

TOWNSHIP OF TYRONE, LIVINGSTON COUNTY, MICHIGAN

ANNUAL FINANCIAL REPORT

YEAR ENDED MARCH 31, 2016



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INDEPENDENT AUDITOR'S REPORT

To The Board of Trustees
Tyrone Township, Livingston County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Tyrone, Livingston County, Michigan, (the "Township") as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

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

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, each major fund, and the aggregate remaining fund information of the Township as of March 31,

2016, and the respective changes in financial position and, where applicable, cash flows thereof 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 and budgetary comparison information 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 opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual fund financial statements and the combining sewer fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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



Gabridge & Company, PLC
Grand Rapids, MI
June 30, 2016

Management's Discussion and Analysis

As management of the Township of Tyrone, Livingston County, Michigan (The "Township" or "government") we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2016. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets and deferred outflows of the Township exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$17,417,655 (net position). Of this amount, \$7,221,062 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$6,637,565, an increase of \$1,111,049 in comparison with the prior year. Approximately 18% of this amount, \$1,173,170, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,173,170, or approximately 162% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the Township's assets, deferred inflows / outflows, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., unavailable revenues, accrued interest, and long-term debt).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, police and fire protection, roads, health and welfare, community and economic development, and culture. The business-type activities of the Township include the sewage disposal system.

The government-wide financial statements can be found on pages 14 – 15 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains multiple individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and public safety fund, which are considered to be major funds. Data from the other governmental funds is presented as a separate column as they are considered nonmajor funds.

The Township adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 16 – 19 of this report.

Proprietary Funds. The Township maintains one type of proprietary fund, an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the

government-wide financial statements. The Township uses enterprises funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 20 – 22 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Township reports one type of fiduciary fund, and maintains two agency funds.

The fiduciary fund financial statement can be found on page 23 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 24 - 40 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Township's budgetary comparison schedules.

Required supplementary information can be found on pages 41- 42 of this report.

This report also presents other supplementary information which includes the combining and individual fund statements. The combining statements are presented immediately following the required supplementary information on budgets.

Combining and individual fund statements and schedules can be found on pages 44 – 50 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Township, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$17,417,655 at the close of the most recent fiscal year.

Township of Tyrone Net Position as of March 31, 2016 and March 31, 2015

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
ASSETS						
<i>Current Assets</i>						
Cash and Cash Equivalents	\$ 4,498,268	\$ 3,730,532	\$ 598,666	\$ 784,660	\$ 5,096,934	\$ 4,515,192
Cash and Cash Equivalents - Restricted	-	-	1,132,029	933,604	1,132,029	933,604
Investments	425,400	424,500	-	-	425,400	424,500
Receivables	230,008	274,593	164,552	253,490	394,560	528,083
Special Assessment Receivables	14,785	328,424	574,154	441,221	588,939	769,645
Prepaid Expenses	5,113	86,526	-	-	5,113	86,526
Due from Agency Funds	9,884	9,962	-	-	9,884	9,962
Land Held for Resale	75,031	21,987	-	-	75,031	21,987
Total Current Assets	5,258,489	4,876,524	2,469,401	2,412,975	7,727,890	7,289,499
<i>Noncurrent Assets</i>						
Capital Assets not being Depreciated	7,500	7,500	612,485	-	619,985	7,500
Capital Assets being Depreciated	135,141	156,528	12,908,596	13,409,979	13,043,737	13,566,507
Cash and Cash Equivalents - Restricted	-	-	1,709,157	1,337,467	1,709,157	1,337,467
Cash Held by Agent - Restricted	-	-	1,278	1,786	1,278	1,786
Special Assessment Receivables	286,496	-	4,462,463	3,612,372	4,748,959	3,612,372
Total Assets	5,687,626	5,040,552	22,163,380	20,774,579	27,851,006	25,815,131
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Charge on Refunding	-	-	356,723	389,457	356,723	389,457
Total Deferred Outflows of Resources	-	-	356,723	389,457	356,723	389,457
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	100,212	59,837	50,115	45,494	150,327	105,331
Accrued Liabilities and Other	5,202	12,519	-	-	5,202	12,519
Accrued Interest	4,754	5,562	120,479	133,604	125,233	139,166
Current Portion of Long-term Debt	20,000	37,800	852,610	800,000	872,610	837,800
Due to Other Governmental Units	1,004	-	-	-	1,004	-
Internal Balances	(648)	(5,416)	648	5,416	-	-
Total Current Liabilities	130,524	110,302	1,023,852	984,514	1,154,376	1,094,816
<i>Noncurrent Liabilities</i>						
Long-term Debt	415,000	435,000	8,595,329	8,902,640	9,010,329	9,337,640
Advances from Other Funds	(2,125,000)	(1,700,000)	2,125,000	1,700,000	-	-
Total Liabilities	(1,579,476)	(1,154,698)	11,744,181	11,587,154	10,164,705	10,432,456
DEFERRED INFLOWS OF RESOURCES						
Special Assessments Levied for a Subsequent Period	625,369	611,694	-	-	625,369	611,694
Total Deferred Inflows of Resources	625,369	611,694	-	-	625,369	611,694
NET POSITION						
Net Investment in Capital Assets	142,641	164,028	4,431,143	4,098,582	4,573,784	4,262,610
Restricted	1,066,582	790,762	4,556,227	5,096,735	5,622,809	5,887,497
Unrestricted	5,432,510	4,628,766	1,788,552	381,565	7,221,062	5,010,331
Total Net Position	\$ 6,641,733	\$ 5,583,556	\$ 10,775,922	\$ 9,576,882	\$ 17,417,655	\$ 15,160,438

A significant portion of the Township's net position, \$4,573,784 or 26%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related

outstanding debt that was used to acquire those assets. The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position, \$5,622,809 or 32%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,221,062 or 42% is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Cash and cash equivalents increased significantly during the year, from \$4,515,192 as of March 31, 2015 to \$5,096,934 as of March 31, 2016. This is a direct result of the Township actively monitoring the expenditure side of its ledger to keep costs down leading to an increase in net position of \$2,257,217 during the year. This in turn increased the Township's cash balances.

Also, long-term debt decreased from \$10,175,440 as of March 31, 2015 to \$9,447,939 as of March 31, 2016. This is a result of principal payments made by the Township during the year. The Township did issue a new bond in the current year related to a Lake Tyrone sewer improvement project and new special assessment, but principal payments on existing debt were greater than the new principal balance. This is discussed further below and in the footnotes to the financial statements.

The Township's overall net position increased \$2,257,217 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Township of Tyrone
Change in Net Position for Fiscal Year Ended March 31, 2016 and March 31, 2015

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Revenue						
Program Revenues						
Charges for Services	\$ 967,591	\$ 863,344	\$ 627,298	\$ 498,019	\$ 1,594,889	\$ 1,361,363
Operating Grants & Contributions	-	2,500	-	-	-	2,500
Capital Grants & Contributions	-	-	1,857,991	388,349	1,857,991	388,349
Total Program Revenues	<u>967,591</u>	<u>865,844</u>	<u>2,485,289</u>	<u>886,368</u>	<u>3,452,880</u>	<u>1,752,212</u>
General Revenues						
Property Taxes	398,928	373,485	-	-	398,928	373,485
State Revenue	780,269	789,984	-	-	780,269	789,984
Cable Franchise Fees	198,186	191,743	-	-	198,186	191,743
Interest	22,457	14,449	11,989	7,930	34,446	22,379
Other	18,540	293,538	-	250,531	18,540	544,069
Total General Revenues	<u>1,418,380</u>	<u>1,663,199</u>	<u>11,989</u>	<u>258,461</u>	<u>1,430,369</u>	<u>1,921,660</u>
Total Revenues	<u>2,385,971</u>	<u>2,529,043</u>	<u>2,497,278</u>	<u>1,144,829</u>	<u>4,883,249</u>	<u>3,673,872</u>
Expenses						
General Government	494,084	503,001	-	-	494,084	503,001
Public Safety	488,387	494,540	-	-	488,387	494,540
Public Works	106,608	381,958	1,298,238	1,314,696	1,404,846	1,696,654
Community & Economic Development	83,132	67,157	-	-	83,132	67,157
Health and Welfare	4,000	4,000	-	-	4,000	4,000
Culture	44,278	16,562	-	-	44,278	16,562
Other Functions	87,883	71,467	-	-	87,883	71,467
Interest on Long-term Debt	19,422	20,611	-	-	19,422	20,611
Total Expenses	<u>1,327,794</u>	<u>1,559,296</u>	<u>1,298,238</u>	<u>1,314,696</u>	<u>2,626,032</u>	<u>2,873,992</u>
Change in Net Position	<u>1,058,177</u>	<u>969,747</u>	<u>1,199,040</u>	<u>(169,867)</u>	<u>2,257,217</u>	<u>799,880</u>
<i>Net Position at Beginning of Period</i>	<u>5,583,556</u>	<u>4,613,809</u>	<u>9,576,882</u>	<u>9,746,749</u>	<u>15,160,438</u>	<u>14,360,558</u>
Net Position at End of Period	<u>\$ 6,641,733</u>	<u>\$ 5,583,556</u>	<u>\$ 10,775,922</u>	<u>\$ 9,576,882</u>	<u>\$ 17,417,655</u>	<u>\$ 15,160,438</u>

Governmental Activities. Governmental activities increased the Township's net position by \$1,058,177. The total increase was the result of total revenues of \$2,385,971 less total expenses of \$1,327,794.

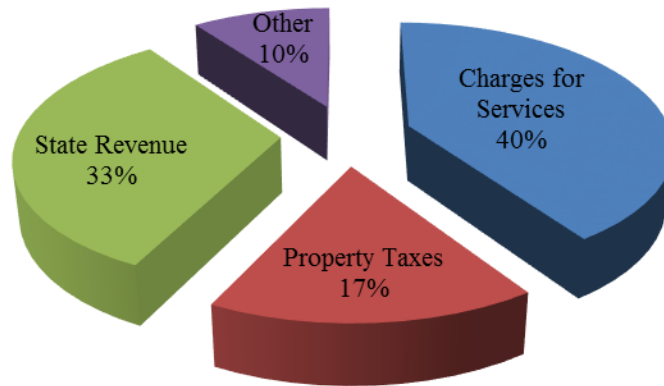
Total revenues decreased by \$143,072 compared to the previous fiscal year. The decrease in revenues is attributable to the sale of land in 2015 that the Township held for resale in the amount of \$235,672 (included as other income). There was no comparable other income during 2016. Overall expenses decreased by \$231,502 from the prior year. This decrease is primarily related expenses incurred in 2015 in the public works function for Hartland Road improvements within Tyrone Township amounting to \$264,851, with no comparable projects in 2016.

After consideration of these large changes, the activity within the governmental funds was very comparable to the prior year. The increase in net position compares to an increase of \$969,747, a comparable result.

Governmental Activities

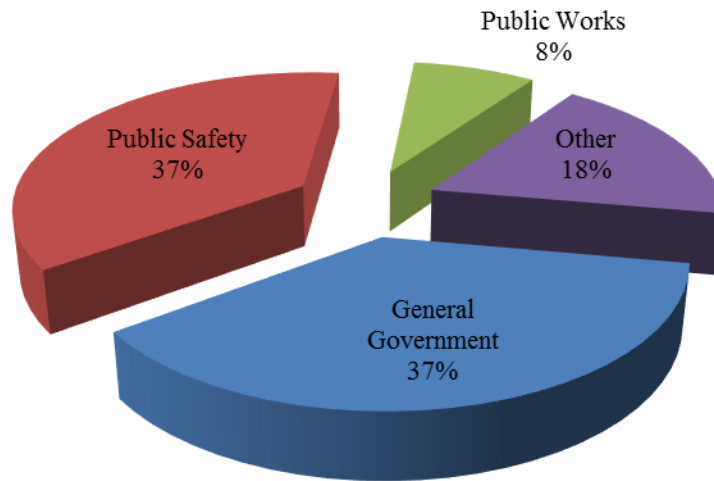
The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year end.

Governmental Activities Revenues



The following chart summarizes the expenses for the governmental activities of the Township for the most recent fiscal year end.

Governmental Activities Expenses



Business-type Activities. Business-type activities increased the Township's net position by \$1,199,040 during fiscal year 2016. The increase in net position is mostly related to the recognition of \$1,633,786 of revenue for a new special assessment for Lake Tyrone sewer improvements. Before consideration of special assessment activity, there was an operating loss of (\$316,323) because operating expenses exceeded operating revenues.

The Township has budgeted increases in charges for sewer services in accordance with the Township's seven-year plan to ensure sustainable operation of the sewer system. These increases, in part, led to the increased charged for services during fiscal year 2016. There was also a one-time increase in other income during 2015 of \$253,361 for collections on prior year receivable adjustments, which did not occur in 2016, which resulted in a larger operating loss in 2016.

After consideration of special assessment, debt, and other non-operating and contribution activity, the change in net position is a positive \$1,199,040 mostly due to the fact that the new special assessments revenue is recognized fully in the current year, whereas the related expenses (debt payments and depreciation) are recognized in future years.

Financial Analysis of Governmental Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Township itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Township's Board.

At March 31, 2016, the Township's governmental funds reported combined fund balances of \$6,637,565, an increase of \$1,111,049 in comparison with the prior year. Approximately 18% of this amount, \$1,173,170, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, assigned, or restricted* to indicate that it is 1) not in spendable form; 2,205,144 or 33%, 2) restricted for particular purposes; \$1,066,582 or 16%, 3) committed for late-in-the-year tax collections; \$500,000 or 8%, or 4) assigned; \$1,692,669 or 25%.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,173,170 while total fund balance increased to \$5,570,983. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 162% of total general fund expenditures and transfers out, while total fund balance represents approximately 769% of that same amount.

The fund balance of the Township's general fund increased by \$907,670 during the current fiscal year, which is comparable to an increase of \$811,552 in 2015. The Township Board monitors the expenditures of the general fund closely to ensure that spending does not exceed the Township's available resources.

Total revenues in the general fund decreased by \$147,596, which is mostly related to the sale of township land during 2015. Total expenses decreased by \$243,714, which is mostly related to road improvement projects paid for by the Township during 2015. Both of these items were discussed in the above paragraphs. The remaining activity in the general fund was comparable to the prior year.

The public safety fund, a major fund, had a \$197,263 increase in fund balance during the current fiscal year, which compares to an increase of \$91,412 in 2015. The main reason for this was the recognition of \$45,661 of revenue related to the settlement of unpaid fire charges for services received during 2016. Special assessment revenues also increased during the current year, resulting in a larger increase in fund balance.

The fund balance of the nonmajor funds increased by \$6,116 during the current fiscal year, which is comparable to an increase of \$39,816 in 2015.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year was \$1,788,552 for the sewer fund. Total net position increased by \$1,199,040 which put the overall net position at \$10,775,922. The significant reasons for the change in net position of the sewer fund are stated in the previous section, and relate to the funds operating loss and new special assessment activity.

After consideration of the special assessment activity, the activity in the fund was mostly comparable as discussed in the above sections.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was a need to adjust expenditures in the final budget to \$1,341,362 from the originally budgeted expenditures of \$1,312,831. All budget amendments were relatively minor to adjust expenses to actual operations.

Final budget compared to actual results. During the current fiscal year the Township had no expenditures in excess of the appropriated amounts in the general fund.

Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2016 amounts to \$13,663,722 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, and sewer infrastructure.

The following summarizes the Township's capital assets:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Buildings	\$ 119,311	\$ -	\$ 119,311
Land	7,500	17,595	25,095
Land Improvements	13,943	-	13,943
Machinery and Equipment	1,887	-	1,887
Construction in Progress	-	594,890	594,890
Sewer System	-	12,908,596	12,908,596
	<u>\$ 142,641</u>	<u>\$ 13,521,081</u>	<u>\$ 13,663,722</u>

More detailed information about the Township's capital assets can be found in note 4.

Long-term Debt

As described in note 6 to the financial statements, the Township had \$9,882,939 in long-term debt at the end of the fiscal year. The Township is well under its legal debt limit as of year-end. The Township issued \$594,890 of new bonds during the year to finance the new Lake Tyrone sewer improvement project alongside a new special assessment for the project.

Economic Condition and Outlook

For the 2017 year, \$1,443,250 of revenues are budgeted to be available for appropriation in the general fund. Expenditures are budgeted to be \$992,904 and transfers out of \$525,000. This is comparable to actual total revenues of \$1,631,828, total expenses of \$724,158, and an advance to the sewer fund of \$425,000. Activity is expected to be similar to what occurred during 2016.

The Township continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2017, the Township plans again to use current revenues to provide essential services and to maintain the Township's financial reserves at similar levels. Property tax revenues are expected to change minimally reflecting fairly stable property values. The ongoing costs of providing essential services for the citizens of the Township will again need to be monitored in order to maintain the financial condition of the Township.

Contacting the Township

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

The Township of Tyrone
10408 Center Road
Fenton, MI 48430

**Township of Tyrone
Statement of Net Position
March 31, 2016**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 4,498,268	\$ 598,666	\$ 5,096,934
Cash and Cash Equivalents - Restricted	--	1,132,029	1,132,029
Investments	425,400	--	425,400
Receivables	230,008	164,552	394,560
Current Special Assessments Receivables	14,785	574,154	588,939
Prepaid Items	5,113	--	5,113
Due from Agency Funds	9,884	--	9,884
Land Held for Resale	75,031	--	75,031
Total Current Assets	5,258,489	2,469,401	7,727,890
<i>Noncurrent Assets</i>			
Capital Assets not being Depreciated	7,500	612,485	619,985
Capital Assets being Depreciated	135,141	12,908,596	13,043,737
Cash and Cash Equivalents - Restricted	--	1,709,157	1,709,157
Cash Held by Agent - Restricted	--	1,278	1,278
Special Assessment Receivables	286,496	4,462,463	4,748,959
Total Assets	5,687,626	22,163,380	27,851,006
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	--	356,723	356,723
Total Deferred Outflows of Resources	--	356,723	356,723
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	100,212	50,115	150,327
Accrued Liabilities and Other	5,202	--	5,202
Accrued Interest	4,754	120,479	125,233
Current Portion of Long-term Debt	20,000	852,610	872,610
Due to Other Governmental Units	1,004	--	1,004
Internal Balances	(648)	648	--
Total Current Liabilities	130,524	1,023,852	1,154,376
<i>Noncurrent Liabilities</i>			
Long-term Debt	415,000	8,595,329	9,010,329
Advances to Other Funds	(2,125,000)	2,125,000	--
Total Liabilities	(1,579,476)	11,744,181	10,164,705
DEFERRED INFLOWS OF RESOURCES			
Special Assessments Levied for a Subsequent Period	625,369	--	625,369
Total Deferred Inflows of Resources	625,369	--	625,369
NET POSITION			
Net Investment in Capital Assets	142,641	4,431,143	4,573,784
<i>Restricted for:</i>			
Public Safety	595,175	--	595,175
Debt Service	185,790	4,556,227	4,742,017
Public Access Programming	237,597	--	237,597
Streets and Right of Way	7,123	--	7,123
Lake Tyrone Grant	9,550	--	9,550
Waste Removal	13,288	--	13,288
Snow Removal	12,550	--	12,550
Lighting Districts	5,509	--	5,509
<i>Unrestricted</i>	5,432,510	1,788,552	7,221,062
Total Net Position	\$ 6,641,733	\$ 10,775,922	\$ 17,417,655

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Tyrone
Statement of Activities
For the Year Ended March 31, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 494,084	\$ 189,555	\$ --	\$ --	\$ (304,529)	\$ --	\$ (304,529)
Public Safety	488,387	695,104	--	--	206,717	--	206,717
Public Works	106,608	82,932	--	--	(23,676)	--	(23,676)
Community and Economic Development	83,132	--	--	--	(83,132)	--	(83,132)
Health and Welfare	4,000	--	--	--	(4,000)	--	(4,000)
Culture	44,278	--	--	--	(44,278)	--	(44,278)
Other Functions	87,883	--	--	--	(87,883)	--	(87,883)
Interest on Long-term Debt	19,422	--	--	--	(19,422)	--	(19,422)
Total Governmental Activities	1,327,794	967,591	--	--	(360,203)	--	(360,203)
Business-type Activities:							
Sewer Fund	1,298,238	627,298	--	1,857,991	--	1,187,051	1,187,051
Total Business-type Activities	1,298,238	627,298	--	1,857,991	--	1,187,051	1,187,051
Total Primary Government	\$ 2,626,032	\$ 1,594,889	\$ --	\$ 1,857,991	\$ (360,203)	\$ 1,187,051	\$ 826,848
General Purpose Revenues and Transfers:							
Revenues							
Property Taxes					398,928	--	398,928
State Revenue					780,269	--	780,269
Cable Franchise Fees					198,186	--	198,186
Interest					22,457	11,989	34,446
Other Miscellaneous Income					18,540	--	18,540
Transfers					--	--	--
Total General Revenues and Transfers					1,418,380	11,989	1,430,369
Change in Net Position					1,058,177	1,199,040	2,257,217
<i>Net Position at Beginning of Period</i>					5,583,556	9,576,882	15,160,438
Net Position at End of Period					\$ 6,641,733	\$ 10,775,922	\$ 17,417,655

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Tyrone
Balance Sheet
Governmental Funds
March 31, 2016**

	<u>Special Revenue</u>			
	<u>General</u>	<u>Public Safety Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 2,769,721	\$ 1,248,702	\$ 479,845	\$ 4,498,268
Investments	425,400	--	--	425,400
Receivables	180,163	30,228	19,617	230,008
Current Special Assessments Receivables	--	--	14,785	14,785
Prepaid Items	5,113	--	--	5,113
Due from Agency Funds	9,884	--	--	9,884
Land Held for Resale	75,031	--	--	75,031
Due from Other Funds	648	--	--	648
Special Assessment Receivables	--	--	286,496	286,496
Advances to Other Funds	2,125,000	--	--	2,125,000
Total Assets	\$ 5,590,960	\$ 1,278,930	\$ 800,743	\$ 7,670,633
LIABILITIES				
Accounts Payable	\$ 13,771	\$ 86,345	\$ 96	\$ 100,212
Accrued Liabilities and Other	5,202	--	--	5,202
Due to Other Governmental Units	1,004	--	--	1,004
Total Liabilities	19,977	86,345	96	106,418
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	--	--	301,281	301,281
Aggregated deferred inflows	--	597,410	27,959	625,369
Total Liabilities and Deferred Inflows of Resources	19,977	683,755	329,336	1,033,068
FUND BALANCE				
Nonspendable	2,205,144	--	--	2,205,144
Restricted	--	595,175	471,407	1,066,582
Committed	500,000	--	--	500,000
Assigned	1,692,669	--	--	1,692,669
Unassigned	1,173,170	--	--	1,173,170
Total Fund Balance	5,570,983	595,175	471,407	6,637,565
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 5,590,960	\$ 1,278,930	\$ 800,743	\$ 7,670,633

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Tyrone
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
March 31, 2016

Total Fund Balance - Governmental Funds	\$	6,637,565
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement. This amount represents capital assets of \$558,436 less accumulated depreciation of \$415,795.		142,641
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		301,281
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.		(435,000)
In the Statement of Net Position, interest is accrued on outstanding bonds, whereas in the governmental funds, the interest expenditure is reported when due.		(4,754)
Total Net Position - Governmental Funds	\$	<u>6,641,733</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Tyrone
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended March 31, 2016

	<u>Special Revenue</u>			Total Governmental Funds
	<u>General</u>	<u>Public Safety Fund</u>	<u>Other Governmental Funds</u>	
Revenues				
Property Taxes	\$ 398,928	\$ --	\$ --	\$ 398,928
Licenses and Permits	33,531	--	--	33,531
State Revenue	780,269	--	7,070	787,339
Charges for Services	25,503	98,134	2,262	125,899
Fines and Forfeitures	19,270	--	--	19,270
Special Assessments	--	582,775	74,323	657,098
Cable Franchise Fees	141,569	--	56,617	198,186
Fees	151,866	--	--	151,866
Other Miscellaneous Income	61,490	--	--	61,490
Interest	19,402	2,479	576	22,457
Total Revenues	<u>1,631,828</u>	<u>683,388</u>	<u>140,848</u>	<u>2,456,064</u>
Expenditures				
General Government	472,697	--	--	472,697
Public Safety	--	486,125	2,262	488,387
Public Works	74,363	--	32,245	106,608
Health and Welfare	4,000	--	--	4,000
Community and Economic Development	83,132	--	--	83,132
Culture	2,083	--	42,195	44,278
Other Functions	87,883	--	--	87,883
Debt Service - Interest	--	--	20,230	20,230
Debt Service - Principal	--	--	37,800	37,800
Total Expenditures	<u>724,158</u>	<u>486,125</u>	<u>134,732</u>	<u>1,345,015</u>
Excess of Revenues Over (Under) Expenditures	<u>907,670</u>	<u>197,263</u>	<u>6,116</u>	<u>1,111,049</u>
Net Change in Fund Balance	<u>907,670</u>	<u>197,263</u>	<u>6,116</u>	<u>1,111,049</u>
<i>Fund Balance at Beginning of Period</i>	4,663,313	397,912	465,291	5,526,516
Fund Balance at End of Period	<u>\$ 5,570,983</u>	<u>\$ 595,175</u>	<u>\$ 471,407</u>	<u>\$ 6,637,565</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Tyrone
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended March 31, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	1,111,049
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 and reported as depreciation expense. This amount of depreciation expense of \$21,387.		(21,387)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.		(70,093)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		37,800
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 funds.		808
Changes in Net Position - Governmental Funds	\$	<u>1,058,177</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Tyrone
Statement of Net Position
Proprietary Funds
March 31, 2016**

	Business-type Activities - Enterprise Fund
	Sewer Fund
ASSETS	
<i>Current Assets</i>	
Cash and Cash Equivalents	\$ 598,666
Cash and Cash Equivalents - Restricted	1,132,029
Receivables	164,552
Current Special Assessments Receivables	574,154
Total Current Assets	2,469,401
<i>Noncurrent Assets</i>	
Capital Assets not being Depreciated	612,485
Capital Assets being Depreciated	12,908,596
Cash and Cash Equivalents - Restricted	1,709,157
Cash Held by Agent - Restricted	1,278
Special Assessment Receivables	4,462,463
Total Assets	22,163,380
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charge on Refunding	356,723
Total Deferred Outflows of Resources	356,723
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	50,115
Accrued Interest	120,479
Current Portion of Long-term Debt	852,610
Due to Other Funds	648
Total Current Liabilities	1,023,852
<i>Noncurrent Liabilities</i>	
Long-term Debt	8,595,329
Advances from Other Funds	2,125,000
Total Liabilities	11,744,181
NET POSITION	
Net Investment in Capital Assets	4,431,143
<i>Restricted for:</i>	
Debt Service	4,556,227
<i>Unrestricted</i>	
	1,788,552
Total Net Position	\$ 10,775,922

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Tyrone
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended March 31, 2016

	Business-type Activities - Enterprise Fund
	Sewer Fund
Operating Revenues	
Charges for Services	\$ 654,595
<i>Total Operating Revenues</i>	654,595
Operating Expenses	
Cost of Sewage Operations and Maintenance	469,535
Depreciation	501,383
<i>Total Operating Expenses</i>	970,918
<i>Operating Income (Loss)</i>	(316,323)
Non-Operating Revenues (Expenses)	
Interest	11,989
Interest on Long-term Debt	(296,134)
Debt Service Charge	(11,680)
Miscellaneous Expenses	(19,506)
<i>Net Non-Operating Revenues (Expenses)</i>	(315,331)
<i>Income Before Contributions and Transfers</i>	(631,654)
Special Assessments Interest	185,358
Special Assessments	1,633,786
Tap-in Fees	11,550
<i>Change In Net Position</i>	1,199,040
<i>Net Position at Beginning of Period</i>	9,576,882
<i>Net Position at End of Period</i>	\$ 10,775,922

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Tyrone
Statement of Cash Flows
Proprietary Funds
For the Year Ended March 31, 2016**

	Business-type Activities - Enterprise Fund
	Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 743,533
Payments to suppliers	(464,914)
Interfund activity	(4,768)
Total Cash Flows from Operating Activities	273,851
Cash Flows from Non-capital Financing Activities	
Advances received from other funds	425,000
Cash Flows from Non-capital Financing Activities	425,000
Cash Flows from Capital and Related Financing Activities	
Special assessment collections	824,438
Tap-in fees	11,550
Debt Service Principal	(822,770)
Debt Service Interest	(320,939)
Miscellaneous Expenses	(19,506)
Cash Flows from Capital and Related Financing Activities	(327,227)
Cash Flows from Investing Activities	
Interest received on investments	11,989
Total Cash Flows from Investing Activities	11,989
Net Increase (Decrease) in Cash and Equivalents	383,613
<i>Cash and Equivalents - Beginning of Year</i>	3,057,517
Cash and Equivalents - End of Year	\$ 3,441,130
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(316,323)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	501,383
Changes in Assets and Liabilities	
Accounts receivable	88,938
Accounts payable	4,621
Due to other funds	(4,768)
Net Cash Provided by Operating Activities	\$ 273,851

Items That Affect Assets and Liabilities But Do Not Result in Cash Receipts or Disbursements:

The Township issued \$594,890 of bond principal debt for the Lake Tyrone sewer improvement project, along with recognizing the offsetting construction in progress capital asset of the same amount. The debt and expenses are held and run through Livingston County, so this does not affect the Township's cash. See the footnotes for more information.

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Tyrone
Statement of Fiduciary Net Position
Fiduciary Funds
March 31, 2016

	Agency
ASSETS	
Cash and Cash Equivalents	\$ 15,688
Due from Agency Funds	1,000
<i>Total Assets</i>	16,688
LIABILITIES	
Accounts Payable	1,194
Refundable Deposits, Bonds, Etc.	3,037
Due to Other Governmental Units	1,705
Due to Primary Government	10,752
<i>Total Liabilities</i>	16,688
NET POSITION	
Held in Trust	\$ --

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Tyrone

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Township of Tyrone (the “Township” or “government”) have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the Township’s accounting policies are described below.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity," these financial statements represent the Township for financial reporting purposes. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if component unit data were not included. Accordingly, there are no other governmental organizations required to be included in the financial statements of the Township.

Government-wide and Fund 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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants 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 revenues*.

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.

Township of Tyrone

Notes to the 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, except for agency funds which do not have a measurement focus. Revenues are 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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 or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township of Tyrone reports the following major governmental funds:

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

The ***public safety fund*** is used to account for the Township's police and fire activities paid with extra voted special assessments.

The Township reports the following major proprietary fund:

The ***sewer fund*** accounts for the operations of the sewage pumping and collection system.

Township of Tyrone

Notes to the Financial Statements

Additionally, the government reports the following fiduciary fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Agency funds account for assets held by the Township as an agent for individuals, private organizations, and other governments.

Interfund Activity

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

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

Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value at the balance sheet date.

Township of Tyrone

Notes to the Financial Statements

Restricted Cash

The Township's sewer fund has cash in the amount of \$2,841,186 that is restricted for debt service. The balance represents special assessments that have been collected and will be used to pay off the sewer bonds. The sewer fund has unspent bond proceeds of \$1,278 on deposit with the Livingston County Water and Waste Services Division for the construction of sewer line improvements. The division will hold these funds on behalf of the Township and expend the proceeds for allowable construction costs.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds;" activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and 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.

Prepaid Items

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.

Land Held for Resale

Land held for resale in governmental funds is valued at the lower of cost or market.

Capital Assets

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,500 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.

Township of Tyrone

Notes to the Financial Statements

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Description	Useful Life
Buildings	39 Years
Building improvements	15 Years
Vehicles	5 Years
Office equipment	5 Years
Furniture and fixtures	7 Years
Sewer distribution system	39 Years
Software	5 Years
Other tools and equipment	3 to 7 Years

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an “other financing source,” as well as bond premiums and discounts. The general fund is generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Township has a deferred outflow in the sewer fund and government-wide statements related to a bond refunding charge that is being amortized.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Township has two types of items that are reported under this category. First, the Township reports special assessment revenues, which are levied to finance the following period’s budget, as deferred and recognized as an inflow of resources in the period that it was intended to finance. The Township has a second type of deferred inflow, which arises only under a modified accrual basis of

Township of Tyrone

Notes to the Financial Statements

accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: amounts receivable and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

Township of Tyrone

Notes to the Financial Statements

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

Unassigned fund balance is the residual classification for the Township's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Township Board.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Property Tax Revenue Recognition

The Township levies property taxes on December 1 of each year. These taxes become liens on the property at that date. Township taxes are collected without penalty from December 1 to February 28 each year. The taxes become delinquent on March 1 and penalties are assessed.

The Township's 2015 tax is levied and collectible on December 1, 2015 and is recognized as revenue in the year ended March 31, 2016, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2015 taxable valuation of the Township totaled \$432 million, on which taxes levied consisted of .9018 mills for operating purposes. This resulted in \$398,928 of revenue for operating purposes recognized in the general fund.

Special Assessments

The Township special assesses a flat fee per parcel for public safety (police and fire), lighting, rubbish removal, and snow removal. The assessment is levied and collectible on December 1, 2015 and is recognized as revenue in the year ended March 31, 2016, when the proceeds of the assessment are budgeted to pay for the operation of the special assessment districts, except for service-type special assessments which recognize revenue in the period the related services are provided.

Township of Tyrone

Notes to the Financial Statements

Subsequent Events

Subsequent events have been evaluated through June 30, 2016, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would have a significant impact on the financial condition of the Township.

Note 2 – Statutory Compliance

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and all special revenue funds, except that the Township does not budget for capital assets acquired through purchase with federal grants. All annual appropriations lapse at fiscal year end, except for approved contracts which are appropriated on a contract (grant) length basis.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level (i.e., the level at which expenditures may not legally exceed appropriations). The supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts. However, any revisions that alter the total expenditures of any department must be approved by the Township board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to February 1, the Supervisor submits to the Township board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the general fund and special revenue funds.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted on a departmental (activity) basis through passage of a resolution in accordance with Public Act 621 of the State of Michigan.

During the year ended March 31, 2016, the Township did not incur any excess of expenditures over appropriations.

Township of Tyrone

Notes to the Financial Statements

Note 3 – Cash and Investments

Following is a reconciliation of deposit and investments balances (including both pooled cash and investments) as of March 31, 2016:

	<u>Primary Government</u>
Statement of Net Position	
Cash & Cash Equivalents	\$ 5,096,934
Investments	425,400
Restricted Cash & Cash Equivalents	2,842,464
Statement of Fiduciary Net Position	
Cash & Cash Equivalents	15,688
Total Deposits and Investments	<u>\$ 8,380,486</u>
 Deposits and Investments	
Cash & Cash Equivalents	\$ 6,843,185
Certificates of Deposit	1,111,301
Fixed Income Investments	425,400
Cash on Hand	600
Total	<u>\$ 8,380,486</u>

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 Township has designated several banks for the deposit of its funds. The investment policy adopted by the board is in accordance with Public Act 196 of 1997. The Township's deposits and investment policies are in accordance with statutory authority. The Township's cash and investments are subject to several 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 Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit

Township of Tyrone

Notes to the Financial Statements

custodial credit risk. At year end, the carrying amount of the Township’s deposits was \$8,380,486. As of year end, \$6,409,652 of the combined bank balance of \$8,562,162 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk.

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township 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:

<u>Investment</u>	<u>Rating Organization</u>	<u>Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
MBIA CLASS - Mutual Fund	Standard & Poor's	AAAm	N/A	\$ 425,400

Note 3 – Receivables

Receivables as of year end for the Township's individual major funds and the nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Public Safety Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>	<u>Sewer Fund</u>
Receivables:					
Accounts	\$ 39,631	\$ -	\$ 14,115	\$ 53,746	\$ 156,409
Due from County	20,107	30,228	5,502	55,837	8,143
Due from State	120,425	-	-	120,425	-
Total Receivables	<u>\$ 180,163</u>	<u>\$ 30,228</u>	<u>\$ 19,617</u>	<u>\$ 230,008</u>	<u>\$ 164,552</u>

Township of Tyrone

Notes to the Financial Statements

Note 4 – Capital Assets

Capital asset activity for governmental activities during the year was as follows:

Governmental Activities	<u>April 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>March 31, 2016</u>
Capital assets not being depreciated				
Land	\$ 7,500	\$ -	\$ -	\$ 7,500
Total capital asset not being depreciated	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>7,500</u>
Capital assets being depreciated				
Buildings	385,509	-	-	385,509
Machinery & equipment	94,770	-	-	94,770
Information technology	44,420	-	-	44,420
Land improvements	26,237	-	-	26,237
Total capital assets, being depreciated	<u>550,936</u>	<u>-</u>	<u>-</u>	<u>550,936</u>
Less accumulated depreciation				
Buildings	253,498	12,700	-	266,198
Machinery & equipment	87,430	5,453	-	92,883
Information technology	42,660	1,760	-	44,420
Land improvements	10,820	1,474	-	12,294
Total accumulated depreciation	<u>394,408</u>	<u>21,387</u>	<u>-</u>	<u>415,795</u>
Total capital assets - Net	<u>\$ 164,028</u>	<u>\$ (21,387)</u>	<u>\$ -</u>	<u>\$ 142,641</u>

Capital asset activity for business-type activities during the year was as follows:

Business-type Activities	<u>April 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>March 31, 2016</u>
Capital assets not being depreciated				
Land	\$ -	\$ 17,595	\$ -	\$ 17,595
Construction in progress	-	594,890	-	594,890
Total capital assets not being depreciated	<u>-</u>	<u>612,485</u>	<u>-</u>	<u>612,485</u>
Capital assets being depreciated				
Sewer System	\$ 19,418,532	\$ -	\$ -	\$ 19,418,532
Machinery and equipment	360,810	-	-	360,810
Total capital assets, being depreciated	<u>19,779,342</u>	<u>-</u>	<u>-</u>	<u>19,779,342</u>
Less accumulated depreciation				
Sewer System	5,517,590	3,472	-	5,521,062
Machinery and equipment	851,773	497,911	-	1,349,684
Total accumulated depreciation	<u>6,369,363</u>	<u>501,383</u>	<u>-</u>	<u>6,870,746</u>
Total capital assets being depreciated	<u>13,409,979</u>	<u>(501,383)</u>	<u>-</u>	<u>12,908,596</u>
Business-type Activities Capital Assets - Net	<u>\$ 13,409,979</u>	<u>\$ 111,102</u>	<u>\$ -</u>	<u>\$ 13,521,081</u>

Township of Tyrone

Notes to the Financial Statements

Depreciation expense was charged to governmental functions of the Township as follows:

Governmental Activities	
General Government	<u>\$ 21,387</u>
Business-type Activities	
Sewer	<u>\$ 501,383</u>

Note 5 – Interfund Balances

As of March 31, 2016, the interfund balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sewer Fund	<u>\$ 648</u>

Interfund balances resulted primarily from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Advances between the general fund and sewer fund (\$2,125,000) are expected to be repaid in the next 20 years based on a tentative repayment schedule, as the sewer fund looks for ways to increase funds while making its bond payments. Payments to the general fund are not expected to start in the coming year.

Note 6 – Long-term Debt

The Township 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 Township. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the Township) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Township of Tyrone

Notes to the Financial Statements

The following is a summary of long-term debt activity of the Township for the year ended March 31, 2016:

	Interest Rate	Maturity	3/31/2015	Additions	Reductions	3/31/2016	Due Within One Year
Governmental Activities							
Jayne Hill No. 1 and 2 Road Improvement Project Special Assessment Bonds	3.796%	April 1, 2015	\$ 17,800	\$ -	\$ 17,800	\$ -	\$ -
Parkin Lane Road Special Assessment Bond	3.00% - 4.95%	July 1, 2030	455,000	-	20,000	\$ 435,000	20,000
Total Governmental Activities			<u>472,800</u>	<u>-</u>	<u>37,800</u>	<u>435,000</u>	<u>20,000</u>
Business-type Activities							
Livingston County Sanitary Sewer Improvement Bonds Series 2005	3.375% - 4.25%	May 1, 2028	375,000	-	375,000	-	-
Livingston County Sanitary Sewer Improvement Bonds Series 2007	4.00%	June 30, 2023	4,040,000	-	400,000	3,640,000	400,000
Unamortized bond premium on refinancing Series 2007 Bond			9,649	-	1,206	8,443	-
Livingston County Sanitary Sewer Improvement Refunding Bonds Series 2013	2.096% - 4.0%	May 1, 2028	4,945,000	-	25,000	4,920,000	405,000
Unamortized bond premium on refinancing Series 2013 Bond			332,991	-	25,615	307,376	-
Livingston County Clean Water Sewer Improvement Bond, Series 2015	2.50%	April 1, 2035	-	594,890	22,770	572,120	47,610
Total Business-type Activities			<u>9,702,640</u>	<u>-</u>	<u>826,821</u>	<u>9,447,939</u>	<u>852,610</u>
Total Primary Government Long-term Debt			<u>\$ 10,175,440</u>	<u>\$ -</u>	<u>\$ 864,621</u>	<u>\$ 9,882,939</u>	<u>\$ 872,610</u>

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Year Ended March 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 20,000	\$ 18,715	\$ 38,715	\$ 835,112	\$ 291,026	\$ 1,126,138
2018	20,000	18,115	38,115	840,112	265,974	1,106,085
2019	20,000	17,515	37,515	855,112	236,471	1,091,583
2020	20,000	16,890	36,890	870,112	204,368	1,074,480
2021	25,000	16,128	41,128	885,112	173,616	1,058,727
2022-2026	140,000	63,330	203,330	3,510,558	431,636	3,942,194
2027-2031	190,000	24,150	214,150	1,215,558	72,092	1,287,650
2032-2035	-	-	-	120,446	6,022	126,468
Totals	<u>\$ 435,000</u>	<u>\$ 174,843</u>	<u>\$ 609,843</u>	<u>\$ 9,132,120</u>	<u>\$ 1,681,204</u>	<u>\$ 10,813,324</u>

Note that the maturity schedule for the business-type activities only includes the portion of payments related to the outstanding principal balance of the 2015 sewer improvement bond which was not fully drawn on as of March 31, 2016. See below for further discussion of the 2015 sewer improvement bond.

Tyrone Township Jayne Hill Farms Subdivision 1 and 2 Road Improvement Special Assessment Bonds - Tyrone Township issued \$178,000 in Special Assessment Bonds. The Jayne Hill Farms Subdivision 1 and 2 Road Improvement Special Assessment Bonds were issued pursuant to Act 188, Michigan Public Acts of 1954, as amended. They are primarily payable

Township of Tyrone

Notes to the Financial Statements

from collections of special assessments levied against the benefited properties in the district. The bonds are dated August 30, 2005 with interest payable April 1, beginning on April 1, 2006. The Township's limited tax full faith and credit are pledged for the payment of the bonds if the special assessments are not adequate.

Parkin Lane Road Improvement Special Assessment Bonds - Tyrone Township issued \$500,000 in Special Assessment Bonds. The Parkin Lane Road Improvement Special Assessment Bonds were issued pursuant to Act 188, Michigan Public Acts of 1954, as amended. They are primarily payable from collections of special assessments levied against the benefited properties in the district. The bonds are dated September 9, 2010 with interest payable December 1, beginning in December 2010. The Township's limited tax full faith and credit are pledged for the payment of the bonds if the special assessments are not adequate.

Tyrone Township Sewer Bonds - Series 2005 - Tyrone Township, through Livingston County, issued \$8,710,000 in Sanitary Sewer Improvement Bonds. The Livingston County Sanitary Sewer Improvement Bonds Series 2005 (Tyrone Township Sewer Bonds) were issued pursuant to Act 185 and 342, Michigan Public Acts of 1954, as amended. They are primarily payable from revenue expected to be generated by future sewer connection fees. The bonds are dated June 22, 2005 with interest payable November 1 and May 1, beginning on May 1, 2007. The Township's limited tax full faith and credit are pledged for the payment of the bonds if the collection of revenue from the system is not adequate. The 2005 bonds were refunded in May 2013 with the 2013 Series Sewer Bonds. See below for refunding details.

Tyrone Township Sewer Bonds - Series 2007 - Tyrone Township, through Livingston County, issued \$4,155,000 in Sanitary Sewer Improvement Refunding Bonds. The Livingston County Sanitary Sewer Improvement Refunding Bonds Series 2007 (Tyrone Township Sewer Bonds) were issued pursuant to Act 185 and 342, Michigan Public Acts of 1954, as amended. The bonds were issued to refund a portion of the Tyrone Township Sewer Bonds - Series 2003. The bond proceeds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the financial statements.

Tyrone Township Sewer Bonds - Series 2013 - Tyrone Township, through Livingston County, issued \$4,945,000 in Sanitary Sewer Improvement Refunding Bonds. The Livingston County Sanitary Sewer Improvement Refunding Bonds Series 2013 (Tyrone Township Sewer Bonds) were issued pursuant to Act 185 and 342, Michigan Public Acts of 1954, as amended. The bonds were issued to refund a portion of the Tyrone Township Sewer Bonds - Series 2005. The bond proceeds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the financial statements.

The bonds are primarily payable from collections of special assessments levied against the benefited properties in the district. The bonds are dated December 12, 2007 with interest payable

Township of Tyrone

Notes to the Financial Statements

June 30 and December 31, beginning on June 30, 2008. The Township's limited tax full faith and credit are pledged for the payment of the bonds if the special assessments are not adequate.

Act 359, Michigan Public Acts of 1947, as amended, provides that net indebtedness of municipalities cannot exceed 10 percent of the assessed real and personal property in the Township. As of March 31, 2016, Tyrone Township had not incurred any indebtedness which would be limited under Act 359. The Township's existing general long-term debt obligation contracts are specifically exempted from consideration in the 10 percent limit computation.

During May 2013, the Township refinanced its Sanitary Sewer Improvement Bonds Series 2005 in the amount of \$4,945,000. The debt has a maturity of 15 years and bears an interest rate of 2 percent through May 2017, 4 percent for 2018, and 3 percent for 2019 through 2028. The proceeds of \$5,313,150 (after payment of \$16,071 in underwriter's discount and a bond premium of \$384,221) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed. The advance refunding reduced total debt service payments over the next 25 years by \$478,483, which represents an economic gain of \$421,211.

Township of Tyrone Sewer Bonds – Series 2015 – Lake Tyrone Improvements - Tyrone Township, through Livingston County, issued \$2,240,000 in Sanitary Sewer Improvement Refunding Bonds. The Livingston County Sewage Disposal System Bonds Series 2015 (Tyrone Township Sewer Bonds) were issued pursuant to part 53 of the Clean Water Assistance, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended. The bonds were issued to pay for improvements to the Lake Tyrone sanitary sewer system. The bonds will be split between the Township of Tyrone (41.4%) and the Township of Hartland (58.6%), which was determined based on the total taxable values of the properties in both townships. As of March 31, 2016, Livingston County had drawn down \$1,436,932 of the total bond principal. The remaining \$803,068 of outstanding bond principal is expected to be fully drawn down during 2016. The Township of Tyrone's portion of these balances were \$594,890 and \$332,470 respectively at year end. Tyrone Township will also provide sufficient capacity from its current 2003 sewer system for treating the output of 77 Lake Tyrone residential connections. Payments will be made to the 2003 Sewer Debt Fund for those 77 connections.

The bond is primarily payable from collections of special assessments levied against the benefited properties in the district and revenue expected to be generated by future sewer connection fees. The bonds are dated September 17, 2015 with interest and principal payable April 1 and interest payable October 1, starting April 1, 2016. The Township's limited tax full faith and credit are pledged for the payment of the bonds if the special assessments are not adequate.

Township of Tyrone

Notes to the Financial Statements

Note 7 – Risk Management and Contingent Liabilities

The Township is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries. The Township has purchased commercial insurance for these claims. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Livingston County (the "County") purchases delinquent tax rolls from the County's local units. In the event that those taxes become uncollectible, the County charges those amounts back to the local units. Therefore, the Township is exposed to potential refunds to Livingston County for the amount of uncollectible taxes and special assessment that were purchased by the County. The County has purchased a significant amount of delinquent special assessments levied by the Sewer Fund over the past few years. As of March 31, 2016, the Township estimates there is no significant liability related to Livingston County chargebacks.

Note 8 – Commitments

The Township has committed to a multi-year fire suppression, rescue, and emergency medical services agreement with the Charter Township of Fenton, the City of Fenton, and Hartland Township. The current years agreement expired as of March 31, 2016. A new agreement was signed covering the period from April 1, 2016 through March 31, 2019. These agreements commit the Township to pay a base rate for each fire run of:

<u>Year Ending March 31,</u>	<u>Base Rate per Run</u>
2016	\$ 1,391
2017	1,391
2018	1,405
2019	1,419

Under the terms of the contract expiring March 31, 2016, the Township was required to pay for a minimum of 17 runs per year per municipality, which is due at the beginning of each fiscal year. This is no longer a requirement in the new agreement starting on April 1, 2016.

Township of Tyrone

Notes to the Financial Statements

Note 9 – Net Investment in Capital Assets

Below is the determination of the net investment of capital assets as of March 31, 2016:

	<u>Governmental</u>	<u>Business-type</u>
Nondepreciable Capital Assets	\$ 7,500	\$ 612,485
Depreciable Capital Assets, Net	135,141	12,908,596
Current Portion of Long-term Debt	-	(852,610)
Long-term Debt	-	(8,595,329)
Deferred Charge on Bond Refunding	-	356,723
Cash Held by Agent - Restricted	-	1,278
Net Investment in Capital Assets	<u>\$ 142,641</u>	<u>\$ 4,431,143</u>

Township of Tyrone
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Consolidated General Fund
For the Year Ended March 31, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Property Taxes	\$ 348,000	\$ 348,000	\$ 398,928	\$ 50,928
Licenses and Permits	16,000	16,000	33,531	17,531
State-Shared Revenue and Grants	700,000	700,000	780,269	80,269
Charges for Services	22,100	22,100	25,503	3,403
Fines and Forfeitures	9,200	9,200	19,270	10,070
Cable Franchise Fees	95,000	95,000	141,569	46,569
Fees	138,100	138,100	151,866	13,766
Other Miscellaneous Income	14,800	14,800	61,490	46,690
Interest Revenue	7,500	7,500	19,402	11,902
Total Revenues	1,350,700	1,350,700	1,631,828	281,128
Expenditures				
General Government				
Township Board	113,109	113,109	74,703	38,406
Supervisor	37,772	37,772	33,997	3,775
Clerk	106,206	106,206	101,438	4,768
Elections	60,484	60,484	52,348	8,136
Treasurer	100,880	100,880	93,758	7,122
Assessing	52,283	52,283	49,561	2,722
Board of Review	1,442	1,442	1,286	156
Building & Grounds	45,199	45,199	28,456	16,743
Cemeteries	7,365	7,365	3,467	3,898
Other General Government	49,078	49,609	30,510	19,099
Ordinance Enforcement/Building Inspections	11,478	11,478	3,173	8,305
Total General Government	585,296	585,827	472,697	113,130
Public Works				
General Public Works	73,326	101,326	72,400	28,926
Street Lighting	2,400	2,400	1,963	437
Total Public Works	75,726	103,726	74,363	29,363
Health & Welfare - Seniors	4,120	4,120	4,000	120
Community and Economic Development				
Planning	55,482	55,482	50,169	5,313
Zoning	33,262	33,262	24,163	9,099
Economic Development	9,000	9,000	8,800	200
Total Community and Economic Development	97,744	97,744	83,132	14,612
Culture - Public Education Coordinator	2,300	2,300	2,083	217
Other	122,645	122,645	87,883	34,762
Total Expenditures	887,831	916,362	724,158	192,204
Other Financing Uses				
Transfers Out	425,000	425,000	--	425,000
Total Expenditures and Other Financing Uses	1,312,831	1,341,362	724,158	617,204
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses				
	37,869	9,338	907,670	898,332
Net Change in Fund Balance	37,869	9,338	907,670	898,332
<i>Fund Balance at Beginning of Period</i>	4,663,313	4,663,313	4,663,313	--
Fund Balance at End of Period	\$ 4,701,182	\$ 4,672,651	\$ 5,570,983	\$ 898,332

Township of Tyrone
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Public Safety Fund
For the Year Ended March 31, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Charges for Services	\$ 39,600	\$ 39,600	\$ 98,134	\$ 58,534
Other Revenue - Special Assessments	582,775	582,775	582,775	--
Interest Revenue	--	--	2,479	2,479
Total Revenues	<u>622,375</u>	<u>622,375</u>	<u>683,388</u>	<u>61,013</u>
Other Financing Sources				
Transfers In	2,000	2,000	--	(2,000)
Total Revenues and Other Financing Sources	<u>624,375</u>	<u>624,375</u>	<u>683,388</u>	<u>59,013</u>
Expenditures				
Police/Sheriff	130,876	130,876	125,158	5,718
Fire & EMS	463,320	463,320	360,967	102,353
Total Expenditures	<u>594,196</u>	<u>594,196</u>	<u>486,125</u>	<u>108,071</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	<u>30,179</u>	<u>30,179</u>	<u>197,263</u>	<u>167,084</u>
Net Change in Fund Balance	<u>30,179</u>	<u>30,179</u>	<u>197,263</u>	<u>167,084</u>
<i>Fund Balance at Beginning of Period</i>	397,912	397,912	397,912	--
Fund Balance at End of Period	<u>\$ 428,091</u>	<u>\$ 428,091</u>	<u>\$ 595,175</u>	<u>\$ 167,084</u>

OTHER SUPPLEMENTARY INFORMATION

**Township of Tyrone
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2016**

	Special Revenue					
	Liquor Law Enforcement	Jayne Hill Lighting Assessment	Walnut Drive Lighting Assessment	Jayne Hill Waste Removal	Parkin Snow Removal and Maintenance Fund	Great Oaks Drive
ASSETS						
Cash and Cash Equivalents	\$ --	\$ 5,290	\$ 925	\$ 30,572	\$ 18,430	\$ 7,037
Receivables	--	10	--	745	630	175
Current Special Assessments Receivables	--	--	--	--	--	--
Special Assessment Receivables	--	--	--	--	--	--
Total Assets	\$ --	\$ 5,300	\$ 925	\$ 31,317	\$ 19,060	\$ 7,212
LIABILITIES						
Accounts Payable	\$ --	\$ 85	\$ 11	\$ --	\$ --	\$ --
Total Liabilities	--	85	11	--	--	--
DEFERRED INFLOWS OF RESOURCES						
Aggregated deferred inflows	--	520	100	18,029	6,510	2,800
Total Liabilities and Deferred Inflows of Resources	--	605	111	18,029	6,510	2,800
FUND BALANCE						
Restricted	--	4,695	814	13,288	12,550	4,412
Unassigned	--	--	--	--	--	--
Total Fund Balance	--	4,695	814	13,288	12,550	4,412
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ --	\$ 5,300	\$ 925	\$ 31,317	\$ 19,060	\$ 7,212

**Township of Tyrone
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2016**

	<u>Special Revenue</u>					<u>Total Nonmajor Governmental Funds</u>
	<u>Right of Way</u>	<u>Public Education Grant</u>	<u>Lake Tyrone Grant</u>	<u>Jayne Hill 1 and 2 Road Improvement</u>	<u>Parkin Lane Road Construction Maintenance Fund</u>	
ASSETS						
Cash and Cash Equivalents	\$ 2,711	\$ 223,482	\$ 9,550	\$ --	\$ 181,848	\$ 479,845
Receivables	--	14,115	--	--	3,942	19,617
Current Special Assessments Receivables	--	--	--	--	14,785	14,785
Special Assessment Receivables	--	--	--	--	286,496	286,496
Total Assets	\$ 2,711	\$ 237,597	\$ 9,550	\$ --	\$ 487,071	\$ 800,743
LIABILITIES						
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 96
Total Liabilities	--	--	--	--	--	96
DEFERRED INFLOWS OF RESOURCES						
Aggregated deferred inflows	--	--	--	--	301,281	329,240
Total Liabilities and Deferred Inflows of Resources	--	--	--	--	301,281	329,336
FUND BALANCE						
Restricted	2,711	237,597	9,550	--	185,790	471,407
Unassigned	--	--	--	--	--	--
Total Fund Balance	2,711	237,597	9,550	--	185,790	471,407
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,711	\$ 237,597	\$ 9,550	\$ --	\$ 487,071	\$ 800,743

Township of Tyrone
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended March 31, 2016

	Special Revenue					
	Liquor Law Enforcement	Jayne Hill Lighting Assessment	Walnut Drive Lighting Assessment	Jayne Hill Waste Removal	Parkin Snow Removal and Maintenance Fund	Great Oaks Drive
Revenues						
State Revenue	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Charges for Services	2,262	--	--	--	--	--
Special Assessments	--	520	100	18,029	6,510	3,760
Cable Franchise Fees	--	--	--	--	--	--
Interest	--	--	--	--	--	--
Total Revenues	2,262	520	100	18,029	6,510	3,760
Expenditures						
Public Safety	2,262	--	--	--	--	--
Public Works	--	1,104	138	17,466	3,612	2,725
Culture	--	--	--	--	--	--
Debt Service - Interest	--	--	--	--	--	--
Debt Service - Principal	--	--	--	--	--	--
Total Expenditures	2,262	1,104	138	17,466	3,612	2,725
Excess of Revenues Over (Under) Expenditures	--	(584)	(38)	563	2,898	1,035
Net Change in Fund Balance	--	(584)	(38)	563	2,898	1,035
<i>Fund Balance at Beginning of Period</i>	--	5,279	852	12,725	9,652	3,377
Fund Balance at End of Period	\$ --	\$ 4,695	\$ 814	\$ 13,288	\$ 12,550	\$ 4,412

Township of Tyrone
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended March 31, 2016

	<u>Special Revenue</u>					<u>Total Nonmajor Governmental Funds</u>
	<u>Right of Way</u>	<u>Public Education Grant</u>	<u>Lake Tyrone Grant</u>	<u>Jayne Hill 1 and 2 Road Improvement</u>	<u>Parkin Lane Road Construction Maintenance Fund</u>	
Revenues						
State Revenue	\$ 7,070	\$ --	\$ --	\$ --	\$ --	\$ 7,070
Charges for Services	--	--	--	--	--	2,262
Special Assessments	--	--	--	--	45,404	74,323
Cable Franchise Fees	--	56,617	--	--	--	56,617
Interest	--	--	--	--	576	576
Total Revenues	<u>7,070</u>	<u>56,617</u>	<u>--</u>	<u>--</u>	<u>45,980</u>	<u>140,848</u>
Expenditures						
Public Safety	--	--	--	--	--	2,262
Public Works	7,200	--	--	--	--	32,245
Culture	--	42,195	--	--	--	42,195
Debt Service - Interest	--	--	--	665	19,565	20,230
Debt Service - Principal	--	--	--	17,800	20,000	37,800
Total Expenditures	<u>7,200</u>	<u>42,195</u>	<u>--</u>	<u>18,465</u>	<u>39,565</u>	<u>134,732</u>
Excess of Revenues Over (Under) Expenditures	<u>(130)</u>	<u>14,422</u>	<u>--</u>	<u>(18,465)</u>	<u>6,415</u>	<u>6,116</u>
Net Change in Fund Balance	(130)	14,422	--	(18,465)	6,415	6,116
<i>Fund Balance at Beginning of Period</i>	2,841	223,175	9,550	18,465	179,375	465,291
Fund Balance at End of Period	<u>\$ 2,711</u>	<u>\$ 237,597</u>	<u>\$ 9,550</u>	<u>\$ --</u>	<u>\$ 185,790</u>	<u>\$ 471,407</u>

**Township of Tyrone
General Fund Combining Balance Sheet
All Funds Treated as General
March 31, 2016**

	<u>General</u>	<u>Technology</u>	<u>Building & Site</u>	<u>Township Beautification</u>	<u>Park</u>	<u>Road Improvement</u>	<u>Township Improvement Revolving</u>	<u>Total General Funds</u>
ASSETS								
Cash and Cash Equivalents	\$ 1,581,623	\$ 60,737	\$ 112,979	\$ 1,650	\$ 5,934	\$ 281,803	\$ 724,995	\$ 2,769,721
Investments	--	--	--	--	--	245,243	180,157	425,400
Receivables	175,824	--	--	--	--	--	4,339	180,163
Prepaid Items	4,888	225	--	--	--	--	--	5,113
Due from Agency Funds	9,884	--	--	--	--	--	--	9,884
Land Held for Resale	--	--	--	--	--	--	75,031	75,031
Due from Other Funds	648	--	--	--	--	--	--	648
Advances to Other Funds	2,125,000	--	--	--	--	--	--	2,125,000
Total Assets	\$ 3,897,867	\$ 60,962	\$ 112,979	\$ 1,650	\$ 5,934	\$ 527,046	\$ 984,522	\$ 5,590,960
LIABILITIES								
Accounts Payable	\$ 13,347	\$ 424	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 13,771
Accrued Liabilities and Other	5,202	--	--	--	--	--	--	5,202
Due to Other Governmental Units	1,004	--	--	--	--	--	--	1,004
Total Liabilities	19,553	424	--	--	--	--	--	19,977
FUND BALANCE								
Nonspendable	2,205,144	--	--	--	--	--	--	2,205,144
Committed	500,000	--	--	--	--	--	--	500,000
Assigned	--	60,538	112,979	1,650	5,934	527,046	984,522	1,692,669
Unassigned	1,173,170	--	--	--	--	--	--	1,173,170
Total Fund Balance	3,878,314	60,538	112,979	1,650	5,934	527,046	984,522	5,570,983
Total Liabilities and Fund Balance	\$ 3,897,867	\$ 60,962	\$ 112,979	\$ 1,650	\$ 5,934	\$ 527,046	\$ 984,522	\$ 5,590,960

Township of Tyrone
General Fund Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
All Funds Treated as General
For the Year Ended March 31, 2016

	General	Technology	Building & Site	Township Beautification	Park	Road Improvement	Township Improvement Revolving	Total General Funds
Revenues								
Property Taxes	\$ 398,928	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 398,928
Licenses and Permits	24,176	--	--	--	--	--	--	24,176
State Revenue	780,269	--	--	--	--	--	--	780,269
Charges for Services	25,503	--	--	--	--	--	--	25,503
Fines and Forfeitures	19,270	--	--	--	--	--	--	19,270
Cable Franchise Fees	141,569	--	--	--	--	--	--	141,569
Fees	161,221	--	--	--	--	--	--	161,221
Other Miscellaneous Income	17,425	--	--	--	--	--	44,065	61,490
Interest	14,660	--	--	--	--	519	4,223	19,402
Total Revenues	<u>1,583,021</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>519</u>	<u>48,288</u>	<u>1,631,828</u>
Expenditures								
General Government	451,870	18,546	1,750	531	--	--	--	472,697
Public Works	9,961	--	--	--	--	64,402	--	74,363
Health and Welfare	4,000	--	--	--	--	--	--	4,000
Community and Economic Development	83,132	--	--	--	--	--	--	83,132
Culture	2,083	--	--	--	--	--	--	2,083
Other Functions	87,883	--	--	--	--	--	--	87,883
Total Expenditures	<u>638,929</u>	<u>18,546</u>	<u>1,750</u>	<u>531</u>	<u>--</u>	<u>64,402</u>	<u>--</u>	<u>724,158</u>
Excess of Revenues Over (Under) Expenditures	<u>944,092</u>	<u>(18,546)</u>	<u>(1,750)</u>	<u>(531)</u>	<u>--</u>	<u>(63,883)</u>	<u>48,288</u>	<u>907,670</u>
Other Financing Sources (Uses)								
Transfers In	--	--	--	--	--	--	--	--
Transfers Out	(100,000)	30,000	--	--	--	70,000	--	--
Net Other Financing Sources (Uses)	<u>(100,000)</u>	<u>30,000</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>70,000</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	844,092	11,454	(1,750)	(531)	--	6,117	48,288	907,670
<i>Fund Balance at Beginning of Period</i>	3,034,222	49,084	114,729	2,181	5,934	520,929	936,234	4,663,313
Fund Balance at End of Period	\$ 3,878,314	\$ 60,538	\$ 112,979	\$ 1,650	\$ 5,934	\$ 527,046	\$ 984,522	\$ 5,570,983

**Township of Tyrone
Statement of Fiduciary Net Position
Fiduciary Funds
March 31, 2016**

	Agency	
	Trust & Agency Fund	Current Tax Collection Fund
ASSETS		
Cash and Cash Equivalents	\$ 5,223	\$ 10,465
Due from Agency Funds	1,000	--
<i>Total Assets</i>	6,223	10,465
LIABILITIES		
Accounts Payable	1,194	--
Refundable Deposits, Bonds, Etc.	3,037	--
Due to Other Governmental Units	1,705	--
Due to Primary Government	287	10,465
<i>Total Liabilities</i>	6,223	10,465
NET POSITION		
Held in Trust	\$ --	\$ --

OTHER INFORMATION

Township of Tyrone
Combining Schedule of Net Position
Sewer Fund
March 31, 2016

	Business-type Activities - Sewer Fund		
	Operations & Maintenance	Debt Service	Total Sewer Fund
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 598,666	\$ --	\$ 598,666
Cash and Cash Equivalents - Restricted	--	1,132,029	1,132,029
Receivables	126,583	37,969	164,552
Current Special Assessments Receivables	--	574,154	574,154
Due from Other Funds	--	16,736	16,736
Total Current Assets	725,249	1,760,888	2,486,137
<i>Noncurrent Assets</i>			
Capital Assets not being Depreciated	--	612,485	612,485
Capital Assets being Depreciated	--	12,908,596	12,908,596
Cash and Cash Equivalents - Restricted	--	1,709,157	1,709,157
Cash Held by Agent - Restricted	--	1,278	1,278
Special Assessment Receivables	--	4,462,463	4,462,463
Total Assets	725,249	21,454,867	22,180,116
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	--	356,723	356,723
Total Deferred Outflows of Resources	--	356,723	356,723
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	50,115	--	50,115
Accrued Interest	--	120,479	120,479
Current Portion of Long-term Debt	--	852,610	852,610
Due to Other Funds	17,384	--	17,384
Total Current Liabilities	67,499	973,089	1,040,588
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	8,595,329	8,595,329
Advances from Other Funds	--	2,125,000	2,125,000
Total Liabilities	67,499	11,693,418	11,760,917
NET POSITION			
Net Investment in Capital Assets	--	4,431,143	4,431,143
<i>Restricted for:</i>			
Debt Service	--	4,556,227	4,556,227
<i>Unrestricted</i>	657,750	1,130,802	1,788,552
Total Net Position	\$ 657,750	\$ 10,118,172	\$ 10,775,922

Township of Tyrone
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Sewer Fund
For the Year Ended March 31, 2016

	Business-type Activities - Sewer Fund		
	Operations & Maintenance	Debt Service	Total Sewer Fund
Operating Revenues			
Charges for Services	\$ 538,501	\$ 116,094	\$ 654,595
<i>Total Operating Revenues</i>	538,501	116,094	654,595
Operating Expenses			
Cost of Sewage Operations and Maintenance	469,535	--	469,535
Depreciation	3,472	497,911	501,383
<i>Total Operating Expenses</i>	473,007	497,911	970,918
<i>Operating Income (Loss)</i>	65,494	(381,817)	(316,323)
Non-Operating Revenues (Expenses)			
Interest	4,483	7,506	11,989
Debt Service - Interest	--	(296,134)	(296,134)
Debt Service Charge	(972)	(10,708)	(11,680)
Miscellaneous Expenses	--	(19,506)	(19,506)
<i>Net Non-Operating Revenues (Expenses)</i>	3,511	(318,842)	(315,331)
<i>Income Before Contributions and Transfers</i>	69,005	(700,659)	(631,654)
Special Assessments Interest	(767)	186,125	185,358
Special Assessments	--	1,633,786	1,633,786
Tap-in Fees	--	11,550	11,550
<i>Change In Net Position</i>	68,238	1,130,802	1,199,040
<i>Net Position at Beginning of Period</i>	589,512	8,987,370	9,576,882
<i>Net Position at End of Period</i>	\$ 657,750	\$ 10,118,172	\$ 10,775,922

Township of Tyrone
Combining Schedule of Cash Flows
Sewer Fund
For the Year Ended March 31, 2016

	Business-type Activities - Sewer Fund		
	Operations & Maintenance	Debt Service	Total Sewer Fund
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 529,944	\$ 213,589	\$ 743,533
Payments to suppliers	(464,914)	-	(464,914)
Interfund activity	(3,768)	(1,000)	(4,768)
Total Cash Flows from Operating Activities	61,262	212,589	273,851
Cash Flows from Non-capital Financing Activities			
Advances received from other funds	(250,000)	675,000	425,000
Cash Flows from Non-capital Financing Activities	(250,000)	675,000	425,000
Cash Flows from Capital and Related Financing Activities			
Special assessment collections	(767)	825,205	824,438
Tap-in fees	-	11,550	11,550
Debt Service Charge	(972)	(821,798)	(822,770)
Debt Service Interest	-	(320,939)	(320,939)
Miscellaneous Expenses	-	(19,506)	(19,506)
Cash Flows from Capital and Related Financing Activities	(1,739)	(325,488)	(327,227)
Cash Flows from Investing Activities			
Interest received on investments	4,483	7,506	11,989
Total Cash Flows from Investing Activities	4,483	7,506	11,989
Net Increase (Decrease) in Cash and Equivalents	(185,994)	569,607	383,613
<i>Cash and Equivalents - Beginning of Year</i>	784,660	2,272,857	3,057,517
Cash and Equivalents - End of Year	\$ 598,666	\$ 2,842,464	\$ 3,441,130
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	65,494	(381,817)	(316,323)
Adjustments to Reconcile Operating Income to Net Cash			
Provided (Used) by Operating Activities			
Depreciation Expense	3,472	497,911	501,383
Changes in Assets and Liabilities			
Accounts receivable	(8,557)	97,495	88,938
Accounts payable	4,621	-	4,621
Due to other funds	(3,768)	(1,000)	(4,768)
Net Cash Provided by Operating Activities	\$ 61,262	\$ 212,589	\$ 273,851

Items That Affect Assets and Liabilities But Do Not Result in Cash Receipts or Disbursements:

The Township issued \$594,890 of bond principal debt for the Lake Tyrone sewer improvement project, along with recognizing the offsetting construction in progress capital asset of the same amount. The debt and expenses are held and run through Livingston County, so this does not affect the Township's cash. See the footnotes for more information.

To the Board of Trustees
Tyrone Township, Livingston County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Tyrone for the year ended March 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 8, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Township of Tyrone are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Township of Tyrone during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Township's financial statements was:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 30, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining and individual fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township as of and for the year ended March 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of the Communication Regarding Internal Control section of this letter and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Restriction on Use

This information is intended solely for the use of the Board of Trustees and management of the Township of Tyrone and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Gabridge & Company, PLC
Grand Rapids, MI
June 30, 2016