

LIVINGSTON COUNTY
ROAD COMMISSION

FINANCIAL REPORT
December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of County Road Commissioners
Livingston County
Howell, Michigan

We have audited the accompanying financial statements of the governmental activities of Livingston County Road Commission, a component unit of Livingston County, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of Livingston County Road Commission as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with the standards as provided in Public Act 71 of 1919, as amended, being Section 21.41 of the Michigan Compiled Laws. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

PRINCIPALS

Raymond H. Cooper, Jr., CPA, CFP
Gregory D. Clum, CPA, CGFM

MEMBERS

Michigan Association of Certified Public Accountants
American Institute of Certified Public Accountants

ADDRESS

109 West Clinton Street
Howell, Michigan 48843

To the Board of County
Road Commissioners

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Livingston County Road Commission as of December 31, 2014, and the respective change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-14), the budgetary comparison information (pages 40-41), the schedules related to the defined benefit pension plan (pages 42-43), the schedules related to the other postemployment benefit plan (pages 44-45), and the notes to the required supplementary information (pages 46-47) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Livingston County Road Commission's financial statements as a whole. The other supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Brent, Wagner & Co., P.C.

Howell, Michigan
June 15, 2015

LIVINGSTON COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014
(Unaudited)

Our discussion and analysis of Livingston County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the calendar year ended December 31, 2014. This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Road Commission and present a long-term view of the Road Commission's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide financial statements.

Overview of the Financial Statements

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an additional section that presents the operating fund broken down among primary, local and county funds. The basic financial statements include two kinds of statements that present different views of the Road Commission:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all the Road Commission's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the Road Commission's net position and how it has changed. "Net position" is the difference between the assets and liabilities. This is one way to measure Livingston County Road Commission's financial health or position.
- The remaining statements are fund financial statements that focus on individual funds, reporting the operations in more detail than the government-wide statements.

LIVINGSTON COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2014
(Unaudited)

Reporting the Road Commission as a Whole

Government-Wide Statements

The Statement of Net Position and the Statement of Activities report information about the Road Commission as a whole and about its activities in a way that helps answer the question of whether the financial status of the Road Commission, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Position includes all of the Road Commission's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two statements mentioned above report the Road Commission's net position and how it has changed. The reader can think of the Road Commission's net position (the difference between assets and liabilities) as one way to measure the Road Commission's financial health or financial position. Over time, increases or decreases in the Road Commission's net position are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Road Commission, additional nonfinancial factors such as changes in Livingston County's development and growth, the condition of the Road Commission's roads, and changes in the law related to motor vehicle taxes and its distribution need to be considered.

Fund Financial Statements

The Road Commission currently utilizes two funds, the special revenue fund and the fiduciary fund.

All of the Road Commission's activities are accounted for in the special revenue fund. This fund is a governmental fund type. Our analysis of the Road Commission's major fund, the special revenue fund, begins on page 9. The fund financial statements begin on page 16 and provide detailed information about the major fund.

Governmental funds focus on how money flows into and out of the funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Road Commission's general governmental

LIVINGSTON COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2014
(Unaudited)

Reporting the Road Commission as a Whole (Concluded)

Fund Financial Statements (Concluded)

operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds in a reconciliation following the fund financial statements.

The fiduciary fund statements provide financial information about activities for which Livingston County Road Commission acts solely as a trustee or agent for the benefit of the employees of the Road Commission.

Financial Analysis of the Road Commission as a Whole

The Road Commission's net position increased approximately 5.9%, or \$7,461,361, from \$127,405,756 to \$134,867,117 for the year ended December 31, 2014. The net position and change in net position are summarized below.

Net Position

Restricted net position represents those net assets that have constraints placed on them either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. As such, all assets (except for assets invested in capital fixed assets, net of related debt) are considered restricted. The restricted net position increased \$1,305,930 during 2014.

The investment in capital fixed assets, net of related debt, increased by \$6,155,431. The increase in this portion of net position is primarily due to the infrastructure asset additions exceeding infrastructure depreciation expense for the year 2014.

LIVINGSTON COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2014
(Unaudited)

Financial Analysis of the Road Commission as a Whole (Continued)

Net Position (Concluded)

Net position as of December 31, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 10,269,766	8,132,209
Capital Assets, Net	<u>129,511,075</u>	<u>123,006,605</u>
Total Assets	<u>139,780,841</u>	<u>131,138,814</u>
Long-Term Debt Outstanding	1,646,693	1,286,234
Other Liabilities	<u>2,517,031</u>	<u>2,446,824</u>
Total Liabilities	<u>4,163,727</u>	<u>3,733,058</u>
Deferred Inflows of Resources	<u>750,000</u>	<u>-</u>
Net Assets		
Invested in Capital Fixed		
Assets Net of Debt	128,321,781	122,166,350
Restricted	<u>6,545,336</u>	<u>5,239,406</u>
Total Net Assets	<u>\$134,867,117</u>	<u>127,405,756</u>

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LIVINGSTON COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2014
(Unaudited)

Financial Analysis of the Road Commission as a Whole (Continued)

Change in Net Position

A comparative summary of changes in net position for the years ended December 31, 2014 and 2013, is as follows:

	<u>Governmental Activities</u>	
	<u>12/31/14</u>	<u>12/31/13</u>
Program Revenues:		
State grants	\$16,450,755	12,881,395
Federal grants	3,341,623	10,750,515
Contributions from local units	6,444,419	4,638,000
Contributions from private sources	44,104	708,935
Investment income	6,112	5,247
Other revenues	389,852	441,662
General Revenue:		
Gain on equipment disposal	165,399	199,682
Total Revenues	<u>26,842,264</u>	<u>29,625,436</u>
Expenses:		
Public works	19,358,285	19,359,130
Interest expense	22,618	18,527
Total Expenses	<u>19,380,903</u>	<u>19,377,657</u>
Increase in Net Position	<u>\$ 7,461,361</u>	<u>10,247,779</u>

LIVINGSTON COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2014
(Unaudited)

Financial Analysis of the Road Commission as a Whole (Continued)

The Road Commission's Fund

The Road Commission's special revenue fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county which are earmarked by law for road and highway purposes.

For the year ended December 31, 2014, the fund balance of the special revenue fund increased \$847,152 as compared to an increase of \$1,132,720 in the fund balance for the year ended December 31, 2013. Total operating revenues were \$26,242,384, a decrease of \$3,323,505 as compared to last year. This change in revenues resulted primarily from a decrease in federal aid revenue of \$7,408,892, an increase in state aid revenue of \$2,969,360, and an increase in contributions from local units of \$1,806,419.

For the year ended December 31, 2014, total expenditures were \$25,882,058, a decrease of \$2,951,777 as compared to last year.

A summary of changes in the Operating Fund is shown on the following page.

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LIVINGSTON COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2014

(Unaudited)

Financial Analysis of the Road Commission as a Whole (Concluded)

The Road Commission's Fund (Concluded)

	<u>12/31/2014</u>	<u>12/31/2013</u>	<u>Increase (Decrease)</u>	<u>Increase (Decrease) %</u>
Revenues:				
State grants	\$ 15,850,755	12,881,395	2,969,360	23.05 %
Federal grants	3,341,623	10,750,515	(7,408,892)	(68.92)
Contributions from local units	6,444,419	4,638,000	1,806,419	38.95
Contributions from private sources	44,104	648,970	(604,866)	(93.20)
Investment income	6,112	5,247	865	16.49
Proceeds from sales of equipment	165,519	200,100	(34,581)	(17.28)
Other revenues	389,852	441,662	(51,810)	(11.73)
Total revenues	<u>26,242,384</u>	<u>29,565,889</u>	<u>(3,323,505)</u>	<u>(11.24)</u>
Expenditures:				
Primary road	12,230,841	18,925,806	(6,694,965)	(35.37)
Local road	9,984,370	8,579,602	1,404,768	16.37
Primary road structures	1,011,356	66,802	944,554	1,413.96
Local road structures	1,586,693	553,849	1,032,844	186.48
Roadside parks	3,609	6,823	(3,214)	(47.11)
Equipment	(14,255)	(306,638)	292,383	(95.35)
Administrative	706,036	669,890	36,146	5.40
Capital outlay	226,136	236,359	(10,223)	(4.33)
Debt service:				
Principal retirement	137,786	90,509	47,277	52.23
Interest and fiscal charges	9,486	10,833	(1,347)	(12.43)
Total expenditures	<u>25,882,058</u>	<u>28,833,835</u>	<u>(2,951,777)</u>	<u>(10.24)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>360,326</u>	<u>732,054</u>	<u>(371,728)</u>	<u>(50.78)</u>
Other financing sources (uses):				
Proceeds from lease purchases	<u>486,826</u>	<u>400,666</u>	<u>86,160</u>	<u>21.50</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	847,152	1,132,720	(285,568)	(25.21)
Fund balances - beginning	<u>7,618,468</u>	<u>6,485,748</u>	<u>1,132,720</u>	<u>17.46</u>
Fund balances - ending	<u>\$ 8,465,620</u>	<u>7,618,468</u>	<u>847,152</u>	<u>11.12</u>

LIVINGSTON COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2014
(Unaudited)

Budgetary Highlights

Prior to the beginning of any year, the Road Commission's budget is compiled based upon certain assumptions and facts available at the time. During the year, the Board of County Road Commissioners acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the Board reviews and authorizes large expenditures when requested throughout the year.

The final amended revenue budget for 2014 was \$7,205,948 more than the original budget primarily due to the Road Commission receiving more contributions from local units and state aid revenue. The actual revenue recognized during 2014 was lower than the final amended budget by \$239,669.

The final amended expenditure budget for 2014 was \$5,569,198 more than the original budget primarily due to higher than anticipated primary and local road maintenance costs. The actual expenditures recognized during 2014 were lower than the final amended budget by \$2,631,698.

LIVINGSTON COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2014
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2014, the Road Commission had invested \$129,511,075 in capital assets. This amount represents a net increase (including additions and deductions) of \$6,504,470 or 5.29% as follows:

	<u>12/31/14</u>	<u>12/31/13</u>	Net Increase (Decrease)	Net Increase (Decrease) %
Capital assets not being depreciated:				
Land and improvements	\$ 350,094	350,094	-	-
Land easements/right-of-way	26,331,874	26,331,874	-	-
Subtotal	<u>26,681,968</u>	<u>26,681,968</u>	-	-
Capital assets being depreciated:				
Buildings	7,008,423	7,008,423	-	-
Road equipment	10,338,634	9,928,012	410,622	4.14
Shop equipment	240,874	240,874	-	-
Office equipment	388,383	398,278	(9,895)	(2.48)
Engineering equipment	96,180	96,180	-	-
Yard and storage	165,934	79,288	86,646	109.28
Infrastructure	224,827,717	210,373,346	14,454,371	6.87
Depletable assets	488,543	488,543	-	-
Subtotal	<u>243,554,688</u>	<u>228,612,944</u>	<u>14,941,744</u>	6.54
Total capital assets	270,236,656	255,294,912	14,941,744	5.85
Total accumulated depreciation	<u>140,725,581</u>	<u>132,288,307</u>	<u>8,437,274</u>	6.38
Total net capital assets	<u>\$ 129,511,075</u>	<u>123,006,605</u>	<u>6,504,470</u>	5.29

The Road Commission reported the infrastructure acquired during the current year in the amount of \$14,454,371. The infrastructure recorded is depreciated over the estimated useful lives of the infrastructure assets using the half-year convention of straight-line depreciation. The infrastructure is financed through federal, state, and local contributions.

LIVINGSTON COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
 For the Year Ended December 31, 2014
 (Unaudited)

Capital Assets and Debt Administration (Concluded)

Capital Assets (Concluded)

This year's major capital asset additions included the following:

Bridge construction	\$ 2,544,864
Various reconstruction projects, easements and right-of-way	11,909,507
Other equipment	<u>972,057</u>
Total additions	<u>\$15,426,428</u>

Each year the Road Commission disposes of obsolete and worn out equipment. During 2014, the Road Commission disposed of road equipment with a net book value of \$120.

Debt

At December 31, 2014, the Road Commission had \$1,189,295 in installment purchase agreements versus \$840,255 as of December 31, 2013, an increase of 41.54% as shown below:

	<u>12/31/14</u>	<u>12/31/13</u>	<u>Increase</u>	<u>Increase %</u>
Capital lease agreements	<u>\$1,189,295</u>	<u>840,255</u>	<u>349,040</u>	41.54%

Other obligations include accrued vacation pay, personal time, and sick leave. More detailed information about the Road Commission's long-term liabilities is presented in Note 7 of the financial statement notes.

LIVINGSTON COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Concluded)
For the Year Ended December 31, 2014
(Unaudited)

Economic Factors and Next Year's Budget

The Board of County Road Commissioners considered many factors when setting the fiscal year 2015 budget. One of the factors is the economy. The Road Commission derives approximately 60%-75% of its revenues from the motor vehicle tax collected. Using Michigan Department of Transportation projection, it is estimated that the Road Commission will receive approximately the same amount of Michigan Transportation Fund revenues in 2015 as in 2014. The Road Commission received approximately 24.9% of its revenues from township contributions during 2014. This amount fluctuates with the approved road projects and depends on which townships choose to participate and how much the townships can afford to contribute. During 2014, we expect to receive at least \$3,155,663 in federal grants for road projects.

The above items were considered when adopting the budget for 2015. Amounts available for appropriation in the budget are \$22,863,489, a decrease of 28.4% under the 2014 final amended budget of \$31,913,586.

Contacting the Commission's Financial Management

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the Road Commission's finances and to show the Road Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Livingston County Road Commission's administrative offices at (517)546-4250, extension 116.

LIVINGSTON COUNTY ROAD COMMISSION
STATEMENT OF NET POSITION

December 31, 2014

ASSETS

Cash and cash investments	\$ 5,258,909
Accounts receivable (Note 4)	3,195,861
Due from State of Michigan (Note 17)	600,000
Inventories:	
Equipment, fuel, materials and parts	602,800
Road materials	612,196
Capital assets net of accumulated depreciation (Note 5)	<u>129,511,075</u>
 Total Assets	 <u>139,780,841</u>

LIABILITIES AND DEFERRED OUTFLOWS OF RESOURCES

Current Liabilities:	
Accounts payable	190,872
Due to State of Michigan	81,724
Interest payable	17,789
Wages payable	180,354
Other liabilities	1,196
Long-term debt - due within one year (Note 7)	<u>576,080</u>
 Total Current Liabilities	 <u>1,048,015</u>
Noncurrent Liabilities:	
Long-term debt - due in more than one year (Note 7)	1,070,613
Net other post-employment benefit obligation (Note 12)	<u>2,045,096</u>
 Total Noncurrent Liabilities	 <u>3,115,709</u>
 Total Liabilities	 <u>4,163,724</u>
 Deferred Inflows of Resources - State Revenue (Note 11)	 <u>750,000</u>

NET POSITION

Investment in capital fixed assets, net of related debt	128,321,781
Restricted for County Road	<u>6,545,336</u>
 Total Net Position	 <u>\$ 134,867,117</u>

The Notes to Financial Statements are an integral part of this statement.

LIVINGSTON COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014

Program Expenses:	
Primary road	\$ 4,675,305
Local road	5,630,397
Primary road structures	40,921
Local road structures	12,264
Roadside parks	3,609
Administrative	834,127
Equipment - net	(14,255)
Infrastructure depreciation	8,175,917
Interest expense	<u>22,618</u>
Total Program Expenses	<u>19,380,903</u>
Program Revenue:	
State grants	16,450,755
Federal grants	3,341,623
Contributions from local units	6,444,419
Contributions from private sources	44,104
Investment income	6,112
Other revenues	<u>389,852</u>
Total Program Revenue	<u>26,676,865</u>
Net Program Revenue	7,295,962
General Revenue:	
Gain on equipment disposal	<u>165,399</u>
Change in Net Position	7,461,361
Net Position - January 1, 2014	<u>127,405,756</u>
Net Position - December 31, 2014	<u>\$ <u>134,867,117</u></u>

The Notes to Financial Statements are an integral part of this statement.

LIVINGSTON COUNTY ROAD COMMISSION
GOVERNMENTAL FUND
BALANCE SHEET

December 31, 2014

ASSETS	<u>Special Revenue</u>
Cash and cash investments (Notes 2 and 3)	\$ 5,258,909
Accounts receivable (Note 4)	3,195,861
Inventories:	
Equipment, fuel, materials and parts	602,800
Road materials	<u>612,196</u>
Total Assets	<u>\$ 9,669,766</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY	
Liabilities:	
Accounts payable	\$ 190,872
Wages payable	180,354
Due to State of Michigan	81,724
Other liabilities	<u>1,196</u>
Total Liabilities	<u>454,146</u>
Deferred Inflows of Resources - State Revenue (Note 11)	<u>750,000</u>
Fund Equity:	
Fund Balances:	
Nonspendable	1,214,996
Restricted	<u>7,250,624</u>
Total Fund Equity	<u>8,465,620</u>
Total Liabilities and Fund Equity	<u>\$ 9,669,766</u>

The Notes to Financial Statements are an integral part of this statement.

LIVINGSTON COUNTY ROAD COMMISSION
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
 TO THE STATEMENT OF NET POSITION

For the Year Ended December 31, 2014

Total Governmental Fund Balance	\$	8,465,620
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Amounts reported for governmental activities in the statement of net position are different because:

Receipt of revenues from the State of Michigan not received in the measurement period are not current financial resources and therefore are not reported in the governmental funds.		600,000
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		129,511,075
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Prepaid interest expense requires the use of current current financial resources and therefore is reported as an expenditure in the governmental funds.		(17,789)
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Payment of net other post-employment benefit obligations does not require the use of current financial resources and therefore is not reported in the governmental funds.		(2,045,096)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		<u>(1,646,693)</u>
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Net Position of Governmental Activities	\$	<u><u>134,867,117</u></u>
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The Notes to Financial Statements are an integral part of this statement.

LIVINGSTON COUNTY ROAD COMMISSION
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2014

	<u>Special Revenue</u>
Revenues:	
State grants	\$ 15,850,755
Federal grants	3,341,623
Contributions from local units	6,444,419
Contributions from private sources	44,104
Investment income	6,112
Proceeds from sales of equipment	165,519
Other revenues	<u>389,852</u>
Total Revenues	<u>26,242,384</u>
Expenditures:	
Primary road	12,230,841
Local road	9,984,370
Primary road structures	1,011,356
Local road structures	1,586,693
Roadside parks	3,609
Equipment	(14,255)
Administrative	706,036
Net capital outlay (Note 6)	226,136
Debt service:	
Principal retirement	137,786
Interest and fiscal charges	<u>9,486</u>
Total Expenditures	<u>25,882,058</u>
Other Financing Sources:	
Proceeds from lease purchase agreements	<u>486,826</u>
Excess of Revenues and Other Financing Sources over Expenditures	847,152
Fund Balance - January 1, 2014	<u>7,618,468</u>
Fund Balance - December 31, 2014	<u><u>\$ 8,465,620</u></u>

The Notes to Financial Statements are an integral part of this statement.

LIVINGSTON COUNTY ROAD COMMISSION
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
 FUND TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014

Net change in fund balance - total governmental fund	\$	847,152
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		6,504,590
Governmental funds report the gross proceeds from sales of capital assets. However, the statement of activities reports the gain or loss realized on the disposal of capital assets. The difference in the amounts is the net book value of the disposed assets.		120
Repayment of notes/leases payable is an expenditure in the governmental funds, but reduces the long-term liabilities in the statement of net position.		137,786
Proceeds from lease purchase agreements are not considered current revenues in the statement of activities.		(486,826)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenue in the governmental funds:		
State of Michigan revenue allocation		600,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Increase in interest accrual		(13,371)
Increase in compensated absences accrual		(11,419)
Increase in net other post-employment benefit obligation		(116,671)
Change in Net Position of Governmental Activities	\$	<u><u>7,461,361</u></u>

The Notes to Financial Statements are an integral part of this statement.

LIVINGSTON COUNTY ROAD COMMISSION
FIDUCIARY FUND
STATEMENT OF NET POSITION

December 31, 2014

ASSETS

Mutual funds	\$ <u>3,901,578</u>
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NET POSITION

Restricted for employee benefits (Note 2)	\$ <u>3,901,578</u>
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The Notes to Financial Statements are an integral part of this statement.

LIVINGSTON COUNTY ROAD COMMISSION
 FIDUCIARY FUND
 STATEMENT OF CHANGE IN NET POSITION

For the Year Ended December 31, 2014

Additions:	
Net investment earnings	\$ 200,438
Employee contributions	<u>178,565</u>
Total additions	<u>379,003</u>
Deductions:	
Asset fees	16,430
Employee withdrawals/transfers	<u>101,061</u>
Total deductions	<u>117,491</u>
Change in net position	261,512
Net position - January 1, 2014	<u>3,640,066</u>
Net position - December 31, 2014	<u><u>\$ 3,901,578</u></u>

The Notes to Financial Statements are an integral part of this statement.

LIVINGSTON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 1. REPORTING ENTITY AND BASIS OF PRESENTATION

Definition of the reporting entity:

Livingston 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 Livingston County Board of Commissioners. If approval is granted, Road Commission taxes are levied under the taxing authority of Livingston County, as approved by the county electors, and would be included as part of the County's total tax levy, as well as reported in the Livingston County Road Fund.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) requirements, these financial statements present the Local Unit which is a component unit of Livingston County. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on the above criteria, the financial statements present Livingston County Road Commission, a discreetly presented component unit of Livingston County.

Basis of presentation:

Government-wide Financial Statements:

The government-wide financial statements, i.e. the Statement of Net Position and the Statement of Activities, report information on all of the activities of Livingston County Road Commission. The only fund reported in the government-wide financial statements is the Special Revenue Fund (which serves as the general operating fund and is the only major fund).

The Statement of Net Position presents Livingston County Road Commission's assets and liabilities with the difference being reported as either invested in capital assets, net of related debt, or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. REPORTING ENTITY AND BASIS OF PRESENTATION (Concluded)

Basis of presentation (continued):

Government-wide Financial Statements (concluded):

1. Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment;
2. Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items are not considered program revenues and are reported instead as general revenue.

Fund Financial Statements:

In order to ensure observance of limitations and restrictions placed on the use of the resources available to Livingston County Road Commission, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds which are maintained in accordance with the activities or objectives specified. The Road Commission maintains a governmental fund and a fiduciary fund. A brief description of each of the types of funds, as they apply to the Livingston County Road Commission, is noted below:

Special Revenue Fund: This fund is a governmental fund and is used to account for specific revenues which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements. This fund is used to control expenditures of Michigan Transportation Fund monies distributed to the County which are earmarked by law for street and highway purposes.

Fiduciary Fund: The fiduciary fund accounts for assets held by the government in a trustee capacity on behalf of others. The only fiduciary fund of Livingston County Road Commission is the trust fund which holds the deferred compensation of the employees.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Livingston County Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards board (GASB) is the standard-setting body for governmental accounting and financial

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

reporting. A summary of the significant accounting policies used by Livingston County Road Commission is listed below.

Measurement Focus/Basis of Accounting:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The fiduciary fund is not reflected in the government-wide financial statements because the resources of this fund are not available to support the Road Commission's own programs.

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 government 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Michigan transportation funds, grants, permits, township contributions, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Road Commission.

Cash and Cash Equivalents:

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired.

Investments:

Investments are stated at cost. Interest earned is recorded as revenue when the investment matures or when credited, by the financial institution, to the interest bearing account.

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories:

Inventories are stated at cost as determined using an average costing method. Inventory items are charged to road construction, equipment maintenance, repairs, and operations as used.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges and similar items), are reported in the operating fund in the government-wide financial statements.

Capital assets are defined by Livingston County Road Commission as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost at the time of purchase or construction. Items that appear on the State of Michigan's Equipment List are required to be reported as fixed assets and, therefore, are capitalized, regardless of cost. Donated capital assets and donated infrastructure (dedicated land, right-of-way, and roads) are recorded at estimated fair market value at the date of donation.

Depreciation:

Depreciation is computed on the sum-of-the-years-digits method for road equipment and the straight-line method for all other fixed assets and for infrastructure.

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides for recording depreciation in the General Operating Fund as a charge to various expense accounts and a credit to a depreciation credit account. Accordingly, in the Fund Financial Statements, the annual depreciation expense does not affect the available operating equity of the Special Revenue Fund.

The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Building	30 to 50 years
Road equipment	5 to 8 years
Shop equipment	10 years
Engineering equipment	4 to 10 years
Office equipment	4 to 10 years
Yard and storage equipment	10 to 20 years
Infrastructure-roads	8 to 30 years
Infrastructure-bridges	12 to 50 years

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalized Interest:

There were no capitalized interest costs incurred by Livingston County Road Commission during the year ended December 31, 2014.

Compensated Absences (Vacation, Personal, and Sick Leave):

The estimated portion of the liability for vested vacation, personal, and sick leave benefits attributable to Livingston County Road Commission's governmental funds is recorded as an expenditure and liability in the respective funds. The amount payable to employees for compensated absences is included in the government-wide financial statements. Please see Note 8 for more detail.

Non-Exchange Transactions:

Livingston County Road Commission participates in voluntary non-exchange transactions with the Michigan Department of Transportation in the form of contracted road construction projects. The Road Commission records the revenue and corresponding construction expense throughout the year as the project completion vouchers are received. These amounts have been included as infrastructure in the government-wide Statement of Net Position.

Long-term Obligations:

In the government-wide Statement of Net Position, long-term debt and other long-term obligations are reported as liabilities of the Special Revenue Fund.

Fund Balances:

Livingston County Road Commission follows GASB requirements for reporting fund balance. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at December 31, 2014, by the Road Commission represent inventory and are nonspendable in form.

Restricted - includes amounts that can only be spent for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Expenditures are spent from restricted fund balance.

Note 2. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deferred Compensation Plan:

Livingston County Road Commission offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. Effective January 1, 1997, the assets of the plan were transferred to a trust held in a custodial account as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. In accordance with GASB requirements, the assets of the trust are reported in a fiduciary fund and are not reflected in Livingston County Road Commission's financial statements. The custodial account is held by the custodian thereof for the exclusive benefit of the participants and beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The Administrator, Nationwide Retirement Solutions, is agent of the employer for purposes of providing direction to the custodian of the custodial account, from time to time, as to the investment of the funds held in the account, transfer of assets to or from the account, and all other matters.

At December 31, 2014, the carrying amount and market value of the investments of the deferred compensation plan held by Nationwide Retirement Solutions was \$3,901,578.

The Road Commission does not contribute to the plan. Plan members may contribute any amount up to legal limits. For the year ended December 31, 2014, total plan member contributions were \$178,565.

Budgets and Budgetary Accounting:

Budgetary procedures are established pursuant to PA 621 of 1978, as amended, MCL 141.421, which requires the County Board of Road Commissioners to approve a budget for the County Road Fund. Pursuant to the Act, the Road Commission's managing director prepares and submits a proposed operating budget to the Board of Road Commissioners for its review and consideration. The Board conducts a public budget hearing and approves the budget. The budget is amended as necessary during the year and all amendments are approved by the Board. Appropriations lapse at year end. The budget is prepared on the modified accrual basis of accounting, which is the same basis used for the fund financial statements.

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Subsequent events:

Management has evaluated subsequent events through June 15, 2015, the date the financial statements were available to be issued. In Management's opinion, the new lease agreement described in Note 18 is the only subsequent event that requires disclosure.

Note 3. CASH AND CASH INVESTMENTS

Deposits are carried at cost. The Livingston County Treasurer handles investments for the Road Commission. Deposits of Livingston County Road Commission are in the name of the Livingston County Treasurer. Livingston County Road Commission follows the same investment policy as Livingston County. Livingston County's investment policy authorizes the County Treasurer to invest in the following types of securities: bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; United States or Federal agency obligation repurchase agreements; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution; commercial paper rated at the time of purchase at the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase; bankers' acceptances of United States banks; obligations of the state or any of its political subdivisions that, at the time of purchase, are rated as investment grade by not less than one standard rating service; obligations described above if purchased through an interlocal agreement under the urban cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512; investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118; investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150. Livingston County Road Commission's deposits and investments are in accordance with statutory authority and the provisions of PA 20 of 1943.

The cash and cash investments of the Road Commission are subject to various types of risk, which are examined in more detail below:

Custodial Credit Risk - deposits: Custodial credit risk is the risk that in the event of a bank failure, the Road Commission's deposits may not be returned to it. The Road Commission does not have a deposit policy for custodial credit risk.

Note 3. CASH AND CASH INVESTMENTS (Concluded)

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Road Commission's interest rate risk is minimized because the Livingston County Treasurer only invests Road Commission cash in short-term certificates of deposit and holds the certificates to maturity.

Concentration of Credit Risk: The Road Commission follows the investment policy of Livingston County. Livingston County's investment policy requires that it shall diversify its investments by security type and institution by allowing no more than 60 percent of the total investment portfolio to be invested in a single security type, or with a single financial institution. Livingston County Road Commission has no investments, as all of its funds are deposited in certificates of deposit, savings accounts, and checking accounts by the Livingston County Treasurer.

At year end, Livingston County Road Commission had bank deposits of \$5,605,701. The difference of \$346,791 between the bank deposit balance and the carrying value of \$5,258,909 represents checks written but not yet cashed at year end.

Except for \$9,591 (which is completely FDIC insured), Livingston County Road Commission's cash is combined with all of Livingston County's cash and investments. Because of this, the amount, if any, of Livingston County Road Commission funds that are covered by federal depository insurance per financial institution, is not determinable. Any balance not covered by federal depository insurance is uninsured and uncollateralized. Neither the Road Commission nor Livingston County has experienced a loss on investments due to bank failure. Therefore, the Road Commission considers its custodial credit risk to be minimal.

Note 4. ACCOUNTS RECEIVABLE

The accounts receivable recorded in the Road Commission's Statement of Net Position (and the Balance Sheet) are detailed as follows:

	Accounts Receivable
State highway - other	\$2,356,249
Sundry accounts	839,612
	<u>\$3,195,861</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 5. CAPITAL ASSETS

A summary of capital asset activity is as follows:

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
Capital Assets Not Being Depreciated:				
Land and improvements	\$ 350,094	-	-	350,094
Land easements/right of way	26,331,874	-	-	26,331,874
Subtotal	<u>26,681,968</u>	<u>-</u>	<u>-</u>	<u>26,681,968</u>
Capital Assets Being Depreciated:				
Buildings	7,008,423	-	-	7,008,423
Road equipment	9,928,012	885,411	474,789	10,338,634
Shop equipment	240,874	-	-	240,874
Office equipment	398,278	-	9,895	388,383
Engineering equipment	96,180	-	-	96,180
Yard and storage	79,288	86,646	-	165,934
Infrastructure - roads	192,340,523	11,909,507	-	204,250,030
Infrastructure - bridges	18,032,823	2,544,864	-	20,577,687
Depletable assets	488,543	-	-	488,543
Subtotal	<u>228,612,944</u>	<u>15,426,428</u>	<u>484,684</u>	<u>243,554,688</u>
Less Accumulated Depreciation:				
Buildings	3,325,579	140,069	-	3,465,648
Road equipment	8,322,750	590,059	474,669	8,438,140
Shop equipment	207,391	4,963	-	212,354
Office equipment	382,943	6,713	9,895	379,761
Engineering equipment	96,051	128	-	96,179
Yard and storage	75,329	3,989	-	79,318
Infrastructure - roads	114,833,854	7,789,813	-	122,623,667
Infrastructure - bridges	4,925,425	386,104	-	5,311,529
Depletable assets	118,985	-	-	118,985
Subtotal	<u>132,288,307</u>	<u>8,921,838</u>	<u>484,564</u>	<u>140,725,581</u>
Net Capital Assets Being Depreciated	<u>96,324,637</u>	<u>6,504,590</u>	<u>120</u>	<u>102,829,107</u>
Total Net Capital Assets	<u>\$ 123,006,605</u>	<u>6,504,590</u>	<u>120</u>	<u>129,511,075</u>

The amount of depreciation (on all assets except infrastructure) distributed to the various accounts of Livingston County Road Commission is as follows:

Equipment expense - direct	\$ 140,068
Equipment expense - indirect	599,140
Administrative	<u>6,713</u>
Total depreciation expense	<u>\$ 745,921</u>

Note 6. NET CAPITAL OUTLAY

In the Fund Financial Statements, Livingston County Road Commission follows the accounting principle generally accepted in the United States of America for Road Commissions of charging depreciation expense to various expenditure accounts as listed in Note 5. The offsetting entry is to credit a depreciation account which is offset against capital outlay for report purposes. Actual capital outlay and current depreciation for 2014 were \$972,057 and \$745,921, respectively, resulting in a net capital outlay debit of \$226,136.

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 7. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended December 31, 2014:

	Balance January 1, 2014	Additions	Deductions	Balance December 31, 2014
John Deere Financial, capital lease, due in annual installments of \$34,975, including interest at 2.3%, through 2016. Balance due in 2017, secured by equipment.	\$ 235,491	-	(34,525)	200,966
John Deere Financial, capital lease, due in annual installments of \$34,975, including interest at 2.3%, through 2016. Balance due in 2017, secured by equipment.	235,491	-	(34,525)	200,966
John Deere Financial, capital lease, due in annual installments of \$15,696, including interest at 2.3%, through 2017. Balance due in 2018, secured by equipment.	184,637	-	(11,403)	173,234
John Deere Financial, capital lease, due in annual installments of \$15,696, including interest at 2.3%, through 2017. Balance due in 2018, secured by equipment.	184,636	-	(11,403)	173,233
John Deere Financial, capital lease, due in annual installments of \$22,965, including interest at 2.51%, through 2018. Balance due in 2019, secured by equipment.	-	243,413	(22,965)	220,448
John Deere Financial, capital lease, due in annual installments of \$22,965, including interest at 2.51%, through 2018. Balance due in 2019, secured by equipment.	-	243,413	(22,965)	220,448
Accrued compensated absences	445,979	11,419	-	457,398
	<u>\$ 1,286,234</u>	<u>498,245</u>	<u>(137,786)</u>	<u>1,646,693</u>

The current portion of Livingston County Road Commission's long-term debt is summarized below:

	Due within one year	Due after one year
John Deere Financial, capital lease	\$ 30,304	170,662
John Deere Financial, capital lease	30,304	170,662
John Deere Financial, capital lease	11,669	161,564
John Deere Financial, capital lease	11,669	161,565
John Deere Financial, capital lease	17,368	203,080
John Deere Financial, capital lease	17,368	203,080
Accrued compensated absences	457,398	-
	<u>\$ 576,080</u>	<u>1,070,613</u>

The annual requirement to amortize all debt outstanding as of December 31, 2014 (plus interest payments of \$99,602) is as follows:

2015	\$ 576,080
2016	121,514
2017	340,266
2018	312,261
2019	296,572
	<u>\$ 1,646,693</u>

Aggregate maturities of the capital lease obligations are shown in Note 9.

As of December 31, 2014, Livingston County Road Commission was not liable for any short-term debt.

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 8. ACCUMULATED VACATION, SICK, AND PERSONAL LEAVE

Vacation is earned in varying amounts depending on the number of years of service of an employee and is made available to the employee at the beginning of each calendar month, not to exceed a total accumulation of 30 days. Sick leave is accumulated at the rate of one day for each month of services, not to exceed a total accumulation of 60 days.

It is the policy of the Road Commission to pay unused vacation pay at death, retirement, or voluntary resignation up to an amount not to exceed 30 days. Sick pay is payable up to 35 days when an employee retires or dies. Board policy states that no payment is to be made for unused sick leave upon separation of employment except by retirement or death.

Union employees are given 24 hours of personal leave on October 1st of each year and have until September 30th of the subsequent year to use these hours.

Total accumulated vacation, sick, and personal leave has been recorded in the Statement of Net Position. At December 31, 2014, accumulated vacation and sick leave, due to employees at retirement, and personal leave expected to be compensated were \$234,680, \$206,778, and \$15,940, respectively.

Note 9. CAPITAL LEASE OBLIGATIONS

During 2012, Livingston County Road Commission entered into two capital lease agreements with John Deere Financial for the lease of two motor graders. The lease agreements will transfer ownership of the equipment to Livingston County Road Commission at the end of the lease terms.

During 2013, Livingston County Road Commission entered into two capital lease agreements with John Deere Financial for the lease of two motor graders. The lease agreements will transfer ownership of the equipment to Livingston County Road Commission at the end of the lease terms.

During 2014, Livingston County Road Commission entered into two capital lease agreements with John Deere Financial for the lease of two motor graders. The lease agreements will transfer ownership of the equipment to Livingston County Road Commission at the end of the lease terms.

Total capital outlay for the leased motor graders is included in the Livingston County Road Commission government-wide Statement of Net Position in the amount of \$1,840,538. Accumulated depreciation on the leased motor graders at year-end was \$602,216, resulting in a net book value of \$1,238,322.

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 9. CAPITAL LEASE OBLIGATIONS (Concluded)

Future minimum lease payments to be paid by Livingston County Road Commission on the leased equipment are as follows:

2015	\$ 147,272
2016	147,270
2017	363,122
2018	327,131
2019	<u>304,102</u>
	1,288,897
Less amounts representing interest at 2.3% - 2.51%	<u>99,602</u>
Present value of future minimum lease payments (included in Note 7)	<u>\$1,189,295</u>

Note 10. PENSION PLAN

A. Plan Description

Livingston County Road Commission participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. For employees hired before October 1, 2011, the service requirement is computed using credited service at the time of termination of membership multiplied by 2.25% times the final average compensation (FAC), with a maximum benefit of 80% of FAC. For employees hired on or after October 1, 2011, the service requirement is computed using credited services at the time of termination of membership multiplied by 1.70% time the final average compensation (FAC). The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2014.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. 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 MERS at 1134 Municipal Way, Lansing, Michigan 48917.

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 10. PENSION PLAN (Continued)

B. Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Livingston County Road Commission's competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. Livingston County Road Commission is required to contribute at an actuarially determined rate. The 2014 rate was determined by the 2012 actuarial valuation. Per the 2012 actuarial report, the total annual required contribution for 2014 was \$382,848.

C. Annual Pension Cost

During the fiscal year ended December 31, 2014, Livingston County Road Commission's contributions totaling \$398,726 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2012. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8.0% and annual salary increases of 4.0% based on an age-related scale to reflect merit, longevity, and promotional salary increases. Assets are valued at market value plus expected income at the valuation rate of return plus a portion of the difference between the expected investment income and actual investment income earned.

D. Three Year Trend Information

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$397,350	100%	None
2013	397,166	100	None
2014	398,726	100	None

E. Funded Status of Plan

As of December 31, 2014 (the date of the most recent actuarial valuation), the following information is available regarding the pension plan:

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 10. PENSION PLAN (Concluded)

E. Funded Status of Plan (concluded)

Actuarial value of assets	\$17,803,008
Actuarial accrued liability (AAL)	\$21,075,225
Underfunded AAL (UAAL)	\$ 3,272,217
Funded ratio	84.5%
Covered payroll	\$ 3,645,812
UAAL percentage of covered payroll	89.8%

The underfunded actuarial liability is amortized at a level percentage on an open period over 26 years.

The required schedule of funding progress which presents multi-year trend information follows the notes to financial statements and budgetary comparison schedules.

Note 11. DEFERRED INFLOWS OF RESOURCES

During 2014, the Road Commission received \$750,000 of Risk and Reserve funds from the State of Michigan to be used for a specific road project no later than December 31, 2015. As of the opinion date, the Road Commission has let the project to bid and expects completion by August 31, 2015.

Note 12. OTHER POSTRETIREMENT BENEFITS

In addition to the pension benefits described in Note 10, the Road Commission provides postretirement health care benefits to all employees who retire from the Road Commission, in accordance with the agreement between the Board of County Road Commissioners and the American Federation of State, County, and Municipal Employees Council #25 AFL-CIO Local #1071. There are no separately issued financial statements.

The Road Commission provides health insurance coverage for retirees on a "pay as you go" basis. There is no obligation to make contributions in advance. For employees who retired before September 30, 2008, the Road Commission bears the full cost of the health insurance premium. Employees who retire after September 30, 2008 and are over 65 years of age, must bear the cost of insurance premiums for amounts in excess of \$300. All retirees are responsible for 100% of the cost of insurance premiums for spousal coverage, if it is elected. The spouse may continue to have coverage through the Road Commission after the death of the retiree, but must bear the entire cost of the insurance premium. Currently, there are thirty-four retirees. Expenditures for postretirement health insurance are recognized when the premiums are paid. In the fund financial statements, expenditures of \$256,602 were recognized during 2014 for

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 12. OTHER POSTRETIREMENT BENEFITS (Continued)

postretirement health insurance premiums. This amount is net of retiree reimbursements received in 2014 for the retiree portion of insurance premiums and spousal coverage of \$38,500.

The Road Commission's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB requirements. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

2014 Annual Required Contribution	\$ 360,417
Interest on prior year NOPEBO	77,137
ARC adjustment on prior year NOPEBO	<u>(64,281)</u>
Annual OPEB cost	373,273
Annual Contributions	<u>(256,602)</u>
Increase in NOPEBO	116,671
NOPEBO, January 1, 2014	<u>1,928,425</u>
NOPEBO, December 31, 2014	<u>\$2,045,096</u>

The Road Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the NOPEBO as of December 31, 2014 and the two preceding years are as follows:

Year Ended <u>December 31</u>	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	NOPEBO
2014	\$373,273	68.7%	\$ 2,045,096
2013	421,109	58.9	1,928,425
2012	402,090	62.3	1,755,445

Funded Status and Funding Progress: As of December 31, 2012, the date of the most recent actuarial valuation, the actuarial accrued liability for benefits was \$6,538,689, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,336,207, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 196.0 percent.

The projection of future benefits for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 12. OTHER POSTRETIREMENT BENEFITS (Concluded)

Funded Status and Funding Progress (concluded):

results are compared with past expectation and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Payroll growth rate: 4.0%

Retirement age: Age 60 with 10 years of service

Marital status: 70% of males and 70% of females assumed to be married. Male spouses are assumed to be three years older than female spouses.

Mortality: Life expectancies were based on the 1994 Group Annuity Mortality Tables blended 50% male / 50% female.

Medicare coverage: Medicare insurance coverage is assumed to be available for all covered employees on attainment of age 65. This includes disabled retirees.

Healthcare cost trend rates: The expected rate of increase in healthcare insurance premiums is estimated to be 9.0% in 2013, grading to an ultimate rate of 4.0% in 2022 for medical and drug costs and a continuous 4.0% for dental costs.

The individual entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected active payroll on an open basis. The remaining amortization period at December 31, 2014, was thirty years.

The required schedule of funding progress showing multiyear trend information follows the notes to the financial statements, budgetary comparison schedules, and defined benefit pension plan schedules.

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 13. LEASE AGREEMENT WITH LIVINGSTON COUNTY

During 2002, Livingston County Road Commission entered into an agreement to lease land to Livingston County for the purpose of constructing an ambulance station on Livingston County Road Commission premises. The lease agreement is for a term of twenty years, with the option to renew for an additional twenty years at the lessee's sole option and an additional twenty years beyond that upon mutual agreement by both parties. Lease income for the lease term is \$1 per year.

Note 14. RISK MANAGEMENT

Livingston County Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries, as well as benefits provided to employees. The Road Commission participates in the Michigan County Road Commission Self-Insurance Pool for general liability, auto liability, errors and omissions, building and contents, equipment physical damage, and employee benefit programs. The employee benefits program provides coverage for group life insurance, group accident or health insurance, workers' compensation, unemployment, and disability insurance. In addition, the Road Commission has purchased a commercial health insurance policy to cover medical and sick benefits. The Road Commission is insured for environmental cleanup losses relating to the underground fuel storage tanks. The Road Commission is uninsured for acts of God.

The Michigan County Road Commission Self-Insurance Pool operates as a common risk-sharing management program for road commissions in Michigan. Member premiums are used to purchase insurance coverage and pay member claims in excess of deductible amounts. The Road Commission currently has a \$1,000 deductible for each automobile liability occurrence, \$2,500 deductible for each error and omission liability occurrence, and a \$5,000 deductible for each and every loss incurred on the remaining lines of coverage. The risk pool's coverage will pay losses up to \$10,500,000 per occurrence. Any liability for losses which exceed this amount would remain with the Road Commission. Livingston County Road Commission has never incurred any losses which have exceeded the insured amount; therefore, an adjustment for incurred but not reported claims has not been accrued.

Note 15. CONTINGENT LIABILITIES

Livingston County Road Commission has been served in civil actions brought against it seeking damages from matters within the geographical limits of Livingston County. In the opinion of the administration and its legal counsel, the settlement of these civil actions should have no material effect upon the financial position of the Road Commission.

During 2010, Livingston County Road Commission became involved in a lawsuit concerning possible environmental contamination at the previous building site (United States District Court, Eastern

NOTES TO FINANCIAL STATEMENTS (Concluded)

Note 15. CONTINGENT LIABILITIES (Concluded)

District of Michigan, Southern Division Case No. 2:09-cv-12633-BAF-VMM). Livingston County Road Commission does not believe it is responsible for this contamination.

On May 29, 2012, the lawsuit was dismissed without prejudice in accordance with the terms of a tolling agreement that was designed to preserve the Parties' respective current legal positions in the lawsuit while allowing the Michigan Department of Environmental Quality to proceed with its consideration and approval/denial of documentation submitted by both Parties.

As of the opinion date, there has been no determination of actual responsibility and/or liability.

Note 16. FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2014, the Federal grants received and expended by the Road Commission were \$3,341,623 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. These contracted projects are included in MDOT's single audit. Livingston County Road Commission is not subject to single audit requirements.

Note 17. DUE FROM STATE

During 2014, \$1,144,760 of Michigan General Fund monies were appropriated to the Road Commission under Public Act 252 of 2014. These funds are to be distributed to the Road Commission in four installments. The amount appropriated but received after the measurement date is \$600,000.

Note 18. SUBSEQUENT EVENT

Subsequent to the financial statement date (December 31, 2014), the Road Commission entered into a lease agreement for the purchase of a new motor grader at a total projected cost (including interest) of \$298,241.

LIVINGSTON COUNTY ROAD COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
 BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND
 For the Year Ended December 31, 2014
 (Unaudited)

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
State Grants:				
Michigan Transportation Fund:				
Engineering	\$ 10,000	10,000	10,000	-
Primary urban road	1,253,458	1,371,721	7,535,188	6,163,467
Local urban road	572,809	620,680	3,372,612	2,751,932
Primary road	7,084,243	7,520,503	1,400,089	(6,120,414)
Local road	3,225,608	3,372,916	634,405	(2,738,511)
Economic development	500,000	-	-	-
Other	-	2,467,648	2,720,998	253,350
Highway construction - critical bridge	256,350	197,298	177,463	(19,835)
Federal Grants:				
Secondary roads	1,703,920	2,280,654	1,757,221	(523,433)
Critical bridge	1,891,605	1,690,191	1,584,402	(105,789)
Contributions from local units	4,449,645	6,378,526	6,444,419	65,893
Contributions from private sources	-	42,100	44,104	2,004
Investment income	4,000	5,779	6,112	333
Proceeds from sales of assets	200,000	165,519	165,519	-
Other Revenues:				
Salvage sales	5,000	12,411	12,731	320
Permits	50,000	75,985	78,330	2,345
Liability refunds	-	268,118	268,106	(12)
Miscellaneous	1,000	2,004	30,685	28,681
Total Revenues	21,207,638	26,482,053	26,242,384	(239,669)
Proceeds from lease purchase agreements	-	486,826	486,826	-
Total Revenues and Other Financing Sources	21,207,638	26,968,879	<u>26,729,210</u>	<u>(239,669)</u>
Fund Balances - January 1, 2014	<u>3,500,000</u>	<u>4,944,707</u>		
Total Budget	<u>\$ 24,707,638</u>	<u>31,913,586</u>		

LIVINGSTON COUNTY ROAD COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 STATEMENT OF EXPENDITURES
 BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND
 For the Year Ended December 31, 2014
 (Unaudited)

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
Primary Road:				
Heavy maintenance	\$ 7,472,131	8,650,000	7,747,812	902,188
Routine maintenance	4,500,000	5,000,000	4,483,029	516,971
	<u>11,972,131</u>	<u>13,650,000</u>	<u>12,230,841</u>	<u>1,419,159</u>
Local Road:				
Heavy maintenance	1,705,217	5,200,000	4,713,294	486,706
Routine maintenance	4,500,000	5,500,000	5,271,076	228,924
	<u>6,205,217</u>	<u>10,700,000</u>	<u>9,984,370</u>	<u>715,630</u>
Primary Road Structures:				
Heavy maintenance	1,490,948	975,000	970,436	4,564
Routine maintenance	30,000	40,000	40,920	(920)
	<u>1,520,948</u>	<u>1,015,000</u>	<u>1,011,356</u>	<u>3,644</u>
Local Road Structures:				
Heavy maintenance	2,110,320	1,750,000	1,574,429	175,571
Routine maintenance	20,000	20,000	12,264	7,736
	<u>2,130,320</u>	<u>1,770,000</u>	<u>1,586,693</u>	<u>183,307</u>
Roadside Parks:				
Maintenance	7,500	7,500	3,609	3,891
Equipment Expense - Net:				
Direct	1,700,000	1,850,000	1,811,293	38,707
Indirect	1,194,000	1,209,983	1,172,209	37,774
Operating	625,000	750,000	742,371	7,629
Less: Equipment rental	(3,500,000)	(3,600,000)	(3,740,128)	140,128
	<u>19,000</u>	<u>209,983</u>	<u>(14,255)</u>	<u>224,238</u>
Administrative Expense	<u>737,000</u>	<u>734,000</u>	<u>706,036</u>	<u>27,964</u>
Capital Outlay - Net:				
Capital outlay	1,001,100	980,000	972,057	7,943
Less: Depreciation and depletion	(750,000)	(700,000)	(745,921)	45,921
	<u>251,100</u>	<u>280,000</u>	<u>226,136</u>	<u>53,864</u>
Debt Service:				
Principal retirement	83,786	137,786	137,786	-
Interest and fiscal charges	17,556	9,487	9,486	1
	<u>101,342</u>	<u>147,273</u>	<u>147,272</u>	<u>1</u>
 Total Expenditures	 22,944,558	 28,513,756	 <u>25,882,058</u>	 <u>2,631,698</u>
Fund Balances - December 31, 2014	<u>1,763,080</u>	<u>3,399,830</u>		
Total Budget	\$ <u>24,707,638</u>	<u>31,913,586</u>		

LIVINGSTON COUNTY ROAD COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS -
 DEFINED BENEFIT PENSION PLAN

For the Year Ended December 31, 2014
 (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/2012	\$ 16,958,334	\$ 18,735,384	\$ 1,777,050	90.5%	\$ 3,336,207	53.3%
12/31/2013	17,420,587	19,839,195	2,418,608	87.8%	3,568,710	67.8%
12/31/2014	17,803,008	21,075,225	3,272,217	84.5%	3,645,812	89.8%

LIVINGSTON COUNTY ROAD COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS -
 DEFINED BENEFIT PENSION PLAN

For the Year Ended December 31, 2014
 (Unaudited)

Year Ended	Annual Pension Cost	Actual Employer Contributions	Percentage Contributed	Net Pension Obligation / (Asset)
12/31/2012	\$ 397,350	\$ 397,350	100.0%	-
12/31/2013	397,166	397,166	100.0%	-
12/31/2014	398,726	398,726	100.0%	-

LIVINGSTON COUNTY ROAD COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS -
 OTHER POSTEMPLOYMENT BENEFITS

For the Year Ended December 31, 2014
 (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/2006	\$ -	\$ 12,069,831	\$ 12,069,831	0.0%	\$ 3,376,715	357.4%
12/31/2009	-	7,049,418	7,049,418	0.0%	3,705,079	190.3%
12/31/2012	-	6,538,689	6,538,689	0.0%	3,336,207	196.0%

LIVINGSTON COUNTY ROAD COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS -
 OTHER POSTEMPLOYMENT BENEFITS

For the Year Ended December 31, 2014
 (Unaudited)

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contributions</u>	<u>Percentage Contributed</u>	<u>Net OPEB Liability</u>
12/31/2012	\$ 402,090	\$ 250,639	62.3%	\$1,755,445
12/31/2013	421,109	248,129	58.9%	1,928,426
12/31/2014	373,273	256,602	68.7%	2,045,096

LIVINGSTON COUNTY ROAD COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

Note 1. PLAN DESCRIPTION - DEFINED BENEFIT PENSION PLAN

A description of Livingston County Road Commission's (Road Commission) defined benefit pension plan (pension plan) can be found in Note 10 of the Notes to Financial Statements.

Note 2. METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS - DEFINED BENEFIT PENSION PLAN

The actuarially determined rates in the schedule of contributions are calculated as of December 31, two years prior to the end of this fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the 2014 contribution rate:

Valuation date:	12/31/2012
Actuarial cost method:	Entry age normal cost
Amortization method:	Level percentage, open
Remaining amortization period:	26 years
Asset valuation method:	Market value plus expected income at the valuation rate of return plus a portion of the difference between the expected investment income and actual investment income earned
Salary increase:	4.00%
Investment rate of return:	8.00%
Retirement age:	60 years, 10 years service
Mortality:	Life expectancies based on the 1994 Group Annuity Mortality Tables blended 50% male / 50% female.

Note 3. PLAN DESCRIPTION - OTHER POSTEMPLOYMENT BENEFITS PLAN

A description of the Road Commission's other postemployment benefit plan (OPEB plan) can be found in Note 12 of the Notes to the Financial Statements.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (Concluded)
(UNAUDITED)

Note 4. PLAN FUNDING - OTHER POSTEMPLOYMENT BENEFITS PLAN

As detailed in Note 12 of the Notes to Financial Statements, the OPEB plan is funded by the Road Commission on a "pay-as-you-go" basis.

The Schedule of Funding Progress and Schedule of Employer Contributions for the OPEB plan are reported as historical trend information. The Schedule of Funding Progress is presented to measure the progress being made to accumulate sufficient assets to pay benefits when due. The Schedule of Employer Contributions is presented to show the responsibility of the employer (the Livingston County Road Commission) in meeting the actuarial requirements to maintain the OPEB plan.

The comparability of trend information may be affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the net postemployment benefit obligation as a factor.

Note 5. SUMMARY OF ACTUARIAL ASSUMPTIONS - OTHER POSTEMPLOYMENT BENEFITS PLAN

The information presented in the required supplementary schedules for the OPEB plan was determined as part of the actuarial valuations at the dates indicated.

Additional information as of the latest actuarial valuation available includes:

Valuation date	12/31/12
Actuarial cost method	Individual entry age
Amortization method	Level percent (active)
Remaining amortization period	30 years
Asset valuation method	Market value
Discount rate	4.0%
Projected salary increases	4.0%
Valuation health care cost trend rate	9.0% in 2013 grading to 4.0% in 2022

Note 6. FACTORS AFFECTING OPEB PLAN TREND INFORMATION

During the year ended December 31, 2008, the OPEB plan was amended. Under the amended plan, the Road Commission bears the full cost of health insurance premiums only for employees who retired before September 30, 2008. Employees retiring after September 30, 2008, must bear the cost of health insurance premium amounts in excess of \$300.

LIVINGSTON COUNTY ROAD COMMISSION
ANALYSIS OF CHANGES IN FUND BALANCE

SPECIAL REVENUE FUND
For the Year Ended December 31, 2014
(Unaudited)

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Total Revenues	\$ 15,050,933	10,631,991	1,046,286	26,729,210
Total Expenditures	<u>13,617,606</u>	<u>11,891,320</u>	<u>373,132</u>	<u>25,882,058</u>
Excess of Revenues over Expenditures	1,433,327	(1,259,329)	673,154	847,152
Fund Balance - January 1, 2014	5,049,157	-	2,569,311	7,618,468
Interfund Transfers	<u>(1,259,329)</u>	<u>1,259,329</u>	<u>-</u>	<u>-</u>
Fund Balance - December 31, 2014	<u>\$ 5,223,155</u>	<u>-</u>	<u>3,242,465</u>	<u>8,465,620</u>

LIVINGSTON COUNTY ROAD COMMISSION
ANALYSIS OF REVENUES

SPECIAL REVENUE FUND
For the Year Ended December 31, 2014
(Unaudited)

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
State Grants:				
Michigan Transportation Fund:				
Engineering	\$ 6,908	3,092	-	10,000
Urban road	1,400,089	634,405	-	2,034,494
Allocation	7,535,188	3,372,612	-	10,907,800
Highway construction - critical bridge	-	177,463	-	177,463
Other	2,720,998	-	-	2,720,998
Federal Grants:				
Secondary roads	1,757,221	-	-	1,757,221
Critical bridge	1,584,402	-	-	1,584,402
Contributions from Local Units	-	6,444,419	-	6,444,419
Contributions from Private Sources	42,100	-	2,004	44,104
Investment Income	4,027	-	2,085	6,112
Proceeds from Sales of Assets	-	-	165,519	165,519
Proceeds from Lease Purchase Agreements	-	-	486,826	486,826
Other Revenue	-	-	389,852	389,852
Total Revenues	\$ 15,050,933	10,631,991	1,046,286	26,729,210

LIVINGSTON COUNTY ROAD COMMISSION
ANALYSIS OF EXPENDITURES

SPECIAL REVENUE FUND
For the Year Ended December 31, 2014
(Unaudited)

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Primary Road:				
Heavy maintenance	\$ 7,747,812	-	-	7,747,812
Maintenance	4,483,029	-	-	4,483,029
Local Road:				
Heavy maintenance	-	4,713,294	-	4,713,294
Maintenance	-	5,271,076	-	5,271,076
Primary Road Structures:				
Heavy maintenance	970,436	-	-	970,436
Maintenance	40,920	-	-	40,920
Local Road Structures:				
Heavy maintenance	-	1,574,429	-	1,574,429
Maintenance	-	12,264	-	12,264
Roadside Parks:				
Maintenance	3,609	-	-	3,609
Equipment Expense - Net	(5,041)	(8,938)	(276)	(14,255)
Administrative Expense	376,841	329,195	-	706,036
Capital Outlay - Net	-	-	226,136	226,136
Debt Service:				
Principal retirement	-	-	137,786	137,786
Interest and fiscal charges	-	-	9,486	9,486
Total Expenditures	\$ <u>13,617,606</u>	<u>11,891,320</u>	<u>373,132</u>	<u>25,882,058</u>