

Livingston County, Michigan

**Financial Report
with Supplemental Information
December 31, 2005**

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Livingston County, Michigan

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements	
Government-wide Financial Statements (Full Accrual Method of Accounting):	
Statement of Net Assets	10
Statement of Activities	11-12
Fund Financial Statements:	
Governmental Funds (Modified Accrual Basis of Accounting):	
Balance Sheet	13
Statement of Revenue, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Funds (Full Accrual Basis of Accounting):	
Statement of Net Assets	16-17
Statement of Revenue, Expenses, and Changes in Net Assets	18-19
Statement of Cash Flows	20-21
Fiduciary Funds (Full Accrual Basis of Accounting):	
Statement of Net Assets	22
Statement of Changes in Net Assets	23
Component Units (Full Accrual Basis of Accounting):	
Statement of Net Assets	24
Statement of Activities	25-26
Notes to Financial Statements	27-55
Required Supplemental Information	56
Budgetary Comparison Schedule - General Fund	57-61
Budgetary Comparison Schedule - Ambulance Special Revenue Fund	62
Budgetary Comparison Schedule - Health Special Revenue Fund	63
Budgetary Comparison Schedule - 911 Service Special Revenue Fund	64

Livingston County, Michigan

Contents (Continued)

Other Supplemental Information	65
Description of Funds	66-74
Nonmajor Governmental Funds:	
Combining Balance Sheet	75-80
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	81-86
Internal Service Funds:	
Combining Statement of Net Assets (Deficit)	87
Combining Statement of Revenue, Expenses, and Changes in Net Assets (Deficit)	88
Combining Statement of Cash Flows	89
Fiduciary Funds - Combining Statement of Assets and Liabilities	90
Livingston Essential Transportation System:	
Schedule of Operating, Nonoperating, and Other Revenue Sources	91
Schedule of Operating Expenses	92
Schedule of Net Eligible Cost Computations of General Obligations	93
Schedule of Property and Equipment	94
Statistical Data - Public Transportation Mileage Data (Unaudited)	95
Statistical Information - Financial Trends (Unaudited)	96

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, 2005, 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 \$80,360,496 and \$20,226,900, 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, 2005 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 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.

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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

May 1, 2006

Livingston County, Michigan

Management's Discussion and Analysis

Our discussion and analysis of Livingston County, Michigan's financial performance provides an overview of the financial activities for the fiscal year ended December 31, 2005. 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, 2005:

- The County's primary source of General Fund revenue comes from property taxes (63 percent). 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 10 years.
- State-shared revenue, another major General Fund revenue source, was temporarily suspended by Public Act 357 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.
- Fiscal year 2005 is the second year that one-third of the County's December 2004 property tax revenues is reported in the Revenue Sharing Reserve Fund from the December 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 the Revenue Sharing Reserve Fund will be depleted in 2013, 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. We are skeptical that the State will have the financial resources to reinstate state-shared revenue as promised in Public Act 357.
- Total net assets related to the County's governmental funds increased approximately \$8.7 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 2005. This trend will continue in 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. Furthermore, tax revenues increased 12 percent over the prior year because the July tax levy is applied against the December 2005 taxable value, the most current value. Upon completion of the tax levy shift from December to July, in 2006, the tax revenue increase will slow to a more modest increase.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

- For the past several years, Livingston County has been proactive by 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*, for 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 employees 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.
- In 2005, the construction value for commercial permits was \$242 million, or 477 percent higher than the previous year. This was an anomaly which is not anticipated to repeat. During the fourth quarter, building activity dropped off precipitously, resulting in personnel layoffs.

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, 2005 and 2004:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current assets	\$ 59,243	\$ 49,879	\$ 30,499	\$ 31,876	\$ 89,742	\$ 81,755
Noncurrent assets	<u>58,350</u>	<u>57,384</u>	<u>22,978</u>	<u>12,590</u>	<u>81,328</u>	<u>69,974</u>
Total assets	117,593	107,263	53,477	44,466	171,070	151,729
Liabilities						
Current liabilities	5,761	5,809	1,137	2,147	6,898	7,956
Long-term liabilities	<u>36,792</u>	<u>37,571</u>	<u>24</u>	<u>35</u>	<u>36,816</u>	<u>37,606</u>
Total liabilities	<u>42,553</u>	<u>43,380</u>	<u>1,160</u>	<u>2,182</u>	<u>43,714</u>	<u>45,562</u>
Net Assets						
Invested in capital assets -						
Net of related debt	42,270	40,004	22,943	12,545	65,213	52,549
Restricted	19,119	12,894	-	-	19,119	12,894
Unrestricted	<u>13,651</u>	<u>10,985</u>	<u>29,373</u>	<u>29,739</u>	<u>43,024</u>	<u>40,724</u>
Total net assets	<u>\$ 75,040</u>	<u>\$ 63,883</u>	<u>\$ 52,316</u>	<u>\$ 42,284</u>	<u>\$ 127,356</u>	<u>\$ 106,167</u>

The County's combined net assets for both governmental and business-type activities total \$106.2 million for fiscal year 2004 and \$127.4 million for fiscal year 2005, which is an increase of \$21.2 million (20.0 percent) from 2004 to 2005. As previously discussed, the increase is attributable to the newly created/funded Revenue Sharing Reserve Fund and tax levy shift from December to July, the acceptance of the Lutz County Park and Conference Center, and 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, 2005 and 2004 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue						
Program revenue:						
Charges for services	\$ 19,494	\$ 19,168	\$ 6,409	\$ 6,506	\$ 25,903	\$ 25,674
Operating grants and contributions	6,820	6,592	1,350	1,881	8,170	8,473
Capital grants and contributions	2,386	-	6,410	6,130	8,796	6,130
General revenue:						
Property taxes	35,249	33,583	-	-	35,249	33,583
State-shared revenue	-	1,963	-	-	-	1,963
Unrestricted investment earnings	1,148	637	703	468	1,851	1,105
Transfers and other revenue	2,245	2,010	(1,540)	(2,065)	705	(55)
Total revenue	<u>67,342</u>	<u>63,953</u>	<u>13,332</u>	<u>12,920</u>	<u>80,674</u>	<u>76,873</u>
Program Expenses						
General government	6,851	8,106	-	-	6,851	8,106
Public safety	30,696	29,840	-	-	30,696	29,840
Public works	2,418	2,227	-	-	2,418	2,227
Health and welfare	14,135	13,772	-	-	14,135	13,772
Community and economic development	1,439	1,286	-	-	1,439	1,286
Interest on long-term debt	646	994	-	-	646	994
Building and safety	-	-	3,182	3,762	3,182	3,762
Airport	-	-	2,101	868	2,101	868
Livingston Essential Transportation Services	-	-	2,052	1,752	2,052	1,752
Delinquent tax revolving funds	-	-	15	61	15	61
Total program expenses	<u>56,185</u>	<u>56,225</u>	<u>7,350</u>	<u>6,443</u>	<u>63,535</u>	<u>62,668</u>
Change in Net Assets	<u>\$ 11,157</u>	<u>\$ 7,728</u>	<u>\$ 5,982</u>	<u>\$ 6,477</u>	<u>\$ 17,139</u>	<u>\$ 14,205</u>

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 2005. This is a .1 percent decrease of the cost of providing services in 2004. The County expenditure policy has remained stable from 2004 to 2005 for the categories of public safety, health and welfare, general government, public works, and community and economic development. The reasons for the extremely modest increase are expanded use of automation and competitive bid process for products/service, and more efficient/effective processes for service delivery.

The County's total governmental revenues increased \$3.4 million from 2004 to 2005. 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 5 percent. However, this is misleading and unsustainable because of the decrease in building activity and property tax levy shift. Charges for services increased modestly at 1.7 percent from 2004 to 2005. 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 years 2004 and 2005 shows that our net assets increased \$10.0 million, \$6.0 million related to current year increases and \$4.0 million related to capitalized construction in progress. The capitalized construction in progress is related to the Livingston County Airport expansion project.

The 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.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

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 \$41.8 million in 2005, including an operating transfer of \$3.3 million to subsidize operations in other funds.

Budgetary Highlights

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

- Recognition of board actions regarding: (1) the increases to the County matching program for retiree health savings and defined benefit contribution to properly fund the Retiree Healthcare Trust Fund; (2) the reduction in the waiting period for health care benefits for new employees; (3) the implementation of the nonunion wage study; and (4) general increases to the County's workers' compensation experience rating
- Recognition of increases/decrease in grant revenues
- Increase in General Fund tax revenue because of the millage levy shift

Capital Asset and Debt Administration

At the end of 2005, the County had \$81.3 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 progressed with the multi-million dollar airport expansion and recorded the bequest from Owen J. Lutz of approximately 302 acres of real property for the County's first park site.

The County continues to sustain its excellent bond ratings with Moody's Aa2 rating and Standard & Poor's AA rating thereby managing interest payments and reducing costs for infrastructure improvements. Additionally, the County is well within its legal debt limit of 10 percent of the state equalized valuation, utilizing less than 0.30 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

Michigan's fiscal crisis continues. "This is one of the worst (economic) crises of our lifetime. We're facing not the worst winter but a winter that never ends," said George Fulton of the University of Michigan Institute of Labor and Industrial Relations. State revenues are at their lowest levels. 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 is projected that this fund will be depleted by 2013. During fiscal year 2006 and into 2008, 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. Through year-end 2005, Livingston County continued 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 10 years. However, these growth rates are not sustainable. During the first five months of 2006, the new construction value for both residential and commercial has decreased 79 percent compared to last year. There is a lot of uncertainty as Ford and GM continue to lose market share, lay off employees, and shutdown plants. Several other major companies have declared bankruptcy. Given the State's poor economic condition and future revenue projections, Livingston County must continue its history of sound financial performance and conservative budgeting practices.

Contacting the Administration

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

Livingston County, Michigan

Statement of Net Assets December 31, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 27,203,581	\$ 23,030,211	\$ 50,233,792	\$ 26,277,915
Receivables:				
Taxes	27,250,138	5,839,992	33,090,130	-
Accounts	1,053,788	13,567	1,067,355	-
Leases	-	-	-	102,666,112
Other	-	1,378,664	1,378,664	4,694,270
Internal balances	53,455	(53,455)	-	-
Due from other governmental units	930,756	182,280	1,113,036	4,362,216
Inventories	-	51,891	51,891	1,186,546
Prepaid costs and other assets	911,470	56,115	967,585	-
Net pension asset (Note 10)	1,839,693	-	1,839,693	-
Capital assets not being depreciated (Note 4)	6,682,925	18,062,043	24,744,968	1,038,048
Capital assets being depreciated (Note 4)	51,667,038	4,915,479	56,582,517	75,905,912
Total assets	117,592,844	53,476,787	171,069,631	216,131,019
Liabilities				
Accounts payable	3,082,995	533,753	3,616,748	4,333,106
Accrued and other liabilities	317,904	145,841	463,745	1,804,994
Deferred tax revenue	19,235,648	-	19,235,648	-
Due to other governmental units	230,701	446,822	677,523	15,908,214
Long-term obligations (Note 6):				
Due within one year	2,128,815	11,120	2,139,935	7,340,322
Due in more than one year	17,556,358	23,637	17,579,995	104,031,221
Total liabilities	42,552,421	1,161,173	43,713,594	133,417,857
Net Assets				
Invested in capital assets - Net of related debt	42,269,963	22,942,765	65,212,728	73,559,772
Restricted (Note 7)	19,119,517	-	19,119,517	-
Unrestricted	13,650,943	29,372,849	43,023,792	9,153,390
Total net assets	\$ 75,040,423	\$ 52,315,614	\$ 127,356,037	\$ 82,713,162

Livingston County, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 6,850,984	\$ 3,363,830	\$ 1,784,883	\$ -
Public safety	30,696,388	9,779,685	926,144	-
Public works	2,418,273	1,481,415	-	-
Health and welfare	14,134,956	4,655,355	3,825,221	-
Community and economic development	1,439,257	214,034	284,080	2,385,802
Interest on long-term debt	645,387	-	-	-
Total governmental activities	56,185,245	19,494,319	6,820,328	2,385,802
Business-type activities:				
Building and safety	3,182,043	3,334,421	-	-
Airport	2,100,512	741,691	-	6,108,778
Livingston Essential Transportation Service	2,052,008	319,351	1,349,854	301,349
Delinquent tax revolving funds	15,299	2,013,358	-	-
Total business-type activities	7,349,862	6,408,821	1,349,854	6,410,127
Total primary government	\$ 63,535,107	\$ 25,903,140	\$ 8,170,182	\$ 8,795,929
Component units:				
Drain Commission	\$ 5,261,479	\$ 4,054,984	\$ 933,990	\$ -
Department of Public Works	39,788,446	40,901,008	23,065	-
Road Commission	13,954,817	72,957	19,661,200	-
Livingston County Foundation	2,504	2,600	-	-
Total component units	\$ 59,007,246	\$ 45,031,549	\$ 20,618,255	\$ -

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, 2005

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,702,271)	\$ -	\$ (1,702,271)	\$ -
(19,990,559)	-	(19,990,559)	-
(936,858)	-	(936,858)	-
(5,654,380)	-	(5,654,380)	-
1,444,659	-	1,444,659	-
(645,387)	-	(645,387)	-
(27,484,796)	-	(27,484,796)	-
-	152,378	152,378	-
-	4,749,957	4,749,957	-
-	(81,454)	(81,454)	-
-	1,998,059	1,998,059	-
-	6,818,940	6,818,940	-
(27,484,796)	6,818,940	(20,665,856)	-
-	-	-	(272,505)
-	-	-	1,135,627
-	-	-	5,779,340
-	-	-	96
-	-	-	6,642,558
35,248,546	-	35,248,546	-
-	-	-	-
1,148,027	703,079	1,851,106	731,274
697,034	-	697,034	-
-	8,494	8,494	453,305
1,548,164	(1,548,164)	-	-
38,641,771	(836,591)	37,805,180	1,184,579
11,156,975	5,982,349	17,139,324	7,827,137
63,883,448	46,333,265	110,216,713	74,886,025
\$ 75,040,423	\$ 52,315,614	\$ 127,356,037	\$ 82,713,162

Livingston County, Michigan

Governmental Funds Balance Sheet December 31, 2005

	General Fund	Ambulance Fund	Health Fund	911 Service Fund	Revenue Sharing Reserve Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and investments	\$ 10,815,843	\$ 2,057,806	\$ 806,944	\$ 2,229,546	\$ 4,063,226	\$ 5,163,448	\$ 25,136,813
Receivables:							
Taxes	17,319,906	2,089,204	-	-	7,756,741	-	27,165,851
Accounts	128,871	677,073	-	247,832	-	-	1,053,776
Prepaid costs and other assets	213,902	21,244	193	27,828	30,101	583,000	876,268
Due from other funds (Note 5)	92,822	-	-	-	-	-	92,822
Due from other governmental units	729,446	-	36,174	59,362	-	105,774	930,756
Advance to other fund (Note 5)	729,759	-	-	-	-	-	729,759
Total assets	\$ 30,030,549	\$ 4,845,327	\$ 843,311	\$ 2,564,568	\$ 11,850,068	\$ 5,852,222	\$ 55,986,045
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 1,859,265	\$ 225,912	\$ 106,042	\$ 107,096	\$ -	\$ 426,113	\$ 2,724,428
Accrued and other liabilities	71,398	-	-	-	-	-	71,398
Due to other funds (Note 5)	1,066	-	-	-	-	52,822	53,888
Due to other governmental units	86,805	-	-	-	-	143,896	230,701
Advance from other fund (Note 5)	-	-	304,372	345,780	-	65,086	715,238
Deferred revenue	16,628,756	2,089,204	-	-	-	517,688	19,235,648
Total liabilities	18,647,290	2,315,116	410,414	452,876	-	1,205,605	23,031,301
Fund Balances							
Reserved (Note 8)	943,661	-	-	-	11,850,068	107,818	12,901,547
Unreserved, reported in:							
General Fund	10,439,598	-	-	-	-	-	10,439,598
Special Revenue Funds	-	2,530,211	432,897	2,111,692	-	2,937,517	8,012,317
Capital Projects Funds - Designated	-	-	-	-	-	1,601,282	1,601,282
Total fund balances	11,383,259	2,530,211	432,897	2,111,692	11,850,068	4,646,617	32,954,744
Total liabilities and fund balances	\$ 30,030,549	\$ 4,845,327	\$ 843,311	\$ 2,564,568	\$ 11,850,068	\$ 5,852,222	
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							57,321,561
Long-term liabilities are not due and payable in the current period and are not reported in the funds							(18,671,958)
Interest expense payable is not accrued in the governmental funds							(241,200)
Compensated absences are not included as a liability of the funds							(937,806)
Net pension asset is not included as an asset of the funds							1,839,693
Personal property taxes received in governmental activities are not financial resources and are not reported in the funds							84,291
Internal Service Funds are included as part of governmental activities							2,691,098
Net assets of governmental activities							\$ 75,040,423

Livingston County, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2005

	General Fund	Ambulance Fund	Health Fund	911 Service Fund	Revenue Sharing Reserve Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue							
Taxes	\$ 25,805,046	\$ 1,776,670	\$ -	\$ -	\$ 7,756,741	\$ 2,362	\$ 35,340,819
Licenses and permits	467,259	-	354,335	-	-	-	821,594
Federal sources	1,317,650	5,057	970,240	36,841	-	1,579,220	3,909,008
Contributions from local units	1,058,938	-	-	-	-	631,900	1,690,838
State sources	2,061,527	-	858,304	243,136	-	829,636	3,992,603
Charges for services	7,300,348	3,096,007	850,223	2,911,371	-	520,585	14,678,534
Fines and forfeitures	544,201	-	-	-	-	-	544,201
Interest and rent	766,159	88,694	-	73,990	108,994	121,084	1,158,921
Other	1,595,780	36,000	-	-	-	160,064	1,791,844
Total revenue	40,916,908	5,002,428	3,033,102	3,265,338	7,865,735	3,844,851	63,928,362
Expenditures							
Current:							
General government	5,213,599	-	-	-	-	-	5,213,599
Public safety:							
Court systems	10,936,695	-	-	-	-	-	10,936,695
Sheriff and jail	13,856,689	-	-	2,994,484	-	-	16,851,173
Other public safety	1,731,484	-	-	-	-	-	1,731,484
Economic development	4,301,638	-	-	-	-	1,098,297	5,399,935
Health and welfare	2,464,720	5,142,976	3,488,993	-	-	3,386,373	14,483,062
Capital outlay	-	-	-	-	-	53,966	53,966
Principal	-	-	-	-	-	1,540,000	1,540,000
Interest	-	-	-	-	-	665,825	665,825
Total expenditures	38,504,825	5,142,976	3,488,993	2,994,484	-	6,744,461	56,875,739
Excess of Revenue Over (Under)							
Expenditures	2,412,083	(140,548)	(455,891)	270,854	7,865,735	(2,899,610)	7,052,623
Other Financing Sources (Uses)							
Bond proceeds	-	-	-	-	-	5,950,000	5,950,000
Debt defeasance	-	-	-	-	-	(5,710,000)	(5,710,000)
Operating transfers in (Note 5)	2,675,902	-	798,767	-	-	4,067,815	7,542,484
Operating transfers out (Note 5)	(3,299,633)	-	-	-	(2,584,220)	(381,149)	(6,265,002)
Total other financing sources (uses)	(623,731)	-	798,767	-	(2,584,220)	3,926,666	1,517,482
Net Change in Fund Balances	1,788,352	(140,548)	342,876	270,854	5,281,515	1,027,056	8,570,105
Fund Balances - Beginning of year	9,594,907	2,670,759	90,021	1,840,838	6,568,553	3,619,561	24,384,639
Fund Balances - End of year	\$ 11,383,259	\$ 2,530,211	\$ 432,897	\$ 2,111,692	\$ 11,850,068	\$ 4,646,617	\$ 32,954,744

Livingston County, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2005

Net Change in Fund Balances - Total Governmental Funds	\$ 8,570,105
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	1,287,908
Repayment of bond principal and other long-term obligations is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,565,340
Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	63,415
Increase in accrued interest payable is recorded on the statement of activities	19,500
Internal Service Funds are also included as governmental activities	(237,893)
Increase in delinquent personal property taxes is included in the statement of activities	(60,929)
Decrease in net pension asset is recorded in the statement of activities	<u>(50,471)</u>
Change in Net Assets of Governmental Activities	<u>\$ 11,156,975</u>

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	\$ 2,530,308	\$ 219,708	\$ 20,254,028
Tax receivable	-	-	5,839,992
Accounts receivable	-	13,567	1,378,664
Due from other governmental units	-	-	50,214
Due from other funds (Note 5)	-	1,066	-
Inventories	12,209	28,511	-
Prepaid costs and other assets	10,727	33,594	-
Total current assets	2,553,244	296,446	27,522,898
Noncurrent assets:			
Advances to other funds (Note 5)	-	-	1,942,839
Capital assets (Note 4)	8,892	20,281,451	-
Total noncurrent assets	8,892	20,281,451	1,942,839
Total assets	2,562,136	20,577,897	29,465,737
Liabilities			
Current liabilities:			
Accounts payable	103,470	319,383	8,000
Accrued and other liabilities	58,641	63,045	-
Due to other funds (Note 5)	-	40,000	-
Due to other governmental units	-	446,729	93
Current portion of long-term debt (Note 6)	-	11,120	-
Total current liabilities	162,111	880,277	8,093
Noncurrent liabilities:			
Advances from other funds (Note 5)	-	1,957,360	-
Long-term debt - Net of current portion (Note 6)	-	23,637	-
Total noncurrent liabilities	-	1,980,997	-
Total liabilities	162,111	2,861,274	8,093
Net Assets			
Investment in capital assets - Net of related debt	8,892	20,246,694	-
Unrestricted	2,391,133	(2,530,071)	29,457,644
Total net assets	<u>\$ 2,400,025</u>	<u>\$ 17,716,623</u>	<u>\$ 29,457,644</u>

**Proprietary Funds
Statement of Net Assets
December 31, 2005**

Nonmajor Fund -		
Livingston		
Essential		
Transportation Service	Total Enterprise Funds	Internal Service Funds
\$ 26,167	\$ 23,030,211	\$ 2,066,765
-	5,839,992	-
-	1,392,231	-
132,066	182,280	-
-	1,066	641
11,171	51,891	-
11,794	56,115	35,213
181,198	30,553,786	2,102,619
-	1,942,839	-
2,687,179	22,977,522	1,028,402
2,687,179	24,920,361	1,028,402
2,868,377	55,474,147	3,131,021
102,900	533,753	381,018
24,155	145,841	75,409
-	40,000	641
-	446,822	-
-	11,120	-
127,055	1,177,536	457,068
-	1,957,360	-
-	23,637	-
-	1,980,997	-
127,055	3,158,533	457,068
2,687,179	22,942,765	1,028,402
54,143	29,372,849	1,645,551
\$ 2,741,322	\$ 52,315,614	\$ 2,673,953

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	\$ 3,334,421	\$ 741,691	\$ 561,701
Penalties and interest	-	-	1,382,212
Other revenue	-	-	69,445
Total operating revenue	3,334,421	741,691	2,013,358
Operating Expenses			
Personnel	2,376,422	224,362	-
Operating expenses	801,493	422,771	-
Depreciation expense	4,128	172,331	-
Other expenses	-	1,239,995	15,299
Total operating expenses	3,182,043	2,059,459	15,299
Operating Income (Loss)	152,378	(1,317,768)	1,998,059
Nonoperating Revenue (Expense)			
Interest earnings	80,363	11,498	611,218
Federal and state operating subsidies	-	-	-
Gain on sale of fixed assets	-	-	-
Interest expense	-	(41,053)	-
Total nonoperating revenue (expense)	80,363	(29,555)	611,218
Income (Loss) - Before transfers and contributions	232,741	(1,347,323)	2,609,277
Operating Transfers In (Note 5)	-	-	-
Operating Transfers Out (Note 5)	-	-	(1,548,164)
Net Income (Loss) - Before contributions	232,741	(1,347,323)	1,061,113
Capital Contributions	-	6,108,778	-
Change in Net Assets	232,741	4,761,455	1,061,113
Net Assets - January 1, 2005 - As restated (Note 12)	2,167,284	12,955,168	28,396,531
Net Assets - December 31, 2005	<u>\$ 2,400,025</u>	<u>\$ 17,716,623</u>	<u>\$ 29,457,644</u>

Proprietary Funds
Statement of Revenue, Expenses, and Changes in Net Assets
Year Ended December 31, 2005

Livingston Essential Transportation Service	Total Enterprise Funds	Internal Service Funds
\$ 245,353	\$ 4,883,166	\$ 12,604,144
-	1,382,212	-
<u>73,998</u>	<u>143,443</u>	<u>-</u>
319,351	6,408,821	12,604,144
1,092,325	3,693,109	9,335,758
508,546	1,732,810	3,221,987
201,596	378,055	582,297
<u>249,541</u>	<u>1,504,835</u>	<u>-</u>
2,052,008	7,308,809	13,140,042
(1,732,657)	(899,988)	(535,898)
-	703,079	-
1,349,854	1,349,854	-
8,494	8,494	10,178
<u>-</u>	<u>(41,053)</u>	<u>-</u>
1,358,348	2,020,374	10,178
(374,309)	1,120,386	(525,720)
-	-	270,682
<u>-</u>	<u>(1,548,164)</u>	<u>-</u>
(374,309)	(427,778)	(255,038)
301,349	6,410,127	-
(72,960)	5,982,349	(255,038)
<u>2,814,282</u>	<u>46,333,265</u>	<u>2,928,991</u>
<u>\$ 2,741,322</u>	<u>\$ 52,315,614</u>	<u>\$ 2,673,953</u>

Livingston County, Michigan

	Enterprise Funds		
	Major Fund - Building and Safety Fund	Major Fund - Airport Fund	Major Fund - Delinquent Tax Revolving Fund
Cash Flows from Operating Activities			
Receipts from customers	\$ 3,325,738	\$ 747,523	\$ 934,817
Receipts from other funds	-	-	-
Payments to suppliers	(759,620)	(1,379,581)	(9,442)
Payments to employees	(2,450,094)	(223,365)	(9,890)
Internal activity - Receipts (payments) to other funds	-	645,427	(659,985)
Other receipts	-	6,812	-
Net cash provided by (used in) operating activities	116,024	(203,184)	255,500
Cash Flows from Capital and Related Financing Activities			
Capital contributions	-	-	-
Purchase of capital assets	-	(312,259)	-
Interest paid	-	(41,053)	-
Debt service	-	(10,812)	-
Net cash provided by (used in) capital and related financing activities	-	(364,124)	-
Cash Flows from Investing Activities - Interest received on investments	80,363	11,498	611,218
Cash Flows from Noncapital Financing Activities			
Federal and state operating subsidies	-	-	-
Transfers out	-	-	(2,422,658)
Transfers in	-	-	874,494
Net cash provided by (used in) noncapital financing activities	-	-	(1,548,164)
Net Increase (Decrease) in Cash and Cash Equivalents	196,387	(555,810)	(681,446)
Cash and Cash Equivalents - Beginning of year	2,333,921	775,518	20,935,474
Cash and Cash Equivalents - End of year	\$ 2,530,308	\$ 219,708	\$ 20,254,028
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ 152,378	\$ (1,317,768)	\$ 1,998,059
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	4,128	172,331	-
Changes in assets and liabilities:			
Accounts receivable	-	5,107	(413,711)
Delinquent tax receivables	-	-	(664,830)
Due from other funds	-	(1,066)	-
Due from other governmental units	-	-	(13,585)
Inventory	423	725	-
Long-term advance receivable	-	-	(646,493)
Other assets	(9,106)	6,812	-
Accounts payable	41,873	283,185	5,857
Long-term advance payable	-	661,014	-
Due to other funds	-	(14,521)	-
Due to other governmental units	-	-	93
Accrued and other liabilities	(73,672)	997	(9,890)
Net cash provided by (used in) operating activities	\$ 116,024	\$ (203,184)	\$ 255,500

Noncash Financing Activities - During the year ended December 31, 2005, the State of Michigan contributed capital assets with a value of \$6,108,778 to the airport.

**Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2005**

Livingston Essential Transportation Service	Total Enterprise Funds	Internal Service Funds
\$ 311,407	\$ 5,319,485	\$ -
-	-	12,590,276
(1,083,480)	(3,232,123)	(3,327,018)
(1,114,775)	(3,798,124)	(9,413,589)
548,188	533,630	-
-	6,812	-
(1,338,660)	(1,170,320)	(150,331)
301,349	301,349	-
(286,376)	(598,635)	(257,554)
-	(41,053)	-
-	(10,812)	-
14,973	(349,151)	(257,554)
-	703,079	-
1,349,854	1,349,854	-
-	(2,422,658)	-
-	874,494	270,682
1,349,854	(198,310)	270,682
26,167	(1,014,702)	(137,203)
-	24,044,913	2,203,968
\$ 26,167	\$ 23,030,211	\$ 2,066,765
\$ (1,732,657)	\$ (899,988)	\$ (535,898)
201,596	378,055	582,297
-	(408,604)	15
-	(664,830)	-
548,188	547,122	(15,201)
-	(13,585)	-
(3,450)	(2,302)	-
-	(646,493)	-
(4,494)	(6,788)	(2,168)
(325,393)	5,522	(105,046)
-	661,014	-
-	(14,521)	-
-	93	-
(22,450)	(105,015)	(74,330)
\$ (1,338,660)	\$ (1,170,320)	\$ (150,331)

Livingston County, Michigan

Fiduciary Funds Statement of Net Assets December 31, 2005

	Other Employee Benefit Trust Fund	Agency Funds
Assets		
Cash	\$ -	\$ 4,019,755
Mutual funds	3,726,376	-
Accrued interest receivable	-	5,304
Total assets	3,726,376	<u>\$ 4,025,059</u>
Liabilities		
Due to other governmental units	-	\$ 1,394,003
Other liabilities	-	2,631,056
Total liabilities	-	<u>\$ 4,025,059</u>
Net Assets - Held in trust for employee benefits	<u>\$ 3,726,376</u>	

Livingston County, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended December 31, 2005

	<u>Other Employee Benefit Trust Fund</u>
Additions	
Investment income:	
Interest and dividends	\$ 109,752
Net increase in fair value of investments	6,498
Less investment expenses	<u>(40,025)</u>
Net investment income	76,225
Contributions	<u>616,032</u>
Total additions	692,257
Net Assets Held in Trust for Employee Benefits	
Beginning of year	<u>3,034,119</u>
End of year	<u><u>\$ 3,726,376</u></u>

Livingston County, Michigan

Component Units Statement of Net Assets December 31, 2005

	Drain Commission	Department of Public Works	Road Commission	Livingston County Foundation	Total
Assets					
Cash and investments	\$ 3,082,648	\$ 21,607,562	\$ 1,587,609	\$ 96	\$ 26,277,915
Special assessments receivable	3,520,595	-	228,437	-	3,749,032
Leases receivable from local units	38,811,112	63,855,000	-	-	102,666,112
Due from other governmental units	776,227	-	3,585,989	-	4,362,216
Interest and other receivables	357,949	504,370	82,919	-	945,238
Inventories	-	-	1,186,546	-	1,186,546
Capital assets (Note 4)	3,037,836	217,128	73,688,996	-	76,943,960
Total assets	49,586,367	86,184,060	80,360,496	96	216,131,019
Liabilities					
Accounts payable	81,772	3,962,134	289,200	-	4,333,106
Retainages payable	24,663	201,752	10,029	-	236,444
Advance to other funds (Note 5)	100,000	-	-	-	100,000
Due to other governmental units	777,711	15,130,503	-	-	15,908,214
Other current liabilities	897,657	466,407	104,486	-	1,468,550
Long-term debt:					
Due within one year (Note 6)	4,065,830	2,060,000	1,214,492	-	7,340,322
Due in more than one year (Note 6)	38,266,715	61,795,000	3,969,506	-	104,031,221
Total liabilities	44,214,348	83,615,796	5,587,713	-	133,417,857
Net Assets					
Invested in capital assets - Net of related debt	3,037,836	217,128	70,304,808	-	73,559,772
Unrestricted	2,334,183	2,351,136	4,467,975	96	9,153,390
Total net assets	\$ 5,372,019	\$ 2,568,264	\$ 74,772,783	\$ 96	\$ 82,713,162

Livingston County, Michigan

	Expenses	Program Revenues		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
Drain Commission - Public works	\$ 5,261,479	\$ 4,054,984	\$ 933,990	\$ -
Department of Public Works - Public works	39,788,446	40,901,008	23,065	-
Road Commission - Public works	13,954,817	72,957	19,661,200	-
Livingston County Foundation - Recreation	<u>2,504</u>	<u>2,600</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 59,007,246</u>	<u>\$ 45,031,549</u>	<u>\$ 20,618,255</u>	<u>\$ -</u>

General revenues:

Gain on disposition of fixed assets

Interest

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

**Component Units
Statement of Activities
Year Ended December 31, 2005**

Net (Expense) Revenue and Changes in Net Assets

Drain Commission	Department of Public Works	Road Commission	Livingston County Foundation	Total
\$ (272,505)	\$ -	\$ -	\$ -	\$ (272,505)
-	1,135,627	-	-	1,135,627
-	-	5,779,340	-	5,779,340
-	-	-	96	96
(272,505)	1,135,627	5,779,340	96	6,642,558
-	-	453,305	-	453,305
147,640	544,196	39,438	-	731,274
(124,865)	1,679,823	6,272,083	96	7,827,137
5,496,884	888,441	68,500,700	-	74,886,025
<u>\$ 5,372,019</u>	<u>\$ 2,568,264</u>	<u>\$ 74,772,783</u>	<u>\$ 96</u>	<u>\$ 82,713,162</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2005

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 I - 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.

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

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.

Note I - Summary of Significant Accounting Policies (Continued)

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.

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.

Note I - Summary of Significant Accounting Policies (Continued)

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.
- 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 the current year's operations.

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

Note I - Summary of Significant Accounting Policies (Continued)

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 levies.

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.

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:

Note I - Summary of Significant Accounting Policies (Continued)

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 drug 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, Lutz County Park, 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, 2000, and 2002, building improvement bonds issued for various capital projects of the County, and the Building Authority Mental Health Fund.

Capital Projects Funds - Capital Projects Funds account for the development of capital facilities and equipment other than those financed by the operation of a proprietary fund. These projects include the construction of the mobile command unit, jail expansion, courthouse improvements, administration building renovations, and other capital improvements of the County.

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

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

Trust Funds - The Other Employee Benefits Trust Fund accounts for the activities of the 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 I - Summary of Significant Accounting Policies (Continued)

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.

The 2004 taxable valuation of the County totaled \$7,155,611,993, on which ad valorem taxes levied consisted of 3.4514 mills for the County's operating purposes and 0.2500 mills for ambulance operating purposes. The ad valorem taxes raised were approximately \$26 million for general operations and \$1.8 million for ambulance operations. 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.

Note I - Summary of Significant Accounting Policies (Continued)

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

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).

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Any expenditures that exceed the budget must be approved by the County Board of Commissioners through a budget amendment. The County Board of Commissioners approves budget amendments with the 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:

- Recognition of board actions regarding: (1) The increases to the County matching program for Retiree Health Savings and defined benefit contribution to properly fund the Retiree Healthcare Trust Fund; (2) The reduction in the waiting period for health care benefits for new employees; (3) The implementation of the nonunion wage study; and (4) General increases to the County’s workers’ compensation experience rating
- Recognition of increases/decrease in grant revenues
- Increase in General Fund tax revenue because of the millage levy shift

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

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.

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.

Livingston County, Michigan

Notes to Financial Statements December 31, 2005

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

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.

The Revenue Sharing Reserve Fund did not adopt a budget for the year ended December 31, 2005. All transactions within the fund were dictated by State statute and the County did not exercise any discretionary transactions.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Building Services Internal Service Fund and the Airport Enterprise Fund had unrestricted net asset deficit balances at December 31, 2005 of \$108,927 and \$2,530,071, respectively.

The County had the following significant budget overruns in the current year, due to various unexpected expenditures that were not budgeted for. Specifically, the overrun in the Health Fund was caused by a recent change in the single audit compliance supplement in recording the fair value of vaccinations received from the State.

	Budget	Actual
General Fund		
Juvenile court	\$ 1,299,042	\$ 1,342,565
Appellate court	35,255	42,471
Sheriff and road patrol	7,505,490	7,588,475
Jail	5,544,005	5,633,060
Emergency services	817,450	837,804
MSU co-op extension	414,628	422,085
Central services - Judicial center	2,051,356	2,143,292
Health Fund - Environmental health and personal protective services	3,288,851	3,488,993

Note 3 - Deposits and Investments

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

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

The County has designated 13 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment as allowed under State statutory authority as listed above.

The County holds cash and investments on behalf of its component units. These cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's investment policy requires that it shall diversify its investments by security type and institution. No more than 60 percent of the total investment portfolio will be invested in a single security type or with a single financial institution. At year end, the County had bank deposits of \$55,214,412, of which \$1,481,971 is covered by federal depository insurance and \$53,732,441 was uninsured and uncollateralized. The County believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the County evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Livingston County, Michigan

Notes to Financial Statements December 31, 2005

Note 3 - Deposits and Investments (Continued)

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

Government-wide

Type of Investment	Fair Value	Less than One Year	I-5 Years
Commercial paper	\$ 320,020	\$ 320,020	\$ -
U.S. agency bond or notes	12,057,339	4,329,752	7,727,587
Mutual fund - Money market	12,495,126	12,495,126	-

Component Units

Type of Investment	Fair Value	Less than One Year	I-5 Years
Commercial paper	\$ 3,654,623	\$ 3,654,623	\$ -
U.S. agency bond or notes	1,038,846	1,038,846	-
Mutual fund - Money market	4,455,746	4,455,746	-

Livingston County, Michigan

Notes to Financial Statements December 31, 2005

Note 3 - Deposits and Investments (Continued)

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

Government-wide

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Commercial paper - GE	\$ 320,020	A-I	S&P
Commercial paper - LaSalle	-	A-I	S&P
Federal Home Loan Bank	6,767,135	AAA/A-I	S&P
Fannie Mae	3,291,004	AA-	S&P
Federal Home Loan Mortgage Corp	1,999,200	AAA	S&P
Mutual funds - Money market	12,495,126	AAAM	S&P

Component Units

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Commercial paper - GE	\$ 1,264,623	A-I	S&P
Commercial paper - LaSalle	2,390,000	A-I	S&P
Federal Home Loan Bank	-	AAA/A-I	S&P
Fannie Mae	-	AA-	S&P
Federal Home Loan Mortgage Corp	1,038,846	AAA	S&P
Mutual funds - Money market	4,455,746	AAAM	S&P

Livingston County, Michigan

Notes to Financial Statements December 31, 2005

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk - The County's investment policy requires it shall diversify its investment by security type and institution by allowing no more than 60% of the total investment portfolio to be invested in a single security type, or with a single financial institution. The following shows individual investments held by the County with a balance that is greater than 5 percent of the County's total investments (not including certificates of deposits). These listed investments account for 42 percent of the County's total investments (not including certificates of deposits).

Government-wide

<u>Investment</u>	<u>Fair Value</u>
Federal Home Loan Bank	\$ 6,767,135
Fannie Mae	3,291,004
Federal Home Loan Mortgage Corporation	1,999,200

Component Units

<u>Investment</u>	<u>Fair Value</u>
Commercial paper - LaSalle	\$ 2,390,000

Livingston County, Michigan

Notes to Financial Statements December 31, 2005

Note 4 - Capital Assets

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

Primary Government

Governmental Activities	Balance January 1, 2005	Additions	Disposals and Adjustments	Balance December 31, 2005
Capital assets not being depreciated:				
Land	\$ 4,193,999	\$ 2,385,802	\$ -	\$ 6,579,801
Construction in progress	322,079	3,222	222,177	103,124
Subtotal	4,516,078	2,389,024	222,177	6,682,925
Capital assets being depreciated:				
Buildings	54,624,609	262,865	-	54,887,474
Improvements other than building	2,040,466	-	-	2,040,466
Equipment and furniture	16,156,391	1,240,320	85,775	17,310,936
Vehicles	3,484,791	697,501	222,028	3,960,264
Subtotal	76,306,257	2,200,686	307,803	78,199,140
Accumulated depreciation:				
Buildings	10,443,210	1,098,688	-	11,541,898
Improvements other than building	1,512,933	95,746	-	1,608,679
Equipment and furniture	9,569,072	1,333,876	85,775	10,817,173
Vehicles	1,912,828	620,608	(30,916)	2,564,352
Subtotal	23,438,043	3,148,918	54,859	26,532,102
Net capital assets being depreciated	52,868,214	(948,232)	252,944	51,667,038
Net capital assets	<u>\$ 57,384,292</u>	<u>\$ 1,440,792</u>	<u>\$ 475,121</u>	<u>\$ 58,349,963</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2005

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2005, as restated (Note 12)	Additions	Disposals and Adjustments	Balance December 31, 2005
Capital assets not being depreciated:				
Land	\$ 7,591,677	\$ 1,045,558	\$ -	\$ 8,637,235
Construction in progress	4,049,330	5,375,478	-	9,424,808
Subtotal	11,641,007	6,421,036	-	18,062,043
Capital assets being depreciated:				
Buildings	3,551,485	-	-	3,551,485
Improvements other than buildings	3,692,139	-	-	3,692,139
Vehicles	1,116,925	294,871	117,973	1,293,823
Machinery and equipment	319,994	-	-	319,994
Subtotal	8,680,543	294,871	117,973	8,857,441
Accumulated depreciation:				
Buildings	776,330	83,037	-	859,367
Improvements other than buildings	2,051,079	119,676	-	2,170,755
Vehicles	625,592	150,230	117,973	657,849
Machinery and equipment	228,879	25,112	-	253,991
Subtotal	3,681,880	378,055	117,973	3,941,962
Net capital assets being depreciated	4,998,663	(83,184)	-	4,915,479
Net capital assets	<u>\$ 16,639,670</u>	<u>\$ 6,337,852</u>	<u>\$ -</u>	<u>\$ 22,977,522</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2005

Note 4 - Capital Assets (Continued)

<u>Component Units</u>	Balance January 1, 2005	Additions	Disposals and Adjustments	Balance December 31, 2005
Capital assets not being depreciated - Land and improvements	\$ 1,038,048	\$ -	\$ -	\$ 1,038,048
Capital assets being depreciated:				
Land improvements	159,393	-	-	159,393
Buildings and improvements	6,993,816	4,500	-	6,998,316
Drains and septic systems	4,378,988	-	-	4,378,988
Machinery, equipment, and vehicles	9,549,306	1,775,460	1,116,100	10,208,666
Infrastructure - Roads and bridges	104,478,607	11,060,330	-	115,538,937
Depletable assets	488,543	-	-	488,543
Subtotal	126,048,653	12,840,290	1,116,100	137,772,843
Accumulated depreciation:				
Land improvements	133,072	-	-	133,072
Buildings and improvements	1,989,203	150,381	-	2,139,584
Drains and septic systems	1,302,954	175,160	-	1,478,114
Machinery, equipment, and vehicles	7,647,457	923,930	997,647	7,573,740
Infrastructure - Roads and bridges	45,357,877	5,065,559	-	50,423,436
Depletable assets	118,985	-	-	118,985
Subtotal	56,549,548	6,315,030	997,647	61,866,931
Net capital assets being depreciated	69,499,105	6,525,260	118,453	75,905,912
Net capital assets	\$ 70,537,153	\$ 6,525,260	\$ 118,453	\$ 76,943,960

Livingston County, Michigan

Notes to Financial Statements December 31, 2005

Note 4 - Capital Assets (Continued)

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

Primary Government

Governmental activities:

General government	\$ 439,943
Public safety	1,585,423
Health and welfare	416,141
Community and economic development	1,382
Public works	123,732
Internal Service Funds	582,297

Total governmental activities \$ 3,148,918

Business-type activities:

Building and safety	\$ 4,128
Airport	172,331
L.E.T.S.	201,596

Total business-type activities \$ 378,055

Component Units

Component unit activities:

Drain Commission districts	\$ 223,159
Department of Public Works	-
Road Commission	6,091,871

Total component unit activities \$ 6,315,030

Livingston County, Michigan

Notes to Financial Statements December 31, 2005

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

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Airport Fund	\$ 40,000
	Other nonmajor funds	52,822
	Total General Fund	92,822
Airport Fund	General Fund	1,066
Internal Service Fund	Internal Service Fund	641
	Total	<u>\$ 94,529</u>

Interfund balances represent routine and temporary cash flow assistance.

Fund Transferred From	Fund Transferred To	Amount
Interfund Transfers		
General Fund	Health Fund	\$ 798,767
	Nonmajor governmental funds	2,500,866
	Total General Fund	3,299,633
Revenue Sharing Reserve Fund	General Fund	2,584,220
Nonmajor Governmental Funds	General Fund	91,682
	Building Services Fund	270,682
	Nonmajor governmental funds	18,785
	Total nonmajor governmental funds	381,149
	Total operating transfers out from governmental funds	6,265,002
Delinquent Tax Revolving Fund	Nonmajor governmental funds	1,548,164
	Total operating transfers out	<u>\$ 7,813,166</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2005

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

Transfers from the General Fund to the Health 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 transfers from the nonmajor governmental funds to the General Fund were to cover costs of eligible expenditures made by the General Fund. The transfers from the nonmajor governmental funds to the Building Services Fund and other nonmajor governmental funds were to provide funding for capital improvements. The transfer from the Delinquent Tax Revolving Fund to the nonmajor governmental funds provides for debt payments and capital improvements.

Advances represent long-term, temporary cash flow assistance between funds.

Receivable Fund	Payable Fund	Amount
Advances		
General Fund	Health Fund	\$ 304,372
	911 Service Fund	345,780
	Nonmajor governmental funds	65,086
	Airport Fund	<u>14,521</u>
	Total General Fund	729,759
Delinquent Tax Revolving Fund	Airport Fund	<u>1,942,839</u>
	Total advances	<u><u>\$ 2,672,598</u></u>

Note 6 - Long-term Debt

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

Livingston County, Michigan

Notes to Financial Statements December 31, 2005

Note 6 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

<u>Primary Government</u>	Matures	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
1995 Building Authority - Road Commission refunding bonds	2008	5.0%	\$ 1,720,000	\$ -	\$ (390,000)	\$ 1,330,000	\$ 415,000
1999 Building Authority - Mental health bonds	2024	4.6%	2,590,000	-	(2,135,000)	455,000	85,000
2000 Building Authority - Building improvement projects	2014	5.0%	7,835,000	-	(4,230,000)	3,605,000	650,000
2001 Building Authority - Road Commission refunding bonds	2010	4.5%	1,110,000	-	-	1,110,000	-
2002 Capital improvement bonds	2012	3.5%	4,125,000	-	(450,000)	3,675,000	465,000
2005 Mental health refunding bonds	2024	3.0%	-	2,160,000	-	2,160,000	5,000
2005 Building Authority - Mental health refunding bonds	2014	3.0%	-	3,745,000	-	3,745,000	20,000
Subtotal			17,380,000	5,905,000	(7,205,000)	16,080,000	1,640,000
Other obligations:							
Drain at large assessments			874,298	-	(133,949)	740,349	115,971
Landfill postclosure liability			1,983,000	-	(131,391)	1,851,609	133,500
Employee compensated absences			1,078,750	-	(65,535)	1,013,215	239,344
Total governmental activities			\$ 21,316,048	\$ 5,905,000	\$ (7,535,875)	\$ 19,685,173	\$ 2,128,815
Business-type Activities							
Contractual agreement - MDOT - Bureau of Aeronautics loan	2008	4.7%	\$ 45,569	\$ -	\$ (10,812)	\$ 34,757	\$ 11,120
Component Units							
Component Unit Debt							
Drain Commission districts	2005-2024	2.0%-6.4%	\$ 46,733,540	\$ 17,900,000	\$ (22,300,995)	\$ 42,332,545	\$ 4,065,830
Department of Public Works	2009-2030	2.7%-8.0%	44,625,000	38,600,000	(19,370,000)	63,855,000	2,060,000
Road Commission	2006-2010	3.0%-8.0%	5,566,233	825,756	(1,207,991)	5,183,998	1,214,492
Total component unit debt			\$ 96,924,773	\$ 57,325,756	\$ (42,878,986)	\$ 111,371,543	\$ 7,340,322

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
2006	\$ 1,640,000	\$ 598,319	\$ 2,238,319	\$ 11,120	\$ 1,642	\$ 12,762	\$ 7,340,322	\$ 4,693,707	\$ 12,034,029
2007	1,725,000	536,736	2,261,736	11,643	1,120	12,763	8,243,585	4,312,142	12,555,727
2008	1,810,000	471,565	2,281,565	11,994	573	12,567	8,220,025	3,996,048	12,216,073
2009	1,945,000	401,866	2,346,866	-	-	-	8,397,726	3,676,640	12,074,366
2010	2,035,000	326,694	2,361,694	-	-	-	8,035,610	3,352,240	11,387,850
2011-2015	5,435,000	792,406	6,227,406	-	-	-	30,559,275	12,650,018	43,209,293
2016-2020	765,000	252,271	1,017,271	-	-	-	24,400,000	6,568,777	30,968,777
2021-2025	725,000	79,838	804,838	-	-	-	12,440,000	2,219,399	14,659,399
2026-2030	-	-	-	-	-	-	3,735,000	396,438	4,131,438
Total	\$ 16,080,000	\$ 3,459,695	\$ 19,539,695	\$ 34,757	\$ 3,335	\$ 38,092	\$ 111,371,543	\$ 41,865,409	\$ 153,236,952

Livingston County, Michigan

Notes to Financial Statements December 31, 2005

Note 6 - Long-term Debt (Continued)

Defeased Debt - In 2005, the County defeased a portion of the Brighton Township Sanitary and Sewer Drainage District Bonds, in the amount of \$17,500,000, by placing the proceeds of the new bond in an escrow account to provide for all future debt service payments on the defeased portion of the old bond. Accordingly, the escrow account's assets and liabilities for the defeased bonds are not included in the basic financial statements. In addition, no gain or loss was recognized in this transaction as the debt issued in the defeasance was for another party.

At December 31, 2005, approximately \$17.9 million of bonds outstanding are considered defeased.

Note 7 - Restricted Net Assets

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

	Governmental Activities
Health and welfare expense	\$ 3,757,695
Public safety expense	2,229,314
Community and economic development expense	1,282,440
Revenue-sharing reserve	<u>11,850,068</u>
Total restricted assets	<u>\$ 19,119,517</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2005

Note 8 - Reserved and Designated Fund Balances

Fund balances have been reserved and designated as follows:

	Reserved	Designated
General Fund - Reserved for:		
Advance - 911 Service Fund	\$ 345,780	\$ -
Advance - Health Fund	304,372	-
Advance - Job Training Services Fund	36,304	-
Advance - Community Corrections Fund	21,782	-
Advance - Lutz County Park Fund	7,000	-
Advance - Airport Fund	14,521	-
Prepaid costs and other assets	<u>213,902</u>	<u>-</u>
Total General Fund	943,661	-
Special Revenue Fund - Reserved for:		
Lutz County road	1,446	-
Revenue Sharing Reserve Fund	<u>11,850,068</u>	<u>-</u>
Total Special Revenue Funds	11,851,514	-
Debt Service Funds - Reserved for debt service	79,987	-
Capital Projects Funds - Designated for:		
Mobile command	-	1,984
Jail expansion	-	26,637
Courthouse improvements	-	38,980
Administration building renovations	-	125,892
Capital replacement	<u>-</u>	<u>1,407,789</u>
Total Capital Projects Funds	-	1,601,282
Permanent Fund - Reserved for cemetery care	<u>26,385</u>	<u>-</u>
Total	<u>\$ 12,901,547</u>	<u>\$ 1,601,282</u>

Note 9 - Risk Management

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

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

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 \$223,000 reserved for claims and claims adjustment expenses. The County incurred approximately \$955,000 for insurance expense for the year ended December 31, 2005.

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, 2005 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.

Livingston County, Michigan

Notes to Financial Statements December 31, 2005

Note 10 - Defined Benefit Pension Plan (Continued)

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.

Annual Pension Costs - For the year ended December 31, 2005, the County's annual pension cost was \$3,186,791 for the plan. The required and actual contribution to the plan was \$2,862,837. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age actuarial funding method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) additional projected salary increases of 0 percent to 8.40 percent per year, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 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, 2005, the County's annual pension cost and net pension asset are as follows:

Annual required contribution	\$ 2,862,837
Interest on net pension obligation	(151,213)
Adjustment to annual required contribution	<u>201,684</u>
Annual pension cost	2,913,308
Contributions	<u>(2,862,837)</u>
Decrease in net pension asset	50,471
Net pension asset - Beginning of year	<u>1,890,164</u>
Net pension asset - End of year	<u><u>\$ 1,839,693</u></u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2005

Note 10 - Defined Benefit Pension Plan (Continued)

Schedule of Employer Contributions

Year Ending December 31	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2003	\$ 2,082,694	100	\$ 2,125,965	98	\$ 1,936,897
2004	3,004,766	100	3,051,499	98	1,890,164
2005	2,862,837	100	2,913,308	90	1,839,693

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2002	\$ 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%
12/31/2004	48,623,767	66,664,830	18,041,063	73%	25,024,051	72%

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. The County has opted to start funding the health care benefits proactively. For those employees participating in the defined benefit retiree health care plan, the County's actuarially calculated contribution was \$1.7 million, of which the County elected to contribute \$950,000.

- 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 non-revocable 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 \$536 per year (prorated); beginning with the sixth year of service with the County until termination of participation - up to \$1,607 per year (prorated). Adjustments may be made annually consistent with the nonunion salary schedule adjustment. 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 approximately \$616,000 during the current year.

Livingston County, Michigan

Notes to Financial Statements December 31, 2005

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:

Net Assets - Beginning of the year, as previously reported for the Airport Fund	\$ 8,905,838
Recognition of construction in progress assets	<u>4,049,330</u>
Net Assets - Beginning of the year, as restated for the Airport Fund	<u>\$ 12,955,168</u>

It was determined by the County that additional capital contributions were received from the State of Michigan relating to construction projects in the Airport Fund which had not previously been capitalized. These expenditures have been properly recorded as construction in progress at December 31, 2005.

Required Supplemental Information

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes				
Property taxes	\$ 23,800,000	\$ 25,482,155	\$ 25,493,808	\$ 11,653
Mobile home taxes	18,500	57,800	17,932	(39,868)
Industrial facilities taxes	210,000	210,000	258,967	48,967
Penalties and interest	22,102	22,102	34,339	12,237
Total taxes	24,050,602	25,772,057	25,805,046	32,989
Licenses and Permits	473,053	486,153	467,259	(18,894)
Federal Grants				
Child support grant	1,269,089	1,261,097	1,133,618	(127,479)
COPS grant	1,000	81,167	91,615	10,448
Emergency services	800,000	800,000	18,295	(781,705)
Other federal grants	61,000	90,166	74,122	(16,044)
Total federal grants	2,131,089	2,232,430	1,317,650	(914,780)
State Sources				
State-shared revenue	2,300,000	-	-	-
Court-related grants	593,103	517,479	869,694	352,215
Public safety grants	226,161	229,043	151,998	(77,045)
Alcohol and convention tax	650,209	650,209	653,712	3,503
MSHDA/OLSHA grant	200,000	200,000	143,253	(56,747)
Cigarette tax distribution	28,457	28,457	28,767	310
Liquor licenses	-	14,000	14,555	555
Other state grants	136,000	205,909	199,548	(6,361)
Total state sources	4,133,930	1,845,097	2,061,527	216,430

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue (Continued)				
Contributions From Local Units	\$ 969,734	\$ 1,058,932	\$ 1,058,938	\$ 6
Charges for Services				
Court-related charges	3,183,526	3,605,360	3,641,446	36,086
Sheriff service contracts	452,250	498,065	453,978	(44,087)
Jail services	118,000	121,126	111,873	(9,253)
Plat, site, and construction reviews	98,031	98,031	125,705	27,674
Equalization services	55,000	60,000	64,010	4,010
Register of deeds	1,570,000	1,545,000	1,345,190	(199,810)
Real estate transfer tax	1,300,000	1,300,000	1,422,479	122,479
Other charges for services	117,600	119,600	135,667	16,067
Total charges for services	6,894,407	7,347,182	7,300,348	(46,834)
Fines and Forfeitures	421,373	557,191	544,201	(12,990)
Interest and Rent				
Interest and investments	600,000	609,000	754,459	145,459
Rent	9,000	9,000	11,700	2,700
Total interest and rent	609,000	618,000	766,159	148,159
Other Revenue				
Refunds	179,000	173,248	195,468	22,220
Donations	1,250	75	1,453	1,378
Reimbursements of clerk's office costs	500	31,000	44,275	13,275
Reimbursements of court-related costs	211,400	140,475	263,963	123,488
Reimbursements from other funds	357,750	531,350	552,248	20,898
Reimbursements of public safety costs	401,700	400,636	410,079	9,443
Reimbursements of treasurer's office costs	7,700	117,360	125,111	7,751
Gain on sale	-	2,500	3,183	683
Operating transfers in	-	2,487,385	2,675,902	188,517
Total other revenue	1,159,300	3,884,029	4,271,682	387,653
Total revenue	\$ 40,842,488	\$ 43,801,071	\$ 43,592,810	\$ (208,261)

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures				
Public safety:				
Court systems:				
Circuit Court	\$ 927,337	\$ 817,723	799,352	\$ 18,371
District Court	2,084,040	2,210,565	2,140,453	70,112
Friend of the Court	1,944,895	1,998,998	1,971,506	27,492
Probate Court	630,136	653,110	647,002	6,108
Juvenile Court	1,255,389	1,299,042	1,342,565	(43,523)
Guardianship services	6,060	6,060	5,972	88
Circuit Court probation	35,772	35,772	33,881	1,891
Appellate Court	35,255	35,255	42,471	(7,216)
Central services - Judicial center	1,829,766	2,051,356	2,143,292	(91,936)
Prosecuting attorney	1,829,266	1,828,892	1,810,201	18,691
Total court systems	10,577,916	10,936,773	10,936,695	78
Sheriff and jail:				
Sheriff and Road Patrol	7,142,341	7,505,490	7,588,475	(82,985)
Road Patrol	409,466	435,672	438,810	(3,138)
Jail	5,048,070	5,544,005	5,633,060	(89,055)
Marine	109,903	77,419	75,545	1,874
Drug enforcement	75,778	76,012	76,012	-
START	-	49,188	44,787	4,401
Total sheriff and jail	12,785,558	13,687,786	13,856,689	(168,903)
Other public safety:				
Family support	235,611	255,817	249,426	6,391
Emergency services	817,450	817,450	837,804	(20,354)
Animal shelter	523,391	537,981	495,626	42,355
Medical examiner	135,805	149,732	148,628	1,104
Total other public safety	1,712,257	1,760,980	1,731,484	29,496
Total public safety	25,075,731	26,385,539	26,524,868	(139,329)

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
Economic development:				
Equalization	\$ 746,918	\$ 663,053	\$ 654,754	\$ 8,299
Register of Deeds	841,431	759,390	699,812	59,578
Plat Board	2,340	2,340	2,415	(75)
Drain Commission	1,654,011	1,907,617	1,872,748	34,869
County share of drain costs	370,000	368,023	368,022	1
Planning	568,964	590,365	570,754	19,611
Solid waste/DPW/Landfill	127,425	139,706	133,133	6,573
Transfer to airport	2,580	2,580	-	2,580
Transfer to Capital Improvement Fund	600,000	600,000	600,000	-
Total economic development	4,913,669	5,033,074	4,901,638	131,436
Human services:				
MSU co-op extension	346,513	414,628	422,085	(7,457)
Contagious diseases	5,000	5,000	5,177	(177)
OLHSA	200,000	200,000	-	200,000
Community action programs	599,403	593,403	595,154	(1,751)
Mental health	605,228	605,228	605,230	(2)
Senior services	137,377	154,753	154,763	(10)
Veterans' burials	25,000	25,000	18,785	6,215
Veterans' affairs	174,870	183,081	180,264	2,817
Rental fees	298,972	483,262	483,262	-
Transfer to child care	1,871,000	1,871,000	1,871,000	-
Transfer to social welfare	10,500	10,500	10,500	-
Transfer to health - Operating	612,791	834,492	798,767	35,725
Transfer to soldier and sailor relief	6,000	6,000	6,000	-
Transfer to community corrections	5,000	13,366	13,366	-
Total human services	4,897,654	5,399,713	5,164,353	235,360

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
General government:				
Board of Commissioners	\$ 478,469	\$ 549,623	\$ 534,215	\$ 15,408
County administration	454,098	481,990	470,976	11,014
Elections	21,166	60,716	51,535	9,181
Civil counsel	116,750	126,500	127,643	(1,143)
County Clerk	1,251,941	1,327,871	1,301,809	26,062
Auditing services	79,800	108,050	95,940	12,110
Personnel	405,224	373,538	345,497	28,041
Purchasing	142,061	143,823	141,603	2,220
Tax allocation	1,250	1,250	1,210	40
County Treasurer	782,767	843,070	815,722	27,348
Information technology management	372,057	372,057	372,150	(93)
Insurance	878,000	1,037,599	955,312	82,287
Employee fringe benefits	30,000	-	-	-
Other	(100)	100	(13)	113
	<u>5,013,483</u>	<u>5,426,187</u>	<u>5,213,599</u>	<u>212,588</u>
Total general government				
	<u>39,900,537</u>	<u>42,244,513</u>	<u>41,804,458</u>	<u>440,055</u>
Total General Fund expenditures				
Excess of Revenue Over Expenditures	941,951	1,556,558	1,788,352	231,794
Fund Balance - Beginning of year	<u>9,594,907</u>	<u>9,594,907</u>	<u>9,594,907</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 10,536,858</u>	<u>\$ 11,151,465</u>	<u>\$ 11,383,259</u>	<u>\$ 231,794</u>

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule Ambulance Special Revenue Fund Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,741,197	\$ 1,741,197	\$ 1,776,670	\$ 35,473
Charges for services	3,155,900	3,204,693	3,096,007	(108,686)
Interests and rents	100,500	100,500	88,694	(11,806)
Other revenue	-	-	41,057	41,057
Total revenue	4,997,597	5,046,390	5,002,428	(43,962)
Expenditures - Health and welfare	5,108,146	5,200,619	5,142,976	57,643
Excess of Expenditures Over Revenue	(110,549)	(154,229)	(140,548)	13,681
Fund Balance - Beginning of year	2,670,759	2,670,759	2,670,759	-
Fund Balance - End of year	<u>\$ 2,560,210</u>	<u>\$ 2,516,530</u>	<u>\$ 2,530,211</u>	<u>\$ 13,681</u>

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule Health Special Revenue Fund Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Licenses and permits	\$ 368,305	\$ 368,305	\$ 354,335	\$ (13,970)
Federal grants	503,821	503,821	970,240	466,419
State grants	899,429	887,929	858,304	(29,625)
Charges for services	691,727	694,305	850,223	155,918
Operating transfers from other funds	<u>612,791</u>	<u>834,491</u>	<u>798,767</u>	<u>(35,724)</u>
Total revenue	3,076,073	3,288,851	3,831,869	543,018
Expenditures - Environmental health and personal protective services				
	<u>3,076,073</u>	<u>3,288,851</u>	<u>3,488,993</u>	<u>(200,142)</u>
Excess of Revenue Over Expenditures				
	-	-	342,876	342,876
Fund Balance - Beginning of year				
	<u>90,021</u>	<u>90,021</u>	<u>90,021</u>	<u>-</u>
Fund Balance - End of year				
	<u><u>\$ 90,021</u></u>	<u><u>\$ 90,021</u></u>	<u><u>\$ 432,897</u></u>	<u><u>\$ 342,876</u></u>

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule 911 Service Special Revenue Fund Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ 30,000	\$ 30,000	\$ 36,841	\$ 6,841
State grants	212,000	188,000	243,136	55,136
Charges for services	3,001,000	3,001,000	2,911,371	(89,629)
Interest and rents	10,000	10,000	73,990	63,990
Total revenue	3,253,000	3,229,000	3,265,338	36,338
Expenditures - Public safety expense	<u>3,306,292</u>	<u>3,384,497</u>	<u>2,994,484</u>	<u>390,013</u>
Excess of Revenue Over (Under) Expenditures	(53,292)	(155,497)	270,854	426,351
Fund Balance - Beginning of year	<u>1,840,838</u>	<u>1,840,838</u>	<u>1,840,838</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 1,787,546</u>	<u>\$ 1,685,341</u>	<u>\$ 2,111,692</u>	<u>\$ 426,351</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 - 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.

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

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.

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

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

2000 Building Improvements Bonds Fund - 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.

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

2002 Capital Improvement Bonds - This fund accounts for the bonds issued in 2002 for the Administrative Building and other capital projects.

Building Authority Mental Health Refunding Bonds - This fund accounts for the proceeds and repayments from the debt issued in 2005 on behalf of the 1999 and 2000 Building Authority Mental Health Bonds.

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.

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.

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

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.

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 sources are charges for services and grants received from federal and state sources.

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

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.

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

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
Assets						
Cash and investments	\$ 289,262	\$ 845,000	\$ 17,517	\$ 154,947	\$ 480,104	\$ 609,971
Due from other governments	6,900	-	-	-	-	216
Other assets	8,361	-	-	55	30,496	219
Total assets	\$ 304,523	\$ 845,000	\$ 17,517	\$ 155,002	\$ 510,600	\$ 610,406
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 98,341	\$ 125,458	\$ 3,175	\$ 2,000	\$ 4,250	\$ 125,972
Due to other funds	-	-	-	-	-	-
Due to other governmental units	-	129,896	-	-	-	-
Advances from other funds	36,304	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	134,645	255,354	3,175	2,000	4,250	125,972
Fund Balances						
Reserved or designated	-	-	-	-	-	-
Unreserved	169,878	589,646	14,342	153,002	506,350	484,434
Total fund balances	169,878	589,646	14,342	153,002	506,350	484,434
Total liabilities and fund balances	\$ 304,523	\$ 845,000	\$ 17,517	\$ 155,002	\$ 510,600	\$ 610,406

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005**

Special Revenue Funds

Prosecutor's Drug Enforcement	Drug Law Enforcement	Criminal Forfeiture	OUIL Forfeiture	Law Library	County Library	Community Corrections
\$ 85,517	\$ 7,842	\$ 379	\$ 3,378	\$ 18,343	\$ 29,779	\$ 1,260
-	-	-	-	-	-	82,111
-	-	-	-	-	10	-
<u>\$ 85,517</u>	<u>\$ 7,842</u>	<u>\$ 379</u>	<u>\$ 3,378</u>	<u>\$ 18,343</u>	<u>\$ 29,789</u>	<u>\$ 83,371</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,111
-	-	-	-	-	-	-
-	-	-	-	-	-	21,782
-	-	-	-	-	-	-
-	-	-	-	-	-	73,893
-	-	-	-	-	-	-
<u>85,517</u>	<u>7,842</u>	<u>379</u>	<u>3,378</u>	<u>18,343</u>	<u>29,789</u>	<u>9,478</u>
<u>85,517</u>	<u>7,842</u>	<u>379</u>	<u>3,378</u>	<u>18,343</u>	<u>29,789</u>	<u>9,478</u>
<u>\$ 85,517</u>	<u>\$ 7,842</u>	<u>\$ 379</u>	<u>\$ 3,378</u>	<u>\$ 18,343</u>	<u>\$ 29,789</u>	<u>\$ 83,371</u>

Livingston County, Michigan

Special Revenue Funds

	Social Welfare	Soldiers and Sailors Relief	Veterans' Trust	Register of Deeds	Local Law Enforcement Block Grant	Homestead Property Exemption Fund
Assets						
Cash and investments	\$ 26,411	\$ 6,455	\$ 2,284	\$ 768,490	\$ 60,783	\$ 16,602
Due from other governments	16,447	-	-	-	-	-
Other assets	-	-	-	2,253	-	357
Total assets	\$ 42,858	\$ 6,455	\$ 2,284	\$ 770,743	\$ 60,783	\$ 16,959
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 44	\$ -	\$ -
Due to other funds	-	-	-	-	49,755	3,067
Due to other governmental units	14,000	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	14,000	-	-	44	49,755	3,067
Fund Balances						
Reserved or designated	-	-	-	-	-	-
Unreserved	28,858	6,455	2,284	770,699	11,028	13,892
Total fund balances	28,858	6,455	2,284	770,699	11,028	13,892
Total liabilities and fund balances	\$ 42,858	\$ 6,455	\$ 2,284	\$ 770,743	\$ 60,783	\$ 16,959

**Other Supplemental Information
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
December 31, 2005**

Debt Service Funds										
Lutz County Park	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	Refunding Building Authority Mental Health Fund		
\$ 6,729	\$ 31,911	\$ -	\$ 40,351	\$ 2,539	\$ -	\$ 28,721	\$ -	\$ 8,298		
100	-	-	-	-	-	-	-	-		
3,346	517,700	-	78	-	-	-	-	-		
<u>\$ 10,175</u>	<u>\$ 549,611</u>	<u>\$ -</u>	<u>\$ 40,429</u>	<u>\$ 2,539</u>	<u>\$ -</u>	<u>\$ 28,721</u>	<u>\$ -</u>	<u>\$ 8,298</u>		
\$ 1,729	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
-	-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-	-		
7,000	-	-	-	-	-	-	-	-		
-	517,688	-	-	-	-	-	-	-		
8,729	517,688	-	-	-	-	-	-	-		
1,446	-	-	40,429	2,539	-	28,721	-	8,298		
-	31,923	-	-	-	-	-	-	-		
1,446	31,923	-	40,429	2,539	-	28,721	-	8,298		
<u>\$ 10,175</u>	<u>\$ 549,611</u>	<u>\$ -</u>	<u>\$ 40,429</u>	<u>\$ 2,539</u>	<u>\$ -</u>	<u>\$ 28,721</u>	<u>\$ -</u>	<u>\$ 8,298</u>		

Livingston County, Michigan

Capital Projects Funds					
	Mobile Command	Jail Expansion	Courthouse Improvement	Administration Building Renovations	Capital Replacement
Assets					
Cash and investments	\$ 1,984	\$ 26,637	\$ 39,688	\$ 137,941	\$ 1,387,940
Due from other governments	-	-	-	-	-
Other assets	-	-	-	51	20,074
Total assets	<u>\$ 1,984</u>	<u>\$ 26,637</u>	<u>\$ 39,688</u>	<u>\$ 137,992</u>	<u>\$ 1,408,014</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 708	\$ 12,100	\$ 225
Due to other funds	-	-	-	-	-
Due to other governmental units	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	-	708	12,100	225
Fund Balances					
Reserved or designated	1,984	26,637	38,980	125,892	1,407,789
Unreserved	-	-	-	-	-
Total fund balances	<u>1,984</u>	<u>26,637</u>	<u>38,980</u>	<u>125,892</u>	<u>1,407,789</u>
Total liabilities and fund balances	<u>\$ 1,984</u>	<u>\$ 26,637</u>	<u>\$ 39,688</u>	<u>\$ 137,992</u>	<u>\$ 1,408,014</u>

**Other Supplemental Information
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
December 31, 2005**

Permanent Fund

<u>Cemetery</u>	<u>Total Nonmajor Funds</u>
\$ 26,385	\$ 5,163,448
-	105,774
-	583,000
<u>\$ 26,385</u>	<u>\$ 5,852,222</u>
\$ -	\$ 426,113
-	52,822
-	143,896
-	65,086
-	517,688
-	1,205,605
26,385	1,709,100
-	2,937,517
<u>26,385</u>	<u>4,646,617</u>
<u>\$ 26,385</u>	<u>\$ 5,852,222</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	1,519,318	-	-	19,982	-	-	-
State sources	134,831	98,091	-	70,775	-	122,532	-
Charges for services	9,485	21,505	-	-	-	117,859	-
Contributions from local units	-	-	-	-	-	-	-
Interest earned	-	-	-	3,863	18,700	22,115	-
Other	30	-	14,935	-	-	-	3,152
Total revenue	1,663,664	119,596	14,935	94,620	18,700	262,506	3,152
Expenditures							
Current:							
Public safety	-	-	7,044	25,811	-	-	23,312
Community and economic development	-	-	-	-	17,000	372,808	-
Health and welfare	1,643,054	1,402,911	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	1,643,054	1,402,911	7,044	25,811	17,000	372,808	23,312
Excess of Revenue Over (Under)							
Expenditures	20,610	(1,283,315)	7,891	68,809	1,700	(110,302)	(20,160)
Other Financing Sources (Uses)							
Bond proceeds	-	-	-	-	-	-	-
Debt defeasance	-	-	-	-	-	-	-
Operating transfers in	-	1,871,000	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	1,871,000	-	-	-	-	-
Net Change in Fund Balances	20,610	587,685	7,891	68,809	1,700	(110,302)	(20,160)
Fund Balances - Beginning of year	149,268	1,961	6,451	84,193	504,650	594,736	105,677
Fund Balances - End of year	\$ 169,878	\$ 589,646	\$ 14,342	\$ 153,002	\$ 506,350	\$ 484,434	\$ 85,517

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2005

Special Revenue Funds

Drug Law Enforcement	Criminal Forfeiture	OUIL Forfeiture	Law Library	County Library	Community Corrections
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	2,029	-	-	-	261,855
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	902	-
<u>26,130</u>	<u>-</u>	<u>3,932</u>	<u>6,500</u>	<u>5,740</u>	<u>-</u>
26,130	2,029	3,932	6,500	6,642	261,855
7,224	-	932	-	-	297,861
-	-	-	-	718	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>7,224</u>	<u>-</u>	<u>932</u>	<u>-</u>	<u>718</u>	<u>297,861</u>
18,906	2,029	3,000	6,500	5,924	(36,006)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	13,366
<u>(59,182)</u>	<u>(16,750)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(59,182)</u>	<u>(16,750)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,366</u>
(40,276)	(14,721)	3,000	6,500	5,924	(22,640)
<u>48,118</u>	<u>15,100</u>	<u>378</u>	<u>11,843</u>	<u>23,865</u>	<u>32,118</u>
<u>\$ 7,842</u>	<u>\$ 379</u>	<u>\$ 3,378</u>	<u>\$ 18,343</u>	<u>\$ 29,789</u>	<u>\$ 9,478</u>

Livingston County, Michigan

	Special Revenue Funds					
	Social Welfare	Soldiers and Sailors Relief	Veterans' Trust	Register of Deeds	Local Law Enforcement Block Grant	Homestead Property Exemption Fund
Revenue						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	39,920	-
State sources	118,403	-	21,120	-	-	-
Charges for services	27,992	-	-	308,815	-	-
Contributions from local units	-	-	-	-	-	-
Interest earned	-	-	-	21,103	1,975	449
Other	-	-	-	-	-	9,766
Total revenue	146,395	-	21,120	329,918	41,895	10,215
Expenditures						
Current:						
Public safety	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Health and welfare	153,145	9,236	20,029	91,857	63,074	3,067
Capital outlay	-	-	-	-	-	-
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	153,145	9,236	20,029	91,857	63,074	3,067
Excess of Revenue Over (Under) Expenditures	(6,750)	(9,236)	1,091	238,061	(21,179)	7,148
Other Financing Sources (Uses)						
Bond proceeds	-	-	-	-	-	-
Debt defeasance	-	-	-	-	-	-
Operating transfers in	10,500	6,000	-	-	-	-
Operating transfers out	-	-	-	-	(15,750)	-
Total other financing sources (uses)	10,500	6,000	-	-	(15,750)	-
Net Change in Fund Balances	3,750	(3,236)	1,091	238,061	(36,929)	7,148
Fund Balances - Beginning of year	25,108	9,691	1,193	532,638	47,957	6,744
Fund Balances - End of year	\$ 28,858	\$ 6,455	\$ 2,284	\$ 770,699	\$ 11,028	\$ 13,892

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds (Continued)
Year Ended December 31, 2005

Debt Service Funds									
Lutz County Park	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	Refunding Building Authority Mental Health Fund	
\$ -	\$ -	\$ 1,230	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
17,042	-	-	-	-	-	-	-	-	-
-	-	-	478,170	153,730	-	-	-	-	-
573	1,273	170	79	288	-	1,050	-	-	127
-	46,664	-	-	-	-	-	-	-	43,215
17,615	47,937	1,400	478,249	154,018	-	1,050	-	-	43,342
-	-	-	-	-	-	-	-	-	-
43,685	16,902	-	-	-	-	-	-	-	285,000
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	390,000	80,000	620,000	-	450,000	-	-
-	-	-	98,700	73,730	316,510	25,113	76,169	-	75,603
43,685	16,902	-	488,700	153,730	936,510	25,113	526,169	-	360,603
(26,070)	31,035	1,400	(10,451)	288	(936,510)	(24,063)	(526,169)	-	(317,261)
-	-	-	-	-	-	-	-	-	5,950,000
-	-	-	-	-	-	-	-	-	(5,710,000)
-	-	-	-	-	936,436	-	526,169	-	85,559
-	-	(18,785)	-	-	-	-	-	-	-
-	-	(18,785)	-	-	936,436	-	526,169	-	325,559
(26,070)	31,035	(17,385)	(10,451)	288	(74)	(24,063)	-	-	8,298
27,516	888	17,385	50,880	2,251	74	52,784	-	-	-
<u>\$ 1,446</u>	<u>\$ 31,923</u>	<u>\$ -</u>	<u>\$ 40,429</u>	<u>\$ 2,539</u>	<u>\$ -</u>	<u>\$ 28,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,298</u>

Livingston County, Michigan

	Capital Projects Funds				
	Mobile Command	Jail Expansion	Courthouse Improvement	Administration Building Renovations	Capital Replacement
Revenue					
Taxes	\$ -	\$ 1,132	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	-
State sources	-	-	-	-	-
Charges for services	-	-	-	-	17,887
Contributions from local units	-	-	-	-	-
Interest earned	-	683	-	7,419	40,315
Other	-	-	-	-	-
Total revenue	-	1,815	-	7,419	58,202
Expenditures					
Current:					
Public safety	-	-	-	-	-
Community and economic development	-	-	-	-	-
Health and welfare	-	-	-	-	-
Capital outlay	-	957	896	45,419	6,694
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	957	896	45,419	6,694
Excess of Revenue Over (Under)					
Expenditures	-	858	(896)	(38,000)	51,508
Other Financing Sources (Uses)					
Bond proceeds	-	-	-	-	-
Debt defeasance	-	-	-	-	-
Operating transfers in	-	18,785	-	-	600,000
Operating transfers out	-	-	-	(20,682)	(250,000)
Total other financing sources (uses)	-	18,785	-	(20,682)	350,000
Net Change in Fund Balances	-	19,643	(896)	(58,682)	401,508
Fund Balances - Beginning of year	1,984	6,994	39,876	184,574	1,006,281
Fund Balances - End of year	\$ 1,984	\$ 26,637	\$ 38,980	\$ 125,892	\$ 1,407,789

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds (Continued)
Year Ended December 31, 2005

Permanent Fund

<u>Cemetery</u>	<u>Total Nonmajor Funds</u>
\$ -	\$ 2,362
-	1,579,220
-	829,636
-	520,585
-	631,900
-	121,084
-	<u>160,064</u>
-	3,844,851
-	362,184
-	736,113
-	3,386,373
-	53,966
-	1,540,000
-	<u>665,825</u>
-	<u>6,744,461</u>
-	(2,899,610)
-	5,950,000
-	(5,710,000)
-	4,067,815
-	<u>(381,149)</u>
-	<u>3,926,666</u>
-	1,027,056
<u>26,385</u>	<u>3,619,561</u>
<u>\$ 26,385</u>	<u>\$ 4,646,617</u>

Livingston County, Michigan

Other Supplemental Information Combining Statement of Net Assets (Deficit) Internal Service Funds December 31, 2005

	Building Services	Information Technology	Carpool	Benefits	Total
Assets					
Cash and investments	\$ 132,422	\$ 653,152	\$ 1,182,833	\$ 98,358	\$ 2,066,765
Due from other funds	641	-	-	-	641
Equipment - Net	2,049	299,522	726,831	-	1,028,402
Other assets	16,081	-	15,631	3,501	35,213
Total assets	151,193	952,674	1,925,295	101,859	3,131,021
Liabilities					
Accounts payable	225,907	101,328	53,783	-	381,018
Due to other funds	-	-	641	-	641
Other current liabilities	32,164	42,782	463	-	75,409
Total liabilities	258,071	144,110	54,887	-	457,068
Net Assets (Deficit)					
Investment in capital assets - Net of related debt	2,049	299,522	726,831	-	1,028,402
Unrestricted	(108,927)	509,042	1,143,577	101,859	1,645,551
Total net assets (deficit)	<u>\$ (106,878)</u>	<u>\$ 808,564</u>	<u>\$ 1,870,408</u>	<u>\$ 101,859</u>	<u>\$ 2,673,953</u>

Livingston County, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets (Deficit) Internal Service Funds Year Ended December 31, 2005

	Building Services	Information Technology	Carpool	Benefits	Total
Operating Revenue - Charges for services	\$ 2,377,628	\$ 2,644,061	\$ 1,078,132	\$ 6,504,323	\$ 12,604,144
Operating Expenses					
Personnel	1,365,654	1,395,221	84,709	6,490,174	9,335,758
Operating expenses	1,311,432	1,324,791	585,764	-	3,221,987
Depreciation expense	9,625	279,375	293,297	-	582,297
Total operating expenses	<u>2,686,711</u>	<u>2,999,387</u>	<u>963,770</u>	<u>6,490,174</u>	<u>13,140,042</u>
Operating Income (Loss)	(309,083)	(355,326)	114,362	14,149	(535,898)
Nonoperating Income - Gain on sale of fixed assets	<u>-</u>	<u>-</u>	<u>10,178</u>	<u>-</u>	<u>10,178</u>
Income (Loss) - Before operating transfers	(309,083)	(355,326)	124,540	14,149	(525,720)
Operating Transfers In	<u>270,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,682</u>
Net Income (Loss)	(38,401)	(355,326)	124,540	14,149	(255,038)
Net Assets (Deficit) - January 1, 2005	<u>(68,477)</u>	<u>1,163,890</u>	<u>1,745,868</u>	<u>87,710</u>	<u>2,928,991</u>
Net Assets (Deficit) - December 31, 2005	<u>\$ (106,878)</u>	<u>\$ 808,564</u>	<u>\$ 1,870,408</u>	<u>\$ 101,859</u>	<u>\$ 2,673,953</u>

Livingston County, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended December 31, 2005

	Building Services	Information Technology	Carpool	Benefits	Total
Cash Flows from Operating Activities					
Receipts from other funds	\$ 2,362,427	\$ 2,644,061	\$ 1,079,465	\$ 6,504,323	\$ 12,590,276
Payments to suppliers	(1,276,284)	(1,442,706)	(586,858)	(21,170)	(3,327,018)
Payments to employees	(1,397,660)	(1,435,669)	(86,585)	(6,493,675)	(9,413,589)
Net cash provided by (used in) operating activities	(311,517)	(234,314)	406,022	(10,522)	(150,331)
Cash Flows from Capital and Related Financing Activities - Purchase of capital assets	-	(90,813)	(166,741)	-	(257,554)
Cash Flows from Noncapital Financing Activities - Operating transfer in	270,682	-	-	-	270,682
Net Increase (Decrease) in Cash and Cash Equivalents	(40,835)	(325,127)	239,281	(10,522)	(137,203)
Cash and Cash Equivalents - January 1, 2005	173,257	978,279	943,552	108,880	2,203,968
Cash and Cash Equivalents - December 31, 2005	\$ 132,422	\$ 653,152	\$ 1,182,833	\$ 98,358	\$ 2,066,765
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ (309,083)	\$ (355,326)	\$ 114,362	\$ 14,149	\$ (535,898)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	9,625	279,375	293,297	-	582,297
Changes in asset and liability balances:					
Accounts receivable	-	15	-	-	15
Due from other funds	(15,201)	-	-	-	(15,201)
Other assets	-	-	1,333	(3,501)	(2,168)
Accounts payable	35,148	(117,930)	(1,094)	(21,170)	(105,046)
Accrued liabilities	(32,006)	(40,448)	(1,876)	-	(74,330)
Net cash provided by (used in) operating activities	\$ (311,517)	\$ (234,314)	\$ 406,022	\$ (10,522)	\$ (150,331)

Livingston County, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds December 31, 2005

	Agency Funds		
	Trust and Agency	Library Penal Fines	Total
Assets			
Cash	\$ 3,645,164	\$ 374,591	\$ 4,019,755
Other assets	<u>3,122</u>	<u>2,182</u>	<u>5,304</u>
Total assets	<u>\$ 3,648,286</u>	<u>\$ 376,773</u>	<u>\$ 4,025,059</u>
Liabilities			
Due to other governmental units	\$ 1,394,003	\$ -	\$ 1,394,003
Other liabilities	<u>2,254,283</u>	<u>376,773</u>	<u>2,631,056</u>
Total liabilities	<u>\$ 3,648,286</u>	<u>\$ 376,773</u>	<u>\$ 4,025,059</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Operating, Nonoperating, and Other Revenue Sources Year Ended December 31, 2005

	January 1, 2005 to September 30, 2005	October 1, 2005 to December 31, 2005	Total
Operating Revenues			
Demand-response	\$ 49,210	\$ 23,595	\$ 72,805
Special transit fares	85,401	42,035	127,436
Rents	73,248	750	73,998
Other	17,599	36,007	53,606
	<u> </u>	<u> </u>	<u> </u>
Total operating revenues	<u>\$ 225,458</u>	<u>\$ 102,387</u>	<u>\$ 327,845</u>
Nonoperating Revenues			
Federal Operating Grants:			
Specialized Services Grant	\$ -	\$ 13,853	\$ 13,853
U.S. DOT Operating Grant - Section 5307	737,752	39,985	777,737
Federal Capital Grant - Capital Assistance 5309	-	301,349	301,349
State of Michigan Operating Grants:			
Local Bus Operating Assistance	396,133	129,739	525,872
Project Zero Grant	-	32,392	32,392
	<u> </u>	<u> </u>	<u> </u>
Total nonoperating revenue	<u>\$ 1,133,885</u>	<u>\$ 517,318</u>	<u>\$ 1,651,203</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Operating Expenses Year Ended December 31, 2005

	Operations	Maintenance	General Administration	Total
Labor	\$ 632,844	\$ 30,317	\$ 104,518	\$ 767,679
Fringe benefits	265,676	19,887	43,406	328,969
Services	1,836	168,523	303,820	474,179
Materials and supplies consumed:				
Fuel and lubricants	140,631	-	-	140,631
Other materials and supplies	17,769	-	4,595	22,364
Utilities	-	-	60,108	60,108
Casualty and liability costs	177	-	5	182
Miscellaneous	35,090	-	21,210	56,300
Depreciation	150,231	-	51,365	201,596
Total operating expenses	<u>\$ 1,244,254</u>	<u>\$ 218,727</u>	<u>\$ 589,027</u>	<u>\$ 2,052,008</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Net Eligible Cost Computations of General Operations Year Ended December 31, 2005

	January 1, 2005 to September 30, 2005	October 1, 2005 to December 31, 2005	Total
Labor	\$ 484,920	\$ 282,759	\$ 767,679
Fringe benefits	307,117	21,852	328,969
Services	269,947	204,232	474,179
Materials and supplies consumed:			
Fuel and lubricants	52,864	87,767	140,631
Other materials and supplies	17,782	4,582	22,364
Utilities	(18,667)	78,775	60,108
Casualty and liability costs	7,258	(7,076)	182
Depreciation	151,197	50,399	201,596
Miscellaneous	2,566	53,734	56,300
Total operating expenses	1,274,984	777,024	2,052,008
Ineligible operating expenses:			
Revenue associated with rentals	47,069	26,929	73,998
Project Zero	32,489	-	32,489
Other ineligible expenses	11,153	45,307	56,460
Depreciation	151,197	50,399	201,596
Total ineligible expenses	241,908	122,635	364,543
Total eligible expenses	<u>\$ 1,033,076</u>	<u>\$ 654,389</u>	<u>\$ 1,687,465</u>
Maximum state operating assistance:			
Total eligible expenses	\$ 1,274,984	\$ 777,024	\$ 2,052,008
Statutory cap - 60 percent of eligible expenses	<u>60%</u>	<u>60%</u>	<u>60%</u>
Statutory cap amount	<u>\$ 764,990</u>	<u>\$ 466,214</u>	<u>\$ 1,231,205</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Property and Equipment December 31, 2005

		Cost	Accumulated Depreciation	Total
Buildings and building improvements	Intermodel Building	\$ 2,292,283	\$ 252,151	\$ 2,040,132
Vehicles:				
Grant 97-0085	Dodge Ram Vans	57,295	57,295	-
Grant 99-0426	Champion Diesel Bus	78,590	61,750	16,840
Grant 99-0787	Champion Diesel Bus	78,590	50,523	28,067
Grant 00-0485	4 Champion Diesel Buses	328,724	211,323	117,401
Grant 02-0060	5 Eldorado National Buses	260,721	83,804	176,917
Grant MI 90-X425-01 Z14	3 Dodge Ram Vans	46,518	8,861	37,657
Grant MI-03-0192 Fed 5309 (2002)	3 Dodge Ram Vans	141,822	16,884	124,938
Grant MI-03-0192 Fed 5309 (2003)	3 Champion Diesel Bus	153,048	20,042	133,006
Purchased with local funds	Various	148,513	148,510	3
Total vehicles		1,293,821	658,992	634,829
Office furniture - Purchased with local funds		35,219	23,571	11,648
Total property and equipment		<u>\$ 3,621,323</u>	<u>\$ 934,714</u>	<u>\$ 2,686,609</u>

Livingston County, Michigan

Livingston Essential Transportation System Statistical Data - Public Transportation Mileage Data (Unaudited) December 31, 2005

Demand - Response mileage data (unaudited):

First quarter	142,888
Second quarter	11,776
Third quarter	157,873
Fourth quarter	<u>158,922</u>

Total mileage	<u><u>471,459</u></u>
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Livingston County, Michigan

Statistical Information Financial Trends (Unaudited) December 31, 2005

Financial Position (Status of Assets, Liabilities, and Equity)	2002	2003	2004	2005
General Fund:				
Unreserved fund balance compared to expenditures	32.4%	25.6%	23.2%	27.1%
Current ratio (assets/liabilities, excluding deferred revenue)	6.8	5.9	6.8	6.6
All governmental activities:				
Unreserved fund balance compared to expenditures	38.6%	28.3%	25.9%	31.0%
Current ratio (assets/liabilities, excluding deferred revenue)	8.3	6.4	7.4	9.2
Fiscal Capacity (Measures of Ability to Raise Revenue, Incur Debt, and Meet Obligations)				
General Fund:				
Property taxes per capita (operating millage only)	\$ 119	\$ 123	\$ 129	\$ 140
Millage capacity (ability to levy additional taxes without a vote)	None	None	None	None
Expenditures per capita	\$ 198	\$ 197	\$ 211	\$ 208
Ratio of revenues compared to expenditures	1.09	1.09	1.03	1.06
All governmental activities:				
Total property taxes levied per capita (with extra voted mills)	\$ 135	\$ 138	\$ 145	\$ 149
County taxes paid per household	\$ 264	\$ 275	\$ 278	\$ 283
County taxes paid per household as a percentage of household income	0.390%	0.410%	0.413%	0.397%
Taxable value (in 000s)	\$ 6,095,130	\$ 6,592,435	\$ 7,155,612	\$ 7,757,535
Annual change in taxable value	8.8%	8.1%	8.5%	17.7%
State equalized value (SEV)	\$ 7,656,474	\$ 8,538,149	\$ 9,324,352	\$ 10,060,876
Annual change in SEV	12.3%	11.5%	9.2%	17.8%
Debt information:				
County-funded debt per capita	\$ 110	\$ 95	\$ 89	\$ 91
Debt saturation (percent of debt limitation utilized)	3.7%	3.0%	2.4%	2.1%

List of fields to be inserted throughout report:

< Bookmark name	< Values < (Hit [Insert] [Field], Choose 'Ref', 'Options'; Select the bookmark name, then select switch "\h")
A. Name	Livingston County
Name Formal	Livingston County, Michigan (See directions below:)
NamePossesive	Livingston County's
ShortName	County
ShortNamePossesive	County's
Year End	December 31, 2005
Prior Year	December 31, 2004
Opinion Date	May 1, 2006
Examples of how to use the "Name Formal" field:	<p>Cities, Villages & Counties:</p> <p style="text-align: right;">(a) City of Sample, Michigan</p> <p>Townships:</p> <p style="text-align: center;">Charter Township of Sample, Sample County, Michigan</p>

Use [Shift] [Enter] to create the new line