



**TOWNSHIP OF TYRONE
LIVINGSTON COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED MARCH 31, 2018**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
<hr/>	
Government-wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Governmental Funds	
Balance Sheet	17
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balance	19
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities	20
Proprietary Funds	
Statement of Net Position	21
Statement of Revenues, Expenses, and Changes in Net Position	22
Statement of Cash Flows	23
Fiduciary Funds	
Statement of Fiduciary Assets and Liabilities	24
Notes to the Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	
<hr/>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund	43
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Public Safety Fund	44
OTHER SUPPLEMENTARY INFORMATION	
<hr/>	
Governmental Funds	
Combining Balance Sheet – Nonmajor Governmental Funds	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds	48
General Fund	
General Fund Combining Balance Sheet	50
General Fund Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	51

INDEPENDENT AUDITOR'S REPORT

To the Township Board
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, 2018, 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, 2018, 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 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.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the typed name.

Gabridge & Company, PLC
Grand Rapids, MI
July 27, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2018. 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 \$18,593,984 (net position). Of this amount, \$8,477,702 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 \$8,299,952, an increase of \$884,748 in comparison with the prior year. Approximately 20% of this amount, or \$1,672,609, 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 \$1,674,208, or approximately 162% of annual 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 as listed on the table of contents.

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 several 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 both 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.

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 an enterprises fund to account for its sewer operations.

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

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, which is an agency fund.

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.

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.

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.

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 \$18,593,984 at the close of the most recent fiscal year.

A significant portion of the Township's net position, \$5,221,924, or 28% of its total net position, 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, \$4,894,358, or 26% of its total net position, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,477,702, or 46% of its total net position, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Cash, cash equivalents, and investments increased significantly during the year, from \$9,289,026 as of March 31, 2017 to \$10,153,006 as of March 31, 2018. This increase of \$863,980 is strongly correlated to the overall increase in net position of \$497,056 that the Township reported during 2018. Other significant factors that led to the increase in cash and investments include collections of special assessment receivables (increasing business-type activities cash by \$595,606) and the

related payments on long-term debt (decreasing business-type activities cash by \$894,081) along with non-cash depreciation expense (effectively “increasing” cash across governmental and business-type activities by \$527,529).

Following is a comparative schedule showing the Township’s assets, deferred inflows and outflows, liabilities, and net position for each of the two past fiscal years:

Township of Tyrone
Net Position as of March 31, 2018 and March 31, 2017

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
ASSETS						
<i>Current Assets</i>						
Cash and Cash Equivalents	\$ 6,096,760	\$ 4,607,088	\$ 476,231	\$ 250,253	\$ 6,572,991	\$ 4,857,341
Cash and Cash Equivalents - Restricted	-	-	1,106,040	1,121,666	1,106,040	1,121,666
Investments	183,122	746,200	276,331	428,606	459,453	1,174,806
Receivables	332,865	403,272	242,280	150,295	575,145	553,567
Special Assessment Receivables	16,666	14,785	527,332	571,084	543,998	585,869
Prepaid Expenses	7,448	5,244	-	-	7,448	5,244
Total Current Assets	6,636,861	5,776,589	2,628,214	2,521,904	9,265,075	8,298,493
<i>Noncurrent Assets</i>						
Capital Assets not being Depreciated	-	-	17,595	323,553	17,595	323,553
Capital Assets being Depreciated	128,554	121,850	12,783,878	12,990,703	12,912,432	13,112,553
Cash and Cash Equivalents - Restricted	-	-	39,522	410,213	39,522	410,213
Land Contracts Receivable	119,664	220,000	-	-	119,664	220,000
Cash Held by Agent	-	-	1,027	1,278	1,027	1,278
Investments - Restricted	-	-	1,975,000	1,725,000	1,975,000	1,725,000
Special Assessment Receivables	254,223	271,711	3,078,293	3,630,147	3,332,516	3,901,858
Total Assets	7,139,302	6,390,150	20,523,529	21,602,798	27,662,831	27,992,948
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Charge on Refunding	-	-	291,255	323,989	291,255	323,989
Total Deferred Outflows of Resources	-	-	291,255	323,989	291,255	323,989
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	119,576	109,783	61,431	54,449	181,007	164,232
Accrued Liabilities and Other	5,053	4,251	-	-	5,053	4,251
Accrued Interest	4,454	4,604	113,902	122,417	118,356	127,021
Current Portion of Long-term Debt	20,000	20,000	862,260	847,260	882,260	867,260
Internal Balances	(6,046)	(6,291)	6,046	6,291	-	-
Total Current Liabilities	143,037	132,347	1,043,639	1,030,417	1,186,676	1,162,764
<i>Noncurrent Liabilities</i>						
Long-term Debt	375,000	395,000	7,138,125	8,027,206	7,513,125	8,422,206
Advances from Other Funds	(2,550,000)	(2,550,000)	2,550,000	2,550,000	-	-
Total Liabilities	(2,031,963)	(2,022,653)	10,731,764	11,607,623	8,699,801	9,584,970
DEFERRED INFLOWS OF RESOURCES						
Assessments Levied for Subsequent Periods	660,301	635,039	-	-	660,301	635,039
Total Deferred Inflows of Resources	660,301	635,039	-	-	660,301	635,039
NET POSITION						
Net Investment in Capital Assets	128,554	121,850	5,093,370	4,765,057	5,221,924	4,886,907
Restricted	1,680,595	1,525,687	3,213,763	4,431,143	4,894,358	5,956,830
Unrestricted	6,701,815	6,130,227	1,775,887	1,122,964	8,477,702	7,253,191
Total Net Position	\$ 8,510,964	\$ 7,777,764	\$ 10,083,020	\$ 10,319,164	\$ 18,593,984	\$ 18,096,928

The Township's overall net position increased \$497,056 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, 2018 and March 31, 2017

	Governmental Activities		Business-type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Revenue						
Program Revenues						
Charges for Services	\$ 937,227	\$ 1,280,078	\$ 913,107	\$ 710,271	\$ 1,850,334	\$ 1,990,349
Capital Grants & Contributions	-	-	214,825	45,828	214,825	45,828
Total Program Revenues	937,227	1,280,078	1,127,932	756,099	2,065,159	2,036,177
General Revenues						
Property Taxes	443,809	425,196	-	-	443,809	425,196
State Revenue	850,976	887,025	-	-	850,976	887,025
Cable Franchise Fees	195,788	197,298	-	-	195,788	197,298
Interest	29,110	25,988	50,893	18,098	80,003	44,086
Other	-	690	-	-	-	690
Total General Revenues	1,519,683	1,536,197	50,893	18,098	1,570,576	1,554,295
Total Revenues	2,456,910	2,816,275	1,178,825	774,197	3,635,735	3,590,472
Expenses						
General Government	597,239	572,144	-	-	597,239	572,144
Public Safety	606,246	531,544	-	-	606,246	531,544
Public Works	289,252	200,017	1,414,969	1,360,873	1,704,221	1,560,890
Community & Economic Development	82,508	92,470	-	-	82,508	92,470
Health and Welfare	4,371	4,000	-	-	4,371	4,000
Culture	38,662	27,305	-	-	38,662	27,305
Other Functions	87,217	104,031	-	-	87,217	104,031
Interest on Long-term Debt	18,215	18,815	-	-	18,215	18,815
Total Expenses	1,723,710	1,550,326	1,414,969	1,360,873	3,138,679	2,911,199
Change in Net Position Before Transfers In (Out)	733,200	1,265,949	(236,144)	(586,676)	497,056	679,273
Transfers In (Out)	-	(129,918)	-	129,918	-	-
Change in Net Position	733,200	1,136,031	(236,144)	(456,758)	497,056	679,273
<i>Net Position at Beginning of Period</i>	7,777,764	6,641,733	10,319,164	10,775,922	18,096,928	17,417,655
Net Position at End of Period	\$ 8,510,964	\$ 7,777,764	\$ 10,083,020	\$ 10,319,164	\$ 18,593,984	\$ 18,096,928

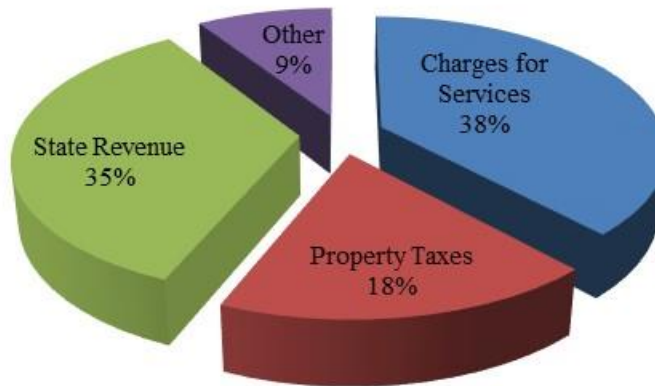
Governmental Activities - Governmental activities increased the Township's net position by \$733,200. The Township recognized less charges for services during 2018 compared to 2017 largely as a result of a \$220,000 land contract receivable that was entered into during 2017.

Public works expenses increased as a result of increasing road repair and maintenance contracts. The overall increase in public works expenses was \$89,235 within governmental activities during 2018.

Governmental Activities

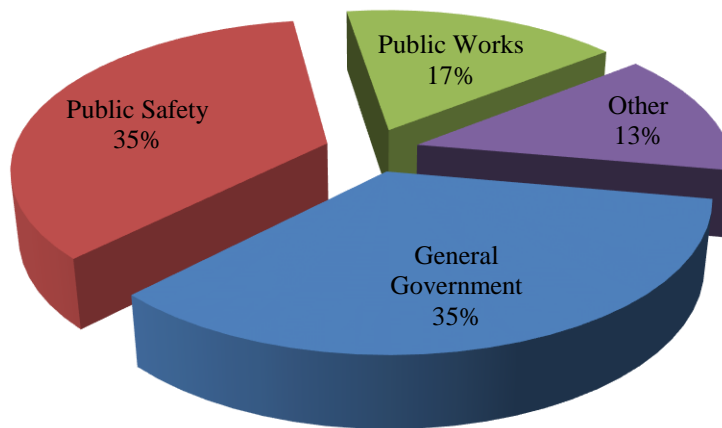
The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year-end.

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 decreased the Township's net position by \$236,144 during fiscal year 2018. The decrease in net position is consistent with the prior year.

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, 2018, the Township's governmental funds reported combined fund balances of \$8,299,952, an increase of \$884,748 in comparison with the prior year. Approximately 20% of this amount, \$1,672,609, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is: 1) nonspendable advance from the general fund to the sewer fund and prepaid items; \$2,557,448 (31%), 2) restricted for police/sheriff, fire and EMS, public education grant, and other service related assessments; \$1,318,347 (16%), 3) committed for late-in-the-year tax collections; \$500,000 (6%), or 4) assigned for capital improvement projects, technology upgrades, and park and recreation expenditures; \$2,251,548 (27%).

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 \$1,674,208 while total fund balance increased by \$791,027 to \$6,981,605. 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 while total fund balance represents approximately 677% of that same amount.

The fund balance of the Township's general fund increased by \$791,027 during the current fiscal year. The Township Board monitors the expenditures of the general fund closely to ensure that spending does not exceed the Township's available resources.

The public safety fund, a major fund, had a \$68,864 increase in fund balance during the current fiscal year, which compares to an increase of \$134,461 in 2017. The main reason for this was the increase of public safety expenditures. Also, special assessment revenues decreased during the current year.

The fund balance of the nonmajor governmental funds increased by \$24,857 during the current fiscal year leading to combined ending fund balances of \$519,847.

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 \$1,775,887 for the sewer fund. Total net position decreased by \$236,144 which put the overall net position at \$10,083,020. The significant reasons for the change in net position of the sewer fund are stated in the previous section.

General Fund Budgetary Highlights

Original budget compared to final budget. There were no significant adjustments to the budget during the year.

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, 2018 amounts to \$12,930,027 (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:

	Governmental Activities	Business-type Activities	Total
Land	\$ -	\$ 17,595	\$ 17,595
Machinery and equipment	20,020	-	20,020
Buildings	95,653	-	95,653
Land Improvements	12,881	-	12,881
Sewer System	-	12,783,878	12,783,878
	<u>\$ 128,554</u>	<u>\$ 12,801,473</u>	<u>\$ 12,930,027</u>

More detailed information about the Township's capital assets can be found in note 5.

Long-term Debt

As described in note 7 to the financial statements, the Township had \$8,395,385 in long-term debt at the end of the fiscal year. The Township is well under its legal debt limit as of year-end.

Economic Condition and Outlook

The activity for 2019 is expected to be similar to the activity of 2018. 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 2019, 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

BASIC FINANCIAL STATEMENTS

**Township of Tyrone
Statement of Net Position
March 31, 2018**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 6,096,760	\$ 476,231	\$ 6,572,991
Cash and Cash Equivalents - Restricted	--	1,106,040	1,106,040
Investments	183,122	276,331	459,453
Receivables	332,865	242,280	575,145
Special Assessment Receivables, Current	16,666	527,332	543,998
Prepaid Items	7,448	--	7,448
Total Current Assets	6,636,861	2,628,214	9,265,075
<i>Noncurrent Assets</i>			
Capital Assets not being Depreciated	--	17,595	17,595
Capital Assets being Depreciated	128,554	12,783,878	12,912,432
Land Contracts Receivable	119,664	--	119,664
Cash and Cash Equivalents - Restricted	--	39,522	39,522
Cash Held by Agent	--	1,027	1,027
Investments - Restricted	--	1,975,000	1,975,000
Special Assessment Receivables	254,223	3,078,293	3,332,516
Total Assets	7,139,302	20,523,529	27,662,831
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	--	291,255	291,255
Total Deferred Outflows of Resources	--	291,255	291,255
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	119,576	61,431	181,007
Accrued Liabilities and Other	5,053	--	5,053
Accrued Interest	4,454	113,902	118,356
Current Portion of Long-term Debt	20,000	862,260	882,260
Internal Balances	(6,046)	6,046	--
Total Current Liabilities	143,037	1,043,639	1,186,676
<i>Noncurrent Liabilities</i>			
Long-term Debt	375,000	7,138,125	7,513,125
Internal Balances	(2,550,000)	2,550,000	--
Total Liabilities	(2,031,963)	10,731,764	8,699,801
DEFERRED INFLOWS OF RESOURCES			
Assessments Levied for Subsequent Periods	660,301	--	660,301
Total Deferred Inflows of Resources	660,301	--	660,301
NET POSITION			
Net Investment in Capital Assets	128,554	5,093,370	5,221,924
<i>Restricted for:</i>			
Public Safety	889,859	--	889,859
Debt Service	445,639	3,213,763	3,659,402
Public Access Programming	291,830	--	291,830
Streets and Right of Way	14,791	--	14,791
Lake Tyrone Grant	9,550	--	9,550
Waste Removal	10,550	--	10,550
Snow Removal	14,095	--	14,095
Lighting Districts	4,281	--	4,281
<i>Unrestricted</i>	6,701,815	1,775,887	8,477,702
Total Net Position	\$ 8,510,964	\$ 10,083,020	\$ 18,593,984

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, 2018**

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
Governmental Activities:							
General Government	\$ 597,239	158,673	\$ --	\$ --	\$ (438,566)	\$ --	\$ (438,566)
Public Safety	606,246	682,372	--	--	76,126	--	76,126
Public Works	289,252	96,182	--	--	(193,070)	--	(193,070)
Community and Economic Development	82,508	--	--	--	(82,508)	--	(82,508)
Health and Welfare	4,371	--	--	--	(4,371)	--	(4,371)
Culture	38,662	--	--	--	(38,662)	--	(38,662)
Other Functions	87,217	--	--	--	(87,217)	--	(87,217)
Interest on Long-term Debt	18,215	--	--	--	(18,215)	--	(18,215)
Total Governmental Activities	1,723,710	937,227	--	--	(786,483)	--	(786,483)
Business-type Activities:							
Sewer Fund	1,414,969	913,107	--	214,825	--	(287,037)	(287,037)
Total Business-type Activities	1,414,969	913,107	--	214,825	--	(287,037)	(287,037)
Total	\$ 3,138,679	\$ 1,850,334	\$ --	\$ 214,825	\$ (786,483)	\$ (287,037)	\$ (1,073,520)

General Purpose Revenues:

Revenues

Property Taxes	443,809	--	443,809
Interest	29,110	50,893	80,003
State Revenue	850,976	--	850,976
Cable Franchise Fees	195,788	--	195,788
Total General Revenues	1,519,683	50,893	1,570,576
Change in Net Position	733,200	(236,144)	497,056
<i>Net Position at Beginning of Period</i>	7,777,764	10,319,164	18,096,928
Net Position at End of Period	\$ 8,510,964	\$ 10,083,020	\$ 18,593,984

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

**Township of Tyrone
Balance Sheet
Governmental Funds
March 31, 2018**

	<u>General</u>	<u>Public Safety</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 4,256,812	\$ 1,469,991	\$ 369,957	\$ 6,096,760
Investments	--	--	183,122	183,122
Receivables	190,123	123,091	19,651	332,865
Prepaid Items	5,849	--	1,599	7,448
Due from Other Funds	6,796	240	3,279	10,315
Land Contracts Receivable	119,664	--	--	119,664
Special Assessment Receivables	--	--	270,889	270,889
Advances to Other Funds	2,550,000	--	--	2,550,000
Total Assets	\$ 7,129,244	\$ 1,593,322	\$ 848,497	\$ 9,571,063
LIABILITIES				
Accounts Payable	\$ 19,403	\$ 100,063	\$ 110	\$ 119,576
Accrued Liabilities and Other	5,053	--	--	5,053
Due to Other Funds	3,519	750	--	4,269
Total Liabilities	27,975	100,813	110	128,898
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	119,664	91,359	270,889	481,912
Assessments Levied for a Subsequent Period	--	602,650	57,651	660,301
Total Liabilities and Deferred Inflows of Resources	147,639	794,822	328,650	1,271,111
FUND BALANCE				
Nonspendable	2,555,849	--	1,599	2,557,448
Restricted	--	798,500	519,847	1,318,347
Committed	500,000	--	--	500,000
Assigned	2,251,548	--	--	2,251,548
Unassigned	1,674,208	--	(1,599)	1,672,609
Total Fund Balance	6,981,605	798,500	519,847	8,299,952
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 7,129,244	\$ 1,593,322	\$ 848,497	\$ 9,571,063

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, 2018

Total Fund Balance - Governmental Funds	\$	8,299,952
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 \$546,459 less accumulated depreciation of \$417,905.		128,554
Receivables not collected within 60 days of the Township's year-end are not available to pay current period expenditures and, therefore, are deferred in the funds.		481,912
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This represents bonds payable as of year-end.		(395,000)
In the statement of net position, interest is accrued on outstanding bonds, whereas in the governmental funds, the interest expenditure is reported when due.		(4,454)
Total Net Position - Governmental Activities	\$	<u>8,510,964</u>

Township of Tyrone
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended March 31, 2018

	<u>General</u>	<u>Public Safety</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property Taxes	\$ 443,809	\$ --	\$ --	\$ 443,809
Licenses and Permits	25,245	--	--	25,245
State Revenue	850,976	--	12,135	863,111
Charges for Services	206,012	67,093	--	273,105
Fines and Forfeitures	21,269	--	--	21,269
Special Assessments	--	599,820	68,069	667,889
Cable Franchise Fees	139,828	--	55,960	195,788
Other Miscellaneous Income	115,986	--	--	115,986
Interest	19,076	5,971	4,063	29,110
Total Revenues	<u>1,822,201</u>	<u>672,884</u>	<u>140,227</u>	<u>2,635,312</u>
Expenditures				
General Government	582,493	--	--	582,493
Public Safety	--	604,020	2,226	606,246
Public Works	250,104	--	39,148	289,252
Health and Welfare	4,371	--	--	4,371
Community and Economic Development	82,508	--	--	82,508
Culture	3,031	--	35,631	38,662
Other Functions	87,217	--	--	87,217
Capital Outlay	21,450	--	--	21,450
Debt Service - Interest	--	--	18,365	18,365
Debt Service - Principal	--	--	20,000	20,000
Total Expenditures	<u>1,031,174</u>	<u>604,020</u>	<u>115,370</u>	<u>1,750,564</u>
Excess of Revenues Over (Under) Expenditures	<u>791,027</u>	<u>68,864</u>	<u>24,857</u>	<u>884,748</u>
Net Change in Fund Balance	<u>791,027</u>	<u>68,864</u>	<u>24,857</u>	<u>884,748</u>
<i>Fund Balance at Beginning of Period</i>	6,190,578	729,636	494,990	7,415,204
Fund Balance at End of Period	<u>\$ 6,981,605</u>	<u>\$ 798,500</u>	<u>\$ 519,847</u>	<u>\$ 8,299,952</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, 2018

Total Net Change in Fund Balances - Governmental Funds	\$	884,748
<p>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 represents capital outlay of \$21,450 less depreciation expense of \$14,746.</p>		
		6,704
<p>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. This represents the change in deferred inflows related to unavailable revenues during the year.</p>		
		(178,402)
<p>Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.</p>		
		20,000
<p>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. This represents the change in accrued interest during the year.</p>		
		150
Changes in Net Position - Governmental Activities	\$	<u>733,200</u>

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

**Township of Tyrone
Statement of Net Position
Proprietary Fund
March 31, 2018**

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Sewer Fund</u>
ASSETS	
<i>Current Assets</i>	
Cash and Cash Equivalents	\$ 476,231
Cash and Cash Equivalents - Restricted	1,106,040
Investments	276,331
Receivables	242,280
Special Assessment Receivables, Current	527,332
Due from Other Funds	750
Total Current Assets	2,628,964
<i>Noncurrent Assets</i>	
Capital Assets not being Depreciated	17,595
Capital Assets being Depreciated	12,783,878
Cash and Cash Equivalents - Restricted	39,522
Cash Held by Agent - Restricted	1,027
Investments - Restricted	1,975,000
Special Assessment Receivables	3,078,293
Total Assets	20,524,279
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charge on Refunding	291,255
Total Deferred Outflows of Resources	291,255
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	61,431
Accrued Interest	113,902
Current Portion of Long-term Debt	862,260
Due to Other Funds	6,796
Total Current Liabilities	1,044,389
<i>Noncurrent Liabilities</i>	
Long-term Debt	7,138,125
Advances from Other Funds	2,550,000
Total Liabilities	10,732,514
NET POSITION	
Net Investment in Capital Assets	5,093,370
<i>Restricted for:</i>	
Debt Service	3,213,763
<i>Unrestricted</i>	1,775,887
Total Net Position	\$ 10,083,020

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 Fund
For the Year Ended March 31, 2018

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Sewer Fund</u>
Operating Revenues	
Charges for Services	\$ 815,687
Other Miscellaneous Income	97,420
<i>Total Operating Revenues</i>	<u>913,107</u>
Operating Expenses	
Cost of Sewage Operations and Maintenance	629,414
Depreciation	512,783
<i>Total Operating Expenses</i>	<u>1,142,197</u>
<i>Operating Income (Loss)</i>	<u>(229,090)</u>
Non-Operating Revenues (Expenses)	
Interest	50,893
Special Assessments	214,825
Interest on Long-term Debt	(265,047)
Debt Service Charge	(7,725)
<i>Net Non-Operating Revenues (Expenses)</i>	<u>(7,054)</u>
<i>Change In Net Position</i>	<u>(236,144)</u>
<i>Net Position at Beginning of Period</i>	10,319,164
<i>Net Position at End of Period</i>	<u><u>\$ 10,083,020</u></u>

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

**Township of Tyrone
Statement of Cash Flows
Proprietary Fund
For the Year Ended March 31, 2018**

	Business-type Activities - Enterprise Fund
	Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 821,122
Payments to suppliers	(622,432)
<i>Net Cash Provided by Operating Activities</i>	198,690
Cash Flows from Capital and Related Financing Activities	
Special assessment collections	810,431
Principal payments on long-term debt	(841,347)
Interest payments on long-term debt	(281,281)
<i>Net Cash Used by Capital and Related Financing Activities</i>	(312,197)
Cash Flows from Investing Activities	
Interest received on investments	50,893
<i>Net Cash Provided by Investing Activities</i>	50,893
Net Increase (Decrease) in Cash and Equivalents	(62,614)
<i>Cash and Equivalents - Beginning of Year</i>	3,935,738
Cash and Equivalents - End of Year	\$ 3,873,124
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	(229,090)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation expense	512,783
Changes in Assets and Liabilities	
Accounts receivable	(91,985)
Accounts payable	6,982
Net Cash Provided by Operating Activities	\$ 198,690

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

Township of Tyrone
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
March 31, 2018

	Agency Fund
ASSETS	
Cash and Cash Equivalents	\$ 16,583
<i>Total Assets</i>	16,583
LIABILITIES	
Refundable Deposits, Bonds, Etc.	14,388
Due to Other Governmental Units	2,195
<i>Total Liabilities</i>	\$ 16,583

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

NOTES TO THE 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.

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

Township of Tyrone

Notes to the Financial Statements

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.

Additionally, the government reports the following 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.

Debt service funds are used to account for all financial resources restricted, committed, or assigned to expenditure for principal and interest.

Township of Tyrone

Notes to the Financial Statements

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies, and contracted services. All revenues and expenses are not meeting this definition are reported as nonoperating revenues and expenses.

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 Assets

The Township’s restricted cash and cash equivalents and restricted investments in its sewer fund report the resources accumulated from the issuance of special assessments within the sewer fund that are legally restricted to repay the underlying bond principal and interest amounts.

Receivables

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The Township reported \$72,146 of uncollectible amounts as of March 31, 2018.

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.

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 acquisition value at the date of donation.

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

	<u>Years</u>
Buildings	39
Land improvements	15
Machinery, equipment, and software	3 - 7
Sewer distribution system	39

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

Township of Tyrone

Notes to the Financial Statements

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 accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenues*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: amounts receivable and special assessments; both of which are collected beyond 60 days after the date of the financial statements. 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

Township of Tyrone

Notes to the Financial Statements

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.

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.

Township of Tyrone

Notes to the Financial Statements

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 2017 tax is levied and collectible on December 1, 2017 and is recognized as revenue in the year ended March 31, 2018, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2017 taxable valuation of the Township totaled \$465,279,422, on which taxes levied consisted of .8961 mills for operating purposes. This resulted in \$416,864 of revenue 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, 2017 and is recognized as revenue in the year ended March 31, 2018, 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.

Subsequent Events

Subsequent events have been evaluated through July 27, 2018, the date the financial statements were available to be issued. During May 2018 the Township approved a resolution confirming a special assessment roll for the Lake Shannon Improvement Project with estimated project costs of \$1,310,000. Further, the Township has received prepaid assessments of \$265,000 and has approved the issuance of Special Assessment Bonds, Series 2018, in the amount of \$1,045,000 to finance the project cost. The special assessment roll will be used to repay the bonds.

Management is not aware of any other 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.

Township of Tyrone

Notes to the Financial Statements

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.

The Township had one expenditure in excess of the amount appropriated during the year ended March 31, 2018, as follows:

	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Public Safety			
Fire and EMS	\$ 454,100	\$ 457,758	\$ (3,658)

Note 3 - Deposits and Investments

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

The 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.

Township of Tyrone

Notes to the Financial Statements

Following is a reconciliation of deposit and investments balances as of March 31, 2018:

Statement of Net Position

Current Assets

Cash and Cash Equivalents	\$ 6,572,991
Cash and Cash Equivalents - Restricted	1,106,040
Investments	459,453

Noncurrent Assets

Cash and Cash Equivalents - Restricted	39,522
Investments - Restricted	1,975,000

Statement of Fiduciary Net Position

Cash and Cash Equivalents	16,583
Total Deposits and Investments	\$ 10,169,589

Deposits and Investments

Cash and Cash Equivalents	\$ 7,734,536
Certificates of Deposit	2,434,453
Cash on Hand	600
Total	\$ 10,169,589

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 custodial credit risk. At year end, the carrying amount of the Township's deposits was \$9,735,165. As of year-end, \$3,673,138 of the combined deposit (bank) balances of \$9,748,045 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:

Investment	Rating Organization	Rating	Maturity	Fair Value
MI CLASS - Mutual Fund	Standard & Poor's	AAAm	N/A	\$ 433,824

Township of Tyrone

Notes to the Financial Statements

Interest Rate Risk - Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Maturity dates for investments and certificates of deposit held at year-end are summarized as follows:

	<u>Certificates of Deposit</u>
Due in 1-5 Years	\$ 276,331
Due Within 1 Year	2,158,122
	<u>\$ 2,434,453</u>

Fair Value Measurement - The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Township has the following recurring fair value measurements as of March 31, 2018:

- Investments held with MICLASS totaled \$433,824. MICLASS is authorized to invest in the same investment types as local units of government in Michigan. These holdings are valued using Level 2 inputs.

Note 4 - Receivables

Receivables as of year-end for the Township's individual major funds and the nonmajor funds, net of 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	\$ 34,294	\$ 91,359	\$ 13,717	\$ 139,370	\$ 146,367
Due from County	20,614	-	5,934	26,548	95,913
Due from State	135,215	-	-	135,215	-
Total Receivables	<u>\$ 190,123</u>	<u>\$ 91,359</u>	<u>\$ 19,651</u>	<u>\$ 301,133</u>	<u>\$ 242,280</u>

Township of Tyrone

Notes to the Financial Statements

Note 5 - Capital Assets

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

Governmental Activities	<u>April 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>March 31, 2018</u>
Capital assets being depreciated				
Buildings	\$ 365,658	\$ -	\$ -	\$ 365,658
Machinery and equipment	85,933	21,450	-	107,383
Information technology	44,420	-	-	44,420
Land improvements	28,998	-	-	28,998
Total capital assets being depreciated	<u>525,009</u>	<u>21,450</u>	<u>-</u>	<u>546,459</u>
Less accumulated depreciation				
Buildings	258,616	11,389	-	270,005
Machinery and equipment	85,933	1,430	-	87,363
Information technology	44,420	-	-	44,420
Land improvements	14,190	1,927	-	16,117
Total accumulated depreciation	<u>403,159</u>	<u>14,746</u>	<u>-</u>	<u>417,905</u>
Capital assets, net	<u>\$ 121,850</u>	<u>\$ 6,704</u>	<u>\$ -</u>	<u>\$ 128,554</u>

All depreciation expense for governmental activities was charged to the general government function.

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

Business-type Activities	<u>April 1, 2017</u>	<u>Additions</u>	<u>Transfers</u>	<u>March 31, 2018</u>
Capital assets not being depreciated				
Land	\$ 17,595	\$ -	\$ -	\$ 17,595
Construction in progress	305,958	-	(305,958)	-
Total capital assets not being depreciated	<u>323,553</u>	<u>-</u>	<u>(305,958)</u>	<u>17,595</u>
Capital assets being depreciated				
Sewer System	20,013,422	-	305,958	20,319,380
Machinery and equipment	360,810	-	-	360,810
Total capital assets being depreciated	<u>20,374,232</u>	<u>-</u>	<u>305,958</u>	<u>20,680,190</u>
Less accumulated depreciation				
Sewer System	7,022,719	512,783	-	7,535,502
Machinery and equipment	360,810	-	-	360,810
Total accumulated depreciation	<u>7,383,529</u>	<u>512,783</u>	<u>-</u>	<u>7,896,312</u>
Capital assets being depreciated, net	<u>12,990,703</u>	<u>(512,783)</u>	<u>305,958</u>	<u>12,783,878</u>
Capital assets, net	<u>\$ 13,314,256</u>	<u>\$ (512,783)</u>	<u>\$ -</u>	<u>\$ 12,801,473</u>

Township of Tyrone

Notes to the Financial Statements

Note 6 - Interfund Balances

Interfund Balances

The interfund balances as of March 31, 2018 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sewer	\$ 6,796
Silver Lakes Estates Waste Removal	General	1,239
Road Improvement	General	65
Public Safety	General	240
Apple Orchard Rubbish Removal	General	1,975
Sewer	Public Safety	750

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 (\$2,550,000) 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 7 - 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

Following is a summary of long-term debt activity of the Township for the year ended March 31, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Parkin Lane Road Special Assessment Bond	\$ 415,000	\$ -	\$ 20,000	\$ 395,000	\$ 20,000
Business-type Activities					
Livingston County Sanitary Sewer Improvement Bonds Series 2007	3,240,000	-	415,000	2,825,000	430,000
Livingston County Sanitary Sewer Improvement Refunding Bonds Series 2013	4,515,000	-	395,000	4,120,000	395,000
Bond Premiums	288,998		26,821	262,177	-
Livingston County Clean Water Sewer Improvement Bond, Series 2015	830,468	-	37,260	793,208	37,260
Total Business-type Activities	8,874,466	-	874,081	8,000,385	862,260
Total Primary Government Long-term Debt	\$ 9,289,466	\$ -	\$ 894,081	\$ 8,395,385	\$ 882,260

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
2019	\$ 20,000	\$ 17,515	\$ 37,515	\$ 862,260	\$ 243,880	\$ 1,106,140
2020	20,000	16,890	36,890	879,330	211,598	1,090,928
2021	25,000	16,128	41,128	894,330	180,616	1,074,946
2022	25,000	15,128	40,128	916,400	148,907	1,065,307
2023	25,000	14,003	39,003	921,400	116,598	1,037,998
2024-2028	160,000	49,440	209,440	2,545,630	261,338	2,806,968
2029-2033	120,000	8,910	128,910	606,680	38,784	645,464
2034-2038	-	-	-	112,178	4,212	116,390
Totals	\$ 395,000	\$ 138,013	\$ 533,013	\$ 7,738,208	\$ 1,205,933	\$ 8,944,141

Parkin Lane Road Improvement Special Assessment Bonds – Series 2010 - 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 Township's limited tax full faith and credit are pledged for the payment of the bonds if the special assessments are not adequate. The interest rate ranges from 3.00% to 4.95% with a maturity date of July 1, 2030.

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

Township of Tyrone

Notes to the Financial Statements

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. The interest rate is 4.00% with a maturity date of November 1, 2023.

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 maturity date is May 1, 2028.

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. 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 interest rate is 2.50% with a maturity date of April 1, 2035.

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. 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

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, 2018, 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.

Note 8 - 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, 2018, the Township estimates there is no significant liability related to Livingston County chargebacks.

Note 9 - 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. An agreement was signed covering the period from April 1, 2016 through March 31, 2019. This agreement commits the Township to pay a base rate for each fire run of:

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

The Township paid \$457,315 during the fiscal year ended March 31, 2018 under the agreement.

Township of Tyrone

Notes to the Financial Statements

Note 10 - Net Investment in Capital Assets

Below is the determination of the net investment of capital assets as of March 31, 2018:

	<u>Governmental</u>	<u>Business-type</u>
Nondepreciable capital assets	\$ -	\$ 17,595
Depreciable capital assets, net	128,554	12,783,878
Current portion of long-term debt	-	(862,260)
Long-term debt	-	(7,138,125)
Deferred charge on bond refunding	-	291,255
Cash held by agent - restricted	-	1,027
Net investment in capital assets	<u>\$ 128,554</u>	<u>\$ 5,093,370</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Tyrone
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended March 31, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Property Taxes	\$ 403,083	\$ 403,083	\$ 443,809	\$ 40,726
Licenses and Permits	16,480	16,480	25,245	8,765
State Revenue	798,500	798,500	850,976	52,476
Charges for Services	171,921	171,921	206,012	34,091
Fines and Forfeitures	12,566	12,566	21,269	8,703
Cable Franchise Fees	118,811	118,811	139,828	21,017
Other Miscellaneous Income	6,180	115,030	115,986	956
Interest	10,300	10,300	19,076	8,776
Total Revenues	<u>1,537,841</u>	<u>1,646,691</u>	<u>1,822,201</u>	<u>175,510</u>
Other Financing Sources				
Transfers In	30,000	30,000	--	(30,000)
Total Revenues and Other Financing Sources	<u>1,567,841</u>	<u>1,676,691</u>	<u>1,822,201</u>	<u>145,510</u>
Expenditures				
General Government				
Township Board	129,364	129,364	107,740	21,624
Supervisor	62,737	62,737	36,207	26,530
Clerk	129,446	150,446	137,928	12,518
Elections	114,529	114,529	19,488	95,041
Treasurer	113,364	113,364	107,262	6,102
Assessing	91,489	91,489	78,639	12,850
Board of Review	1,530	1,530	1,416	114
Building and Grounds	44,125	44,125	28,005	16,120
Cemeteries	11,003	11,003	6,530	4,473
Ordinance Enforcement/Building Inspections	12,177	27,317	23,738	3,579
Other General Government	42,653	42,653	35,540	7,113
Total General Government	<u>752,417</u>	<u>788,557</u>	<u>582,493</u>	<u>206,064</u>
Public Works				
General Public Works	344,589	344,589	248,086	96,503
Street Lighting	2,546	2,546	2,018	528
Total Public Works	<u>347,135</u>	<u>347,135</u>	<u>250,104</u>	<u>97,031</u>
Health and Welfare - Seniors	4,371	4,371	4,371	--
Community and Economic Development				
Planning	55,545	62,045	61,248	797
Zoning	37,632	37,632	21,260	16,372
Economic Development	9,548	9,548	--	9,548
Total Community and Economic Development	<u>102,725</u>	<u>109,225</u>	<u>82,508</u>	<u>26,717</u>
Culture - Public Education Grant	12,440	12,440	3,031	9,409
Other Functions	125,006	125,006	87,217	37,789
Capital Outlay	21,450	21,450	21,450	--
Total Expenditures	<u>1,365,544</u>	<u>1,408,184</u>	<u>1,031,174</u>	<u>377,010</u>
Other Financing Uses				
Transfers Out	8,350	8,350	--	8,350
Total Expenditures and Other Financing Uses	<u>1,373,894</u>	<u>1,416,534</u>	<u>1,031,174</u>	<u>385,360</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>193,947</u>	<u>260,157</u>	<u>791,027</u>	<u>530,870</u>
Net Change in Fund Balance	<u>193,947</u>	<u>260,157</u>	<u>791,027</u>	<u>530,870</u>
Fund Balance at Beginning of Period	6,190,578	6,190,578	6,190,578	--
Fund Balance at End of Period	<u>\$ 6,384,525</u>	<u>\$ 6,450,735</u>	<u>\$ 6,981,605</u>	<u>\$ 530,870</u>

Township of Tyrone
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Public Safety
For the Year Ended March 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Charges for Services	\$ 40,000	\$ 40,000	\$ 67,093	\$ 27,093
Special Assessments	599,820	599,820	599,820	--
State Revenue	--	--	5,971	5,971
Total Revenues	<u>639,820</u>	<u>639,820</u>	<u>672,884</u>	<u>33,064</u>
Other Financing Sources				
Transfers In	2,000	2,000	--	(2,000)
Total Revenues and Other				
Interest	<u>641,820</u>	<u>641,820</u>	<u>672,884</u>	<u>31,064</u>
Expenditures				
Police/Sheriff	147,011	147,011	146,262	749
Fire and EMS	414,360	454,100	457,758	(3,658)
Total Expenditures	<u>561,371</u>	<u>601,111</u>	<u>604,020</u>	<u>(2,909)</u>
Excess (Deficiency) of Revenues and				
Other Sources Over Expenditures	<u>80,449</u>	<u>40,709</u>	<u>68,864</u>	<u>28,155</u>
Net Change in Fund Balance	80,449	40,709	68,864	28,155
Fund Balance at Beginning of Period	729,636	729,636	729,636	--
Fund Balance at End of Period	<u>\$ 810,085</u>	<u>\$ 770,345</u>	<u>\$ 798,500</u>	<u>\$ 28,155</u>

OTHER SUPPLEMENTARY INFORMATION

**Township of Tyrone
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2018**

	Special Revenue						
	Liquor Law Enforcement	Jayne Hill Street Lighting	Walnut Shores Street Lighting	Jayne Hill Waste Removal	Parkin Lane Snow Removal	Great Oaks Drive	Right of Way
ASSETS							
Cash and Cash Equivalents	\$ --	\$ 4,159	\$ 832	\$ 28,018	\$ 19,975	\$ 7,681	\$ 9,885
Investments	--	--	--	--	--	--	--
Receivables	--	--	20	149	630	185	--
Prepaid Items	--	--	--	--	--	--	--
Due from Other Funds	--	--	--	--	--	--	--
Special Assessment Receivables	--	--	--	--	--	--	--
<i>Total Assets</i>	<u>\$ --</u>	<u>\$ 4,159</u>	<u>\$ 852</u>	<u>\$ 28,167</u>	<u>\$ 20,605</u>	<u>\$ 7,866</u>	<u>\$ 9,885</u>
LIABILITIES							
Accounts Payable	\$ --	\$ 98	\$ 12	\$ --	\$ --	\$ --	\$ --
<i>Total Liabilities</i>	<u>--</u>	<u>98</u>	<u>12</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenues	--	--	--	--	--	--	--
Assessments Levied for a Subsequent Period	--	520	100	18,029	6,510	2,960	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>--</u>	<u>618</u>	<u>112</u>	<u>18,029</u>	<u>6,510</u>	<u>2,960</u>	<u>--</u>
FUND BALANCE							
Nonspendable	--	--	--	--	--	--	--
Restricted	--	3,541	740	10,138	14,095	4,906	9,885
Unassigned	--	--	--	--	--	--	--
<i>Total Fund Balance</i>	<u>--</u>	<u>3,541</u>	<u>740</u>	<u>10,138</u>	<u>14,095</u>	<u>4,906</u>	<u>9,885</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ --</u>	<u>\$ 4,159</u>	<u>\$ 852</u>	<u>\$ 28,167</u>	<u>\$ 20,605</u>	<u>\$ 7,866</u>	<u>\$ 9,885</u>

**Township of Tyrone
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2018**

	Special Revenue				Debt Service		Total Nonmajor Governmental Funds
	Public Education Grant	Lake Tyrone Grant	Shannon Glen Rubbish Removal	Apple Orchard Rubbish Removal	Silver Lakes Estates Waste Removal	Parkin Lane Road Improvements	
ASSETS							
Cash and Cash Equivalents	\$ 94,991	\$ 9,550	\$ 4,728	\$ 4,254	\$ 15,141	\$ 170,743	\$ 369,957
Investments	183,122	--	--	--	--	--	183,122
Receivables	13,717	--	--	618	390	3,942	19,651
Prepaid Items	--	--	--	1,599	--	--	1,599
Due from Other Funds	--	--	--	1,975	1,239	65	3,279
Special Assessment Receivables	--	--	--	--	--	270,889	270,889
Total Assets	\$ 291,830	\$ 9,550	\$ 4,728	\$ 8,446	\$ 16,770	\$ 445,639	\$ 848,497
LIABILITIES							
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 110
Total Liabilities	--	--	--	--	--	--	110
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenues	--	--	--	--	--	270,889	270,889
Assessments Levied for a Subsequent Period	--	--	4,316	8,446	16,770	--	57,651
Total Liabilities and Deferred Inflows of Resources	--	--	4,316	8,446	16,770	270,889	328,650
FUND BALANCE							
Nonspendable	--	--	--	1,599	--	--	1,599
Restricted	291,830	9,550	412	--	--	174,750	519,847
Unassigned	--	--	--	(1,599)	--	--	(1,599)
Total Fund Balance	291,830	9,550	412	--	--	174,750	519,847
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 291,830	\$ 9,550	\$ 4,728	\$ 8,446	\$ 16,770	\$ 445,639	\$ 848,497

Township of Tyrone
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended March 31, 2018

	Special Revenue						
	Liquor Law Enforcement	Jayne Hill Street Lighting	Walnut Shores Street Lighting	Jayne Hill Waste Removal	Parkin Lane Snow Removal	Great Oaks Drive	Right of Way
Revenues							
State Revenue	\$ 2,226	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 9,909
Special Assessments	--	520	100	18,029	6,510	4,560	--
Cable Franchise Fees	--	--	--	--	--	--	--
Interest	--	--	--	--	--	--	--
Total Revenues	<u>2,226</u>	<u>520</u>	<u>100</u>	<u>18,029</u>	<u>6,510</u>	<u>4,560</u>	<u>9,909</u>
Expenditures							
Public Safety	2,226	--	--	--	--	--	--
Public Works	--	1,134	141	18,513	6,877	3,025	4,150
Culture	--	--	--	--	--	--	--
Debt Service - Interest	--	--	--	--	--	--	--
Debt Service - Principal	--	--	--	--	--	--	--
Total Expenditures	<u>2,226</u>	<u>1,134</u>	<u>141</u>	<u>18,513</u>	<u>6,877</u>	<u>3,025</u>	<u>4,150</u>
Excess of Revenues Over (Under) Expenditures	<u>--</u>	<u>(614)</u>	<u>(41)</u>	<u>(484)</u>	<u>(367)</u>	<u>1,535</u>	<u>5,759</u>
Net Change in Fund Balance	<u>--</u>	<u>(614)</u>	<u>(41)</u>	<u>(484)</u>	<u>(367)</u>	<u>1,535</u>	<u>5,759</u>
<i>Fund Balance at Beginning of Period</i>	--	4,155	781	10,622	14,462	3,371	4,126
Fund Balance at End of Period	<u>\$ --</u>	<u>\$ 3,541</u>	<u>\$ 740</u>	<u>\$ 10,138</u>	<u>\$ 14,095</u>	<u>\$ 4,906</u>	<u>\$ 9,885</u>

Township of Tyrone
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended March 31, 2018

	Special Revenue				Debt Service		Total Nonmajor Governmental Funds
	Public Education Grant	Lake Tyrone Grant	Shannon Glen Rubbish Removal	Apple Orchard Rubbish Removal	Silver Lakes Estates Waste Removal	Parkin Lane Road Improvements	
Revenues							
State Revenue	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 12,135
Special Assessments	--	--	5,500	--	--	32,850	68,069
Cable Franchise Fees	55,960	--	--	--	--	--	55,960
Interest	1,659	--	--	--	--	2,404	4,063
Total Revenues	57,619	--	5,500	--	--	35,254	140,227
Expenditures							
Public Safety	--	--	--	--	--	--	2,226
Public Works	--	--	5,308	--	--	--	39,148
Culture	35,631	--	--	--	--	--	35,631
Debt Service - Interest	--	--	--	--	--	18,365	18,365
Debt Service - Principal	--	--	--	--	--	20,000	20,000
Total Expenditures	35,631	--	5,308	--	--	38,365	115,370
Excess of Revenues Over (Under) Expenditures	21,988	--	192	--	--	(3,111)	24,857
Net Change in Fund Balance	21,988	--	192	--	--	(3,111)	24,857
<i>Fund Balance at Beginning of Period</i>	269,842	9,550	220	--	--	177,861	494,990
Fund Balance at End of Period	\$ 291,830	\$ 9,550	\$ 412	\$ --	\$ --	\$ 174,750	\$ 519,847

**Township of Tyrone
General Fund Combining Balance Sheet
All Funds Treated as General
March 31, 2018**

	General	Technology	Public Improvement Building & Site	Township Beautification	Park and Recreation	Public Improvement Road	Township Improvement Revolving	Total General Funds
ASSETS								
Cash and Cash Equivalents	\$ 2,005,264	\$ 71,427	\$ 328,634	\$ --	\$ 5,934	\$ 654,724	\$ 1,190,829	\$ 4,256,812
Receivables	190,123	--	--	--	--	--	--	190,123
Prepaid Items	5,849	--	--	--	--	--	--	5,849
Due from Other Funds	6,796	--	--	--	--	--	--	6,796
Land Contracts Receivable	--	--	--	--	--	--	119,664	119,664
Advances to Other Funds	2,550,000	--	--	--	--	--	--	2,550,000
<i>Total Assets</i>	\$ 4,758,032	\$ 71,427	\$ 328,634	\$ --	\$ 5,934	\$ 654,724	\$ 1,310,493	\$ 7,129,244
LIABILITIES								
Accounts Payable	\$ 19,403	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 19,403
Accrued Liabilities and Other	5,053	--	--	--	--	--	--	5,053
Due to Other Funds	3,519	--	--	--	--	--	--	3,519
<i>Total Liabilities</i>	27,975	--	--	--	--	--	--	27,975
DEFERRED INFLOWS OF RESOURCES								
Assessments Levied for a Subsequent Period	--	--	--	--	--	--	119,664	119,664
<i>Total Liabilities and Deferred Inflows of Resources</i>	27,975	--	--	--	--	--	119,664	147,639
FUND BALANCE								
Nonspendable	2,555,849	--	--	--	--	--	--	2,555,849
Committed	500,000	--	--	--	--	--	--	500,000
Assigned	--	71,427	328,634	--	5,934	654,724	1,190,829	2,251,548
Unassigned	1,674,208	--	--	--	--	--	--	1,674,208
<i>Total Fund Balance</i>	4,730,057	71,427	328,634	--	5,934	654,724	1,190,829	6,981,605
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 4,758,032	\$ 71,427	\$ 328,634	\$ --	\$ 5,934	\$ 654,724	\$ 1,310,493	\$ 7,129,244

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, 2018

	General	Technology	Public Improvement Building & Site	Township Beautification	Park and Recreation	Public Improvement Road	Township Improvement Revolving	Eliminating	Total General Funds
Revenues									
Property Taxes	\$ 443,809	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 443,809
Licenses and Permits	25,245	--	--	--	--	--	--	--	25,245
State Revenue	850,976	--	--	--	--	--	--	--	850,976
Charges for Services	206,012	--	--	--	--	--	--	--	206,012
Fines and Forfeitures	21,269	--	--	--	--	--	--	--	21,269
Cable Franchise Fees	139,828	--	--	--	--	--	--	--	139,828
Other Miscellaneous Income	6,907	--	--	--	--	--	109,079	--	115,986
Interest	13,687	--	--	--	--	3,107	2,282	--	19,076
Total Revenues	1,707,733	--	--	--	--	3,107	111,361	--	1,822,201
Expenditures									
General Government	562,104	17,739	2,650	--	--	--	--	--	582,493
Public Works	8,050	--	--	--	--	242,054	--	--	250,104
Health and Welfare	4,371	--	--	--	--	--	--	--	4,371
Community and Economic Development	82,508	--	--	--	--	--	--	--	82,508
Culture	3,031	--	--	--	--	--	--	--	3,031
Other Functions	87,217	--	--	--	--	--	--	--	87,217
Capital Outlay	21,450	--	--	--	--	--	--	--	21,450
Total Expenditures	768,731	17,739	2,650	--	--	242,054	--	--	1,031,174
Excess of Revenues Over (Under) Expenditures	939,002	(17,739)	(2,650)	--	--	(238,947)	111,361	--	791,027
Other Financing Sources (Uses)									
Transfers In	1,650	20,000	97,500	--	--	280,000	97,500	(496,650)	--
Transfers Out	(495,000)	--	--	(1,650)	--	--	--	496,650	--
Net Other Financing Sources (Uses)	(493,350)	20,000	97,500	(1,650)	--	280,000	97,500	--	--
Net Change in Fund Balance	445,652	2,261	94,850	(1,650)	--	41,053	208,861	--	791,027
<i>Fund Balance at Beginning of Period</i>	4,284,405	69,166	233,784	1,650	5,934	613,671	981,968	--	6,190,578
Fund Balance at End of Period	\$ 4,730,057	\$ 71,427	\$ 328,634	\$ --	\$ 5,934	\$ 654,724	\$ 1,190,829	\$ --	\$ 6,981,605

To the Township Board
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 (the "Township") for the year ended March 31, 2018. 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 July 3, 2018. 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 the Township 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 March 31, 2018. 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 July 27, 2018.

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, 2018, 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 Township Board and management of the Township and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the typed name of the company.

Gabridge & Company, PLC
Grand Rapids, MI
July 27, 2018