

TOWNSHIP OF TYRONE, LIVINGSTON COUNTY, MICHIGAN

ANNUAL FINANCIAL REPORT

YEAR ENDED MARCH 31, 2017



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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, 2017, 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, 2017,

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.



Gabridge & Company, PLC
Grand Rapids, MI
August 7, 2017

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, 2017. 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 \$18,096,928 (net position). Of this amount, \$7,252,971 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 \$7,415,204, an increase of \$777,639 in comparison with the prior year. Approximately 16.5% of this amount, or \$1,223,110, 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 \$1,223,110, or approximately 116.9% of annual general fund expenditures and net transfers.

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

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

The basic governmental fund financial statements can be found as listed on the table of contents.

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

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

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

The basic proprietary fund financial statements can be found as listed on the table of contents.

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.

The fiduciary fund financial statement can be found as listed on the table of contents.

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

The notes to the financial statements can be found as listed in the table of contents.

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

Required supplementary information can be found as listed in the table of contents.

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

Combining and individual fund statements and schedules can be found as listed in the table of contents.

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 \$18,096,928 at the close of the most recent fiscal year.

Township of Tyrone Net Position as of March 31, 2017 and March 31, 2016

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
ASSETS						
<i>Current Assets</i>						
Cash and Cash Equivalents	\$ 4,607,088	\$ 4,508,152	\$ 250,253	\$ 598,666	\$ 4,857,341	\$ 5,106,818
Cash and Cash Equivalents - Restricted	-	-	1,121,666	1,132,029	1,121,666	1,132,029
Investments	746,200	425,400	428,606	-	1,174,806	425,400
Receivables	403,272	230,008	150,295	164,552	553,567	394,560
Special Assessment Receivables	14,785	14,785	571,084	574,154	585,869	588,939
Prepaid Expenses	5,244	5,113	-	-	5,244	5,113
Land Held for Resale	-	75,031	-	-	-	75,031
Total Current Assets	5,776,589	5,258,489	2,521,904	2,469,401	8,298,493	7,727,890
<i>Noncurrent Assets</i>						
Capital Assets not being Depreciated	-	7,500	323,553	612,485	323,553	619,985
Capital Assets being Depreciated	121,850	135,141	12,990,703	12,908,596	13,112,553	13,043,737
Cash and Cash Equivalents - Restricted	-	-	410,213	1,709,157	410,213	1,709,157
Land Contracts Receivable	220,000	-	-	-	220,000	-
Cash Held by Agent - Restricted	-	-	1,278	1,278	1,278	1,278
Investments - Restricted	-	-	1,725,000	-	1,725,000	-
Special Assessment Receivables	271,711	286,496	3,630,147	4,462,463	3,901,858	4,748,959
Total Assets	6,390,150	5,687,626	21,602,798	22,163,380	27,992,948	27,851,006
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Charge on Refunding	-	-	323,989	356,723	323,989	356,723
Total Deferred Outflows of Resources	-	-	323,989	356,723	323,989	356,723
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	109,783	100,212	54,449	50,115	164,232	150,327
Accrued Liabilities and Other	4,251	6,206	-	-	4,251	6,206
Accrued Interest	4,604	4,754	122,417	120,479	127,021	125,233
Current Portion of Long-term Debt	20,000	20,000	847,260	852,610	867,260	872,610
Internal Balances	(6,291)	(648)	6,291	648	-	-
Total Current Liabilities	132,347	130,524	1,030,417	1,023,852	1,162,764	1,154,376
<i>Noncurrent Liabilities</i>						
Long-term Debt	395,000	415,000	8,027,206	8,595,329	8,422,206	9,010,329
Advances from Other Funds	(2,550,000)	(2,125,000)	2,550,000	2,125,000	-	-
Total Liabilities	(2,022,653)	(1,579,476)	11,607,623	11,744,181	9,584,970	10,164,705
DEFERRED INFLOWS OF RESOURCES						
Special Assessments Levied for a Subsequent Period	635,039	625,369	-	-	635,039	625,369
Total Deferred Inflows of Resources	635,039	625,369	-	-	635,039	625,369
NET POSITION						
Net Investment in Capital Assets	121,850	142,641	4,765,057	4,431,143	4,886,907	4,573,784
Restricted	1,525,687	1,066,582	4,431,143	4,556,227	5,956,830	5,622,809
Unrestricted	6,130,227	5,432,510	1,122,964	1,788,552	7,253,191	7,221,062
Total Net Position	\$ 7,777,764	\$ 6,641,733	\$ 10,319,164	\$ 10,775,922	\$ 18,096,928	\$ 17,417,655

A significant portion of the Township's net position, \$4,886,907, or 27.0% 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, \$5,957,050, or 32.9% of its total net position, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,252,971, or 40.1% 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 \$8,373,404 as of March 31, 2016 to \$9,289,026 as of March 31, 2017. This increase of \$915,622 is strongly correlated to the overall increase in net position of \$679,273 that the Township reported during 2017. Other significant factors that led to the increase in cash and investments include collections of special assessment receivables (increasing business-type activities cash by \$835,386) and the related payments on long-term debt (decreasing business-type activities cash by \$899,431) along with non-cash depreciation expense (effectively "increasing" cash across governmental and business-type activities by \$528,838). Lastly, the Township entered into a land contract receivable for \$220,000 during the year, which effectively "decreased" cash.

The Township's overall net position increased \$679,273 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, 2017 and March 31, 2016

	Governmental Activities		Business-type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
Revenue						
Program Revenues						
Charges for Services	\$ 1,280,078	\$ 967,591	\$ 710,271	\$ 627,298	\$ 1,990,349	\$ 1,594,889
Capital Grants & Contributions	-	-	45,828	1,857,991	45,828	1,857,991
Total Program Revenues	<u>1,280,078</u>	<u>967,591</u>	<u>756,099</u>	<u>2,485,289</u>	<u>2,036,177</u>	<u>3,452,880</u>
General Revenues						
Property Taxes	425,196	398,928	-	-	425,196	398,928
State Revenue	887,025	780,269	-	-	887,025	780,269
Cable Franchise Fees	197,298	198,186	-	-	197,298	198,186
Interest	25,988	22,457	18,098	11,989	44,086	34,446
Other	690	18,540	-	-	690	18,540
Total General Revenues	<u>1,536,197</u>	<u>1,418,380</u>	<u>18,098</u>	<u>11,989</u>	<u>1,554,295</u>	<u>1,430,369</u>
Total Revenues	<u>2,816,275</u>	<u>2,385,971</u>	<u>774,197</u>	<u>2,497,278</u>	<u>3,590,472</u>	<u>4,883,249</u>
Expenses						
General Government	572,144	494,084	-	-	572,144	494,084
Public Safety	531,544	488,387	-	-	531,544	488,387
Public Works	200,017	106,608	1,360,873	1,298,238	1,560,890	1,404,846
Community & Economic Development	92,470	83,132	-	-	92,470	83,132
Health and Welfare	4,000	4,000	-	-	4,000	4,000
Culture	27,305	44,278	-	-	27,305	44,278
Other Functions	104,031	87,883	-	-	104,031	87,883
Interest on Long-term Debt	18,815	19,422	-	-	18,815	19,422
Total Expenses	<u>1,550,326</u>	<u>1,327,794</u>	<u>1,360,873</u>	<u>1,298,238</u>	<u>2,911,199</u>	<u>2,626,032</u>
Change in Net Position Before Transfers In (Out)	<u>1,265,949</u>	<u>1,058,177</u>	<u>(586,676)</u>	<u>1,199,040</u>	<u>679,273</u>	<u>2,257,217</u>
Transfers In (Out)	(129,918)	-	129,918	-	-	-
Change in Net Position	<u>1,136,031</u>	<u>1,058,177</u>	<u>(456,758)</u>	<u>1,199,040</u>	<u>679,273</u>	<u>2,257,217</u>
<i>Net Position at Beginning of Period</i>	6,641,733	5,583,556	10,775,922	9,576,882	17,417,655	15,160,438
Net Position at End of Period	<u>\$ 7,777,764</u>	<u>\$ 6,641,733</u>	<u>\$ 10,319,164</u>	<u>\$ 10,775,922</u>	<u>\$ 18,096,928</u>	<u>\$ 17,417,655</u>

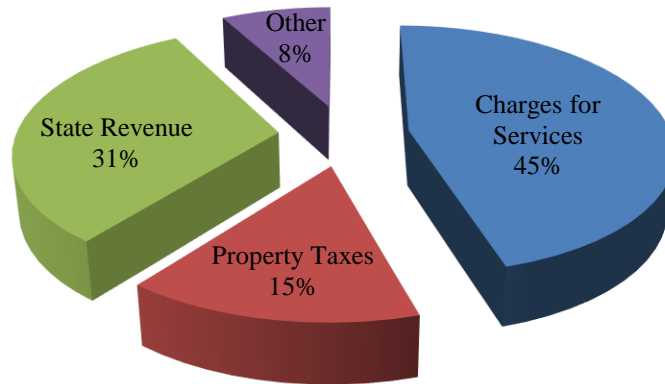
Governmental Activities. Governmental activities increased the Township's net position by \$1,136,031. The Township recognized additional charges for services during 2017 compared to 2016 largely as a result of a \$220,000 land contract receivable that was entered into during the year. This led to 2017 charges for services being reported as \$1,280,078, an increase of \$312,487 over 2016 within governmental activities.

Public works expenses increased as a result of two large road contracts approved by the Township during 2017. The first significant road contract was \$86,537 for repairs and maintenance on Faussett Road to Old US 23. The second significant road contract was \$25,012 for repairs and maintenance on Hartland and Gordon roads. These road contracts led to the overall increase in public works expenses of \$93,409 within governmental activities during 2017 (compared to 2016).

Governmental Activities

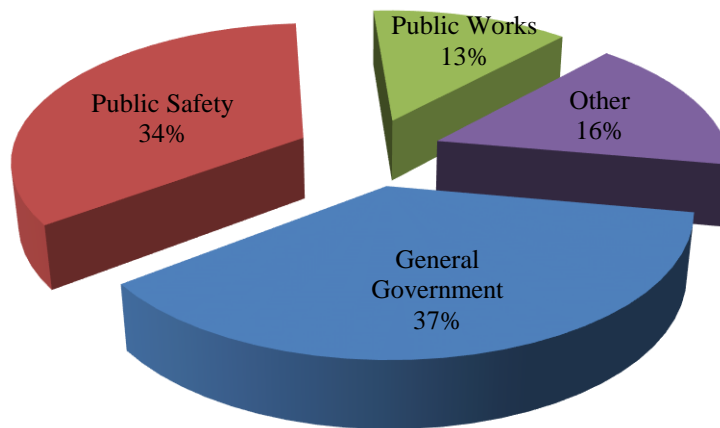
The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year-end.

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 \$456,758 during fiscal year 2017. The decrease in net position, compared to the prior fiscal year increase in net position, is mostly related to the recognition of \$1,633,786 of revenue in the prior year for a new special assessment for Lake Tyrone sewer improvements. After consideration of the 2016 of special assessment activity, there was an operating loss of (\$316,323) in the prior fiscal year because operating expenses would have exceeded operating revenues.

The Township has budgeted increases in charges for sewer services in accordance with the Township's seven-year plan to ensure sustainable operation of the sewer system. These increases, in part, led to the increased charges for services of \$82,973 during fiscal year 2017.

After consideration of special assessment, debt, and other non-operating and contribution activity, net position for business-type activities declined by \$456,758 during 2017. This is primarily due to special assessments revenues from various districts being recognized in prior years, whereas the related expenses (interest expense on the underlying long-term debt and depreciation expense on the sewer system projects) are recognized in the current and future years.

Financial Analysis of Governmental Funds

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

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

At March 31, 2017, the Township's governmental funds reported combined fund balances of \$7,415,204, an increase of \$777,639 in comparison with the prior year. Approximately 16.5% of this amount, \$1,223,110, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, assigned, or restricted* to indicate that it is: 1) not in spendable form; \$2,555,244, 2) restricted for particular purposes; \$1,224,626, 3) committed for late-in-the-year tax collections; \$500,000, or 4) assigned; \$1,912,224.

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 \$1,223,110 while total fund balance increased to \$6,190,578. 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 116.9% of total general fund expenditures and net transfers, while total fund balance represents approximately 591.9% of that same amount.

The fund balance of the Township's general fund increased by \$619,595 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 \$134,461 increase in fund balance during the current fiscal year, which compares to an increase of \$197,263 in 2016. The main reason for this was the increase of public safety expenditures. Special assessment revenues also increased during the current year.

The fund balance of the nonmajor governmental funds increased by \$23,583 during the current fiscal year leading to combined ending fund balances of \$494,990.

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 \$1,122,964 for the sewer fund. Total net position decreased by \$456,758 which put the overall net position at \$10,319,164. 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. During the year there was a need to adjust expenditures and other financing uses in the final budget to \$2,510,493 from the originally budgeted expenditures of \$2,078,404. The biggest change was an increase in budgeted transfers out of the general fund, from \$0 to \$424,960. Other budget amendments were relatively minor and were needed to adjust expenditures to amounts that approximated their actual expenditures.

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, 2017 amounts to \$13,436,106 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, and sewer infrastructure.

The following summarizes the Township’s capital assets:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ -	\$ 17,595	\$ 17,595
Construction in Progress	-	305,958	305,958
Buildings	107,042	-	107,042
Land Improvements	14,808	-	14,808
Sewer System	-	12,990,703	12,990,703
	<u>\$ 121,850</u>	<u>\$ 13,314,256</u>	<u>\$ 13,436,106</u>

The most significant capital asset addition during the year was construction in progress of \$305,958 for the Lake Tyrone sewer system improvement project.

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

Long-term Debt

As described in note 6 to the financial statements, the Township had \$8,983,508 in long-term debt at the end of the fiscal year. The Township is well under its legal debt limit as of year-end. The Township used the final \$305,958 of its Series 2015 sewer improvement bonds (issued through Livingston County) during the year to finance the year-end construction in progress for the Lake Tyrone sewer system improvement project.

Economic Condition and Outlook

The activity for 2018 is expected to be similar to the activity of 2017. 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 2018, 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, 2017**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 4,607,088	\$ 250,253	\$ 4,857,341
Cash and Cash Equivalents - Restricted	--	1,121,666	1,121,666
Investments	746,200	428,606	1,174,806
Receivables	403,272	150,295	553,567
Special Assessments Receivables, Current	14,785	571,084	585,869
Prepaid Items	5,244	--	5,244
Total Current Assets	<u>5,776,589</u>	<u>2,521,904</u>	<u>8,298,493</u>
<i>Noncurrent Assets</i>			
Capital Assets not being Depreciated	--	323,553	323,553
Capital Assets being Depreciated	121,850	12,990,703	13,112,553
Land Contracts Receivable	220,000	--	220,000
Cash and Cash Equivalents - Restricted	--	410,213	410,213
Cash Held by Agent - Restricted	--	1,278	1,278
Investments - Restricted	--	1,725,000	1,725,000
Special Assessment Receivables	271,711	3,630,147	3,901,858
Total Assets	<u>6,390,150</u>	<u>21,602,798</u>	<u>27,992,948</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	--	323,989	323,989
Total Deferred Outflows of Resources	<u>--</u>	<u>323,989</u>	<u>323,989</u>
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	109,783	54,449	164,232
Accrued Liabilities and Other	4,251	--	4,251
Accrued Interest	4,604	122,417	127,021
Current Portion of Long-term Debt	20,000	847,260	867,260
Internal Balances	(6,291)	6,291	--
Total Current Liabilities	<u>132,347</u>	<u>1,030,417</u>	<u>1,162,764</u>
<i>Noncurrent Liabilities</i>			
Long-term Debt	395,000	8,027,206	8,422,206
Internal Balances	(2,550,000)	2,550,000	--
Total Liabilities	<u>(2,022,653)</u>	<u>11,607,623</u>	<u>9,584,970</u>
DEFERRED INFLOWS OF RESOURCES			
Assessments Levied for Subsequent Periods	635,039	--	635,039
Total Deferred Inflows of Resources	<u>635,039</u>	<u>--</u>	<u>635,039</u>
NET POSITION			
Net Investment in Capital Assets	121,850	4,765,057	4,886,907
<i>Restricted for:</i>			
Public Safety	729,636	--	729,636
Debt Service	479,142	4,431,143	4,910,285
Public Access Programming	269,842	--	269,842
Streets and Right of Way	7,497	--	7,497
Lake Tyrone Grant	9,550	--	9,550
Waste Removal	10,842	--	10,842
Snow Removal	14,462	--	14,462
Lighting Districts	4,936	--	4,936
<i>Unrestricted</i>	6,130,007	1,122,964	7,252,971
Total Net Position	<u>\$ 7,777,764</u>	<u>\$ 10,319,164</u>	<u>\$ 18,096,928</u>

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, 2017**

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	\$ 572,144	\$ 433,488	\$ --	\$ --	\$ (138,656)	\$ --	\$ (138,656)
Public Safety	531,544	758,797	--	--	227,253	--	227,253
Public Works	200,017	87,793	--	--	(112,224)	--	(112,224)
Community and Economic Development	92,470	--	--	--	(92,470)	--	(92,470)
Health and Welfare	4,000	--	--	--	(4,000)	--	(4,000)
Culture	27,305	--	--	--	(27,305)	--	(27,305)
Other Functions	104,031	--	--	--	(104,031)	--	(104,031)
Interest on Long-term Debt	18,815	--	--	--	(18,815)	--	(18,815)
Total Governmental Activities	1,550,326	1,280,078	--	--	(270,248)	--	(270,248)
Business-type Activities:							
Sewer Fund	1,360,873	710,271	--	45,828	--	(604,774)	(604,774)
Total Business-type Activities	1,360,873	710,271	--	45,828	--	(604,774)	(604,774)
Total	\$ 2,911,199	\$ 1,990,349	\$ --	\$ 45,828	\$ (270,248)	\$ (604,774)	\$ (875,022)
General Purpose Revenues and Transfers:							
Revenues							
Property Taxes					425,196	--	425,196
Interest					25,988	18,098	44,086
State Revenue					887,025	--	887,025
Cable Franchise Fees					197,298	--	197,298
Other Miscellaneous Income					690	--	690
Transfers					(129,918)	129,918	--
Total General Revenues and Transfers					1,406,279	148,016	1,554,295
Change in Net Position					1,136,031	(456,758)	679,273
<i>Net Position at Beginning of Period</i>					6,641,733	10,775,922	17,417,655
<i>Net Position at End of Period</i>					\$ 7,777,764	\$ 10,319,164	\$ 18,096,928

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

**Township of Tyrone
Balance Sheet
Governmental Funds
March 31, 2017**

	<u>Special Revenue</u>			
	<u>General</u>	<u>Public Safety Fund</u>	<u>Other Governmental Funds</u>	
ASSETS				
Cash and Cash Equivalents	\$ 3,022,145	\$ 1,387,019	\$ 197,924	\$ 4,607,088
Investments	428,436	--	317,764	746,200
Receivables	265,381	121,951	15,940	403,272
Prepaid Items	5,244	--	--	5,244
Due from Other Funds	6,291	240	--	6,531
Land Contracts Receivable	220,000	--	--	220,000
Special Assessment Receivables	--	--	286,496	286,496
Advances to Other Funds	2,550,000	--	--	2,550,000
Total Assets	\$ 6,497,497	\$ 1,509,210	\$ 818,124	\$ 8,824,831
LIABILITIES				
Accounts Payable	\$ 17,582	\$ 92,096	\$ 105	\$ 109,783
Accrued Liabilities and Other	4,251	--	--	4,251
Due to Other Funds	240	--	--	240
Total Liabilities	22,073	92,096	105	114,274
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	284,846	87,658	287,810	660,314
Assessments Levied for Subsequent Periods	--	599,820	35,219	635,039
Total Liabilities and Deferred Inflows of Resources	306,919	779,574	323,134	1,409,627
FUND BALANCE				
Nonspendable	2,555,244	--	--	2,555,244
Restricted	--	729,636	494,990	1,224,626
Committed	500,000	--	--	500,000
Assigned	1,912,224	--	--	1,912,224
Unassigned	1,223,110	--	--	1,223,110
Total Fund Balance	6,190,578	729,636	494,990	7,415,204
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 6,497,497	\$ 1,509,210	\$ 818,124	\$ 8,824,831

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, 2017

Total Fund Balance - Governmental Funds	\$	7,415,204
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 \$525,009 less accumulated depreciation of \$403,159.		121,850
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.		660,314
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.		(415,000)
In the statement of net position, interest is accrued on outstanding bonds, whereas in the governmental funds, the interest expenditure is reported when due.		(4,604)
Total Net Position - Governmental Funds	\$	<u>7,777,764</u>

Township of Tyrone
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended March 31, 2017

	<u>Special Revenue</u>			Total Governmental Funds
	<u>General</u>	<u>Public Safety Fund</u>	<u>Other Governmental Funds</u>	
Revenues				
Property Taxes	\$ 425,196	\$ --	\$ --	\$ 425,196
Licenses and Permits	26,350	--	220	26,570
State Revenue	822,179	--	12,402	834,581
Charges for Services	191,190	61,277	--	252,467
Fines and Forfeitures	19,787	--	--	19,787
Special Assessments	--	597,410	58,181	655,591
Cable Franchise Fees	140,928	--	56,370	197,298
Other Miscellaneous Income	19,764	--	--	19,764
Interest	20,143	5,031	814	25,988
Total Revenues	<u>1,665,537</u>	<u>663,718</u>	<u>127,987</u>	<u>2,457,242</u>
Expenditures				
General Government	548,592	--	--	548,592
Public Safety	--	529,257	2,287	531,544
Public Works	160,990	--	39,027	200,017
Health and Welfare	4,000	--	--	4,000
Community and Economic Development	92,470	--	--	92,470
Culture	3,180	--	24,125	27,305
Other Functions	104,031	--	--	104,031
Capital Outlay	2,761	--	--	2,761
Debt Service - Interest	--	--	18,965	18,965
Debt Service - Principal	--	--	20,000	20,000
Total Expenditures	<u>916,024</u>	<u>529,257</u>	<u>104,404</u>	<u>1,549,685</u>
Excess of Revenues Over (Under) Expenditures	<u>749,513</u>	<u>134,461</u>	<u>23,583</u>	<u>907,557</u>
Other Financing Sources (Uses)				
Transfers Out	(129,918)	--	--	(129,918)
Net Other Financing Sources (Uses)	<u>(129,918)</u>	<u>--</u>	<u>--</u>	<u>(129,918)</u>
Net Change in Fund Balance	619,595	134,461	23,583	777,639
<i>Fund Balance at Beginning of Period</i>	5,570,983	595,175	471,407	6,637,565
Fund Balance at End of Period	\$ 6,190,578	\$ 729,636	\$ 494,990	\$ 7,415,204

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, 2017

Total Net Change in Fund Balances - Governmental Funds	\$	777,639
<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 depreciation expense of \$16,052 plus a loss on disposal of \$7,500 less capital outlay of \$2,761.</p>		
		(20,791)
<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>		
		359,033
<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 Funds	\$	<u>1,136,031</u>

**Township of Tyrone
Statement of Net Position
Proprietary Fund
March 31, 2017**

	Business-type Activities - Enterprise Fund
	<u>Sewer Fund</u>
ASSETS	
<i>Current Assets</i>	
Cash and Cash Equivalents	\$ 250,253
Cash and Cash Equivalents - Restricted	1,121,666
Investments	428,606
Receivables	150,295
Special Assessments Receivables, Current	571,084
Total Current Assets	<u>2,521,904</u>
<i>Noncurrent Assets</i>	
Capital Assets not being Depreciated	323,553
Capital Assets being Depreciated	12,990,703
Cash and Cash Equivalents - Restricted	410,213
Cash Held by Agent - Restricted	1,278
Investments - Restricted	1,725,000
Special Assessment Receivables	3,630,147
Total Assets	<u>21,602,798</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charge on Refunding	323,989
Total Deferred Outflows of Resources	<u>323,989</u>
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	54,449
Accrued Interest	122,417
Current Portion of Long-term Debt	847,260
Due to Other Funds	6,291
Total Current Liabilities	<u>1,030,417</u>
<i>Noncurrent Liabilities</i>	
Long-term Debt	8,027,206
Advances from Other Funds	2,550,000
Total Liabilities	<u>11,607,623</u>
NET POSITION	
Net Investment in Capital Assets	4,765,057
<i>Restricted for:</i>	
Debt Service	4,431,143
<i>Unrestricted</i>	1,122,964
Total Net Position	<u>\$ 10,319,164</u>

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, 2017

	Business-type Activities - Enterprise Fund
	Sewer Fund
Operating Revenues	
Charges for Services	\$ 715,152
Other Miscellaneous Income	4,407
<i>Total Operating Revenues</i>	719,559
Operating Expenses	
Cost of Sewage Operations and Maintenance	542,521
Depreciation	512,786
<i>Total Operating Expenses</i>	1,055,307
<i>Operating Income (Loss)</i>	(335,748)
Non-Operating Revenues (Expenses)	
Interest	18,098
Interest on Long-term Debt	(297,477)
Debt Service Charge	(8,089)
<i>Net Non-Operating Revenues (Expenses)</i>	(287,468)
<i>Income Before Contributions and Transfers</i>	(623,216)
Special Assessments	27,140
Tap-in Fees	9,400
Transfers In	129,918
<i>Change In Net Position</i>	(456,758)
<i>Net Position at Beginning of Period</i>	10,775,922
<i>Net Position at End of Period</i>	\$ 10,319,164

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, 2017**

	Business-type Activities - Enterprise Fund
	Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 733,816
Payments to suppliers	(538,187)
Total Cash Flows from Operating Activities	195,629
Cash Flows from Non-capital Financing Activities	
Advances received from other funds	425,000
Increase in interfund balances	5,643
Transfers from other funds	129,918
Cash Flows from Non-capital Financing Activities	554,918
Cash Flows from Capital and Related Financing Activities	
Special assessment collections	862,526
Tap-in fees	9,400
Proceeds from 2015 bond issuance	305,958
Capital asset purchases	(305,958)
Principal payments on long-term debt	(879,431)
Interest payments on long-term debt	(266,532)
Cash Flows Used by Capital and Related Financing Activities	(274,037)
Cash Flows from Investing Activities	
Interest received on investments	18,098
Total Cash Flows from Investing Activities	18,098
Net Increase (Decrease) in Cash and Equivalents	494,608
<i>Cash and Equivalents - Beginning of Year</i>	3,441,130
Cash and Equivalents - End of Year	\$ 3,935,738
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(335,748)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	512,786
Changes in Assets and Liabilities	
Accounts receivable	14,257
Accounts payable	4,334
Net Cash Provided by Operating Activities	\$ 195,629

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

Township of Tyrone
Statement of Fiduciary Net Position
Fiduciary Fund
March 31, 2017

	Agency Fund
ASSETS	
Cash and Cash Equivalents	\$ 11,822
<i>Total Assets</i>	11,822
LIABILITIES	
Accounts Payable	5,682
Refundable Deposits, Bonds, Etc.	6,066
Due to Other Governmental Units	74
<i>Total Liabilities</i>	\$ 11,822

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.

Township of Tyrone

Notes to the Financial Statements

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

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

The Township of Tyrone reports the following major governmental funds:

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

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

The Township reports the following major proprietary fund:

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

Township of Tyrone

Notes to the Financial Statements

Additionally, the government reports the following fiduciary fund types:

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

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

Interfund Activity

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

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

Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents

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

Investments

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

Township of Tyrone

Notes to the Financial Statements

Receivables and Payables

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

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

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:

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

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the

Township of Tyrone

Notes to the Financial Statements

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Township has two types of items that are reported under this category. First, the Township reports special assessment revenues, which are levied to finance the following period’s budget, as deferred and recognized as an inflow of resources in the period that it was intended to finance. The Township has a second type of deferred inflow, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: amounts receivable and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to

Township of Tyrone

Notes to the Financial Statements

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

Fund Balance Policies

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

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

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.

Township of Tyrone

Notes to the Financial Statements

Use of Estimates

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

Property Tax Revenue Recognition

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

The Township's 2016 tax is levied and collectible on December 1, 2016 and is recognized as revenue in the year ended March 31, 2017, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2016 taxable valuation of the Township totaled \$446,802,671, on which taxes levied consisted of .8961 mills for operating purposes. This resulted in \$399,789 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, 2016 and is recognized as revenue in the year ended March 31, 2017, 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 August 7, 2017, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would have a significant impact on the financial condition of the Township.

Note 2 - Statutory Compliance

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and all special revenue funds, except that the Township does not budget for capital assets acquired through purchase with federal grants. All annual appropriations lapse at

Township of Tyrone

Notes to the Financial Statements

fiscal year-end, except for approved contracts which are appropriated on a contract (grant) length basis.

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

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

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

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

During the year ended March 31, 2017, the Township did not incur any excess of expenditures over appropriations.

Township of Tyrone

Notes to the Financial Statements

Note 3 - Deposits and Investments

Following is a reconciliation of deposit and investments balances (including both pooled cash and investments) as of March 31, 2017:

Statement of Net Position

Current Assets

Cash and Cash Equivalents	\$ 4,857,341
Cash and Cash Equivalents - Restricted	1,121,666
Investments	1,174,806

Noncurrent Assets

Cash and Cash Equivalents - Restricted	410,213
Investments - Restricted	1,725,000

Statement of Fiduciary Net Position

Cash and Cash Equivalents	11,822
<i>Total Deposits and Investments</i>	<u>\$ 9,300,848</u>

Deposits and Investments

Cash and Cash Equivalents	\$ 6,400,442
Certificates of Deposit	2,471,370
Fixed Income Investments	428,436
Cash on Hand	600
<i>Total</i>	<u>\$ 9,300,848</u>

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

The Township has designated several banks for the deposit of its funds. The investment policy adopted by the board is in accordance with Public Act 196 of 1997. The Township's deposits and investment policies are in accordance with statutory authority. The Township's cash and investments are subject to several types of risk, which are examined in more detail below.

Township of Tyrone

Notes to the Financial Statements

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 \$7,390,584. As of year-end, \$4,939,206 of the combined bank balance of \$7,390,584 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

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

<u>Investment</u>	<u>Rating Organization</u>	<u>Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
MI CLASS - Mutual Fund	Standard & Poor's	AAAm	N/A	\$ 428,436

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:

	Certificates of	
	<u>Deposit</u>	<u>Investments</u>
No Maturity	\$ -	\$ 428,436
Due Within 1 Year	2,335,069	-
Due in 1-5 Years	136,301	-
	<u>\$ 2,471,370</u>	<u>\$ 428,436</u>

Township of Tyrone

Notes to the Financial Statements

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, 2017:

- Investments held with MICLASS totaled \$428,436. 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	\$ 34,474	\$ 87,658	\$ 13,790	\$ 135,922	\$ 133,853
Due from County	22,406	34,293	2,150	58,849	16,442
Due from State	208,501	-	-	208,501	-
<i>Total Receivables</i>	<u>\$ 265,381</u>	<u>\$ 121,951</u>	<u>\$ 15,940</u>	<u>\$ 403,272</u>	<u>\$ 150,295</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, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>March 31, 2017</u>
Capital assets not being depreciated				
Land	\$ 7,500	\$ -	\$ 7,500	\$ -
Total capital asset not being depreciated	<u>7,500</u>	<u>-</u>	<u>7,500</u>	<u>-</u>
Capital assets being depreciated				
Buildings	375,989	-	10,331	365,658
Machinery & equipment	85,933	-	-	85,933
Information technology	44,420	-	-	44,420
Land improvements	26,237	2,761	-	28,998
Total capital assets being depreciated	<u>532,579</u>	<u>2,761</u>	<u>10,331</u>	<u>525,009</u>
Less accumulated depreciation				
Buildings	256,678	12,269	10,331	258,616
Machinery & equipment	84,045	1,888	-	85,933
Information technology	44,420	-	-	44,420
Land improvements	12,295	1,895	-	14,190
Total accumulated depreciation	<u>397,438</u>	<u>16,052</u>	<u>10,331</u>	<u>403,159</u>
Total capital assets - Net	<u>\$ 142,641</u>	<u>\$ (18,813)</u>	<u>\$ 7,500</u>	<u>\$ 121,850</u>

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

Business-type Activities	<u>April 1, 2016</u>	<u>Additions</u>	<u>Transfers</u>	<u>March 31, 2017</u>
Capital assets not being depreciated				
Land	\$ 17,595	\$ -	\$ -	\$ 17,595
Construction in progress	594,890	305,958	(594,890)	305,958
Total capital assets not being depreciated	<u>612,485</u>	<u>305,958</u>	<u>(594,890)</u>	<u>323,553</u>
Capital assets being depreciated				
Sewer System	19,418,532	-	594,890	20,013,422
Machinery and equipment	360,810	-	-	360,810
Total capital assets being depreciated	<u>19,779,342</u>	<u>-</u>	<u>594,890</u>	<u>20,374,232</u>
Less accumulated depreciation				
Sewer System	6,509,933	512,786	-	7,022,719
Machinery and equipment	360,810	-	-	360,810
Total accumulated depreciation	<u>6,870,743</u>	<u>512,786</u>	<u>-</u>	<u>7,383,529</u>
Total capital assets being depreciated	<u>12,908,599</u>	<u>(512,786)</u>	<u>594,890</u>	<u>12,990,703</u>
Total capital assets - Net	<u>\$ 13,521,084</u>	<u>\$ (512,786)</u>	<u>\$ -</u>	<u>\$ 13,314,256</u>

Township of Tyrone

Notes to the Financial Statements

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

Governmental Activities	
General Government	\$ 16,052
Business-type Activities	
Sewer	\$ 512,786

Note 6 - Interfund Balances and Transfers

Interfund Balances

As of March 31, 2017, the interfund balances were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Sewer Fund	\$ 6,291
Public Safety Fund	General Fund	240
		\$ 6,531

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.

Interfund Transfer

During the year ended March 31, 2017, the Township reported a transfer out of the general fund and into the sewer fund for \$129,918. Transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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 of Tyrone

Notes to the Financial Statements

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.

The following is a summary of long-term debt activity of the Township for the year ended March 31, 2017:

	Interest Rate	Maturity	3/31/2016	Additions	Reductions	3/31/2017	Due Within One Year
Governmental Activities							
Parkin Lane Road Special Assessment Bond	3.00% - 4.95%	July 1, 2030	\$ 435,000	\$ -	\$ 20,000	\$ 415,000	\$ 20,000
Business-type Activities							
Livingston County Sanitary Sewer Improvement Bonds Series 2007	4.00%	June 30, 2023	3,640,000	-	400,000	3,240,000	415,000
Livingston County Sanitary Sewer Improvement Refunding Bonds Series 2013	2.096% - 4.0%	May 1, 2028	4,920,000	-	405,000	4,515,000	395,000
Bond Premiums			315,819		26,821	288,998	-
Livingston County Clean Water Sewer Improvement Bond, Series 2015	2.50%	April 1, 2035	572,120	305,958	47,610	830,468	37,260
Total Business-type Activities			<u>9,447,939</u>	<u>305,958</u>	<u>879,431</u>	<u>8,874,466</u>	<u>847,260</u>
Total Primary Government Long-term Debt			<u>\$ 9,882,939</u>	<u>\$ 305,958</u>	<u>\$ 899,431</u>	<u>\$ 9,289,466</u>	<u>\$ 867,260</u>

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

Year Ended March 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 20,000	\$ 18,115	\$ 38,115	\$ 847,260	\$ 274,406	\$ 1,121,666
2019	20,000	17,515	37,515	872,610	244,217	1,116,827
2020	20,000	16,890	36,890	887,610	211,677	1,099,287
2021	25,000	16,128	41,128	902,610	180,486	1,083,096
2022	25,000	15,128	40,128	922,610	148,570	1,071,180
2023-2027	150,000	56,663	206,663	3,083,050	348,050	3,431,100
2028-2032	155,000	14,700	169,700	943,050	53,676	996,726
2033-2035	-	-	-	126,668	3,069	129,737
Totals	<u>\$ 415,000</u>	<u>\$ 155,138</u>	<u>\$ 570,138</u>	<u>\$ 8,585,468</u>	<u>\$ 1,464,151</u>	<u>\$ 10,049,619</u>

Parkin Lane Road Improvement Special Assessment Bonds - Tyrone Township issued \$500,000 in Special Assessment Bonds. The Parkin Lane Road Improvement Special Assessment Bonds were issued pursuant to Act 188, Michigan Public Acts of 1954, as amended. They are primarily payable from collections of special assessments levied against the benefited properties in the district. The bonds are dated September 9, 2010 with interest payable December 1, beginning in

Township of Tyrone

Notes to the Financial Statements

December 2010. The Township's limited tax full faith and credit are pledged for the payment of the bonds if the special assessments are not adequate.

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

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

The bonds are primarily payable from collections of special assessments levied against the benefited properties in the district. The bonds are dated December 12, 2007 with interest payable June 30 and December 31, beginning on June 30, 2008. The Township's limited tax full faith and credit are pledged for the payment of the bonds if the special assessments are not adequate.

Act 359, Michigan Public Acts of 1947, as amended, provides that net indebtedness of municipalities cannot exceed 10 percent of the assessed real and personal property in the Township. As of March 31, 2017, Tyrone Township had not incurred any indebtedness which would be limited under Act 359. The Township's existing general long-term debt obligation contracts are specifically exempted from consideration in the 10 percent limit computation.

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

Township of Tyrone Sewer Bonds - Series 2015 - Lake Tyrone Improvements - Tyrone Township, through Livingston County, issued \$2,240,000 in Sanitary Sewer Improvement

Township of Tyrone

Notes to the Financial Statements

Refunding Bonds. The Livingston County Sewage Disposal System Bonds Series 2015 (Tyrone Township Sewer Bonds) were issued pursuant to part 53 of the Clean Water Assistance, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended. The bonds were issued to pay for improvements to the Lake Tyrone sanitary sewer system. The bonds will be split between the Township of Tyrone (41.4%) and the Township of Hartland (58.6%), which was determined based on the total taxable values of the properties in both townships. As of March 31, 2017, Livingston County had drawn down \$2,175,961 of the total bond principal. The Township of Tyrone's unpaid portion of the balance was \$830,468 at year-end. Tyrone Township will also provide sufficient capacity from its current 2003 sewer system for treating the output of 77 Lake Tyrone residential connections. Payments will be made to the 2003 Sewer Debt Fund for those 77 connections.

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

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, 2017, the Township estimates there is no significant liability related to Livingston County chargebacks.

Township of Tyrone

Notes to the Financial Statements

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. A new agreement was signed covering the period from April 1, 2016 through March 31, 2019. These agreements commit the Township to pay a base rate for each fire run of:

Year Ending March 31,	Base Rate per Run
2017	\$ 1,391
2018	1,405
2019	1,419

Note 10 - Net Investment in Capital Assets

Below is the determination of the net investment of capital assets as of March 31, 2017:

	Governmental	Business-type
Nondepreciable Capital Assets	\$ -	\$ 323,553
Depreciable Capital Assets, Net	121,850	12,990,703
Current Portion of Long-term Debt	-	(847,260)
Long-term Debt	-	(8,027,206)
Deferred Charge on Bond Refunding	-	323,989
Cash Held by Agent - Restricted	-	1,278
Net Investment in Capital Assets	\$ 121,850	\$ 4,765,057

Note 11 - Tax Abatement Disclosure

Industrial property tax abatements are granted in the State of Michigan under Public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the Township (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the Township. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended March 31, 2017, the Township's property taxes were reduced by \$1,262 under this program.

Required Supplementary Information

Township of Tyrone
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Consolidated General Fund
For the Year Ended March 31, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Property Taxes	\$ 358,000	\$ 358,000	\$ 425,196	\$ 67,196
Licenses and Permits	16,000	16,000	26,350	10,350
State-Shared Revenue and Grants	765,000	765,000	822,179	57,179
Charges for Services	160,700	160,700	191,190	30,490
Fines and Forfeitures	12,200	12,200	19,787	7,587
Cable Franchise Fees	115,350	115,350	140,928	25,578
Other Miscellaneous Income	6,000	6,000	19,764	13,764
Interest Revenue	10,000	10,000	20,143	10,143
Total Revenues	1,443,250	1,443,250	1,665,537	222,287
Expenditures				
General Government				
Township Board	114,745	114,745	91,157	23,588
Supervisor	71,550	71,550	43,271	28,279
Clerk	125,675	125,675	104,243	21,432
Elections	112,766	112,766	66,156	46,610
Treasurer	110,061	110,061	97,610	12,451
Assessing	88,823	88,823	67,670	21,153
Board of Review	1,485	1,485	1,372	113
Building & Grounds	42,985	42,985	25,493	17,492
Cemeteries	15,828	15,828	10,231	5,597
Other General Government	104,638	104,638	36,382	68,256
Ordinance Enforcement/Building Inspections	11,822	11,822	5,007	6,815
Total General Government	800,378	800,378	548,592	251,786
Public Works				
General Public Works	481,726	481,726	159,107	322,619
Street Lighting	2,472	2,472	1,883	589
Total Public Works	484,198	484,198	160,990	323,208
Health & Welfare - Seniors	4,244	4,244	4,000	244
Community and Economic Development				
Planning	53,927	53,927	48,029	5,898
Zoning	46,828	56,828	35,441	21,387
Economic Development	9,270	9,270	9,000	270
Total Community and Economic Development	110,025	120,025	92,470	27,555
Culture - Public Education Grant	12,369	12,369	3,180	9,189
Other	142,190	142,190	104,031	38,159
Capital Outlay	--	3,000	2,761	239
Total Expenditures	1,553,404	1,566,404	916,024	650,380
Other Financing Uses				
Transfers Out	--	424,960	129,918	295,042
Total Expenditures and Other Financing Uses	1,553,404	1,991,364	1,045,942	945,422
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(110,154)	(548,114)	619,595	1,167,709
Net Change in Fund Balance	(110,154)	(548,114)	619,595	1,167,709
Fund Balance at Beginning of Period	5,570,983	5,570,983	5,570,983	--
Fund Balance at End of Period	\$ 5,460,829	\$ 5,022,869	\$ 6,190,578	\$ 1,167,709

Township of Tyrone
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Public Safety Fund
For the Year Ended March 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) Final to Actual
Revenues				
Charges for Services	\$ 40,000	\$ 40,000	\$ 61,277	\$ 21,277
Other Revenue - Special Assessments	597,385	597,385	597,410	25
Interest Revenue	700	700	5,031	4,331
Total Revenues	<u>638,085</u>	<u>638,085</u>	<u>663,718</u>	<u>25,633</u>
Other Financing Sources				
Transfers In	2,000	2,000	--	(2,000)
Total Revenues and Other Financing Sources	<u>640,085</u>	<u>640,085</u>	<u>663,718</u>	<u>23,633</u>
Expenditures				
Police/Sheriff	143,074	143,074	140,896	2,178
Fire & EMS	457,940	457,940	388,361	69,579
Total Expenditures	<u>601,014</u>	<u>601,014</u>	<u>529,257</u>	<u>71,757</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	<u>39,071</u>	<u>39,071</u>	<u>134,461</u>	<u>95,390</u>
Net Change in Fund Balance	<u>39,071</u>	<u>39,071</u>	<u>134,461</u>	<u>95,390</u>
Fund Balance at Beginning of Period	<u>595,175</u>	<u>595,175</u>	<u>595,175</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 634,246</u>	<u>\$ 634,246</u>	<u>\$ 729,636</u>	<u>\$ 95,390</u>

Combining and Individual Fund Statements and Schedules

**Township of Tyrone
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2017**

	Special Revenue					
	Liquor Law Enforcement	Jayne Hill Lighting Assessment	Walnut Drive Lighting Assessment	Jayne Hill Waste Removal	Parkin Snow Removal and Maintenance Fund	Great Oaks Drive
ASSETS						
Cash and Cash Equivalents	\$ --	\$ 4,738	\$ 893	\$ 28,055	\$ 20,762	\$ 7,931
Investments	--	--	--	--	--	--
Receivables	--	30	--	596	210	--
Special Assessment Receivables	--	--	--	--	--	--
Total Assets	\$ --	\$ 4,768	\$ 893	\$ 28,651	\$ 20,972	\$ 7,931
LIABILITIES						
Accounts Payable	\$ --	\$ 93	\$ 12	\$ --	\$ --	\$ --
Total Liabilities	--	93	12	--	--	--
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	--	--	--	--	--	--
Assessments Levied for Subsequent Periods	--	520	100	18,029	6,510	4,560
Total Liabilities and Deferred Inflows of Resources	--	613	112	18,029	6,510	4,560
FUND BALANCE						
Restricted	--	4,155	781	10,622	14,462	3,371
Unassigned	--	--	--	--	--	--
Total Fund Balance	--	4,155	781	10,622	14,462	3,371
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ --	\$ 4,768	\$ 893	\$ 28,651	\$ 20,972	\$ 7,931

**Township of Tyrone
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2017**

	Special Revenue					Total Nonmajor Governmental Funds
	Right of Way	Public Education Grant	Lake Tyrone Grant	Road Construction Maintenance Fund	Shannon Glen Rubbish Removal	
ASSETS						
Cash and Cash Equivalents	\$ 4,126	\$ 74,589	\$ 9,550	\$ 41,560	\$ 5,720	\$ 197,924
Investments	--	181,463	--	136,301	--	317,764
Receivables	--	13,790	--	1,314	--	15,940
Special Assessment Receivables	--	--	--	286,496	--	286,496
<i>Total Assets</i>	\$ 4,126	\$ 269,842	\$ 9,550	\$ 465,671	\$ 5,720	\$ 818,124
LIABILITIES						
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 105
<i>Total Liabilities</i>	--	--	--	--	--	105
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	--	--	--	287,810	--	287,810
Assessments Levied for Subsequent Periods	--	--	--	--	5,500	35,219
<i>Total Liabilities and Deferred Inflows of Resources</i>	--	--	--	287,810	5,500	323,134
FUND BALANCE						
Restricted	4,126	269,842	9,550	177,861	220	494,990
Unassigned	--	--	--	--	--	--
<i>Total Fund Balance</i>	4,126	269,842	9,550	177,861	220	494,990
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 4,126	\$ 269,842	\$ 9,550	\$ 465,671	\$ 5,720	\$ 818,124

Township of Tyrone
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended March 31, 2017

	Special Revenue					
	Liquor Law Enforcement	Jayne Hill Lighting Assessment	Walnut Drive Lighting Assessment	Jayne Hill Waste Removal	Parkin Snow Removal and Maintenance Fund	Great Oaks Drive
Revenues						
Licenses and Permits	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State Revenue	2,287	--	--	--	--	--
Special Assessments	--	520	100	18,029	6,510	2,800
Cable Franchise Fees	--	--	--	--	--	--
Interest	--	--	--	--	--	--
Total Revenues	2,287	520	100	18,029	6,510	2,800
Expenditures						
Public Safety	2,287	--	--	--	--	--
Public Works	--	1,060	133	20,695	4,598	3,841
Culture	--	--	--	--	--	--
Debt Service - Interest	--	--	--	--	--	--
Debt Service - Principal	--	--	--	--	--	--
Total Expenditures	2,287	1,060	133	20,695	4,598	3,841
Excess of Revenues Over (Under) Expenditures	--	(540)	(33)	(2,666)	1,912	(1,041)
Net Change in Fund Balance	--	(540)	(33)	(2,666)	1,912	(1,041)
<i>Fund Balance at Beginning of Period</i>	--	4,695	814	13,288	12,550	4,412
Fund Balance at End of Period	\$ --	\$ 4,155	\$ 781	\$ 10,622	\$ 14,462	\$ 3,371

Township of Tyrone
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended March 31, 2017

	Special Revenue					Total Nonmajor Governmental Funds
	Right of Way	Public Education Grant	Lake Tyrone Grant	Road Construction Maintenance Fund	Shannon Glen Rubbish Removal	
Revenues						
Licenses and Permits	\$ --	\$ --	\$ --	\$ --	\$ 220	\$ 220
State Revenue	10,115	--	--	--	--	12,402
Special Assessments	--	--	--	30,222	--	58,181
Cable Franchise Fees	--	56,370	--	--	--	56,370
Interest	--	--	--	814	--	814
Total Revenues	10,115	56,370	--	31,036	220	127,987
Expenditures						
Public Safety	--	--	--	--	--	2,287
Public Works	8,700	--	--	--	--	39,027
Culture	--	24,125	--	--	--	24,125
Debt Service - Interest	--	--	--	18,965	--	18,965
Debt Service - Principal	--	--	--	20,000	--	20,000
Total Expenditures	8,700	24,125	--	38,965	--	104,404
Excess of Revenues Over (Under) Expenditures	1,415	32,245	--	(7,929)	220	23,583
Net Change in Fund Balance	1,415	32,245	--	(7,929)	220	23,583
<i>Fund Balance at Beginning of Period</i>	2,711	237,597	9,550	185,790	--	471,407
Fund Balance at End of Period	\$ 4,126	\$ 269,842	\$ 9,550	\$ 177,861	\$ 220	\$ 494,990

**Township of Tyrone
General Fund Combining Balance Sheet
All Funds Treated as General
March 31, 2017**

	<u>General</u>	<u>Technology</u>	<u>Building & Site</u>	<u>Township Beautification</u>	<u>Park</u>	<u>Road Improvement</u>	<u>Township Improvement Revolving</u>	<u>Total General Funds</u>
ASSETS								
Cash and Cash Equivalents	\$ 1,544,408	\$ 69,166	\$ 233,784	\$ 1,650	\$ 5,934	\$ 366,678	\$ 800,525	\$ 3,022,145
Investments	--	--	--	--	--	246,993	181,443	428,436
Receivables	265,381	--	--	--	--	--	--	265,381
Prepaid Items	5,244	--	--	--	--	--	--	5,244
Due from Other Funds	6,291	--	--	--	--	--	--	6,291
Land Contracts Receivable	--	--	--	--	--	--	220,000	220,000
Advances to Other Funds	2,550,000	--	--	--	--	--	--	2,550,000
Total Assets	<u>\$ 4,371,324</u>	<u>\$ 69,166</u>	<u>\$ 233,784</u>	<u>\$ 1,650</u>	<u>\$ 5,934</u>	<u>\$ 613,671</u>	<u>\$ 1,201,968</u>	<u>\$ 6,497,497</u>
LIABILITIES								
Accounts Payable	\$ 17,582	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 17,582
Accrued Liabilities and Other	4,251	--	--	--	--	--	--	4,251
Due to Other Funds	240	--	--	--	--	--	--	240
Total Liabilities	<u>22,073</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>22,073</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenues	64,846	--	--	--	--	--	220,000	284,846
Total Liabilities and Deferred Inflows of Resources	<u>86,919</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>220,000</u>	<u>306,919</u>
FUND BALANCE								
Nonspendable	2,555,244	--	--	--	--	--	--	2,555,244
Committed	500,000	--	--	--	--	--	--	500,000
Assigned	6,051	69,166	233,784	1,650	5,934	613,671	981,968	1,912,224
Unassigned	1,223,110	--	--	--	--	--	--	1,223,110
Total Fund Balance	<u>4,284,405</u>	<u>69,166</u>	<u>233,784</u>	<u>1,650</u>	<u>5,934</u>	<u>613,671</u>	<u>981,968</u>	<u>6,190,578</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 4,371,324</u>	<u>\$ 69,166</u>	<u>\$ 233,784</u>	<u>\$ 1,650</u>	<u>\$ 5,934</u>	<u>\$ 613,671</u>	<u>\$ 1,201,968</u>	<u>\$ 6,497,497</u>

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, 2017

	<u>General</u>	<u>Technology</u>	<u>Building & Site</u>	<u>Township Beautification</u>	<u>Park</u>	<u>Road Improvement</u>	<u>Township Improvement Revolving</u>	<u>Eliminating Entries</u>	<u>Total General Funds</u>
Revenues									
Property Taxes	\$ 425,196	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 425,196
Licenses and Permits	26,350	--	--	--	--	--	--	--	26,350
State Revenue	822,179	--	--	--	--	--	--	--	822,179
Charges for Services	191,190	--	--	--	--	--	--	--	191,190
Fines and Forfeitures	19,787	--	--	--	--	--	--	--	19,787
Cable Franchise Fees	140,928	--	--	--	--	--	--	--	140,928
Other Miscellaneous Income	19,764	--	--	--	--	--	--	--	19,764
Interest	16,758	--	--	--	--	1,748	1,637	--	20,143
Total Revenues	<u>1,662,152</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,748</u>	<u>1,637</u>	<u>--</u>	<u>1,665,537</u>
Expenditures									
General Government	525,059	21,372	2,161	--	--	--	--	--	548,592
Public Works	8,231	--	--	--	--	152,759	--	--	160,990
Health and Welfare	4,000	--	--	--	--	--	--	--	4,000
Community and Economic Development	92,470	--	--	--	--	--	--	--	92,470
Culture	3,180	--	--	--	--	--	--	--	3,180
Other Functions	104,031	--	--	--	--	--	--	--	104,031
Capital Outlay	--	--	2,761	--	--	--	--	--	2,761
Total Expenditures	<u>736,971</u>	<u>21,372</u>	<u>4,922</u>	<u>--</u>	<u>--</u>	<u>152,759</u>	<u>--</u>	<u>--</u>	<u>916,024</u>
Excess of Revenues Over (Under) Expenditures	<u>925,181</u>	<u>(21,372)</u>	<u>(4,922)</u>	<u>--</u>	<u>--</u>	<u>(151,011)</u>	<u>1,637</u>	<u>--</u>	<u>749,513</u>
Other Financing Sources (Uses)									
Transfers In	--	30,000	125,727	--	--	237,636	125,727	(519,090)	--
Transfers Out	(519,090)	--	--	--	--	--	(129,918)	519,090	(129,918)
Net Other Financing Sources (Uses)	<u>(519,090)</u>	<u>30,000</u>	<u>125,727</u>	<u>--</u>	<u>--</u>	<u>237,636</u>	<u>(4,191)</u>	<u>--</u>	<u>(129,918)</u>
Net Change in Fund Balance	406,091	8,628	120,805	--	--	86,625	(2,554)	--	619,595
<i>Fund Balance at Beginning of Period</i>	3,878,314	60,538	112,979	1,650	5,934	527,046	984,522	--	5,570,983
Fund Balance at End of Period	<u>\$ 4,284,405</u>	<u>\$ 69,166</u>	<u>\$ 233,784</u>	<u>\$ 1,650</u>	<u>\$ 5,934</u>	<u>\$ 613,671</u>	<u>\$ 981,968</u>	<u>\$ --</u>	<u>\$ 6,190,578</u>

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, 2017. 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 December 29, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. As discussed in Notes 2 and 11 to the Financial Statements, the Township has adopted Governmental Accounting Standards Board Statements No. 72 and 77. 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 August 7, 2017.

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, 2017, 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
August 7, 2017