ 1,278,132	\$ 3,241,421	\$ 5,626,215
Accounts receivable	68,807	8,097	-	345,648	422,552
Inventory	56,384	-	11,313	-	67,697
Prepaid costs and other assets	-	256,912	-	184,507	441,419
Total current assets	603,242	893,620	1,289,445	3,771,576	6,557,883
Noncurrent assets - Capital assets - Net	996,321	422,651	961,980	-	2,380,952
Total assets	1,599,563	1,316,271	2,251,425	3,771,576	8,938,835
Deferred Outflows of Resources - Pensions	121,769	155,125	8,854	-	285,748
Liabilities					
Current liabilities:					
Accounts payable	136,763	230,370	41,247	17,430	425,810
Accrued liabilities and other	137,441	125,882	1,912	57,419	322,654
Total current liabilities	274,204	356,252	43,159	74,849	748,464
Noncurrent liabilities:					
Net OPEB obligation	23,628	35,637	1,693	-	60,958
Net pension liability	698,545	889,892	50,791	-	1,639,228
Total noncurrent liabilities	722,173	925,529	52,484	-	1,700,186
Total liabilities	996,377	1,281,781	95,643	74,849	2,448,650
Net Position					
Net investment in capital assets	996,321	422,651	961,980	-	2,380,952
Unrestricted	(271,366)	(233,036)	1,202,656	3,696,727	4,394,981
Total net position	\$ 724,955	\$ 189,615	\$ 2,164,636	\$ 3,696,727	\$ 6,775,933

Livingston County, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended December 31, 2015

	Building Services	Information Technology	Carpool	Benefits	Total
Operating Revenue - Charges for services	\$ 2,266,582	\$ 4,081,010	\$ 1,361,353	\$ 8,318,626	\$16,027,571
Operating Expenses					
Personnel	1,070,862	1,296,035	71,807	9,441,130	11,879,834
Operating expenses	823,967	2,220,944	832,787	-	3,877,698
Depreciation	25,497	238,315	345,387	-	609,199
Total operating expenses	<u>1,920,326</u>	<u>3,755,294</u>	<u>1,249,981</u>	<u>9,441,130</u>	<u>16,366,731</u>
Operating Income (Loss)	346,256	325,716	111,372	(1,122,504)	(339,160)
Nonoperating Revenue (Expenses) -					
Gain (loss) on sale of assets	-	4,577	(7,019)	-	(2,442)
Change in Net Position	346,256	330,293	104,353	(1,122,504)	(341,602)
Net Position - As restated - Beginning of year	<u>378,699</u>	<u>(140,678)</u>	<u>2,060,283</u>	<u>4,819,231</u>	<u>7,117,535</u>
Net Position - End of year	<u><u>\$ 724,955</u></u>	<u><u>\$ 189,615</u></u>	<u><u>\$ 2,164,636</u></u>	<u><u>\$ 3,696,727</u></u>	<u><u>\$ 6,775,933</u></u>

Livingston County, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended December 31, 2015

	Building Services	Information Technology	Carpool	Benefits	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 230,781	\$ 129,608	\$ -	\$ -	\$ 360,389
Receipts from interfund services and reimbursements	2,013,606	3,966,262	1,381,828	7,972,978	15,334,674
Payments to suppliers	(822,449)	(2,075,889)	(859,512)	-	(3,757,850)
Payments to employees	(1,005,314)	(1,261,437)	(64,672)	(9,721,292)	(12,052,715)
Net cash provided by (used in) operating activities	416,624	758,544	457,644	(1,748,314)	(115,502)
Cash Flows from Noncapital Financing Activities -					
Repayments of loans to other funds	-	(11,635)	-	-	(11,635)
Cash Flows from Capital and Related Financing Activities					
Proceeds from sales of capital assets	16,109	4,578	36,344	-	57,031
Purchase of capital assets	(590,352)	(122,876)	(527,039)	-	(1,240,267)
Net cash used in capital and related financing activities	(574,243)	(118,298)	(490,695)	-	(1,183,236)
Net (Decrease) Increase in Cash and Cash Equivalents	(157,619)	628,611	(33,051)	(1,748,314)	(1,310,373)
Cash and Cash Equivalents - Beginning of year	635,670	-	1,311,183	4,989,735	6,936,588
Cash and Cash Equivalents - End of year	\$ 478,051	\$ 628,611	\$ 1,278,132	\$ 3,241,421	\$ 5,626,215
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 346,256	\$ 325,716	\$ 111,372	\$ (1,122,504)	\$ (339,160)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	25,497	238,315	345,387	-	609,199
Changes in assets and liabilities:					
Receivables	(22,195)	14,860	20,475	(345,648)	(332,508)
Inventories	(29,192)	-	(997)	-	(30,189)
Prepaid and other assets	-	147,768	-	(184,507)	(36,739)
Accounts payable	30,710	(2,713)	(25,728)	(111,374)	(109,105)
Accrued and other liabilities	56,152	35,251	405	15,719	107,527
Deferred outflows	(2,851)	(28)	(1,413)	-	(4,292)
Net OPEB obligation	31,578	45,764	2,271	-	79,613
Net pension liability	(19,331)	(46,389)	5,872	-	(59,848)
Net cash provided by (used in) operating activities	\$ 416,624	\$ 758,544	\$ 457,644	\$ (1,748,314)	\$ (115,502)

Livingston County, Michigan

Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds December 31, 2015

	Agency Funds		
	Trust and Agency	Library Penal Fines	Total Agency Funds
Assets			
Cash and cash equivalents	\$ 3,515,359	\$ 389,823	\$ 3,905,182
Accrued interest receivable	25,131	415	25,546
Total assets	<u>\$ 3,540,490</u>	<u>\$ 390,238</u>	<u>\$ 3,930,728</u>
Liabilities			
Due to other governmental units	\$ 1,252,761	\$ -	\$ 1,252,761
Accrued liabilities and other	2,287,729	390,238	2,677,967
Total liabilities	<u>\$ 3,540,490</u>	<u>\$ 390,238</u>	<u>\$ 3,930,728</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Operating, Nonoperating, and Other Revenue Sources Year Ended December 31, 2015

	January 1, 2015 to September 30, 2015	October 1, 2015 to December 31, 2015	Total
Operating Revenue			
Demand-response - Passenger fares	\$ 100,624	\$ 31,177	\$ 131,801
Special transit fares - Contracts	141,129	47,296	188,425
Other:			
Sale of fuel to other county departments	3,124	589	3,713
Alternative fuel credit	-	13,853	13,853
Sale of vehicles	17,853	5,526	23,379
Total other	20,977	19,968	40,945
Total operating revenue	<u>\$ 262,730</u>	<u>\$ 98,441</u>	<u>\$ 361,171</u>
Nonoperating Revenue			
Federal operating and capital grants:			
U.S. DOT operating grant - Section 5307 (FY '14 # MI-90-X688 and FY '15 # MI-90-X702)	\$ 714,132	\$ 222,295	\$ 936,427
U.S. DOT capital grant - Preventative maintenance - Section 5307 (FY '14 # MI-90-X688 and FY '15 # MI-90-X702)	170,166	87,252	257,418
U.S. DOT capital grant - Camera Project - Section 5307 (FY '13 # MI-90-X104 and FY '13 applied for)	-	26,164	26,164
Other federal grants:			
State of good repair	566,389	-	566,389
CMAQ Grant	10,146	-	10,146
State operating and capital grants:			
State transit operating assistance	571,878	205,164	777,042
State preventative maintenance match (FY 2014 PA # 2012-0118/P15 and FY 2015 PA # 2012-0118/P19)	42,541	21,813	64,354
State operating reconciliations - Prior year underpayments	26,955	-	26,955
State capital match - Camera Project (PA # 2012-0118/P11)	-	6,541	6,541
State capital match - State of Good Repair - (PA # 2012-0118/P9)	141,598	-	141,598
State capital match - CMAQ Grant - (PA # 2012-0118/P12)	2,537	-	2,537
Section 5339 (FY 2013 PA # 2012-0118/P7 and FY 2014 2012-0118/P14)	162,118	148,996	311,114
Other state and local grants - Consortium on Aging Grocery Cart Grant	500	500	1,000
Total nonoperating revenue	<u>\$ 2,408,960</u>	<u>\$ 718,725</u>	<u>\$ 3,127,685</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Operating, Nonoperating, and Other Revenue Sources - JARC Year Ended December 31, 2015

	January 1, 2015 to September 30, 2015	October 1, 2015 to December 31, 2015	Total
Operating Revenue			
Demand-response - Passenger fares	\$ 8,391	\$ 2,649	\$ 11,040
State operating and capital grants:			
Transportation to work (PA #2012-0118/P17) ('15)	58,248	-	58,248 A
Transportation to work (PA #2012-0118/P21) ('16)	-	19,416	19,416 A
Total operating revenue	<u><u>\$ 66,639</u></u>	<u><u>\$ 22,065</u></u>	<u><u>\$ 88,704</u></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, 2015

	General					Total
	Operations	Dispatch	Maintenance	Administration	JARC	
Labor	\$ 951,734	\$ 149,457	\$ 50,813	\$ 163,231	\$ 44,963	\$ 1,360,198
Pension	107,555	19,549	6,811	11,555	5,259	150,729
Other fringe benefits	243,361	56,405	15,407	34,698	12,274	362,145
Advertising	-	-	-	211	9	220
Services	3,442	-	177,867	220,536	14,139	415,984
Materials and supplies consumed:						
Fuel and lubricants	93,673	-	44,140	-	5,423	143,236
Tires and tubes	9,419	-	-	-	352	9,771
Other materials and supplies	-	-	26,613	2,600	1,059	30,272
Utilities	-	-	-	54,256	2,003	56,259
Depreciation	219,054	-	-	-	7,834	226,888
Casualty and liability costs	1,219	-	-	-	37	1,256
Miscellaneous	5,187	-	121	6,275	401	11,984
OPEB cost	-	-	-	43,886	-	43,886
Net pension liability cost	-	-	-	287,695	-	287,695
Operating leases and rentals	26,511	-	-	52,959	2,801	82,271
Total operating expenses	1,661,155	225,411	321,772	877,902	96,554	3,182,794
Ineligible expenses:						
Revenue associated with fuel sold to county departments	3,714	-	-	-	-	3,714
Association dues	-	-	-	-	-	-
Depreciation	219,054	-	-	-	7,833	226,887
Ineligible farebox revenue	-	-	-	-	11,040	11,040
Ineligible MPTA dues	-	-	-	488	17	505
OPEB Cost Retiree Health Care	-	-	-	43,886	-	43,886
Net pension liability cost	-	-	-	287,695	-	287,695
U.S. DOT capital grant - Preventative maintenance Section 5307 (FY 2015 grant # applied for)	-	-	257,418	-	-	257,418
State of MI capital grant - Preventative maintenance Section 5307 (PA # 2012-0118/P15)	-	-	64,354	-	-	64,354
Total ineligible expenses	222,768	-	321,772	332,069	18,890	895,499
Total eligible expenses	<u>\$ 1,438,387</u>	<u>\$ 225,411</u>	<u>\$ -</u>	<u>\$ 545,833</u>	<u>\$ 77,664</u>	<u>\$ 2,287,295</u>

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 three cost allocation plans that have been approved by OPT. Those are JARC services, charter services, and rent. 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 and charter services 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, 2015

	January 1, 2015 to September 30, 2015	October 1, 2015 to December 31, 2015	Total
Labor	\$ 957,243	\$ 357,993	\$ 1,315,236
Pension	104,738	40,731	145,469
Other fringe benefits	261,922	87,950	349,872
Advertising	211	-	211
Services	315,430	86,415	401,845
Materials and supplies consumed:			
Fuel and lubricants	93,673	44,140	137,813
Tires and tubes	4,206	5,213	9,419
Other materials and supplies	22,841	6,371	29,212
Utilities	41,085	13,170	54,255
Casualty and liability costs	1,219	-	1,219
Depreciation	164,742	54,313	219,055
Miscellaneous	8,984	2,599	11,583
OPEB cost	32,915	10,971	43,886
Net pension liability cost	215,771	71,924	287,695
Operating leases and rentals	61,691	17,779	79,470
Total operating expenses	<u>2,286,671</u>	<u>799,568</u>	<u>3,086,240</u>
Ineligible operating expenses:			
Revenue associated with fuel sold to other departments	3,124	590	3,714
Association dues	-	488	488
U.S. DOT capital grant - Preventative maintenance Section 5307	170,166	87,252	257,418
OPEB cost (retiree health care)	32,915	10,971	43,886
Net pension liability cost	215,771	71,924	287,695
State of MI capital grant - Preventative maintenance Section 5307	42,541	21,813	64,354
Depreciation	<u>164,742</u>	<u>54,313</u>	<u>219,055</u>
Total ineligible expenses	<u>629,259</u>	<u>247,351</u>	<u>876,610</u>
Total eligible expenses	<u>\$ 1,657,412</u>	<u>\$ 552,218</u>	<u>\$ 2,209,630</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Net Eligible Cost Computations of General Operations - JARC Year Ended December 31, 2015

	January 1, 2015 to September 30, 2015	October 1, 2015 to December 31, 2015	Total
Labor	\$ 33,495	\$ 11,468	\$ 44,963
Pension	3,839	1,421	5,260
Other fringe benefits	9,207	3,067	12,274
Advertising	9	-	9
Services	11,125	3,014	14,139
Materials and supplies consumed:			
Fuel and lubricants	3,884	1,539	5,423
Tires and tubes	170	182	352
Other materials and supplies	837	222	1,059
Utilities	1,544	459	2,003
Casualty and liability costs	37	-	37
Depreciation	5,939	1,894	7,833
Operating leases and rentals	2,181	620	2,801
Miscellaneous	310	91	401
Total operating expenses	<u>72,577</u>	<u>23,977</u>	<u>96,554</u>
Ineligible operating expenses:			
Ineligible MPTA dues	-	17	17
Depreciation	5,939	1,894	7,833
Ineligible farebox revenue	8,391	2,649	11,040
Total ineligible expenses	<u>14,330</u>	<u>4,560</u>	<u>18,890</u>
Total eligible expenses	<u><u>\$ 58,247</u></u>	<u><u>\$ 19,417</u></u>	<u><u>\$ 77,664</u></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			
	2012	2013	2014	2015
Annual required contribution	\$ 137,824	\$ 133,315	\$ 139,351	\$ 131,919
Contributions in relation to the actuarially determined contribution	137,824	133,315	139,351	131,919
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -

I. For the 12 months ended December 31, 2015, LETS paid \$18,807 in DC pension and \$131,919 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			
	2012	2013	2014	2015
Annual OPEB cost - Annual required contribution	\$ 17,041	\$ 34,500	\$ 43,067	\$ 44,049
Interest on the prior year's net OPEB asset	(2,919)	(2,369)	(1,665)	(771)
Adjustment to the annual required contribution	<u>253</u>	<u>(5,509)</u>	<u>(1,097)</u>	<u>608</u>
Annual OPEB cost	14,375	26,622	40,305	43,886
Amounts contributed:				
Payments of current premiums	14,654	21,472	29,764	-
Contributions	-	-	-	-
Change in estimate	<u>-</u>	<u>(13,544)</u>	<u>-</u>	<u>-</u>
Total amounts contributed	<u>14,654</u>	<u>7,928</u>	<u>29,764</u>	<u>-</u>
Increase (decrease) in net OPEB asset/(liability)	279	(18,694)	(10,541)	(43,886)
OPEB asset/(liability) - Beginning of year	<u>39,834</u>	<u>40,113</u>	<u>21,419</u>	<u>10,878</u>
OPEB asset/(liability) - End of year	<u>\$ 40,113</u>	<u>\$ 21,419</u>	<u>\$ 10,878</u>	<u>\$ (33,008)</u>

1. For the 12 months ended December 31, 2015, LETS paid nothing in retiree healthcare cost out of pocket. A total of \$43,886 was expensed on the books but not paid out of pocket related to the decrease in net OPEB asset. The amount of \$43,886 is considered ineligible.

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Revenue and Eligible and Ineligible Expenditures Year Ended September 30, 2015

	October 1, 2014 to December 31, 2014	January 1, 2015 to September 30, 2015	Total
Operating Revenue			
Demand-response - Passenger fares	\$ 36,998	\$ 100,624	\$ 137,622
Special transit fares - Contracts	43,586	141,129	184,715
Other:			
Sale of fuel to other county departments	187	3,124	3,311
Sale of vehicles	-	17,853	17,853
Total other	<u>187</u>	<u>20,977</u>	<u>21,164</u>
Total operating revenue	<u><u>\$ 80,771</u></u>	<u><u>\$ 262,730</u></u>	<u><u>\$ 343,501</u></u>
Operating Expenses			
Labor	\$ 297,194	\$ 957,243	\$ 1,254,437
Pension	45,169	104,738	149,907
Other fringe benefits	91,634	261,922	353,556
Advertising	-	211	211
Services	90,882	315,430	406,312
Materials and supplies consumed:			
Fuel and lubricants	34,658	93,673	128,331
Tires and tubes	14,035	4,206	18,241
Other materials and supplies	8,632	22,841	31,473
Utilities	13,604	41,085	54,689
Casualty and liability costs	-	1,219	1,219
Depreciation	41,938	164,742	206,680
Operating leases and rentals	2,837	8,984	11,821
OPEB cost	10,541	32,915	43,456
Net pension liability cost	-	215,771	215,771
Miscellaneous	<u>11,969</u>	<u>61,691</u>	<u>73,660</u>
Total operating expenses	663,093	2,286,671	2,949,764
Less Ineligible Expenses			
Revenue associated with fuel sold to other departments	187	3,124	3,311
Association dues	88	-	88
Depreciation	41,938	164,742	206,680
U.S. DOT capital grant - Preventative maintenance Section 5307	62,861	170,166	233,027
OPEB Cost (retiree health care)	1,348	32,915	34,263
Net pension liability cost	-	215,771	215,771
State of MI capital grant - Preventative maintenance	<u>15,715</u>	<u>42,541</u>	<u>58,256</u>
Total ineligible expenses	<u>122,137</u>	<u>629,259</u>	<u>751,396</u>
Total eligible expenses	<u><u>\$ 540,956</u></u>	<u><u>\$ 1,657,412</u></u>	<u><u>\$ 2,198,368</u></u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Revenue and Eligible and Ineligible Expenditures - JARC Year Ended September 30, 2015

	October 1, 2014 to December 31, 2014	January 1, 2015 to September 30, 2015	Total
Operating Revenue			
Passenger fares	\$ 2,022	\$ 8,391	\$ 10,413
Transportation to Work (PA #2012-0118/P17) ('15)	<u>19,416</u>	<u>58,248</u>	<u>77,664</u>
Total operating revenue	<u>\$ 21,438</u>	<u>\$ 66,639</u>	<u>\$ 88,077</u>
Operating Expenses			
Labor	\$ 10,435	\$ 33,495	\$ 43,930
Pension	1,586	3,839	5,425
Other fringe benefits	3,217	9,207	12,424
Advertising	-	9	9
Services	3,191	11,125	14,316
Materials and supplies consumed:			
Fuel and lubricants	1,217	3,884	5,101
Tires and tubes	493	170	663
Other materials and supplies	303	837	1,140
Utilities	478	1,544	2,022
Casualty and liability costs	-	37	37
Depreciation	1,473	5,939	7,412
Operating leases and rentals	420	2,181	2,601
Miscellaneous	<u>99</u>	<u>310</u>	<u>409</u>
Total operating expenses	22,912	72,577	95,489
Less Ineligible Expenses			
Ineligible MPTA dues	3	-	3
Depreciation	1,473	5,939	7,412
Farebox return	<u>2,022</u>	<u>8,391</u>	<u>10,413</u>
Total ineligible expenses	<u>3,498</u>	<u>14,330</u>	<u>17,828</u>
Total eligible expenses	<u>\$ 19,414</u>	<u>\$ 58,247</u>	<u>\$ 77,661</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			
	2012	2013	2014	2015
Annual required contribution	\$ 141,028	\$ 126,344	\$ 140,435	\$ 133,777
Contributions in relation to the actuarially determined contribution	<u>141,028</u>	<u>126,344</u>	<u>140,435</u>	<u>133,777</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

1. For the 12 months ended September 30, 2015, LETS paid \$17,817 in DC pension and \$133,777 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			
	2012	2013	2014	2015
Annual OPEB cost - Annual required contribution	\$ 20,953	\$ 30,135	\$ 40,925	\$ 43,804
Interest on the prior year's net OPEB asset	(2,976)	(2,507)	(1,841)	(994)
Less adjustment to the annual required contribution	<u>227</u>	<u>(4,069)</u>	<u>(2,200)</u>	<u>182</u>
Annual OPEB cost	18,204	23,559	36,884	42,992
Amounts contributed:				
Payments of current premiums	15,786	19,768	27,691	7,441
Contributions	1,865	-	-	-
Change in estimate	<u>-</u>	<u>(10,158)</u>	<u>(3,386)</u>	<u>-</u>
Total amounts contributed	<u>17,651</u>	<u>9,610</u>	<u>24,305</u>	<u>7,441</u>
Decrease in net OPEB asset	(553)	(13,949)	(12,579)	(35,551)
OPEB asset - Beginning of year	<u>37,856</u>	<u>37,303</u>	<u>23,354</u>	<u>10,775</u>
OPEB asset/(liability) - End of year	<u>\$ 37,303</u>	<u>\$ 23,354</u>	<u>\$ 10,775</u>	<u>\$ (24,776)</u>

1. For the 12 months ended September 30, 2014, LETS paid nothing in retiree healthcare cost out of pocket. A total of \$35,551 was expensed on the books but not paid out of pocket related to the decrease in net OPEB asset. The amount of \$35,551 is considered ineligible.

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Property and Equipment Year Ended December 31, 2015

		Accumulated		Total
		Cost	Depreciation	
Buildings and building improvements	Intermodel building	\$ 2,492,971	\$ 724,683	\$ 1,768,288
Vehicles and vehicle equipment:				
Grant MI-03-0189 Fed 5307 and 2002-0060 (state match)	One Eldorado National bus	-	-	-
Grant MI-03-0189 and MI-03-0192 - Fed 5309 (2002) and 2002-0060 Z11 (state match)	Three Ford E-350 cut-away buses	-	-	-
Grant MI-03-0192 Fed 5309 (2003) and 2002-0060 Z11 (state match)	Two Eldorado National buses	-	-	-
Grant MI-03-0212 Fed 5309 (2004) and 2002-0060 Z11 (state match)	One Eldorado National bus	-	-	-
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	-	-	-
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	14,855	4,313
Grant MI 90-x425 Fed Sec 5307 and 2002-0060 Z14 (state match)	Surveillance system	14,250	10,925	3,325
State Match 2002-0060/Z15 \$8,825, 2002-0060-Z/19 \$3,784 LETS Funds \$6,460	One Eldorado National bus	68,810	57,342	11,468
Grant MI-96-X019 - ARRA (100% federal funds)	Three Eldorado National buses	229,603	185,869	43,734
Grant MI-96-X019 - ARRA (100% federal funds)	Three Dodge minivans	63,644	63,644	-
Grant MI-96-X019 - ARRA (100% federal funds) \$114,000 LETS Funds \$12,034	One Eldorado National bus	125,910	101,927	23,983
Grant MI-37-X037 - JARC Section 5316 (state match 2007-0245/Z6)	One Eldorado National bus	73,226	59,278	13,948
Grant MI-96-X019 - ARRA (100% federal funds)	PCTTRANS map software	31,800	31,800	-
Grant MI-96-X019 - ARRA (100% federal funds)	PCTTRANS map hardware	64,330	39,670	24,660
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	17,284	6,285
	Eldorado bus L-1503	86,424	8,231	78,193
	Eldorado bus L-1504	86,424	8,231	78,193
	Eldorado bus L-1505	86,424	8,231	78,193
	Eldorado bus L-1506	86,424	8,231	78,193
	Eldorado bus L-1507	86,424	8,231	78,193
	Eldorado bus L-1508	86,424	8,231	78,193
	Eldorado bus L-1501	95,427	11,360	84,067
	Eldorado bus L-1502	94,647	11,268	83,379
Federal Grant #MI-34-0003-02 - Section 5339 (80%) and State match (20%) Project Auth. 2012-0118/P14	Small bus L-1601	86,670	1,033	85,637
	Small bus L-1602	59,771	-	59,771
Total vehicles and vehicle equipment		2,068,924	1,155,196	913,728
Office furniture - Purchased with local funds		43,211	43,211	-
Total property and equipment		<u>\$ 4,605,106</u>	<u>\$ 1,923,090</u>	<u>\$ 2,682,016</u>

Livingston County, Michigan

Livingston Essential Transportation System Statistical Data - Public Transportation Mileage Data (Unaudited) Year Ended December 31, 2015

	<u>Total Mileage</u>	<u>Passenger Trips</u>
Demand-response mileage data (unaudited):		
First quarter	190,479	37,763
Second quarter	193,650	40,057
Third quarter	196,247	35,956
Fourth quarter	<u>195,080</u>	<u>36,508</u>
Total	<u>775,456</u>	<u>150,284</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

	2011	2012	2013	2014	2015
<u>Financial Position (Status of Assets, Liabilities, Deferred Inflows, and Equity)</u>					
General Fund:					
Unrestricted fund balance compared to expenditures	61.8%	62.5%	67.3%	62.2%	75.6%
Current ratio (assets/liabilities, excluding deferred revenue and deferred inflows of revenue)	16.8	17.4	19.0	18.2	18.9
All governmental activities:					
Unrestricted fund balance compared to expenditures	54.7%	54.8%	52.3%	53.0%	51.3%
Current ratio (assets/liabilities, excluding deferred revenue and deferred inflows of revenue)	19.9	11.1	15.0	19.0	14.9
<u>Fiscal Capacity (Measures of Ability to Raise Revenue, Incur Debt, and Meet Obligations)</u>					
General Fund:					
Property taxes per capita (operating millage only)	\$ 141	\$ 136	\$ 137	\$ 142	\$ 144
Millage capacity (ability to levy additional taxes without a vote)	None	None	None	None	None
Expenditures per capita	\$ 200	\$ 199	\$ 195	\$ 212	\$ 188
Ratio of revenue compared to expenditures	1.05	1.01	1.09	1.02	1.18
All governmental activities:					
Total property taxes levied per capita (with extra voted mills)	\$ 156	\$ 150	\$ 150	\$ 156	\$ 159
County taxes paid per household	\$ 271	\$ 271	\$ 276	\$ 297	\$ 316
County taxes paid per household as a percentage of household income	0.376%	0.378%	0.382%	0.412%	0.428%
Taxable value (in 000s)	\$ 7,953,593	\$ 7,607,449	\$ 7,482,442	\$ 7,718,985	\$ 8,053,583
Annual change in taxable value	-7.2%	-4.4%	-1.6%	3.2%	4.3%
State equalized value (SEV)	\$ 8,302,402	\$ 7,967,344	\$ 8,102,004	\$ 8,553,156	\$ 8,664,632
Annual change in SEV	1.3%	-4.0%	1.7%	5.6%	1.3%
Debt information:					
County-funded debt per capita	\$ 45	\$ 85	\$ 76	\$ 148	\$ 141
Debt saturation (percent of debt limitation utilized)	0.6%	1.6%	1.5%	3.1%	2.9%