

Livingston County, Michigan

**Financial Report
with Supplemental Information
December 31, 2004**

Livingston County, Michigan

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Independent Auditor's Report

To the County Board of Commissioners
Livingston County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Livingston County, Michigan as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Livingston County Road Commission, whose assets and revenue totaled \$74,864,513 and \$16,353,133, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Livingston County Road Commission, is based solely on the reports 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Livingston County, Michigan as of December 31, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, retirement system schedules of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of required supplemental information.

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To the County Board of Commissioners
Livingston County, Michigan

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 accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, there will also be an additional report issued on our consideration of Livingston County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

April 29, 2005

Livingston County, Michigan

Management's Discussion and Analysis

Our discussion and analysis of Livingston County, Michigan's financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2004. Please read it in conjunction with the County's financial statements.

Financial Highlights

As discussed in further detail in this management's discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2004:

- Tax revenues, the County's largest revenue source, continued to increase an average of 7.7 percent per year for the past seven years. Livingston County continues to be one of the fastest-growing communities in the state of Michigan. This is evident by an average 12 percent annual increase in state equalized valuation and an average 9 percent taxable valuation annual increase for the past eight years.
- State-shared revenue, a major General Fund revenue source, was temporarily suspended by Public Act 357 signed by the governor in September 2004, amending the Revenue Sharing Act. An amendment to the Property Tax Act (Public Act 356) provides a source of replacement funding for the temporary elimination of state-shared revenue. This legislation is a mandatory and permanent gradual shift, over a three-year period of time, from a December to a July tax levy.
- One-third of the County's December 2004 property tax revenues shall be placed in the Revenue Sharing Reserve Fund from the December 2004, 2005, and 2006 property tax revenues. The County will draw against this fund in lieu of receiving its state-shared revenue payment from the State. It is projected that state-shared revenue will resume to the County in 2011, being the first year in which replacement monies from the reserve fund is less than the amount we would have otherwise received in state revenue-sharing payments.
- Total net assets related to the County's governmental funds increased approximately \$7.5 million. This is misleading and unreliable because the increase is attributable to the Property Tax Act amendment. The property tax revenues placed in the Revenue Sharing Reserve Fund were recorded as revenue in 2004. This trend will continue in 2005 and 2006, at which time the Revenue Sharing Reserve Fund will be fully funded. The accounting practice has been to recognize property taxes as revenue in the year for which they are levied; this practice was changed by the State for tax revenues mandated into the Revenue Sharing Reserve Fund.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

- For the past three years, Livingston County has been proactive in creating the appropriate legal documents and preparing actuarial reports to determine the cost for the eligible employees' retiree health care plans and funding the benefit. The Governmental Accounting Standards Board adopted Statement Number 45, *Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions*, which the County is required to implement for the year ending December 31, 2008. This pronouncement requires an actuarial study be performed every other year to value the cost of the benefit and provide an annual recommended contribution. The intent is to annually recognize the cost of providing retiree health care over the working life of the employee versus paying the premiums after the employee retires. Livingston County has greatly reduced its unfunded liability by making annual payments over the past few years.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services. The activities are divided between governmental and business-type. Governmental activities include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Internal Service Fund. Business-type activities include the Building and Safety Fund, Airport Fund, Delinquent Tax Revolving Fund, and Livingston Essential Transportation Service Fund.

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

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

The County as a Whole

The following table shows a condensed format of the net assets (in thousands of dollars) for fiscal years ended December 31, 2004 and 2003:

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current assets	\$ 49,879	\$ 53,249	\$ 31,876	\$ 31,417	\$ 81,755	\$ 84,666
Noncurrent assets	57,384	59,371	12,590	4,052	69,975	63,423
Total assets	107,263	112,620	44,466	35,469	151,729	148,089
Liabilities						
Current liabilities	5,809	8,377	2,147	1,749	7,956	10,126
Long-term liabilities	37,571	45,955	35	46	37,606	46,001
Total liabilities	43,380	54,332	2,182	1,795	45,562	56,127
Net Assets						
Invested in capital assets -						
Net of related debt	40,004	39,208	12,545	3,997	52,549	43,205
Restricted	12,894	5,687	-	-	12,894	5,687
Unrestricted	10,985	13,393	29,739	29,677	40,724	43,070
Total net assets	<u>\$ 63,883</u>	<u>\$ 58,288</u>	<u>\$ 42,284</u>	<u>\$ 33,674</u>	<u>\$ 106,167</u>	<u>\$ 91,962</u>

The County's combined net assets for both governmental and business-type activities total \$91.9 million for fiscal year 2003 and \$106.2 million for fiscal year 2004, an increase of \$14 million (15 percent) from 2003 to 2004. As previously discussed, the majority of the increase is attributable to the newly created and funded Revenue Sharing Reserve Fund for \$7.5 million. The remainder of the increase of \$6.5 million is due to the Livingston County Airport expansion project. Net assets are further segregated between restricted and unrestricted net assets. The restricted net assets are those assets that are restricted for a specific purpose/use and invested in capital assets. Unrestricted net assets are those net assets that can be used to finance day-to-day operations.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the years ended December 31, 2004 and 2003 (in thousands of dollars):

TABLE 2

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenue						
Program revenue:						
Charges for services	\$ 19,168	\$ 16,593	\$ 6,506	\$ 5,699	\$ 25,674	\$ 22,292
Operating grants and contributions	6,592	6,622	1,881	548	8,473	7,170
Capital grants and contributions	-	-	6,130	250	6,130	250
General revenue:						
Property taxes	33,583	24,511	-	-	33,583	24,511
State-shared revenue	1,963	3,992	-	-	1,963	3,992
Unrestricted investment earnings	637	622	468	420	1,105	1,042
Transfers and other revenue	2,010	1,197	(2,065)	(1,188)	(55)	9
Total revenue	63,953	53,537	12,920	5,729	76,873	59,266
Program Expenses						
General government	8,106	7,866	-	-	8,106	7,866
Public safety	29,840	27,320	-	-	29,840	27,320
Public works	2,227	1,771	-	-	2,227	1,771
Health and welfare	13,772	14,419	-	-	13,772	14,419
Community and economic development	1,286	1,217	-	-	1,286	1,217
Interest on long-term debt	994	988	-	-	994	988
Building and safety	-	-	3,762	3,248	3,762	3,248
Airport	-	-	868	830	868	830
Livingston Essential Transportation Services	-	-	1,752	1,410	1,752	1,410
Delinquent tax revolving funds	-	-	61	14	61	14
Total program expenses	56,225	53,581	6,443	5,502	62,668	59,083
Change in Net Assets	\$ 7,728	\$ (44)	\$ 6,477	\$ 227	\$ 14,205	\$ 183

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

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

The cost of providing services for governmental activities was \$56.2 million for fiscal year 2004. This is a 5.4 percent increase over the cost of providing services in 2003. The majority of the increase is attributable to additional employee benefit costs, including funding for retiree health care. The County expenditure policy has remained stable from 2003 to 2004 for the categories of Public Safety, Health and Welfare, General Government, Public Works, and Community and Economic Development.

The County's total governmental revenues increased \$7.5 million from 2003 to 2004. As previously stated, this is a direct result of the amendment to the Revenue Sharing Act and Property Tax Act. Revenues from property taxes increased 37 percent and state-shared revenue decreased 51 percent. However, this is misleading because the increased revenues from taxes are restricted and will be used in future years as replacement funding for state-shared revenue. Charges for services increased nearly 16 percent from 2003 to 2004. This trend should continue as the County reviews its revenue policy to ensure the proper balance between the use of tax revenues and user fees to support the cost of providing services.

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, and Livingston essential transportation; these types of operations are most similar to private businesses. A comparative analysis between fiscal year 2003 and 2004 shows that our net assets increased \$6.5 million. This is related to the Livingston County Airport expansion project.

The County's Funds

Our analysis of the County's major funds begins on page 13, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the County as a whole. This includes the General Fund, Ambulance Special Revenue Fund, Health Special Revenue Fund, 911 Service Special Revenue Fund, and Revenue Sharing Reserve Fund. The other nonmajor governmental funds are consolidated and reported under the column with that heading. The County Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, 911 surcharge, and restricted revenues from grants or fees.

The General Fund pays for most of the County's governmental services. The most significant are the sheriff's department, including the jail; the court system; and all of the elected officials' offices, etc. The General Fund incurred costs of \$39.5 million in 2004, including an operating transfer of \$3.1 million to subsidize operations in other funds.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

Budgetary Highlights

Over the course of the year, the County Board amended the budget to take into account events during the year. As previously stated, fund balances related to the County's governmental funds decreased \$3.1 million. The following provides specific details regarding the amendments:

- The new Retiree Health Care Trust Fund and Retiree Health Savings Program
- New authorized positions
- New long-term disability insurance program, dispute resolution center, small business and technology development center, and adult day care facility
- Equipment purchases for new phone system.

Capital Asset and Debt Administration

At the end of 2004, the County had \$70.0 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. During the year, we paid for the acquisition of the Hillcrest Radio Tower site from the State of Michigan; progressed with the multi-million dollar airport expansion; completed the administration building remodeling project; completed interior and exterior renovations to the County jail; acquired and installed a new county-wide phone system; and accepted the bequest from Owen J. Lutz of approximately 302 acres of real property for the County's first park site. The County has refurbished and furnished all of its major buildings for a total cost of \$15 million over a five-year construction period. The County availed itself of the record low interest rates and issued debt to finance these construction projects. Major repairs should not be necessary for several years.

The County continues to sustain its excellent bond ratings with Moody's (Aa2) and Standard & Poor's (AA), thereby managing interest payments and reducing costs for infrastructure improvements. Additionally, the County is well within its legal debt limit of 10 percent of the state equalized valuation, utilizing only 0.21 percent of capacity. The majority of outstanding debt is for our component units: the drainage districts, Department of Public Works, and Road Commission. The County has pledged its full faith and credit to maintain low costs. These assets are not reported in the County's financial statements because, by Michigan law, these projects are the property of the respective component unit (along with the responsibility to maintain them).

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The national economy remains sluggish, yet demonstrates some indications of recovery. However, Michigan's fiscal crisis is entering its sixth year. State revenues are at their lowest level since 1970. A majority of these reductions were self-inflicted. Enacted state tax cuts have eroded the State's ability to generate revenue; the State's fiscal reserves are depleted. As predicted last year, the State has temporarily suspended state-shared revenues. The law provides that state-shared revenues will be reinstated upon depletion of the Revenue Sharing Reserve Fund; it's projected that this Fund will be depleted by 2011. Given the State's economic condition and future revenue projections, Livingston County must continue its history of sound financial performance and conservative budgeting practices with the expectation that state-shared revenues will not be reinstated. During fiscal year 2004 and into 2005, the County anticipates a significant reduction in state and federal grants. To date, these revenue reductions have been masked because of our growth and increased property tax revenues. To ensure sustainability of our operations, the County is closely monitoring reserve balances, revenues, and expenditures. Livingston County continues to be one of the fastest-growing communities in Michigan with an expanding tax base with favorable wealth indices. Full valuation growth has averaged 12 percent annually over the past five years and the County's unemployment rates have remained 1.6 percent below the state average.

Contacting the County's 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 administrator's office.

Livingston County, Michigan

Statement of Net Assets December 31, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 20,201,443	\$ 23,659,419	\$ 43,860,862	\$ 11,978,495
Receivables:				
Taxes	25,093,676	5,175,162	30,268,838	-
Accounts	970,273	18,674	988,947	-
Leases	-	-	-	80,208,987
Other	1,177,343	964,953	2,142,296	11,142,167
Internal balances	54,521	(54,521)	-	-
Due from other governmental units	-	716,883	716,883	1,982,934
Inventories	-	49,589	49,589	1,145,601
Prepaid costs and other assets	491,350	1,345,673	1,837,023	758,846
Net pension asset (Note 10)	1,890,164	-	1,890,164	-
Capital assets not being depreciated (Note 4)	4,516,078	7,591,677	12,107,755	1,374,128
Capital assets being depreciated (Note 4)	52,868,214	4,998,663	57,866,877	69,687,008
Total assets	107,263,062	44,466,172	151,729,234	178,278,166
Liabilities				
Accounts payable	2,294,074	589,466	2,883,540	926,297
Accrued and other liabilities	1,280,323	1,537,312	2,817,635	1,503,305
Deferred tax revenue	18,489,169	-	18,489,169	-
Due to other governmental units	-	9,890	9,890	3,513,752
Long-term obligations (Note 6):				
Due within one year	2,234,043	10,621	2,244,664	8,049,423
Due in more than one year	19,082,005	34,948	19,116,953	88,875,350
Total liabilities	43,379,614	2,182,237	45,561,851	102,868,127
Net Assets				
Invested in capital assets - Net of related debt	40,004,292	12,544,771	52,549,063	(23,803,376)
Restricted (Note 7)	12,894,011	-	12,894,011	-
Unrestricted	10,985,145	29,739,164	40,724,309	99,213,415
Total net assets	\$ 63,883,448	\$ 42,283,935	\$ 106,167,383	\$ 75,410,039

Livingston County, Michigan

Functions/Programs	Program Revenues			Expenses
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 8,106,378	\$ 3,611,076	\$ 1,726,359	\$ -
Public safety	29,839,533	9,857,130	1,166,820	-
Public works	2,226,540	1,189,376	-	-
Health and welfare	13,772,218	4,443,141	3,246,984	-
Community and economic development	1,286,281	66,846	451,947	-
Interest on long-term debt	993,580	-	-	-
Total governmental activities	56,224,530	19,167,569	6,592,110	-
Business-type activities:				
Building and safety	3,762,265	3,626,030	-	-
Airport	867,505	794,718	-	6,081,845
Livingston Essential Transportation Service	1,751,824	303,605	1,881,344	48,559
Delinquent tax revolving funds	60,590	1,781,707	-	-
Total business-type activities	6,442,184	6,506,060	1,881,344	6,130,404
Total primary government	\$ 62,666,714	\$ 25,673,629	\$ 8,473,454	\$ 6,130,404
Component units:				
Drain Commission	\$ 6,263,547	\$ 4,578,791	\$ 1,161,621	\$ -
Department of Public Works	2,869,984	2,767,400	-	-
Road Commission	12,272,159	13,100	16,243,459	-
Total component units	\$ 21,405,690	\$ 7,359,291	\$ 17,405,080	\$ -

General revenues:

Property taxes
 State-shared revenues
 Unrestricted investment earnings
 Miscellaneous
 Special item - Gain on sale of assets
 Transfers

Total general revenues, special item, and transfers

Change in Net Assets

Net Assets - Beginning of year - As restated (Note 12)

Net Assets - End of year

Statement of Activities
Year Ended December 31, 2004

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,768,943)	\$ -	\$ (2,768,943)	\$ -
(18,815,583)	-	(18,815,583)	-
(1,037,164)	-	(1,037,164)	-
(6,082,093)	-	(6,082,093)	-
(767,488)	-	(767,488)	-
(993,580)	-	(993,580)	-
(30,464,851)	-	(30,464,851)	-
-	(136,235)	(136,235)	-
-	6,009,058	6,009,058	-
-	481,684	481,684	-
-	1,721,117	1,721,117	-
-	8,075,624	8,075,624	-
(30,464,851)	8,075,624	(22,389,227)	-
-	-	-	(523,135)
-	-	-	(102,584)
-	-	-	3,984,400
-	-	-	3,358,681
33,582,751	-	33,582,751	-
1,963,072	-	1,963,072	-
636,615	467,957	1,104,572	262,010
(76,483)	1,842	(74,641)	-
-	18,770	18,770	7,275
2,086,492	(2,086,492)	-	-
38,192,447	(1,597,923)	36,594,524	269,285
7,727,596	6,477,701	14,205,297	3,627,966
56,155,852	35,806,234	91,962,086	71,782,073
\$ 63,883,448	\$ 42,283,935	\$ 106,167,383	\$ 75,410,039

Livingston County, Michigan

Governmental Funds Balance Sheet December 31, 2004

	General Fund	Ambulance Fund	Health Fund	911 Service Fund	Revenue Sharing Reserve Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and investments	\$ 8,892,075	\$ 2,279,717	\$ 400,754	\$ 2,295,539	\$ -	\$ 4,129,391	\$ 17,997,476
Receivables:							
Taxes	15,513,482	1,685,904	-	-	7,756,741	-	24,956,127
Accounts	74,799	628,359	-	267,115	-	-	970,273
Prepaid costs and other assets	165,844	3,979	-	7,361	-	296,306	473,490
Due from other funds	1,670,444	-	-	-	-	-	1,670,444
Due from other governmental units	921,232	-	94,719	61,968	-	99,424	1,177,343
Advance to other fund	691,559	-	-	-	-	-	691,559
Total assets	\$ 27,929,435	\$ 4,597,959	\$ 495,473	\$ 2,631,983	\$ 7,756,741	\$ 4,525,121	\$ 47,936,712
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 1,113,716	\$ 70,745	\$ 69,236	\$ 46,735	\$ -	\$ 507,577	\$ 1,808,009
Accrued and other liabilities	712,848	100,184	67,569	52,851	-	13,961	947,413
Due to other funds	-	-	268,647	-	1,188,188	159,088	1,615,923
Advance from other fund	-	-	-	691,559	-	-	691,559
Deferred revenue	16,507,964	1,756,271	-	-	-	224,934	18,489,169
Total liabilities	18,334,528	1,927,200	405,452	791,145	1,188,188	905,560	23,552,073
Fund Balances							
Reserved (Note 8)	857,403	-	-	-	6,568,553	177,275	7,603,231
Unreserved, reported in:							
General Fund	8,737,504	-	-	-	-	-	8,737,504
Special Revenue Funds	-	2,670,759	90,021	1,840,838	-	2,202,577	6,804,195
Capital Projects Funds	-	-	-	-	-	1,239,709	1,239,709
Total fund balances	9,594,907	2,670,759	90,021	1,840,838	6,568,553	3,619,561	24,384,639
Total liabilities and fund balances	\$ 27,929,435	\$ 4,597,959	\$ 495,473	\$ 2,631,983	\$ 7,756,741	\$ 4,525,121	

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds	56,041,325
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(20,237,298)
Interest expense payable is not accrued in the governmental funds	(260,700)
Compensated absences are not included as a liability of the funds	(1,001,221)
Net pension asset is not included as an asset of the funds	1,890,164
Personal property taxes received in governmental activities are not financial resources and are not reported in the funds	137,548
Internal Service Funds are included as part of governmental activities	2,928,991
Net assets of governmental activities	\$ 63,883,448

Livingston County, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2004

	General Fund	Ambulance Fund	Health Fund	911 Service Fund	Revenue Sharing Reserve Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue							
Taxes	\$ 22,923,079	\$ 1,646,852	\$ -	\$ -	\$ 7,756,741	\$ 1,253,579	\$ 33,580,251
Licenses and permits	419,660	-	389,681	-	-	-	809,341
Federal sources	1,286,796	-	570,196	44,504	-	1,396,828	3,298,324
Contributions from local units	976,342	-	-	-	-	736,278	1,712,620
State sources	3,487,669	-	901,607	216,881	-	1,017,905	5,624,062
Charges for services	7,458,297	2,910,972	798,109	3,072,133	-	571,227	14,810,738
Fines and forfeitures	518,628	-	-	-	-	-	518,628
Interest and rent	491,351	44,202	-	35,916	-	63,515	634,984
Other	1,190,897	6,000	-	-	-	57,303	1,254,200
Total revenue	38,752,719	4,608,026	2,659,593	3,369,434	7,756,741	5,096,635	62,243,148
Expenditures							
Current:							
General government	5,712,655	-	-	-	-	-	5,712,655
Public safety:							
Court systems	10,549,715	-	-	-	-	-	10,549,715
Sheriff and jail	13,535,826	-	-	2,896,111	-	-	16,431,937
Other public safety	1,020,606	-	-	-	-	-	1,020,606
Economic development	4,270,313	-	-	-	-	762,406	5,032,719
Health and welfare	2,555,976	4,978,077	3,339,299	-	-	3,064,396	13,937,748
Capital outlay	-	-	-	-	-	1,998,158	1,998,158
Principal	-	-	-	-	-	2,700,000	2,700,000
Interest	-	-	-	-	-	1,036,533	1,036,533
Total expenditures	37,645,091	4,978,077	3,339,299	2,896,111	-	9,561,493	58,420,071
Excess of Revenue Over (Under) Expenditures	1,107,628	(370,051)	(679,706)	473,323	7,756,741	(4,464,858)	3,823,077
Other Financing Sources (Uses)							
Operating transfers in	1,252,015	-	623,727	-	-	4,545,131	6,420,873
Operating transfers out	(3,129,302)	-	-	-	(1,188,188)	(393,191)	(4,710,681)
Total other financing sources (uses)	(1,877,287)	-	623,727	-	(1,188,188)	4,151,940	1,710,192
Net Change in Fund Balances	(769,659)	(370,051)	(55,979)	473,323	6,568,553	(312,918)	5,533,269
Fund Balances - Beginning of year	10,364,566	3,040,810	146,000	1,367,515	-	3,932,479	18,851,370
Fund Balances - End of year	\$ 9,594,907	\$ 2,670,759	\$ 90,021	\$ 1,840,838	\$ 6,568,553	\$ 3,619,561	\$ 24,384,639

Livingston County, Michigan

	Enterprise Funds		
	Major Fund - Building and Safety Fund	Major Fund - Airport Fund	Major Fund - Delinquent Tax Revolving Fund
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,333,921	\$ 775,518	\$ 20,935,474
Tax receivable	-	-	5,175,162
Accounts receivable	-	18,674	964,953
Due from other governmental units	-	-	36,629
Due from other funds	-	-	-
Inventories	12,632	29,236	-
Prepaid costs and other assets	1,621	40,406	-
Total current assets	2,348,174	863,834	27,112,218
Noncurrent assets:			
Advances to other funds	-	-	1,296,346
Capital assets	13,020	9,983,415	-
Total noncurrent assets	13,020	9,983,415	1,296,346
Total assets	2,361,194	10,847,249	28,408,564
Liabilities			
Current liabilities:			
Accounts payable	61,597	482,927	2,143
Accrued and other liabilities	132,313	62,048	9,890
Due to other funds	-	54,521	-
Current portion of long-term debt	-	10,621	-
Total current liabilities	193,910	610,117	12,033
Noncurrent liabilities:			
Advances from other funds	-	1,296,346	-
Long-term debt - Net of current portion	-	34,948	-
Total noncurrent liabilities	-	1,331,294	-
Total liabilities	193,910	1,941,411	12,033
Net Assets			
Investment in capital assets - Net of related debt	13,020	9,937,846	-
Unrestricted	2,154,264	(1,032,008)	28,396,531
Total net assets	<u>\$ 2,167,284</u>	<u>\$ 8,905,838</u>	<u>\$ 28,396,531</u>

**Proprietary Funds
Statement of Net Assets
December 31, 2004**

Nonmajor Fund - Livingston Essential Transportation Service	Total Enterprise Funds	Internal Service Funds
\$ -	\$ 24,044,913	\$ 2,203,968
-	5,175,162	-
-	983,627	-
680,254	716,883	-
-	-	641
7,721	49,589	-
<u>7,300</u>	<u>49,327</u>	<u>17,859</u>
695,275	31,019,501	2,222,468
-	1,296,346	-
<u>2,593,905</u>	<u>12,590,340</u>	<u>1,342,967</u>
<u>2,593,905</u>	<u>13,886,686</u>	<u>1,342,967</u>
3,289,180	44,906,187	3,565,435
428,293	974,960	486,064
46,605	250,856	149,739
-	54,521	641
<u>-</u>	<u>10,621</u>	<u>-</u>
474,898	1,290,958	636,444
-	1,296,346	-
<u>-</u>	<u>34,948</u>	<u>-</u>
<u>-</u>	<u>1,331,294</u>	<u>-</u>
<u>474,898</u>	<u>2,622,252</u>	<u>636,444</u>
2,593,905	12,544,771	1,342,967
<u>220,377</u>	<u>29,739,164</u>	<u>1,586,024</u>
<u>\$ 2,814,282</u>	<u>\$ 42,283,935</u>	<u>\$ 2,928,991</u>

Livingston County, Michigan

	Enterprise Funds		
	Major Fund - Building and Safety Fund	Major Fund - Airport Fund	Major Fund - Delinquent Tax Revolving Fund
Operating Revenue			
Charges for services	\$ 3,626,030	\$ 813,962	\$ 535,919
Penalties and interest	-	-	1,230,285
Other revenue	-	-	17,345
Total operating revenue	3,626,030	813,962	1,783,549
Operating Expenses			
Personnel	2,499,623	194,015	-
Operating expenses	1,257,105	458,181	-
Depreciation expense	5,537	174,328	-
Other expenses	-	-	60,590
Total operating expenses	3,762,265	826,524	60,590
Operating Income (Loss)	(136,235)	(12,562)	1,722,959
Nonoperating Revenue (Expense)			
Interest earnings	33,346	9,517	389,655
Federal and state operating subsidies	-	-	-
Gain on sale of fixed assets	16,496	16,655	-
Interest expense	-	(41,441)	-
Total nonoperating revenue (expense)	49,842	(15,269)	389,655
Income (Loss) - Before transfers and contributions	(86,393)	(27,831)	2,112,614
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	(2,086,492)
Net Income (Loss) - Before contributions	(86,393)	(27,831)	26,122
Capital Contributions	-	6,081,845	-
Change in Net Assets	(86,393)	6,054,014	26,122
Net Assets - January 1, 2004 - As restated (Note 12)	2,253,677	2,851,824	28,370,409
Net Assets - December 31, 2004	\$ 2,167,284	\$ 8,905,838	\$ 28,396,531

Proprietary Funds
Statement of Revenue, Expenses, and Changes in Net Assets
Year Ended December 31, 2004

Livingston Essential Transportation Service	Total Enterprise Funds	Internal Service Funds
\$ 213,344	\$ 5,189,255	\$ 11,428,782
-	1,230,285	-
<u>92,535</u>	<u>109,880</u>	<u>-</u>
305,879	6,529,420	11,428,782
995,487	3,689,125	8,217,059
421,218	2,136,504	3,615,706
191,922	371,787	602,298
<u>143,197</u>	<u>203,787</u>	<u>-</u>
1,751,824	6,401,203	12,435,063
(1,445,945)	128,217	(1,006,281)
-	432,518	100
1,881,344	1,881,344	-
-	33,151	5,430
<u>-</u>	<u>(41,441)</u>	<u>-</u>
1,881,344	2,305,572	5,530
435,399	2,433,789	(1,000,751)
-	-	376,300
<u>-</u>	<u>(2,086,492)</u>	<u>-</u>
435,399	347,297	(624,451)
<u>48,559</u>	<u>6,130,404</u>	<u>-</u>
483,958	6,477,701	(624,451)
<u>2,330,324</u>	<u>35,806,234</u>	<u>3,553,442</u>
<u>\$ 2,814,282</u>	<u>\$ 42,283,935</u>	<u>\$ 2,928,991</u>

Livingston County, Michigan

	Enterprise Funds			
	Major Fund - Building and Safety Fund	Major Fund - Airport Fund	Major Fund - Delinquent Tax Revolving Fund	Livingston Essential Transportation Service
Cash Flows from Operating Activities				
Receipts from customers	\$ 3,621,787	\$ 808,539	\$ 1,367,417	\$ (380,336)
Receipts from other funds	-	-	-	-
Payments to suppliers	(1,244,576)	(29,075)	(104,000)	(519,082)
Payments to employees	(2,488,167)	(240,088)	8,220	(983,967)
Internal activity - Receipts (payments) to other funds	-	946	20,579	-
Other receipts	-	6,904	-	-
Net cash provided by (used in) operating activities	(110,956)	547,226	1,292,216	(1,883,385)
Cash Flows from Capital and Related Financing Activities				
Capital contributions	-	6,081,845	-	48,559
Purchase of capital assets	-	(6,731,355)	-	(46,518)
Proceeds from sale of assets	16,495	16,655	-	-
Interest paid	-	(41,441)	-	-
Debt service	-	(10,144)	-	-
Net cash provided by (used in) capital and related financing activities	16,495	(684,440)	-	2,041
Cash Flows from Investing Activities - Interest received on investments	35,192	9,517	389,655	-
Cash Flows from Noncapital Financing Activities				
Federal and state operating subsidies	-	-	-	1,881,344
Transfers out	-	-	(2,914,263)	-
Transfers in	-	-	827,771	-
Net cash provided by (used in) noncapital financing activities	-	-	(2,086,492)	1,881,344
Net Decrease in Cash and Cash Equivalents	(59,269)	(127,697)	(404,621)	-
Cash and Cash Equivalents - Beginning of year	2,393,190	903,215	21,340,095	-
Cash and Cash Equivalents - End of year	<u>\$ 2,333,921</u>	<u>\$ 775,518</u>	<u>\$ 20,935,474</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ (136,235)	\$ (12,562)	\$ 1,722,959	\$ (1,445,945)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	5,537	174,328	-	191,922
Changes in assets and liabilities:				
Accounts receivable	-	4,256	31,035	(4,030)
Delinquent tax receivables	-	-	(447,167)	-
Due from other funds	-	946	20,579	-
Due from other governmental units	-	-	-	(680,254)
Inventory	(4,243)	(9,679)	-	-
Other assets	-	6,904	-	(1,931)
Accounts payable	12,529	429,106	(43,410)	45,333
Accrued and other liabilities	11,456	(46,073)	8,220	11,520
Net cash provided by (used in) operating activities	<u>\$ (110,956)</u>	<u>\$ 547,226</u>	<u>\$ 1,292,216</u>	<u>\$ (1,883,385)</u>

**Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2004**

Total Enterprise Funds	Internal Service Funds
\$ 5,417,407	\$ -
-	11,416,024
(1,896,733)	(3,444,442)
(3,704,002)	(8,167,723)
21,525	-
6,904	-
<hr/>	<hr/>
(154,899)	(196,141)
6,130,404	
(6,777,873)	(656,155)
33,150	18,014
(41,441)	-
(10,144)	-
<hr/>	<hr/>
(665,904)	(638,141)
434,364	100
1,881,344	-
(2,914,263)	-
827,771	376,300
<hr/>	<hr/>
(205,148)	376,300
(591,587)	(457,882)
24,636,500	2,661,850
<hr/>	<hr/>
\$ 24,044,913	\$ 2,203,968
\$ 128,217	\$ (1,006,281)
371,787	602,298
31,261	-
(447,167)	-
21,525	(946)
(680,254)	-
(13,922)	-
4,973	(11,812)
443,558	171,264
(14,877)	49,336
<hr/>	<hr/>
\$ (154,899)	\$ (196,141)

Livingston County, Michigan

Fiduciary Funds Statement of Net Assets December 31, 2004

	Other Employee Benefit Trust Fund	Agency Funds
Assets		
Cash	\$ -	\$ 3,301,188
Mutual funds	3,034,119	-
Accrued interest receivable	-	3,837
Total assets	3,034,119	<u>\$ 3,305,025</u>
Liabilities		
Due to other governmental units	-	\$ 1,418,838
Other liabilities	-	1,886,187
Total liabilities	-	<u>\$ 3,305,025</u>
Net Assets - Held in trust for employee benefits	<u>\$ 3,034,119</u>	

Livingston County, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended December 31, 2004

	<u>Other Employee Benefit Trust Fund</u>
Additions	
Investment income:	
Interest and dividends	\$ 94,183
Net increase in fair value of investments	173,791
Less investment expenses	<u>(31,882)</u>
Net investment income	236,092
Contributions	<u>526,226</u>
Total additions	762,318
Net Assets Held in Trust for Employee Benefits	
Beginning of year	<u>2,271,801</u>
End of year	<u><u>\$ 3,034,119</u></u>

Livingston County, Michigan

Component Units Statement of Net Assets December 31, 2004

	Drain Commission	Department of Public Works	Road Commission	Total
Assets				
Cash and investments	\$ 4,208,172	\$ 4,758,278	\$ 3,012,045	\$ 11,978,495
Special assessments receivable	3,440,283	7,448,065	253,819	11,142,167
Leases receivable from local units	42,198,812	37,200,359	809,816	80,208,987
Due from other governmental units	6,701	-	1,976,233	1,982,934
Due from other funds	829,401	-	-	829,401
Interest and other receivables	479,914	236,236	-	716,150
Inventory	-	-	1,145,601	1,145,601
Other current assets	-	-	42,696	42,696
Capital assets (Note 4)	<u>3,219,705</u>	<u>217,128</u>	<u>67,624,303</u>	<u>71,061,136</u>
Total assets	54,382,988	49,860,066	74,864,513	179,107,567
Liabilities				
Accounts payable	182,310	519,230	224,757	926,297
Retainages payable	60,580	406,269	-	466,849
Due to other funds	829,401	-	-	829,401
Due to other governmental units	344,448	3,166,940	2,364	3,513,752
Other current liabilities	735,825	254,186	46,445	1,036,456
Long-term debt:				
Due within one year	3,846,512	2,625,000	1,577,911	8,049,423
Due in more than one year	<u>42,887,028</u>	<u>42,000,000</u>	<u>3,988,322</u>	<u>88,875,350</u>
Total liabilities	<u>48,886,104</u>	<u>48,971,625</u>	<u>5,839,799</u>	<u>103,697,528</u>
Net Assets				
Invested in capital assets - Net of related debt	(43,513,835)	(44,407,872)	64,118,331	(23,803,376)
Restricted				-
Unrestricted	<u>49,010,719</u>	<u>45,296,313</u>	<u>4,906,383</u>	<u>99,213,415</u>
Total net assets	<u>\$ 5,496,884</u>	<u>\$ 888,441</u>	<u>\$ 69,024,714</u>	<u>\$ 75,410,039</u>

Livingston County, Michigan

	Expenses	Program Revenues		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
Drain Commission - Public works	\$ 6,263,547	\$ 4,578,791	\$ 1,161,621	\$ -
Department of Public Works - Public works	2,869,984	2,767,400	-	-
Road Commission - Public works	<u>12,272,159</u>	<u>13,100</u>	<u>16,243,459</u>	<u>-</u>
Total governmental activities	<u>\$ 21,405,690</u>	<u>\$ 7,359,291</u>	<u>\$ 17,405,080</u>	<u>\$ -</u>

General revenues:

Interest

Special item - Gain on sale of assets

Total general revenues

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

**Component Units
Statement of Activities
Year Ended December 31, 2004**

Net (Expense) Revenue and Changes in Net Assets

Drain Commission	Department of Public Works	Road Commission	Total
\$ (523,135)	\$ -	\$ -	\$ (523,135)
-	(102,584)	-	(102,584)
-	-	3,984,400	3,984,400
(523,135)	(102,584)	3,984,400	3,358,681
52,321	113,115	96,574	262,010
-	-	7,275	7,275
52,321	113,115	103,849	269,285
(470,814)	10,531	4,088,249	3,627,966
5,967,698	877,910	64,936,465	71,782,073
<u>\$ 5,496,884</u>	<u>\$ 888,441</u>	<u>\$ 69,024,714</u>	<u>\$ 75,410,039</u>

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

The following component units are presented discretely from the County:

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

Government-wide and Fund Financial Statements

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

All governmental funds, Agency Funds, and the component units utilize the modified accrual basis of accounting. The Enterprise Fund utilizes the full accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

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

Note I - Summary of Significant Accounting Policies (Continued)

- Property taxes will be used to finance the following year's operations, except for amounts required to be reserved within the Revenue Sharing Reserve Fund. As such, these taxes are recorded as deferred revenue in each respective fund on December 31. Each year, the Revenue Sharing Reserve Fund will transfer an amount equal to the County's revenue sharing allocation to finance current year's operations.

The County reports the following major governmental funds:

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

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

Health Special Revenue Fund - The Health Special Revenue Fund accounts for a variety of health-related services provided by the County to its residents, for both environmental health and personal protection services.

911 Service Special Revenue Fund - The 911 Service Special Revenue Fund accounts for the operation of the 911 system and the Enhance 911 for wireless service activities.

Revenue Sharing Reserve Fund - The Revenue Sharing Reserve Fund is a mandatory fund restricted for replacing state-shared revenues that have been suspended. The source of the replacement funding is the gradual shift from a winter tax levy to a summer tax levy. One-third of the County's December 2004 property tax levy must be placed in the fund from the December 2004, 2005, and 2006 property tax levy.

The County reports the following major proprietary funds:

Building and Safety Fund - The Building and Safety Fund accounts for revenues earmarked for building construction code enforcement activities.

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.

Note I - Summary of Significant Accounting Policies (Continued)

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.

Additionally, the County reports the following funds:

Special Revenue Funds - Special Revenue Funds account for the revenues and expenditures related to job training services, child care services, family counseling, Friend of the Court, Small Cities Community Development Block Grant, survey and remonumentation, drug law enforcement activities, prosecutor's enforcement, criminal and OUIL forfeitures, Law and County Library Funds, community corrections, social welfare, soldiers and sailors relief, Veterans Trust Fund, register of deeds, Local Law Enforcement Block Grant activities, Homestead Property Exemption Fund, and Community Development Block Grant/OLSHA funds.

Debt Service Funds - Debt Service Funds account for the debt retirement activity of the governmental activities of the County for the jail expansion bonds issued in 1994, the Road Commission refunding bonds issued in 1995 and 2001, mental health bonds issued in 1999, and 2000 and 2002 building improvement bonds issued for various capital projects of the County.

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 the construction of the 800 megahertz tower equipment, mobile command unit, jail expansion, courthouse improvements, MTEC construction, administration building renovations, and other capital improvements of the County.

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

Trust Funds - The Other Employee Benefits Trust Fund accounts for the activities of the Post Employment Healthcare Trust Fund, which accumulates resources for health care benefit payments for qualified employees.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

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

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

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

Livingston County, Michigan

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2003 taxable valuation of the County totaled \$6,592,435,442, on which ad valorem taxes levied consisted of 3.4912 mills for the County's operating purposes, 0.2500 mills for ambulance operating purposes, and 0.1881 mills for jail debt retirement. The ad valorem taxes raised were approximately \$23 million for general operations, \$1.6 million for ambulance operations, and \$1.3 million for jail debt retirement. These amounts are recorded in their respective funds as tax revenue. The amount recorded as revenue includes other miscellaneous revenue and other tax-related items and is net of amounts distributed to local DDAs and TIFAs.

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

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

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

Buildings	33 to 50 years
Improvements other than buildings	20 to 30 years
Office equipment and furniture	3 to 10 years
Machinery and equipment	5 to 20 years
Vehicles	5 to 10 years

Compensated Absences - The County allows employees to accumulate earned but unused sick and vacation pay benefits. The government-wide and proprietary statements accrue all vacation and personal pay as it is earned, and sick pay as it is used or vested (whichever is earlier). A liability for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off, or employees terminate).

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

Note 2 - Stewardship, Compliance, and Accountability

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

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

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

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

During the year, there were budget amendments, as follows:

- Provide funding for new authorized positions
- Provide funding for the new Retiree Health Care Trust Fund and Retiree Health Savings Program
- Provide funding for the new long-term disability insurance program, dispute resolution center, small business and technology development center, and adult day care facility

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

The budget process begins in April when the Board of Commissioners conducts a “goal-setting workshop” to formulate the strategic goals, policies, and objectives for the upcoming year. To encourage long-term planning, the County prepares biennial budgets.

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

Livingston County, Michigan

Notes to Financial Statements December 31, 2004

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

Additionally in May, the finance department prepares the projection for employee costs, including salaries/wages and all fringe benefits, by department and/or fund. The employee cost spreadsheets, budget worksheets, capital purchase, and new employee request forms are distributed to the departments for preparation of their department biennial budget request. The finance department projects total expenditures per functional group, i.e., public safety, health and human services, infrastructure and development, and general government for the General Fund. Departments are requested to submit budget requests within these limits. Budget requests are due from the departments on July 30.

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

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

Excess of Expenditures Over Appropriations in Budgeted Funds - The Building Services Internal Service Fund had a fund deficit at December 31, 2004 of approximately \$68,000. The County had the following significant budget overruns in the current year due to various unexpected expenditures that were not budgeted for.

	Budget	Actual
General Fund		
Friend of the Court	\$ 1,988,754	\$ 2,010,178
Juvenile court	1,210,937	1,243,447
Sheriff and road patrol	8,018,870	8,187,184
Jail	5,020,094	5,123,546
Animal shelter	491,493	506,364
Drain Commission	1,721,980	1,748,564
MSU co-op extension	404,346	418,029
Community action programs	748,634	828,903
Board of Commissioners	462,968	486,751
Health Fund - Environmental health and personal protective services	3,261,116	3,339,299

Livingston County, Michigan

Notes to Financial Statements December 31, 2004

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 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 County has designated one bank for the deposit of local unit funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all of the investment options as allowed under the State statutory authority as listed above.

The County's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and cash equivalents	\$ 20,201,443	\$ 23,659,419	\$ 3,301,188	\$ 47,162,050	\$ 11,978,495
Marketable securities	-	-	3,034,119	3,034,119	-
Total	<u>\$ 20,201,443</u>	<u>\$ 23,659,419</u>	<u>\$ 6,335,307</u>	<u>\$ 50,196,169</u>	<u>\$ 11,978,495</u>

The breakdown between deposits and investments for the County is as follows:

	Primary Government	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 47,134,295	\$ 11,978,495
Investments in securities, mutual funds, and similar vehicles	3,034,119	-
Petty cash or cash on hand	27,755	-
Total	<u>\$ 50,196,169</u>	<u>\$ 11,978,495</u>

Note 3 - Deposits and Investments (Continued)

The County holds cash and investments on behalf of its component units. The total deposits were reflected in the accounts of the bank (without recognition of checks written, but not yet cleared, or of deposits in transit) at \$62,590,879. Of that amount, up to approximately \$600,000 was covered by federal depository insurance and at least \$61,990,879 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 bank deposits. As a result, the County evaluates each financial institution with which it deposits County funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The County's investments during the year consisted solely of mutual funds and were held in the County's fiduciary funds. There was \$3,034,119 invested in such funds at December 31, 2004. Investments are normally categorized to give an indication of the level of risk assumed by the County; however, these funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The County believes that the investments in these funds comply with the investment authority noted above.

Livingston County, Michigan

Notes to Financial Statements December 31, 2004

Note 4 - Capital Assets

Capital asset activity of the County's governmental and business-type activities was as follows (as restated - see Note 12):

	Balance January 1, 2004	Additions	Disposals and Adjustments	Balance December 31, 2004
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 4,040,202	\$ 153,797	\$ -	\$ 4,193,999
Construction in progress	99,902	222,177	-	322,079
Subtotal	4,140,104	375,974	-	4,516,078
Capital assets being depreciated:				
Buildings	53,709,250	915,359	-	54,624,609
Improvements other than building	2,040,466	-	-	2,040,466
Equipment and furniture	14,877,759	1,381,641	103,009	16,156,391
Vehicles	3,339,152	737,033	591,394	3,484,791
Subtotal	73,966,627	3,034,033	694,403	76,306,257
Accumulated depreciation:				
Buildings	9,358,526	1,084,684	-	10,443,210
Improvements other than building	1,410,910	102,023	-	1,512,933
Equipment and furniture	8,327,914	1,344,167	103,009	9,569,072
Vehicles	1,770,263	599,952	457,387	1,912,828
Subtotal	20,867,613	3,130,826	560,396	23,438,043
Net capital assets being depreciated	53,099,014	(96,793)	134,007	52,868,214
Net capital assets	\$ 57,239,118	\$ 279,181	\$ 134,007	\$ 57,384,292

Livingston County, Michigan

Notes to Financial Statements December 31, 2004

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance	Additions	Disposals and Adjustments	Balance
	January 1, 2004			December 31, 2004
Capital assets not being depreciated - Land	\$ 860,322	\$ 6,731,355	\$ -	\$ 7,591,677
Capital assets being depreciated:				
Buildings	3,551,485	-	-	3,551,485
Improvements other than buildings	3,692,139	-	-	3,692,139
Vehicles	1,155,192	46,519	84,786	1,116,925
Machinery and equipment	319,994	-	-	319,994
Subtotal	8,718,810	46,519	84,786	8,680,543
Accumulated depreciation:				
Buildings	693,293	83,037	-	776,330
Improvements other than buildings	1,931,403	119,676	-	2,051,079
Vehicles	570,168	140,210	84,786	625,592
Machinery and equipment	200,015	28,864	-	228,879
Subtotal	3,394,879	371,787	84,786	3,681,880
Net capital assets being depreciated	5,323,931	(325,268)	-	4,998,663
Net capital assets	<u>\$ 6,184,253</u>	<u>\$ 6,406,087</u>	<u>\$ -</u>	<u>\$ 12,590,340</u>

Component Units	Balance	Additions	Disposals and Adjustments	Balance
	January 1, 2004			December 31, 2004
Capital assets not being depreciated - Land and improvements	\$ 1,038,048	\$ 336,080	\$ -	\$ 1,374,128
Capital assets being depreciated:				
Land improvements	652,080	-	-	652,080
Buildings and improvements	6,495,574	5,555	-	6,501,129
Drains and septic systems	3,568,988	810,000	-	4,378,988
Machinery, equipment, and vehicles	8,611,120	1,068,085	129,900	9,549,305
Infrastructure - Roads and bridges	98,492,321	5,317,282	-	103,809,603
Depletable assets	488,543	-	-	488,543
Subtotal	118,308,626	7,200,922	129,900	125,379,648
Accumulated depreciation:				
Land improvements	133,072	-	-	133,072
Buildings and improvements	1,839,328	149,875	-	1,989,203
Drains and septic systems	1,152,094	150,860	-	1,302,954
Machinery, equipment, and vehicles	7,097,871	676,521	126,975	7,647,417
Infrastructure - Roads and bridges	40,709,358	3,791,651	-	44,501,009
Depletable assets	118,985	-	-	118,985
Subtotal	51,050,708	4,768,907	126,975	55,692,640
Net capital assets being depreciated	67,257,918	2,432,015	2,925	69,687,008
Net capital assets	<u>\$ 68,295,966</u>	<u>\$ 2,768,095</u>	<u>\$ 2,925</u>	<u>\$ 71,061,136</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2004

Note 4 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 366,389
Public safety	1,537,291
Health and welfare	451,324
Community and economic development	33,898
Public works	139,626
Internal Service Fund	<u>602,298</u>
Total governmental activities	<u>\$ 3,130,826</u>

Business-type activities:

Building and safety	\$ 5,537
Airport	174,328
L.E.T.S.	<u>191,922</u>
Total business-type activities	<u>\$ 371,787</u>

Component unit activities:

Drain Commission districts	\$ 150,860
Department of Public Works	47,937
Road Commission	<u>4,570,110</u>
Total component unit activities	<u>\$ 4,768,907</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2004

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Health Fund	\$ 268,647
	Revenue Sharing Reserve Fund	1,188,188
	Airport Fund	54,521
	Other nonmajor funds	<u>159,088</u>
	Total General Fund	1,670,444
Internal Service Fund	Internal Service Fund	<u>641</u>
	Total	<u>\$ 1,671,085</u>

Interfund balances represent routine and temporary cash flow assistance.

Fund Transferred From	Fund Transferred To	Amount
Interfund Transfers		
General Fund	Health Fund	\$ 623,726
	Nonmajor governmental funds	<u>2,505,576</u>
	Total General Fund	3,129,302
Revenue Sharing Reserve Fund	General Fund	1,188,188
Nonmajor governmental funds	General Fund	63,827
	Nonmajor governmental funds	<u>329,364</u>
	Total operating transfers out from governmental funds	4,710,681
Delinquent Tax Revolving Fund	Nonmajor governmental funds	<u>2,086,492</u>
	Total operating transfers out	<u>\$ 6,797,173</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2004

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

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

Note 6 - Long-term Obligations

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)	Ending Balance	Due Within One Year
Governmental Activities						
General obligation bonds:						
1994 Jail expansion bonds	2004	4.5%	\$ 1,225,000	\$ (1,225,000)	\$ -	\$ -
1995 Building Authority - Road Commission refunding bonds	2008	5.0%	2,095,000	(375,000)	1,720,000	390,000
1999 Building Authority - Mental health bonds	2024	4.6%	2,665,000	(75,000)	2,590,000	80,000
2000 Building Authority - Building improvement projects	2014	5.0%	8,420,000	(585,000)	7,835,000	620,000
2001 Building Authority - Road Commission refunding bonds	2010	4.5%	1,110,000	-	1,110,000	-
2002 Capital improvement bonds	2012	3.5%	4,565,000	(440,000)	4,125,000	450,000
Installment purchase agreements - Emergency Communication Lease			82,724	(82,724)	-	-
Subtotal			20,162,724	(2,782,724)	17,380,000	1,540,000
Other obligations:						
Drain at large assessments			818,712	55,586	874,298	295,000
Landfill postclosure liability			2,116,500	(133,500)	1,983,000	99,625
Employee compensated absences			892,133	186,617	1,078,750	299,418
Total governmental activities			<u>\$ 23,990,069</u>	<u>\$ (2,674,021)</u>	<u>\$ 21,316,048</u>	<u>\$ 2,234,043</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2004

Note 6 - Long-term Debt (Continued)

	Matures	Interest Rate	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-type Activities						
Contractual agreement - MDOT - Bureau of Aeronautics loan	2008	4.7%	\$ 55,713	\$ (10,144)	\$ 45,569	\$ 10,621
Component Unit Debt						
Drain Commission districts			\$ 48,732,446	\$ (1,998,906)	\$ 46,733,540	\$ 3,846,512
Department of Public Works			47,225,000	(2,600,000)	44,625,000	2,625,000
Road Commission			6,324,988	(758,755)	5,566,233	1,577,911
Total component unit debt			\$ 102,282,434	\$ (5,357,661)	\$ 96,924,773	\$ 8,049,423

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

	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 1,540,000	\$ 750,535	\$ 2,290,535	\$ 10,621	\$ 2,142	\$ 12,763	\$ 8,054,423	\$ 3,858,695	\$ 11,913,118
2006	1,615,000	695,115	2,310,115	11,120	1,642	12,762	7,488,434	3,586,271	11,074,705
2007	1,700,000	634,283	2,334,283	11,643	1,120	12,763	7,704,608	3,309,740	11,014,348
2008	1,780,000	569,925	2,349,925	12,185	573	12,758	7,698,378	3,019,085	10,717,463
2009	1,915,000	501,401	2,416,401	-	-	-	7,886,430	2,726,188	10,612,618
2010 - 2014	7,225,000	1,282,248	8,507,248	-	-	-	30,917,500	9,485,956	40,403,456
2015 - 2019	710,000	333,370	1,043,370	-	-	-	21,950,000	3,725,992	25,675,992
2020 - 2024	895,000	137,750	1,032,750	-	-	-	5,225,000	411,337	5,636,337
Total	\$ 17,380,000	\$ 4,904,627	\$ 22,284,627	\$ 45,569	\$ 5,477	\$ 51,046	\$ 96,924,773	\$ 30,123,264	\$ 127,048,037

Note 7 - Restricted Net Assets

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

	Governmental Activities
Health and welfare expense	\$ 2,889,377
Public safety expense	2,090,186
Community and economic development expense	1,345,895
Revenue-sharing reserve	6,568,553
Total restricted assets	\$ 12,894,011

Livingston County, Michigan

Notes to Financial Statements December 31, 2004

Note 8 - Reserved and Designated Fund Balances

Fund balances have been reserved and designated as follows:

	Reserved	Designated
General Fund - Reserved for:		
Advance - 911	\$ 691,559	\$ -
Expense of prepaid assets	165,844	-
Total General Fund	857,403	-
Debt Service Funds - Reserved for debt service	123,374	-
Capital Projects Funds - Designated for:		
800 Megahertz Communications	-	-
Mobile command	-	1,984
Jail expansion	-	6,994
Courthouse improvements	-	39,876
MTEC construction	-	-
Administration building renovations	-	184,574
Capital replacement	-	1,006,281
Total Capital Projects Funds	-	1,239,709
Permanent Fund - Reserved for Lutz county road	27,516	-
Permanent Fund - Reserved for cemetery care	26,385	-
Total	<u>\$ 1,034,678</u>	<u>\$ 1,239,709</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.

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.

The County has never incurred any losses that exceeded the insured amount; therefore, an adjustment for incurred but not reported claims has not been accrued. The County's Member Retention Fund with the Authority includes \$526,000 reserved for claims and claims adjustment expenses. The County incurred approximately \$972,000 for insurance expense for the year ended December 31, 2004.

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 \$25,000 per contract with an aggregate stop-loss amount of 120 percent of estimated claims. Once the individual contract or aggregate stop-loss amount is reached, reinsurance provides the remaining benefits. No claims payable exist at December 31, 2004 due to escrowed reserves maintained by the third-party administrator.

Note 10 - Defined Benefit Pension Plan

Plan Description - The County participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers the majority of County employees. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

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

Livingston County, Michigan

Notes to Financial Statements December 31, 2004

Note 10 - Defined Benefit Pension Plan (Continued)

Annual Pension Costs - For the year ended December 31, 2004, the County's annual pension cost was \$3,051,498 for the plan. The required and actual contribution to the plan was \$3,004,765. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry age actuarial funding method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) additional projected salary increases of 0 percent to 4.16 percent per year, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period.

The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over a period of 30 years, and 10 years for negative unfunded accrued liabilities.

For the year ended December 31, 2004, the County's annual pension cost and net pension asset are as follows:

Annual required contribution	\$ 3,004,766
Interest on net pension obligation	(154,952)
Adjustment to annual required contribution	<u>201,684</u>
Annual pension cost	3,051,498
Contributions	<u>(3,004,765)</u>
Decrease in net pension asset	46,733
Net pension asset - Beginning of year	<u>1,936,897</u>
Net pension asset - End of year	<u>\$ 1,890,164</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2004

Note 10 - Defined Benefit Pension Plan (Continued)

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2002	\$ 2,048,040	149	\$ 2,068,040	147	\$ 1,980,168
2003	2,082,694	100	2,125,965	98	1,936,897
2004	3,004,766	100	3,051,499	98	1,890,164

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	UAAAL as a Percentage of Covered Payroll	UAAAL as a Percentage of Covered Payroll
12/31/2001	\$ 36,410,052	\$ 47,597,610	\$ 11,187,558	76%	\$ 19,850,354	56%
12/31/2002	40,231,306	52,413,087	12,181,781	77%	21,614,316	56%
12/31/2003	44,449,170	57,273,983	12,824,813	77%	22,790,250	56%

Note 11 - 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 they are a permanent employee and provided eligibility under County policy or an applicable collective bargaining agreement. The retiree health care plan provisions were created by the Livingston County Board of Commissioners. The County maintains two plans:

- 1) County of Livingston Retiree Health Care Plan (defined benefit) for eligible employees hired on or before March 17, 2003 who have elected to remain in this program.

Note 11 - Other Postemployment Benefits (Continued)

Beginning on the effective date, the County shall provide health care benefits to each eligible retiree. The Retiree Health Care Trust Fund will pay the monthly premiums for eligible participants subject to the retirees paying a share of the cost depending on their status and/or years of service. The County will be required to pay to the Trust Fund an amount consistent with the actuarial valuations and calculations made by an actuary for the trust. For those employees participating in the defined benefit retiree health care plan, the County's actuarially calculated contribution was \$1.7 million and actual contribution was \$526,000.

- 2) County of Livingston Retiree Health Savings Plan (defined contribution) for eligible employees hired after March 17, 2003, and/or participants of the Retiree Health Care Plan that 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; therefore, funding of this program will span two fiscal years.

Beginning January 1, 2004, participant contributions are made by payroll deduction and deposited into the participant's plan account. The participant will authorize the amount to be deducted on a per pay period basis from their paycheck. The employer contribution match of participant contributions will be subject to the following maximum limitation in each calendar year of participation: first five years of service with the County - up to \$520.00 per year (prorated); beginning with the sixth year of service with the County until termination of participation - up to \$1,560.00 per year (prorated). Adjustments may be made annually consistent with the nonunion salary schedule adjustment, beginning in 2005. The County match shall be distributed over a 12-month period.

For those employees participating in the defined contribution retiree health care plan, the County contributed \$593,165 during the current year.

Livingston County, Michigan

Notes to Financial Statements December 31, 2004

Note 11 - Other Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2008.

Note 12 - Prior Period Adjustment

During the current year, the following prior period adjustment was made:

The intermodal building was transferred from a governmental activities fixed asset to a business-type activities fixed asset and recorded in the Livingston Essential Transportation Enterprise Fund. The asset and corresponding accumulated depreciation are now included within the Livingston Essential Transportation Enterprise Fund.

Fund Balance - Beginning of year, as previously reported	\$ 198,501
Reclassification of intermodal building	2,292,283
Reclassification of intermodal building accumulated depreciation	<u>(160,460)</u>
Fund Balance - End of year, as restated	<u>\$ 2,330,324</u>

Required Supplemental Information

Livingston County

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes				
Property taxes	\$ 22,692,360	\$ 22,694,385	\$ 22,677,035	\$ (17,350)
Mobile home taxes	19,000	19,800	21,520	1,720
Industrial facilities taxes	300,000	200,000	199,844	(156)
Penalties and interest	5,000	25,700	24,680	(1,020)
Total taxes	23,016,360	22,939,885	22,923,079	(16,806)
Licenses and Permits	443,683	438,182	419,660	(18,522)
Federal Grants				
Child support grant	1,014,910	1,014,910	1,010,692	(4,218)
COPS grant	79,126	93,126	91,750	(1,376)
Emergency services	15,000	105,000	102,964	(2,036)
Other federal grants	102,312	73,012	81,390	8,378
Total federal grants	1,211,348	1,286,048	1,286,796	748
State Sources				
State-shared revenue	2,626,661	2,450,000	1,318,011	(1,131,989)
Court-related grants	444,719	794,044	816,105	22,061
Public safety grants	266,775	288,600	380,799	92,199
Alcohol and convention tax	560,000	610,000	607,879	(2,121)
MSHDA/OLSHA grant	150,000	305,400	191,397	(114,003)
Cigarette tax distribution	37,500	27,500	26,546	(954)
Liquor licenses	-	10,640	10,636	(4)
Other state grants	187,000	176,255	136,296	(39,959)
Total state sources	4,272,655	4,662,439	3,487,669	(1,174,770)

Livingston County

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue (Continued)				
Contributions from Local Units	\$ 976,179	\$ 976,339	\$ 976,342	\$ 3
Charges for Services				
Court-related charges	3,227,275	3,423,200	3,522,554	99,354
Sheriff service contracts	398,827	413,847	431,905	18,058
Jail services	98,500	125,500	114,583	(10,917)
Plat, site, and construction reviews	63,662	90,662	91,999	1,337
Equalization services	55,000	69,500	68,610	(890)
Register of deeds	1,130,000	1,603,000	1,648,324	45,324
Real estate transfer tax	1,150,000	1,435,000	1,417,555	(17,445)
Other charges for services	192,200	147,000	162,767	15,767
Total charges for services	6,315,464	7,307,709	7,458,297	150,588
Fines and Forfeitures	428,925	496,825	518,628	21,803
Interest and Rent				
Interest and investments	406,060	364,760	482,351	117,591
Rent	-	9,000	9,000	-
Total interest and rent	406,060	373,760	491,351	117,591
Other Revenue				
Refunds	122,000	245,350	165,517	(79,833)
Donations	7,250	3,250	709	(2,541)
Reimbursements of clerk's office costs	454	3,154	7,180	4,026
Reimbursements of court-related costs	137,000	168,050	172,332	4,282
Reimbursements from other funds	422,590	392,760	335,158	(57,602)
Reimbursements of public safety costs	519,300	409,400	377,035	(32,365)
Reimbursements of treasurer's office costs	14,700	132,460	132,966	506
Operating transfers in	-	-	1,252,015	1,252,015
Total other revenue	1,223,294	1,354,424	2,442,912	1,088,488
Total revenue	38,293,968	39,835,611	40,004,734	169,123

Livingston County

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures				
Public safety:				
Court systems:				
Circuit Court	\$ 742,482	\$ 832,717	\$ 837,424	\$ (4,707)
District Court	2,102,112	2,116,770	2,108,028	8,742
Friend of the Court	1,921,513	1,988,754	2,010,178	(21,424)
Probate Court	614,226	637,791	635,426	2,365
Juvenile Court	1,153,378	1,210,937	1,243,447	(32,510)
Guardianship services	9,200	9,200	5,973	3,227
Circuit Court probation	34,744	34,744	39,074	(4,330)
Appellate Court	66,400	66,400	56,530	9,870
Central services - Judicial center	1,804,060	1,933,880	1,794,322	139,558
Prosecuting attorney	1,780,740	1,812,241	1,819,313	(7,072)
Total court systems	10,228,855	10,643,434	10,549,715	93,719
Sheriff and jail:				
Sheriff and Road Patrol	7,109,088	8,018,870	8,187,184	(168,314)
Jail	4,220,643	5,020,094	5,123,546	(103,452)
Marine	160,703	106,283	107,617	(1,334)
Drug enforcement	65,512	107,949	109,350	(1,401)
START	-	8,610	8,129	481
Total sheriff and jail	11,555,946	13,261,806	13,535,826	(274,020)
Other public safety:				
Family support	227,820	254,355	251,352	3,003
Emergency services	27,450	115,908	113,115	2,793
Animal shelter	497,517	491,493	506,364	(14,871)
Medical examiner	159,185	151,685	149,775	1,910
Total other public safety	911,972	1,013,441	1,020,606	(7,165)
Total public safety	22,696,773	24,918,681	25,106,147	(187,466)

Livingston County

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
Economic development:				
Equalization	\$ 684,358	\$ 665,251	\$ 656,354	\$ 8,897
Register of Deeds	841,776	889,179	880,944	8,235
Plat Board	2,980	2,980	2,415	565
Drain Commission	1,588,612	1,721,980	1,748,564	(26,584)
County share of drain costs	391,533	345,724	335,723	10,001
Planning	580,359	563,463	536,904	26,559
Solid waste/DPW/Landfill	155,408	125,689	109,409	16,280
Transfer to airport	1,744	1,744	-	1,744
Transfer to Capital Improvement Fund	837,555	837,555	837,556	(1)
Total economic development	5,084,325	5,153,565	5,107,869	45,696
Human services:				
MSU co-op extension	434,827	404,346	418,029	(13,683)
Contagious diseases	5,000	5,000	4,617	383
OLHSA	150,000	150,000	66,732	83,268
Community action programs	539,298	748,634	828,903	(80,269)
Mental health	600,470	604,416	604,416	-
Senior services	122,641	144,641	147,063	(2,422)
Veterans' burials	25,000	25,000	20,769	4,231
Veterans' affairs	171,971	194,729	196,371	(1,642)
Rental fees	269,075	269,075	269,076	(1)
Transfer to child care	1,358,628	1,609,404	1,601,628	7,776
Transfer to social welfare	10,500	10,500	10,500	-
Transfer to job training	-	15,000	15,000	-
Transfer to health - Operating	556,727	623,727	623,726	1
Transfer to soldier and sailor relief	6,000	6,000	6,000	-
Transfer to community corrections	34,891	46,141	34,892	11,249
Total human services	4,285,028	4,856,613	4,847,722	8,891

Livingston County

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
General government:				
Board of Commissioners	\$ 472,668	\$ 462,968	\$ 486,751	\$ (23,783)
County administration	482,005	491,772	483,584	8,188
Elections	152,350	142,150	113,371	28,779
Civil counsel	135,000	135,000	128,910	6,090
County Clerk	1,202,831	1,373,367	1,348,879	24,488
Auditing services	110,000	120,000	109,570	10,430
Personnel	441,940	515,673	518,648	(2,975)
Purchasing	132,990	149,560	149,329	231
Tax allocation	2,800	2,800	1,245	1,555
County Treasurer	757,103	814,843	815,152	(309)
Information technology management	300,000	300,000	300,000	-
Rental fees	155,780	155,780	155,778	2
Insurance	810,000	963,226	971,693	(8,467)
Employee fringe benefits	26,750	165,538	128,926	36,612
Contingencies	1,017,725	-	-	-
Other	100	100	819	(719)
Total general government	<u>6,200,042</u>	<u>5,792,777</u>	<u>5,712,655</u>	<u>80,122</u>
Total General Fund expenditures	<u>38,266,168</u>	<u>40,721,636</u>	<u>40,774,393</u>	<u>(52,757)</u>
Excess of Revenue Over (Under)				
Expenditures	27,800	(886,025)	(769,659)	116,366
Fund Balance - Beginning of year	<u>10,364,566</u>	<u>10,364,566</u>	<u>10,364,566</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 10,392,366</u>	<u>\$ 9,478,541</u>	<u>\$ 9,594,907</u>	<u>\$ 116,366</u>

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule Ambulance Special Revenue Fund Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,800,000	\$ 1,643,215	\$ 1,646,852	\$ 3,637
Charges for services	2,500,000	2,846,900	2,910,972	64,072
Interests and rents	200,000	50,000	44,202	(5,798)
Other revenue	-	-	6,000	6,000
Total revenue	4,500,000	4,540,115	4,608,026	67,911
Expenditures - Health and welfare	4,839,155	5,077,599	4,978,077	99,522
Excess of Expenditures Over Revenue	(339,155)	(537,484)	(370,051)	167,433
Fund Balance - Beginning of year	3,040,810	3,040,810	3,040,810	-
Fund Balance - End of year	<u>\$ 2,701,655</u>	<u>\$ 2,503,326</u>	<u>\$ 2,670,759</u>	<u>\$ 167,433</u>

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule Health Special Revenue Fund Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Licenses and permits	\$ 325,610	\$ 349,910	\$ 389,681	\$ 39,771
Federal grants	537,701	567,701	570,196	2,495
State grants	903,160	898,160	901,607	3,447
Charges for services	597,352	696,097	798,109	102,012
Operating transfers from other funds	<u>503,021</u>	<u>623,731</u>	<u>623,727</u>	<u>(4)</u>
Total revenue	2,866,844	3,135,599	3,283,320	147,721
Expenditures - Environmental health and personal protective services				
	<u>2,928,160</u>	<u>3,261,116</u>	<u>3,339,299</u>	<u>(78,183)</u>
Excess of Expenditures Over Revenue	(61,316)	(125,517)	(55,979)	69,538
Fund Balance - Beginning of year	<u>146,000</u>	<u>146,000</u>	<u>146,000</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 84,684</u></u>	<u><u>\$ 20,483</u></u>	<u><u>\$ 90,021</u></u>	<u><u>\$ 69,538</u></u>

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule 911 Service Special Revenue Fund Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ -	\$ 48,000	\$ 44,504	\$ (3,496)
State grants	170,000	170,000	216,881	46,881
Charges for services	2,844,000	2,847,000	3,072,133	225,133
Interest and rents	30,000	21,500	35,916	14,416
	<u>3,044,000</u>	<u>3,086,500</u>	<u>3,369,434</u>	<u>282,934</u>
Expenditures - Public safety expense	<u>4,388,733</u>	<u>3,063,460</u>	<u>2,896,111</u>	<u>167,349</u>
Excess of Revenue Over (Under) Expenditures	(1,344,733)	23,040	473,323	450,283
Fund Balance - Beginning of year	<u>1,367,515</u>	<u>1,367,515</u>	<u>1,367,515</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 22,782</u>	<u>\$ 1,390,555</u>	<u>\$ 1,840,838</u>	<u>\$ 450,283</u>

Other Supplemental Information

Livingston County, Michigan

Special Revenue Funds

Special Revenue Funds are used to account for the revenue from specific revenue sources that are restricted to expenditures for specific purposes by administrative action or law. A description of the Special Revenue Funds maintained by the County is as follows:

Ambulance Fund - This fund accounts for monies received from a special tax levy for the purpose of providing emergency medical services authorized by a vote of the County electors.

Health Fund - This fund accounts for monies received from federal, state, and local grants and County General Fund appropriations. These monies are utilized in providing a variety of health-related services to County residents. There are two types of activities included in this fund: environmental health and personal protection services.

911 Service Fund - This fund is used to account for the monies received under the provisions of Public Act 29 of 1994. These monies are to be used exclusively for the operation of the 911 system and the Enhanced 911 for wireless services.

Revenue Sharing Reserve Fund - This fund is a mandatory fund restricted for replacing state-shared revenues that have been suspended. The source of the replacement funding is the gradual shift from a winter tax levy to a summer tax levy. One-third of the County's December 2004 property tax levy must be placed in the fund from the December 2005, 2005, and 2006 property tax levy. This fund is required by Public Act 357 of 2004.

Job Training Services - This fund accounts for the monies received from federal and state grants related to job training and various Michigan Works! activities.

Child Care Fund - This fund accounts for the foster care of children. The fund's primary revenue is a General Fund appropriation and state grants. The fund is required by MCL 400.117a. The Child Care Fund has two separate activities, one each for the Probate Court and Family Independence Agency.

Family Counseling - This fund accounts for monies received from a surcharge on all marriage licenses filed with the County. These monies are to be used for family counseling services as directed by the District Court.

Friend of the Court - This fund accounts for the monies received from statutory charges and a 3 percent State Court incentive received from the State (Access and Visitation Grant). These monies are to be used for Friend of the Court activities required by Acts 297 and 298 PA 1982, as amended.

Small Cities Community Development Block Grant Fund - This fund accounts for the monies received from MSHDA for community development.

Survey and Remonumentation Fund - This fund accounts for the revenues and expenditures related to the marking, the corners, and horizontal and vertical control stations. This service is performed by the office of the Register of Deeds.

Livingston County, Michigan

Special Revenue Funds (Continued)

Prosecutor's Drug Enforcement, Drug Law Enforcement Fund, Criminal Forfeiture Fund, and OUIL Forfeiture Fund - These funds account for the monies received from the Federal Drug Enforcement Agency for law enforcement purposes and for state funds related to drug enforcement purposes. These monies are to be used to supplement existing law and drug enforcement funds in the law enforcement fields.

Law Library Fund - This fund accounts for the maintenance of the County law library. The fund's primary revenue is a specified portion of the penal fines collected each year by the County courts. This fund is required by MCL 600.485 I.

County Library Fund - Public Act 59, 1964, provides for the establishment of County Library Boards with the authority to contract for public library services for those residents of the County without free access to a legally established public library. Penal fines dedicated to those areas without a contract are transferred to the County Library Fund pending a contract agreement for those library services.

Community Corrections Fund - This fund is a state grant used to enhance the delivery of adult probation services in the County.

Social Welfare Fund - This fund accounts for the operations of the County Family Independence Agency to assist with the welfare program that offers aid to disadvantaged individuals of Livingston County.

Soldiers and Sailors Relief Fund - This fund accounts for assistance to indigent veterans and their families. The fund's primary revenue is a General Fund appropriation. The fund is required by MCL 35.21.

Veterans Trust Fund - This fund accounts for the monies received by the State Department of Military Affairs from the State Veterans Trust Fund. These monies are to be used to aid needy veterans. The fund is required by MCL 35.607.

Register of Deeds Automation Fund - This fund is used to account for funds set aside under provisions of Public Act 698 of 2002 (MCL 600.2568). This fund was created for upgrading technology in the Register of Deed's office.

Local Law Enforcement Block Grant - These funds are used in any local unit of government that has budgetary authority over an agency that may seize property involved in the violation of controlled substances statutes, Act 135 PA 1985 (MCL 333.7523). Authorized expenditures include expenses of seizure, forfeiture, and sale of property. The balance remaining must be used to enhance law enforcement efforts.

Livingston County, Michigan

Special Revenue Funds (Continued)

Homestead Property Exemption Fund - This fund is a restricted fund to account for interest distributed to the County from delinquent principal residence exemptions. It is to be used solely for the administration of principal residence exemptions and is required by Public Act 105 of 2003.

Community Development Block Grant OLSHA - This fund accounts for loans made through a federal program which assists individuals in purchasing homes.

Livingston County, Michigan

Debt Service Funds

Debt Service Funds are required if they are legally mandated and/or if financial resources are being accumulated for principal and interest payments maturing in future years.

Jail Expansion Fund - This fund accounts for the proceeds and repayments from a bond issuance in 1994 for the jail expansion project.

Building Authority Refunding - This fund accounts for the Road Commission Building refunding bonds issued in 1995.

Building Authority Mental Health - This fund accounts for the proceeds and repayments from a bond issuance in 1999 for the mental health capital project.

Building Authority General Obligation - This fund accounts for the bonds issued in 2000 for the Old Court House, judicial center, law center, jail renovations, animal control, and 911 building capital projects.

Building Authority Road Commission Refunding Bonds 2001 - This fund accounts for the proceeds and repayments from debt issued in 2001 on the behalf of the Road Commission.

General Obligation Bonds - This fund accounts for the bonds issued in 2002 for the administrative building and other capital projects.

Livingston County, Michigan

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition or construction of major capital facilities by a governmental unit that are not accounted for by proprietary funds and trust funds.

800 Megahertz Communications Fund (Emergency Communications) - This fund is used to account for the construction of the 800 Megahertz Tower equipment lease.

Mobile Command Fund - This fund accounted for the procurement of the mobile command unit.

Jail Expansion Fund - This fund accounts for the jail expansion capital project.

Courthouse Improvement Fund - This fund is used to account for courthouse improvements.

MTEC Construction Fund - This fund is used to account for the MTEC building improvements.

Administration Building Renovations Fund - This fund is used to account for the renovations to the administration building.

Capital Replacement Fund - This fund was created to be used for minor/major facility repairs or refurbishment and capital purchases.

Livingston County, Michigan

Enterprise Funds

Enterprise Funds are used to report any activity for which a fee is charged to external users for goods or services. The cost of operations is supported totally by fees and charges, rather than with taxes or similar revenues.

Building and Safety Fund - This fund is used to account for revenues earmarked for building construction code enforcement activities. The fund is required by Section 22 (l) of Act 230 PA 1972.

Airport Fund, Airport Debt Fund, and Airport Capital Improvement Fund - These funds account for the operations of the rural airport located in the County. The primary revenue source is charges for services.

Livingston Essential Transportation Service Fund - Livingston Essential Transportation System (the "System"), also known as the Livingston Transit System, operates a bus system that primarily provides busing services to low- to moderate-income persons within Livingston County. Revenue sources include charges for services, federal and state grants, and rental income from the EMS department.

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

Livingston County, Michigan

Permanent Fund

Permanent funds are a new fund type created by GASB No. 34 used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Cemetery Trust Fund - This fund is used to account for money held by the County in trust for the perpetual care of cemetery lots for indigents.

Lutz County Park - This fund is used to account for money held by the County in trust for the maintenance for Lutz County Park.

Livingston County, Michigan

Internal Service Funds

Internal Service Funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis.

Building Services Fund - This fund oversees the maintenance and operations of all County facilities.

Information Technology Fund - This fund includes computer information services, geographical information services, and communications. It is an all-encompassing technology fund for voice and data. Its primary responsibility is the procurement, installation, and maintenance of the County's computer and telephone system.

Car Pool Fund - This fund is used to account for revenues collected from user departments for the vehicle rental charges to cover the costs incurred to administer the motor pool fund and depreciation of vehicles. The Motor Pool Fund owns the majority of the County vehicles.

Benefits Fund - The fund is used to account for revenues collected from user departments for the payment of costs incurred to administer the self-funded health insurance program, third-party administrative expenses, and actual health claims paid. As part of union contracts and personnel policies, the fund also pays the health insurance on certain retired employees.

Livingston County, Michigan

Component Units

Drain Commission - This component unit accounts for all the funds maintained by the drain commissioner. 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 of Drain Commissioners, 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 a 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 a Board of Public Works, which includes the County Drain Commissioner. The Board of Public Works is considered an agency of the County. The Board 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.

Road Commission - The County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an 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, Michigan

Special Revenue Funds

	Job Training Services	Child Care	Family Counseling	Friend of the Court	Small Cities Community Development Block Grant	Survey and Remonumen- tation	Prosecutor's Drug Enforcement
Assets							
Cash and investments	\$ 261,230	\$ 283,294	\$ 6,951	\$ 87,160	\$ 460,125	\$ 629,816	\$ 105,677
Due from other governments	-	-	-	-	-	-	-
Other assets	75	-	-	16	53,026	134	-
Total assets	\$ 261,305	\$ 283,294	\$ 6,951	\$ 87,176	\$ 513,151	\$ 629,950	\$ 105,677
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 66,999	\$ 281,333	\$ 500	\$ 2,983	\$ 8,501	\$ 34,896	\$ -
Due to other funds	36,304	-	-	-	-	-	-
Accrued liabilities	8,734	-	-	-	-	318	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	112,037	281,333	500	2,983	8,501	35,214	-
Fund Balances							
Reserved or designated	-	-	-	-	-	-	-
Unreserved	149,268	1,961	6,451	84,193	504,650	594,736	105,677
Total fund balances	149,268	1,961	6,451	84,193	504,650	594,736	105,677
Total liabilities and fund balances	\$ 261,305	\$ 283,294	\$ 6,951	\$ 87,176	\$ 513,151	\$ 629,950	\$ 105,677

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004**

Special Revenue Funds

Drug Law Enforcement	Criminal Forfeiture	OUIL Forfeiture	Law Library	County Library	Community Corrections
\$ 48,118	\$ 15,100	\$ 37,828	\$ 13,816	\$ 23,861	\$ 54,143
-	-	-	-	-	55,395
-	-	-	-	4	-
<u>\$ 48,118</u>	<u>\$ 15,100</u>	<u>\$ 37,828</u>	<u>\$ 13,816</u>	<u>\$ 23,865</u>	<u>\$ 109,538</u>
\$ -	\$ -	\$ -	\$ 1,973	\$ -	\$ 51,838
-	-	37,450	-	-	21,782
-	-	-	-	-	3,800
-	-	-	-	-	-
-	-	37,450	1,973	-	77,420
-	-	-	-	-	-
48,118	15,100	378	11,843	23,865	32,118
48,118	15,100	378	11,843	23,865	32,118
<u>\$ 48,118</u>	<u>\$ 15,100</u>	<u>\$ 37,828</u>	<u>\$ 13,816</u>	<u>\$ 23,865</u>	<u>\$ 109,538</u>

Livingston County, Michigan

Special Revenue Funds

	Social Welfare	Soldiers and Sailors Relief	Veterans' Trust	Register of Deeds	Local Law Enforcement Block Grant
Assets					
Cash and investments	\$ 33,941	\$ 9,691	\$ 1,193	\$ 564,420	\$ 72,647
Due from other governments	5,167	-	-	-	38,862
Other assets	-	-	-	2,409	-
Total assets	<u>\$ 39,108</u>	<u>\$ 9,691</u>	<u>\$ 1,193</u>	<u>\$ 566,829</u>	<u>\$ 111,509</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 14,000	\$ -	\$ -	\$ 33,082	\$ -
Due to other funds	-	-	-	-	63,552
Accrued liabilities	-	-	-	1,109	-
Deferred revenue	-	-	-	-	-
Total liabilities	14,000	-	-	34,191	63,552
Fund Balances					
Reserved or designated	-	-	-	-	-
Unreserved	25,108	9,691	1,193	532,638	47,957
Total fund balances	25,108	9,691	1,193	532,638	47,957
Total liabilities and fund balances	<u>\$ 39,108</u>	<u>\$ 9,691</u>	<u>\$ 1,193</u>	<u>\$ 566,829</u>	<u>\$ 111,509</u>

**Other Supplemental Information
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
December 31, 2004**

Debt Service Funds							
Homestead Property Exemption Fund	Community Development Block Grant OLSHA	Jail Expansion	1995 Road Commission Refunding Bonds	Mental Health Bonds	2000 Building Improvements Bonds	2001 Bonds - Road Commission Refunding Bonds	2002 Capital Improvement Bonds
\$ 6,739	\$ 748	\$ 17,385	\$ 50,880	\$ 2,251	\$ 74	\$ 52,784	\$ -
-	-	-	-	-	-	-	-
<u>5</u>	<u>225,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 6,744</u>	<u>\$ 225,822</u>	<u>\$ 17,385</u>	<u>\$ 50,880</u>	<u>\$ 2,251</u>	<u>\$ 74</u>	<u>\$ 52,784</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>224,934</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	224,934	-	-	-	-	-	-
-	-	17,385	50,880	2,251	74	52,784	-
<u>6,744</u>	<u>888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>6,744</u>	<u>888</u>	<u>17,385</u>	<u>50,880</u>	<u>2,251</u>	<u>74</u>	<u>52,784</u>	<u>-</u>
<u>\$ 6,744</u>	<u>\$ 225,822</u>	<u>\$ 17,385</u>	<u>\$ 50,880</u>	<u>\$ 2,251</u>	<u>\$ 74</u>	<u>\$ 52,784</u>	<u>\$ -</u>

Livingston County, Michigan

	Capital Projects Funds					
	800 Megahertz Communi- cations	Mobile Command	Jail Expansion	Courthouse Improvement	MTEC Construction	Administration Building Renovations
Assets						
Cash and investments	\$ -	\$ 1,984	\$ 14,076	\$ 39,876	\$ -	\$ 187,212
Due from other governments	-	-	-	-	-	-
Other assets	-	-	-	-	-	151
Total assets	<u>\$ -</u>	<u>\$ 1,984</u>	<u>\$ 14,076</u>	<u>\$ 39,876</u>	<u>\$ -</u>	<u>\$ 187,363</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 7,082	\$ -	\$ -	\$ 2,789
Due to other funds	-	-	-	-	-	-
Accrued liabilities	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	-	7,082	-	-	2,789
Fund Balances						
Reserved or designated	-	1,984	6,994	39,876	-	184,574
Unreserved	-	-	-	-	-	-
Total fund balances	-	1,984	6,994	39,876	-	184,574
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 1,984</u>	<u>\$ 14,076</u>	<u>\$ 39,876</u>	<u>\$ -</u>	<u>\$ 187,363</u>

**Other Supplemental Information
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
December 31, 2004**

Permanent			
Capital Replacement	Cemetery	Lutz County Park	Total Nonmajor Funds
\$ 994,184	\$ 26,385	\$ 25,802	\$ 4,129,391
-	-	-	99,424
<u>13,672</u>	<u>-</u>	<u>1,740</u>	<u>296,306</u>
<u>\$ 1,007,856</u>	<u>\$ 26,385</u>	<u>\$ 27,542</u>	<u>\$ 4,525,121</u>
\$ 1,575	\$ -	\$ 26	\$ 507,577
-	-	-	159,088
-	-	-	13,961
<u>-</u>	<u>-</u>	<u>-</u>	<u>224,934</u>
1,575	-	26	905,560
1,006,281	26,385	27,516	1,416,984
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,202,577</u>
<u>1,006,281</u>	<u>26,385</u>	<u>27,516</u>	<u>3,619,561</u>
<u>\$ 1,007,856</u>	<u>\$ 26,385</u>	<u>\$ 27,542</u>	<u>\$ 4,525,121</u>

Livingston County, Michigan

Special Revenue Funds

	Job Training Services	Child Care	Family Counseling	Friend of the Court	Small Cities Community Development Block Grant	Survey and Remonumen- tation	Prosecutor's Drug Enforcement
Revenue							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	1,259,603	-	-	26,707	-	-	-
State sources	237,596	84,325	-	47,164	-	157,323	-
Charges for services	5,737	13,816	-	-	-	144,287	-
Contributions from local units	-	-	-	-	-	-	-
Interest earned	-	-	-	883	15,154	9,833	-
Other	-	-	14,940	-	-	320	2,000
Total revenue	1,502,936	98,141	14,940	74,754	15,154	311,763	2,000
Expenditures							
Current:							
Public safety	-	-	22,760	23,568	-	-	-
Community and economic development	-	-	-	-	17,000	243,157	-
Health and welfare	1,375,964	1,455,252	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	1,375,964	1,455,252	22,760	23,568	17,000	243,157	-
Excess of Revenue Over (Under)							
Expenditures	126,972	(1,357,111)	(7,820)	51,186	(1,846)	68,606	2,000
Other Financing Sources (Uses)							
Operating transfers in	15,000	1,601,628	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	15,000	1,601,628	-	-	-	-	-
Net Change in Fund Balances	141,972	244,517	(7,820)	51,186	(1,846)	68,606	2,000
Fund Balances (Deficit) - Beginning of year	7,296	(242,556)	14,271	33,007	506,496	526,130	103,677
Fund Balances - End of year	\$ 149,268	\$ 1,961	\$ 6,451	\$ 84,193	\$ 504,650	\$ 594,736	\$ 105,677

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2004

Special Revenue Funds

Drug Law Enforcement	Criminal Forfeiture	OUIL Forfeiture	Law Library	County Library	Community Corrections
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	6,206	-	-	-	379,618
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	337	-
<u>10,316</u>	<u>-</u>	<u>-</u>	<u>6,500</u>	<u>5,834</u>	<u>161</u>
10,316	6,206	-	6,500	6,171	379,779
877	-	55,378	-	-	381,077
-	-	-	3,536	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>877</u>	<u>-</u>	<u>55,378</u>	<u>3,536</u>	<u>-</u>	<u>381,077</u>
9,439	6,206	(55,378)	2,964	6,171	(1,298)
-	-	-	-	-	34,892
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,892</u>
9,439	6,206	(55,378)	2,964	6,171	33,594
<u>38,679</u>	<u>8,894</u>	<u>55,756</u>	<u>8,879</u>	<u>17,694</u>	<u>(1,476)</u>
<u>\$ 48,118</u>	<u>\$ 15,100</u>	<u>\$ 378</u>	<u>\$ 11,843</u>	<u>\$ 23,865</u>	<u>\$ 32,118</u>

Livingston County, Michigan

	Special Revenue Funds				
	Social Welfare	Soldiers and Sailors Relief	Veterans' Trust	Register of Deeds	Local Law Enforcement Block Grant
Revenue					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	110,518
State sources	87,244	-	18,429	-	-
Charges for services	21,717	-	-	362,415	-
Contributions from local units	-	-	-	-	-
Interest earned	-	-	-	6,325	528
Other	-	263	-	-	-
Total revenue	108,961	263	18,429	368,740	111,046
Expenditures					
Current:					
Public safety	-	-	-	-	-
Community and economic development	-	-	-	-	-
Health and welfare	111,219	5,052	21,049	95,860	-
Capital outlay	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	111,219	5,052	21,049	95,860	-
Excess of Revenue Over (Under) Expenditures					
Expenditures	(2,258)	(4,789)	(2,620)	272,880	111,046
Other Financing Sources (Uses)					
Operating transfers in	10,500	6,000	-	-	-
Operating transfers out	-	-	-	-	(63,552)
Total other financing sources (uses)	10,500	6,000	-	-	(63,552)
Net Change in Fund Balances	8,242	1,211	(2,620)	272,880	47,494
Fund Balance (Deficit) - Beginning of year	16,866	8,480	3,813	259,758	463
Fund Balances - End of year	\$ 25,108	\$ 9,691	\$ 1,193	\$ 532,638	\$ 47,957

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds (Continued)
Year Ended December 31, 2004

Debt Service Funds							
Homestead Property Exemption Fund	Community Development Block Grant OLSHA	Jail Expansion	1995 Road Commission Refunding Bonds	Mental Health Bonds	2000 Building Improvements Bonds	2001 Bonds - Road Commission Refunding Bonds	2002 Capital Improvement Bonds
\$ -	\$ -	\$ 1,253,579	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	483,638	202,415	-	50,225	-
38	825	1,089	43	50	-	475	-
<u>6,706</u>	<u>10,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
6,744	11,088	1,254,668	483,681	202,465	-	50,700	-
-	-	-	-	-	-	-	-
-	10,200	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,225,000	375,000	75,000	585,000	-	440,000
-	-	30,013	118,576	127,416	443,485	75,337	241,706
<u>-</u>	<u>10,200</u>	<u>1,255,013</u>	<u>493,576</u>	<u>202,416</u>	<u>1,028,485</u>	<u>75,337</u>	<u>681,706</u>
6,744	888	(345)	(9,895)	49	(1,028,485)	(24,637)	(681,706)
-	-	-	-	-	1,028,485	-	681,706
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,028,485</u>	<u>-</u>	<u>681,706</u>
6,744	888	(345)	(9,895)	49	-	(24,637)	-
-	-	17,730	60,775	2,202	74	77,421	-
<u>\$ 6,744</u>	<u>\$ 888</u>	<u>\$ 17,385</u>	<u>\$ 50,880</u>	<u>\$ 2,251</u>	<u>\$ 74</u>	<u>\$ 52,784</u>	<u>\$ -</u>

Livingston County, Michigan

Capital Projects Funds

	800					
	Megahertz	Mobile	Jail Expansion	Courthouse	MTEC	Administration
	Communi-	Command		Improvement	Construction	Building
	cations					Renovations
Revenue						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Contributions from local units	-	-	-	-	-	-
Interest earned	-	-	-	-	-	12,628
Other	-	-	-	-	-	-
Total revenue	-	-	-	-	-	12,628
Expenditures						
Current:						
Public safety	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Capital outlay	-	-	222,176	41,244	-	1,140,021
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	-	-	222,176	41,244	-	1,140,021
Excess of Revenue Over (Under)						
Expenditures	-	-	(222,176)	(41,244)	-	(1,127,393)
Other Financing Sources (Uses)						
Operating transfers in	-	-	230,464	73,900	-	-
Operating transfers out	(275)	-	-	(24,855)	-	-
Total other financing sources (uses)	(275)	-	230,464	49,045	-	-
Net Change in Fund Balances	(275)	-	8,288	7,801	-	(1,127,393)
Fund Balances (Deficit) - Beginning of year	275	1,984	(1,294)	32,075	-	1,311,967
Fund Balances - End of year	\$ -	\$ 1,984	\$ 6,994	\$ 39,876	\$ -	\$ 184,574

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds (Continued)
Year Ended December 31, 2004

		Permanent		
Capital Replacement	Cemetery	Lutz County Park	Total Nonmajor Funds	
\$ -	\$ -	\$ -	\$	1,253,579
-	-	-		1,396,828
-	-	-		1,017,905
15,886	-	7,369		571,227
-	-	-		736,278
15,307	-	-		63,515
-	-	-		57,303
31,193	-	7,369		5,096,635
-	-	-		483,660
-	-	4,853		278,746
-	-	-		3,064,396
594,717	-	-		1,998,158
-	-	-		2,700,000
-	-	-		1,036,533
594,717	-	4,853		9,561,493
(563,524)	-	2,516		(4,464,858)
837,556	-	25,000		4,545,131
(304,509)	-	-		(393,191)
533,047	-	25,000		4,151,940
(30,477)	-	27,516		(312,918)
1,036,758	26,385	-		3,932,479
<u>\$ 1,006,281</u>	<u>\$ 26,385</u>	<u>\$ 27,516</u>	<u>\$</u>	<u>3,619,561</u>

Livingston County, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds December 31, 2004

	Building Services	Information Technology	Carpool	Benefits	Total
Assets					
Cash and investments	\$ 173,257	\$ 978,279	\$ 943,552	\$ 108,880	\$ 2,203,968
Due from other funds	641	-	-	-	641
Equipment - Net	11,674	488,084	843,209	-	1,342,967
Other assets	880	15	16,964	-	17,859
Total assets	186,452	1,466,378	1,803,725	108,880	3,565,435
Liabilities					
Accounts payable	190,759	219,258	54,877	21,170	486,064
Due to other funds	-	-	641	-	641
Other current liabilities	64,170	83,230	2,339	-	149,739
Total liabilities	254,929	302,488	57,857	21,170	636,444
Net Assets					
Investment in capital assets - Net of related debt	11,674	488,084	843,209	-	1,342,967
Unrestricted	(80,151)	675,806	902,659	87,710	1,586,024
Total net assets	<u>\$ (68,477)</u>	<u>\$ 1,163,890</u>	<u>\$ 1,745,868</u>	<u>\$ 87,710</u>	<u>\$ 2,928,991</u>

Livingston County, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended December 31, 2004

	Building Services	Information Technology	Carpool	Benefits	Total
Operating Revenue - Charges for services	\$ 1,997,679	\$ 2,922,545	\$ 1,198,880	\$ 5,309,678	\$ 11,428,782
Operating Expenses					
Personnel	1,331,265	1,393,013	79,631	5,413,150	8,217,059
Operating expenses	1,404,542	1,739,816	471,348	-	3,615,706
Depreciation expense	15,153	336,734	250,411	-	602,298
Total operating expenses	<u>2,750,960</u>	<u>3,469,563</u>	<u>801,390</u>	<u>5,413,150</u>	<u>12,435,063</u>
Operating Income (Loss)	(753,281)	(547,018)	397,490	(103,472)	(1,006,281)
Nonoperating Income					
Interest income	-	-	-	100	100
Gain on sale of fixed assets	-	-	5,430	-	5,430
Total nonoperating income	<u>-</u>	<u>-</u>	<u>5,430</u>	<u>100</u>	<u>5,530</u>
Income (Loss) - Before operating transfers	(753,281)	(547,018)	402,920	(103,372)	(1,000,751)
Operating Transfers In	<u>-</u>	<u>376,300</u>	<u>-</u>	<u>-</u>	<u>376,300</u>
Net Income (Loss)	(753,281)	(170,718)	402,920	(103,372)	(624,451)
Net Assets - January 1, 2004	<u>684,804</u>	<u>1,334,608</u>	<u>1,342,948</u>	<u>191,082</u>	<u>3,553,442</u>
Net Assets - December 31, 2004	<u>\$ (68,477)</u>	<u>\$ 1,163,890</u>	<u>\$ 1,745,868</u>	<u>\$ 87,710</u>	<u>\$ 2,928,991</u>

Livingston County, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended December 31, 2004

	Building Services	Information Technology	Carpool	Benefits	Total
Cash Flows from Operating Activities					
Receipts from other funds	\$ 1,997,130	\$ 2,921,584	\$ 1,187,250	\$ 5,310,060	\$ 11,416,024
Payments to suppliers	(1,345,608)	(1,651,004)	(453,916)	6,086	(3,444,442)
Payments to employees	(1,319,747)	(1,355,543)	(79,283)	(5,413,150)	(8,167,723)
Net cash provided by (used in) operating activities	(668,225)	(84,963)	654,051	(97,004)	(196,141)
Cash Flows from Investing Activities - Interest received on investments	-	-	-	100	100
Cash Flows from Capital and Related Financing Activities					
Purchase of capital assets	-	(310,759)	(345,396)	-	(656,155)
Proceeds from sale of capital assets	-	-	18,014	-	18,014
Net cash used in capital and related financing activities	-	(310,759)	(327,382)	-	(638,141)
Cash Flows from Noncapital Financing Activities - Operating transfer in	-	376,300	-	-	376,300
Net Increase (Decrease) in Cash and Cash Equivalents	(668,225)	(19,422)	326,669	(96,904)	(457,882)
Cash and Cash Equivalents - January 1, 2004	841,482	997,701	616,883	205,784	2,661,850
Cash and Cash Equivalents - December 31, 2004	<u>\$ 173,257</u>	<u>\$ 978,279</u>	<u>\$ 943,552</u>	<u>\$ 108,880</u>	<u>\$ 2,203,968</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ (753,281)	\$ (547,018)	\$ 397,490	\$ (103,472)	\$ (1,006,281)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	15,153	336,734	250,411	-	602,298
Changes in asset and liability balances:					
Due from other funds	-	(946)	-	-	(946)
Other assets	(549)	(15)	(11,630)	382	(11,812)
Accounts payable	58,934	88,812	17,432	6,086	171,264
Accrued liabilities	11,518	37,470	348	-	49,336
Net cash provided by (used in) operating activities	<u>\$ (668,225)</u>	<u>\$ (84,963)</u>	<u>\$ 654,051</u>	<u>\$ (97,004)</u>	<u>\$ (196,141)</u>

Livingston County, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds December 31, 2004

	Agency Funds		
	Trust and Agency	Library Penal Fines	Total
Assets			
Cash	\$ 2,866,801	\$ 434,387	\$ 3,301,188
Other assets	<u>2,793</u>	<u>1,044</u>	<u>3,837</u>
Total assets	<u>\$ 2,869,594</u>	<u>\$ 435,431</u>	<u>\$ 3,305,025</u>
Liabilities			
Due to other governmental units	\$ 1,418,838	\$ -	\$ 1,418,838
Other liabilities	<u>1,450,756</u>	<u>435,431</u>	<u>1,886,187</u>
Total liabilities	<u>\$ 2,869,594</u>	<u>\$ 435,431</u>	<u>\$ 3,305,025</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Operating, Nonoperating, and Other Revenue Sources Year Ended December 31, 2004

	January 1, 2004 to September 30, 2004	October 1, 2004 to December 31, 2004	Total
Operating Revenues			
Demand-response	\$ 49,210	\$ 17,434	\$ 66,644
Special transit fares	85,401	31,233	116,634
Rents	73,248	19,287	92,535
Other	17,599	12,467	30,066
	<u> </u>	<u> </u>	<u> </u>
Total operating revenues	<u>\$ 225,458</u>	<u>\$ 80,421</u>	<u>\$ 305,879</u>
Nonoperating Revenues			
Federal Operating Grants:			
Specialized Services Grant	\$ -	\$ 26,513	\$ 26,513
U.S. DOT Operating Grant - Section 5307	737,752	476,204	1,213,956
Federal Capital Grant - Capital Assistance 5309	-	48,559	48,559
State of Michigan Operating Grants:			
Local Bus Operating Assistance	396,133	184,053	580,186
Project Zero Grant	-	60,689	60,689
	<u> </u>	<u> </u>	<u> </u>
Total nonoperating revenue	<u>\$ 1,133,885</u>	<u>\$ 796,018</u>	<u>\$ 1,929,903</u>
Transfers and contributions - Operating transfers from other funds	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Operating Expenses Year Ended December 31, 2004

	Operations	Maintenance	General Administration	Total
Labor	\$ 579,424	\$ 33,676	\$ 50,711	\$ 663,811
Fringe benefits	238,281	9,595	22,023	269,899
Services	127,236	26,849	181,677	335,762
Materials and supplies consumed:				
Fuel and lubricants	75,530	-	-	75,530
Other materials and supplies	17,276	286	8,154	25,716
Utilities	(18,071)	-	42,403	24,332
Casualty and liability costs	833	-	257	1,090
Miscellaneous	25,930	-	7,494	33,424
Operating leases and rentals	28,584	-	4,715	33,299
Ineligible costs:				
Depreciation	191,922	-	-	191,922
Other	5,008	-	92,266	97,274
Total operating expenses	<u>\$ 1,271,953</u>	<u>\$ 70,406</u>	<u>\$ 409,700</u>	<u>\$ 1,752,059</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Net Eligible Cost Computations of General Operations Year Ended December 31, 2004

	January 1, 2004 to September 30, 2004	October 1, 2004 to December 31, 2004	Total
Eligible expenses:			
Labor	\$ 525,396	\$ 138,415	\$ 663,811
Fringe benefits	212,000	57,899	269,899
Services	258,202	77,560	335,762
Materials and supplies consumed:			
Fuel and lubricants	51,525	24,005	75,530
Other materials and supplies	19,084	6,632	25,716
Utilities	7,874	16,458	24,332
Casualty and liability costs	1,090	-	1,090
Miscellaneous	53,817	12,906	66,723
Total eligible expenses	<u>1,128,988</u>	<u>333,875</u>	<u>1,462,863</u>
Ineligible expenses:			
Expenses associated with rentals	55,161	18,387	73,548
Other ineligible expenses	14,560	9,166	23,726
Depreciation	143,941	47,981	191,922
Total ineligible expenses	<u>213,662</u>	<u>75,534</u>	<u>289,196</u>
Total operating expenses	<u>\$ 1,342,650</u>	<u>\$ 409,409</u>	<u>\$ 1,752,059</u>
Maximum state operating assistance:			
Total eligible expenses	\$ 1,128,988	\$ 333,875	\$ 1,462,863
Statutory cap - 60 percent of eligible expenses	<u>60%</u>	<u>60%</u>	<u>60%</u>
Statutory cap amount	<u>\$ 677,393</u>	<u>\$ 200,325</u>	<u>\$ 877,718</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Property and Equipment December 31, 2004

		Cost	Accumulated Depreciation	Total
Buildings and building improvements	Intermodel Building	\$ 2,292,283	\$ 206,306	\$ 2,085,977
Vehicles:				
Grant 97-0085	Dodge Ram Vans	57,295	57,295	-
Grant 99-0426	Champion Diesel Bus	78,617	50,540	28,077
Grant 99-0787	Champion Diesel Bus	78,620	39,796	38,824
Grant 00-0485	4 Champion Diesel Buses	328,575	164,288	164,287
Grant 02-0060	2 Eldorado National Buses	260,631	55,850	204,781
Grant MI 90-X425-01 Z14	3 Dodge Ram Vans	48,559	4,856	43,703
Purchased with local funds	Various	146,654	134,995	11,659
	Total vehicles	998,951	507,620	491,331
Office furniture - Purchased with local funds		35,219	18,622	16,597
	Total property and equipment	<u>\$ 3,326,453</u>	<u>\$ 732,548</u>	<u>\$ 2,593,905</u>

Livingston County, Michigan

Livingston Essential Transportation System Statistical Data - Public Transportation Mileage Data (Unaudited) December 31, 2004

Demand - Response mileage data (unaudited):

First quarter	131,024
Second quarter	137,004
Third quarter	124,713
Fourth quarter	<u>137,481</u>

Total mileage	<u><u>530,222</u></u>
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Livingston County, Michigan

Statistical Information Financial Trends December 31, 2004

Financial Position (Status of Assets, Liabilities, and Equity)

	2001	2002	2003	2004
General Fund:				
Unreserved fund balance compared to expenditures	27.3%	32.4%	25.6%	23.2%
Current ratio (assets/liabilities, excluding deferred revenue)	7.0	6.8	5.9	6.8
All governmental activities:				
Unreserved fund balance compared to expenditures	35.2%	38.6%	28.3%	25.9%
Current ratio (assets/liabilities, excluding deferred revenue)	9.6	8.3	6.4	7.4

Fiscal Capacity (Measures of Ability to Raise Revenue, Incur Debt, and Meet Obligations)

General Fund:				
Property taxes per capita (operating millage only)	\$ 113	\$ 119	\$ 123	\$ 129
Millage capacity (ability to levy additional taxes without a vote)	None	None	None	None
Expenditures per capita	\$ 190	\$ 198	\$ 197	\$ 211
Ratio of revenues compared to expenditures	1.14	1.09	1.09	1.03
All governmental activities:				
Total property taxes levied per capita (with extra voted mills)	\$ 128	\$ 135	\$ 138	\$ 145
County taxes paid per household	\$ 236	\$ 264	\$ 275	\$ 278
County taxes paid per household as a percentage of household income	0.350%	0.390%	0.410%	0.413%
Taxable value (in 000s)	\$ 5,603,145	\$ 6,095,130	\$ 6,592,435	\$ 7,155,612
Annual change in taxable value	10.9%	8.8%	8.1%	8.5%
State equalized value (SEV)	\$ 6,814,972	\$ 7,656,474	\$ 8,538,149	\$ 9,324,352
Annual change in SEV	13.4%	12.3%	11.5%	9.2%
Debt information:				
County-funded debt per capita	\$ 109	\$ 110	\$ 95	\$ 89
Debt saturation (percent of debt limitation utilized)	3.5%	3.7%	3.0%	2.4%