

**CHARTER TOWNSHIP OF LYON
Oakland County, Michigan**

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
December 31, 2014**

CHARTER TOWNSHIP OF LYON
For the Year Ended December 31, 2014

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For the Year Ended December 31, 2014

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FINANCIAL SECTION

PSLZ LLP

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Independent Auditor's Report

April 2, 2015

To the Board of Trustees
Charter Township of Lyon, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Lyon, Michigan, as of and for the year ended December 31, 2014, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Lyon, Michigan, as of December 31, 2014, 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

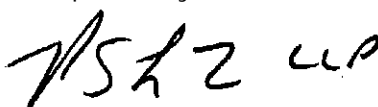
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the budgetary comparison information, as identified in the table of contents, 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 Charter Township of Lyon, Michigan's basic financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor 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 information directly to 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully,

A handwritten signature in black ink, appearing to read "PSLZ LLP", is written over the printed name.

PSLZ LLP

Certified Public Accountants

Management's Discussion and Analysis

As management of the Charter Township of Lyon, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2014.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Charter Township of Lyon's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Financial Highlights

- The assets of the Charter Township of Lyon exceeded its liabilities at the close of the most recent fiscal year by \$64,023,859 (*net position*). Of this amount, \$9,228,079 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$11,979,449, an increase of \$92,937 in comparison with the prior year. Approximately 37 percent of this amount, \$4,444,201 is *available for spending* at the government's discretion (*unrestricted fund balance*).
- The Township's governmental long term debt decreased by \$4,862,000, (15 percent) during the current fiscal year and the Downtown Development Authority's long term debt decreased by \$515,000, (5 percent), which represents the annual debt service payments. The business-type activities issued \$1,500,000 of debt (water capital improvement bonds) in the current fiscal year.

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

The *statement of net position* presents information on all of the Township's assets and liabilities, with the difference between the two 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 government'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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Charter Township of Lyon 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 Charter Township of Lyon include general government, public safety, planning and zoning, public works, and recreation and culture. The business-type activities of Charter Township of Lyon include the water and sewer systems.

The government-wide financial statements include not only the Charter Township of Lyon itself (known as the *primary government*), but also the Lyon Township Downtown Development Authority, which is a separate legal entity for which Charter Township of Lyon is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 10-12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter Township of Lyon, 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 evaluating 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 Charter Township of Lyon maintains 28 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, Police Special Revenue Fund, and the Mill River Water & Sewer Special Assessment Debt Service Fund, and the Southwest Water & Sewer Special Assessment Debt Service Fund, all of which are considered to be major funds.

Data from the other governmental funds are combined into aggregated presentations by fund type. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

A budgetary comparison statement has been provided for the General and Police Funds to demonstrate compliance with the annual appropriated budget.

Proprietary funds. The Charter Township of Lyon maintains two proprietary funds which are classified as enterprise fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township used enterprise funds to account for its water and sewer system.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer system, both of which are considered to be major funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Charter Township of Lyon's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Component Unit. The Charter Township of Lyon Downtown Development Authority Fund is another fund which is maintained by the Township, as a "component unit" of the Township. This fund accounts for the activities of the Downtown Development Authority, which utilizes tax increment financing for its primary revenues, with expenditures comprising a number of capital improvement projects, operations and related professional services for the Township's designated downtown area.

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

Other information. The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 45-58 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of the Charter Township of Lyon, assets exceeded liabilities by \$64,023,859 at the close of the most recent fiscal year.

A significant portion of the Township's net position (74 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. Charter Township of Lyon used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Charter Township of Lyon Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 37,292,078	\$ 38,451,536	\$ 7,471,224	\$ 3,889,891	\$ 44,763,302	\$ 42,341,427
Capital Assets	65,450,790	67,424,505	10,022,268	8,217,327	75,473,058	75,641,832
Total Assets	102,742,868	105,876,041	17,493,492	12,107,218	120,236,360	117,983,259
Long-term Liabilities						
Outstanding	27,380,495	32,177,441	1,500,000	-	28,880,495	32,177,441
Other Liabilities	696,435	730,266	2,019,377	636,849	2,715,812	1,367,115
Total Liabilities	28,076,930	32,907,707	3,519,377	636,849	31,596,307	33,544,556
Deferred Inflows of Resources	24,616,194	25,834,758	-	-	24,616,194	25,834,758
Net Position:						
Net Investment in Capital Assets	38,763,790	35,875,505	8,522,268	8,217,327	47,286,058	44,092,832
Restricted	7,509,722	8,328,922	-	-	7,509,722	8,328,922
Unrestricted	3,776,232	2,929,149	5,451,847	3,253,042	9,228,079	6,182,191
Total Net Position	\$ 50,049,744	\$ 47,133,576	\$ 13,974,115	\$ 11,470,369	\$ 64,023,859	\$ 58,603,945

An additional portion of the Charter Township of Lyon's net position (12 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$9,228,079) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net position for the government as a whole. The government's total net position increased by \$5,419,914 during the current fiscal year.

Governmental activities. Governmental activities increased the Charter Township of Lyon's net position by \$2,916,168. Revenues from governmental activities decreased by 2%, which reflects a decrease in total special assessment revenues (\$1,294,000) resulting from the completion of two special assessment rolls and a decrease in the special assessment payoffs from the prior year, along with an increase in building inspection revenues of 21% over the prior year, and a 6% increase in property tax revenues. Governmental activities also had a decrease in expenses (\$435,346) which reflects construction on the Southwest Water & Sewer special assessment project (\$306,865) in the prior year. Also, in 2014, the Township was able to sell property that it received through tax sales in prior years, which amounted to approximately \$600,000.

Business-type activities. Business-type activities increased the Charter Township of Lyon's net position by \$2,503,746. Capital contributions which represent connections to the water and sewer system increased by \$149,379 in the water fund and increased \$1,338,246 in the sewer fund from the prior year. Also, the Township received revenue quarterly from the water rates collected at the County to be used for water system repairs and maintenance. This amounted to \$296,348 in the current year.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program Revenues:						
Charges for Services	\$ 5,580,759	\$ 6,699,507	\$ 1,696,709	\$ 2,514,442	\$ 7,277,468	\$ 9,213,949
Operating Grants & Contributions	31,821	66,562	296,348	28,491	328,169	95,053
Capital Grants & Contributions	705,913	26,825	2,223,448	735,823	2,929,361	762,648
General Revenues:						
Property Taxes	3,162,023	2,970,183	-	-	3,162,023	2,970,183
State Shared Revenues	1,124,780	1,100,492	-	-	1,124,780	1,100,492
Unrestricted Investment Earnings	26,826	22,623	9,773	5,790	36,599	28,413
Other	257,455	265,882	-	-	257,455	265,882
Total Revenues	10,889,577	11,152,074	4,226,278	3,284,546	15,115,855	14,436,620
Program Expenses:						
General Government	1,573,987	1,442,865	-	-	1,573,987	1,442,865
Public Safety	3,492,302	3,243,704	-	-	3,492,302	3,243,704
Planning and Zoning	176,416	174,304	-	-	176,416	174,304
Public Works	2,250,836	2,880,041	-	-	2,250,836	2,880,041
Health and Welfare	48,234	57,407	-	-	48,234	57,407
Recreation and Cultural	493,004	466,692	-	-	493,004	466,692
Interest on Long-Term Debt	1,321,246	1,526,358	-	-	1,321,246	1,526,358
Water and Sewer	-	-	1,141,847	1,589,272	1,141,847	1,589,272
Total Expenses	9,356,025	9,791,371	1,141,847	1,589,272	10,497,872	11,380,643
Excess (Deficiency) before						
Transfers and Extraordinary Items	1,533,552	1,360,703	3,084,431	1,695,274	4,617,983	3,055,977
Transfers In (Out)	780,682	236,847	(780,682)	(236,847)	-	-
Extraordinary Item: Sale of Property	601,934	883,187	199,997	967,253	801,931	1,850,440
Extraordinary Item: Chargebacks	-	(280,178)	-	-	-	(280,178)
Change in Net Position	\$ 2,916,168	\$ 2,200,559	\$ 2,503,746	\$ 2,425,680	\$ 5,419,914	\$ 4,626,239

Financial Analysis of the Government's Funds

As noted earlier, the Charter Township of Lyon utilizes 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, *unrestricted fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Charter Township of Lyon's governmental funds reported combined ending fund balances of \$11,979,449, an increase of \$92,937 in comparison with the prior year. The *unrestricted fund balance*, which is the amount available for spending at the government's discretion, represents 37% of the total fund balance. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because it has already been committed to uphold contracts or bond agreements (\$7,509,722).

The general fund is the chief operating fund for the Charter Township of Lyon. At the end of the current fiscal year, the unrestricted fund balance of the general fund was \$4,444,201. The total fund balance was \$4,979,201, which includes \$535,000 of contributions restricted for Township road improvements. As a measure of the general fund's liquidity, it is useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 170% of general fund expenditures, and total fund balance was 190%. The fund balance of Charter Township of Lyon's general fund increased by \$1,487,016 during the current fiscal year. State shared revenue payments to the Township increased 2% over the prior year, and property tax revenues increased 5.8%. The Township also received a total of \$535,000 in contributions for road improvements from developers and \$166,093 in contributions from the County through Tri-Party funds for the roads. The total actual operating expenditures were \$641,342 less than the final amended budget because the Township had budgeted \$600,000 for the construction of a billboard within the Township to be used to generate revenues, which was not expended in 2014. The General Fund also expended approximately \$226,741 in the current year for engineering on the Griswold Road Paving Project.

Proprietary funds. Charter Township of Lyon's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water and Sewer Funds at the end of the year amounted to \$5,451,847, as compared to \$3,253,042 in the prior year. The Water and Sewer Funds had an increase of \$1,487,625 in capital contributions over the prior year. Also, the Sewer Enterprise Fund contributed \$300,000 to the Southwest Water and Sewer Debt Fund in fiscal year 2014 to assist in making the annual debt service payment as a result of 2 Township owned parcels. Other factors concerning the finances of this fund have already been addressed in the discussion of Charter Township of Lyon's business-type activities.

2014 General Fund Budgetary Highlights

Over the course of the year, the budget is monitored by the Township administration and Board, and amended as necessary to reflect changing conditions and/or unanticipated events. In fiscal 2014, the actual revenues were \$873,183 higher than the original approved budget, as a result of \$166,093 of Tri-Party funds received for the roads, \$535,000 in contributions received for road improvements, and a \$137,455 increase in franchise fee revenues due to population growth in the Township. General Fund operating expenditures were \$641,342 under the final amended budget due to \$600,000 budgeted for the construction of a Township billboard which did not occur in 2014.

Capital Asset and Debt Administration

Capital assets. The Charter Township of Lyon's investment in capital assets for its governmental and business type activities as of December 31, 2014, amounts to \$75,473,058 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, and the water and sewer systems. The total decrease in Charter Township of Lyon's investment in capital assets for the current fiscal year was .2 percent (a 3 percent decrease for governmental activities and a 22 percent increase for business-type activities). During the year, the Township purchased two new vehicles (\$63,659) and has capitalized \$226,741 in engineering costs for the Griswold Road paving project.

The Water Enterprise Fund reflects \$1,769,037 of construction costs for the Eight Mile Road water system improvements, of which \$1,500,000 was financed through capital improvement bonds in 2014. The Sewer Enterprise Fund has recorded \$274,300 of costs associated with the wastewater treatment plant expansion.

Capital improvements in the Downtown Development Authority include construction costs associated with improvements on West Grand River Road.

Long-term debt. At the end of the current fiscal year, Charter Township of Lyon had total bonded debt outstanding of \$28,187,000, which includes \$1,500,000 of water capital improvement bonds issued in 2014 which are recorded in the Water Enterprise Fund. All of Charter Township of Lyon's debt represents general obligation debt backed by the full faith and credit of Charter Township of Lyon, subject to constitutional limit. Additional information on Charter Township of Lyon's long-term debt can be found in note III. D. on pages 34-36 of this report.

The Downtown Development Authority had total bonded debt outstanding of \$10,250,000 and \$100,000 of land contract payable as of fiscal year end.

Economic Factors and Subsequent Year's Budgets and Rates

The Township's tax rates are subject to statutory and Headlee limitations, which have decreased the operating tax rates over a period of years. As a result, property tax revenues to support general Township operations and police protection are have been in decline. In the current year, the Township property tax revenues showed an increase of 4%, and the Oakland County Equalization Department is projecting that 2014 will also show a slight increase. State-shared revenues account for 42% of the Township's 2013 budgeted revenues. Although the amount has declined significantly since 2001, the State is projecting a slight increase in revenue sharing. Despite operating with relatively low personnel costs, there are increasing operational costs for services and supplies, as well as long-range maintenance needs for Township buildings. With the Township's population growth, the expectations of the citizenry as to public services and facilities are changing. It is anticipated that those expectations will be able to be met by continued sound fiscal management along with anticipated growth in the industrial and commercially zoned areas.

One of the challenges of the past economic climate was that certain property owners with significant special assessments became delinquent in paying their property taxes and special assessments. The Township pursued options to minimize the financial impact on the Township. The Township has been successful at selling all but two significant properties that were obtained through the tax sale process. The Township will continue to market these properties and address any issues as they arise.

Requests for Information

This financial report is designed to provide a general overview of Charter Township of Lyon's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Township Supervisor, 58000 Grand River Avenue, New Hudson, MI 48165.

BASIC FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF LYON
Statement of Net Position
December 31, 2014

	Primary Government			Component Unit - DDA
	Governmental Activities	Business-type Activities	Total	
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 11,411,736	\$ 7,093,098	\$ 18,504,834	\$ 1,246,747
Investments	880,000	-	880,000	-
Receivables (net of allowance for uncollectibles):				
Taxes	5,241,774	-	5,241,774	1,355,074
Accounts	189,082	59,129	248,211	-
Notes	-	268,272	268,272	-
Special Assessments	19,385,386	-	19,385,386	-
Internal Balances	184,100	(184,100)	-	-
Capital Assets (net of Accumulated Depreciation)	65,450,790	10,022,268	75,473,058	16,099,263
Total Assets	<u>102,742,868</u>	<u>17,258,667</u>	<u>120,001,535</u>	<u>18,701,084</u>
<u>LIABILITIES</u>				
Accounts Payable	179,478	212,594	392,072	22,567
Accrued Liabilities	516,957	1,571,958	2,088,915	-
Noncurrent Liabilities:				
Other Post Employment Benefits	693,495	-	693,495	-
Due within one year	4,297,000	130,000	4,427,000	535,000
Due in more than one year	<u>22,390,000</u>	<u>1,370,000</u>	<u>23,760,000</u>	<u>9,815,000</u>
Total Liabilities	<u>28,076,930</u>	<u>3,284,552</u>	<u>31,361,482</u>	<u>10,372,567</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Property Taxes Levied for the following year	5,230,808	-	5,230,808	1,959,965
Unavailable Revenue-Special Assessments	<u>19,385,386</u>	<u>-</u>	<u>19,385,386</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>24,616,194</u>	<u>-</u>	<u>24,616,194</u>	<u>1,959,965</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	38,763,790	8,522,268	47,286,058	5,749,263
Restricted for:				
Capital Projects	165,504	-	165,504	-
Debt Service	5,032,396	-	5,032,396	-
Police	40,484	-	40,484	-
Library	43,543	-	43,543	-
Roads	602,528	-	602,528	-
Building Dept.	1,625,267	-	1,625,267	-
Unrestricted	<u>3,776,232</u>	<u>5,451,847</u>	<u>9,228,079</u>	<u>619,289</u>
Total Net Position	<u>\$ 50,049,744</u>	<u>\$ 13,974,115</u>	<u>\$ 64,023,859</u>	<u>\$ 6,368,552</u>

CHARTER TOWNSHIP OF LYON
Statement of Activities
For the Year Ended December 31, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 1,573,987	\$ 515,799	\$ 17,860	\$ -
Public Safety	3,492,302	1,043,141	-	4,820
Planning and Zoning	176,416	58,012	-	-
Public Works	2,250,836	3,902,188	-	701,093
Health and Welfare	48,234	-	13,961	-
Recreation and Cultural	493,004	61,619	-	-
Interest on Long-Term Debt	1,321,246	-	-	-
Total Governmental Activities	<u>9,356,025</u>	<u>5,580,759</u>	<u>31,821</u>	<u>705,913</u>
Business-type Activities:				
Water	273,717	52,509	296,348	662,352
Sewer	868,130	1,644,200	-	1,561,096
Total Business-type Activities	<u>1,141,847</u>	<u>1,696,709</u>	<u>296,348</u>	<u>2,223,448</u>
Total Primary Government	<u>\$ 10,497,872</u>	<u>\$ 7,277,468</u>	<u>\$ 328,169</u>	<u>\$ 2,929,361</u>
Component Unit - DDA	<u>\$ 1,023,377</u>	<u>\$ 43,305</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:
 Property Taxes
 State Shared Revenue
 Franchise Fees
 Unrestricted Investment Earnings
 Extraordinary Item - Proceeds from Sale of Tax Sale Properties
 Transfers - Operating
 Total General Revenues and Transfers

Change in Net Position
Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit - DDA
\$ (1,040,328)	\$ -	\$ (1,040,328)	\$ -
(2,444,341)	-	(2,444,341)	-
(118,404)	-	(118,404)	-
2,352,445	-	2,352,445	-
(34,273)	-	(34,273)	-
(431,385)	-	(431,385)	-
(1,321,246)	-	(1,321,246)	-
<u>(3,037,532)</u>	<u>-</u>	<u>(3,037,532)</u>	<u>-</u>
-	737,492	737,492	-
-	2,337,166	2,337,166	-
<u>-</u>	<u>3,074,658</u>	<u>3,074,658</u>	<u>-</u>
<u>(3,037,532)</u>	<u>3,074,658</u>	<u>37,126</u>	<u>-</u>
-	-	-	(980,072)
3,162,023	-	3,162,023	1,133,700
1,124,780	-	1,124,780	-
257,455	-	257,455	-
26,826	9,773	36,599	465
601,934	199,997	801,931	-
780,682	(780,682)	-	-
<u>5,953,700</u>	<u>(570,912)</u>	<u>5,382,788</u>	<u>1,134,165</u>
2,916,168	2,503,746	5,419,914	154,093
<u>47,133,576</u>	<u>11,470,369</u>	<u>58,603,945</u>	<u>6,214,459</u>
<u>\$ 50,049,744</u>	<u>\$ 13,974,115</u>	<u>\$ 64,023,859</u>	<u>\$ 6,368,552</u>

CHARTER TOWNSHIP OF LYON**Balance Sheet****Governmental Funds****December 31, 2014**

	General	Police	Mill River Water & Sewer S/A Debt Service	Southwest Water & Sewer Debt Service
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 4,376,948	\$ 42,217	\$ 1,455,302	\$ 25,675
Investments	880,000	-	-	-
Receivables (net of allowance for uncollectibles):				
Taxes	726,659	2,595,022	-	-
Accounts	89,422	-	-	-
Special Assessments	-	-	2,617,150	13,431,858
Due from Other Funds	282,679	-	-	-
Total Assets	<u>\$ 6,355,708</u>	<u>\$ 2,637,239</u>	<u>\$ 4,072,452</u>	<u>\$ 13,457,533</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 132,891	\$ 1,733	\$ -	\$ -
Accrued and Other Liabilities	516,957	-	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	<u>649,848</u>	<u>1,733</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:				
Property Taxes Levied for the following year	726,659	2,595,022	-	-
Unavailable Revenue-Special Assessments	-	-	2,617,150	13,431,858
Total Deferred Inflows of Resources	<u>726,659</u>	<u>2,595,022</u>	<u>2,617,150</u>	<u>13,431,858</u>
Fund Balances:				
Restricted for:				
Capital Projects	-	-	-	-
Debt Service	-	-	1,455,302	25,675
Police	-	40,484	-	-
Library	-	-	-	-
Roads	535,000	-	-	-
Building Dept.	-	-	-	-
Committed for Parks	-	-	-	-
Assigned for Subsequent Years Expenditures	527,034	-	-	-
Unassigned	3,917,167	-	-	-
Total Fund Balances	<u>4,979,201</u>	<u>40,484</u>	<u>1,455,302</u>	<u>25,675</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,355,708</u>	<u>\$ 2,637,239</u>	<u>\$ 4,072,452</u>	<u>\$ 13,457,533</u>

Amounts reported for governmental activities in the statement of net position are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Other Post Employment Benefits Liability

Net Position of Governmental Activities

Other Governmental Funds	Total Governmental Funds
\$ 5,511,594	\$ 11,411,736
-	880,000
1,920,093	5,241,774
99,660	189,082
3,336,378	19,385,386
-	282,679
<u>\$ 10,867,725</u>	<u>\$ 37,390,657</u>

\$ 44,854	\$ 179,478
-	516,957
98,579	98,579
<u>143,433</u>	<u>795,014</u>

1,909,127	5,230,808
3,336,378	19,385,386
<u>5,245,505</u>	<u>24,616,194</u>

165,504	165,504
3,551,419	5,032,396
-	40,484
43,543	43,543
67,528	602,528
1,625,267	1,625,267
25,526	25,526
-	527,034
-	3,917,167
<u>5,478,787</u>	<u>11,979,449</u>

\$ 10,867,725

65,450,790
(26,687,000)
(693,495)
\$ 50,049,744

CHARTER TOWNSHIP OF LYON
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2014

	General	Police	Mill River Water & Sewer S/A Debt Service	Southwest Water & Sewer Debt Service
<u>Revenues</u>				
Property Taxes	\$ 656,667	\$ 1,813,694	\$ -	\$ -
Licenses and Permits	8,064	10,795	-	-
Intergovernmental:				
Federal, State and Local	1,299,536	-	-	-
Charges for Services	434,806	10,858	-	-
Fines and Forfeitures	23,114	-	-	-
Franchise Fees	257,455	-	-	-
Special Assessments	12,665	-	782,939	1,349,610
Interest	14,789	-	2,748	1
Other	654,476	-	-	-
Total Revenues	3,361,572	1,835,347	785,687	1,349,611
<u>Expenditures</u>				
Current:				
General Government	1,002,677	-	-	-
Public Safety	853,913	1,755,519	-	-
Planning and Zoning	176,416	-	-	-
Public Works	65,706	-	-	-
Health and Welfare	48,234	-	-	-
Recreation and Cultural	24,719	-	-	-
Other	441,830	-	-	-
Debt Service:				
Principal	-	-	400,000	1,125,000
Interest and Other Charges	-	-	214,112	656,487
Capital Outlay	4,505	-	-	-
Total Expenditures	2,618,000	1,755,519	614,112	1,781,487
Excess (Deficiency) of Revenues Over Expenditures	743,572	79,828	171,575	(431,876)
<u>Other Financing Sources(Uses):</u>				
Transfers In	141,510	-	-	300,000
Transfers Out	-	(40,000)	-	-
	141,510	(40,000)	-	300,000
<u>Extraordinary Items:</u>				
Proceeds from Sale of Tax Sale Properties	601,934	-	-	-
Net Change in Fund Balances	1,487,016	39,828	171,575	(131,876)
Fund Balances - Beginning	3,492,185	656	1,283,727	157,551
Fund Balances - Ending	\$ 4,979,201	\$ 40,484	\$ 1,455,302	\$ 25,675

Other Governmental Funds	Total Governmental Funds
\$ 691,662	\$ 3,162,023
-	18,859
10,118	1,309,654
1,080,207	1,525,871
-	23,114
-	257,455
1,766,085	3,911,299
9,288	26,826
-	654,476
<u>3,557,360</u>	<u>10,889,577</u>
-	1,002,677
636,800	3,246,232
-	176,416
469,230	534,936
-	48,234
450,807	475,526
-	441,830
3,337,000	4,862,000
450,647	1,321,246
65,654	70,159
<u>5,410,138</u>	<u>12,179,256</u>
<u>(1,852,778)</u>	<u>(1,289,679)</u>
580,682	1,022,192
<u>(201,510)</u>	<u>(241,510)</u>
<u>379,172</u>	<u>780,682</u>
-	601,934
(1,473,606)	92,937
<u>6,952,393</u>	<u>11,886,512</u>
<u>\$ 5,478,787</u>	<u>\$ 11,979,449</u>

CHARTER TOWNSHIP OF LYON
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2014

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	92,937
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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 is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	330,655
Depreciation	(2,304,370)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments	4,862,000
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Net Change in Other Post Employment Benefits		(65,054)
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Change in net position in governmental activities	\$	2,916,168
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CHARTER TOWNSHIP OF LYON
Balance Sheet
Proprietary Funds
December 31, 2014

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 5,141,765	\$ 1,951,333	\$ 7,093,098
Accounts Receivable	59,129	-	59,129
Notes Receivable - Current	138,470	6,678	145,148
Due from Other Funds	-	50,725	50,725
Total Current Assets	<u>5,339,364</u>	<u>2,008,736</u>	<u>7,348,100</u>
Notes Receivable (Net of Current Portion)	<u>109,768</u>	<u>13,356</u>	<u>123,124</u>
Capital Assets:			
Water Mains	-	8,259,026	8,259,026
Sewer Mains	4,563,197	-	4,563,197
Accumulated Depreciation	<u>(1,015,593)</u>	<u>(1,784,362)</u>	<u>(2,799,955)</u>
Net Capital Assets	<u>3,547,604</u>	<u>6,474,664</u>	<u>10,022,268</u>
Total Assets	<u>\$ 8,996,736</u>	<u>\$ 8,496,756</u>	<u>\$ 17,493,492</u>
<u>LIABILITIES AND NET POSITION</u>			
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 123,299	\$ 89,295	\$ 212,594
Accrued Liabilities	200,000	200,000	400,000
Contracts Payable	1,102,295	69,663	1,171,958
Due to Other Funds	95,989	138,836	234,825
Bonds Payable	-	130,000	130,000
Total Current Liabilities	<u>1,521,583</u>	<u>627,794</u>	<u>2,149,377</u>
NonCurrent Liabilities:			
Bonds Payable	<u>-</u>	<u>1,370,000</u>	<u>1,370,000</u>
Net Position:			
Net Investment in Capital Assets	3,547,604	4,974,664	8,522,268
Unrestricted	<u>3,927,549</u>	<u>1,524,298</u>	<u>5,451,847</u>
Total Net Position	<u>7,475,153</u>	<u>6,498,962</u>	<u>13,974,115</u>
Total Liabilities and Net Position	<u>\$ 8,996,736</u>	<u>\$ 8,496,756</u>	<u>\$ 17,493,492</u>

CHARTER TOWNSHIP OF LYON
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2014

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	\$ <u>1,644,200</u>	\$ <u>52,509</u>	\$ <u>1,696,709</u>
Operating Expenses:			
Operations & Maintenance	782,349	112,912	895,261
Depreciation Expense	<u>85,781</u>	<u>152,615</u>	<u>238,396</u>
Total Operating Expenses	<u>868,130</u>	<u>265,527</u>	<u>1,133,657</u>
Operating Income (Loss)	<u>776,070</u>	<u>(213,018)</u>	<u>563,052</u>
Nonoperating Revenues(Expenses):			
Contribution from Reserves at County	-	296,348	296,348
Interest Income	3,575	6,198	9,773
Interest Expense	<u>-</u>	<u>(8,190)</u>	<u>(8,190)</u>
Total Nonoperating Revenues(Expenses)	<u>3,575</u>	<u>294,356</u>	<u>297,931</u>
Income (Loss) Before Contributions, Extraordinary Item and Transfer	779,645	81,338	860,983
Capital Contributions	1,561,096	662,352	2,223,448
Transfer to Other Funds	(433,167)	(347,515)	(780,682)
Extraordinary Item: Proceeds from Sale of Tax Sale Properties	<u>199,997</u>	<u>-</u>	<u>199,997</u>
Net Income (Loss)	2,107,571	396,175	2,503,746
Net Position - January 1	<u>5,367,582</u>	<u>6,102,787</u>	<u>11,470,369</u>
Net Position - December 31	\$ <u><u>7,475,153</u></u>	\$ <u><u>6,498,962</u></u>	\$ <u><u>13,974,115</u></u>

CHARTER TOWNSHIP OF LYON
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from customers and users	\$ 2,770,758	\$ 123,480	\$ 2,894,238
Payments to suppliers	(725,806)	(45,364)	(771,170)
Net Cash Provided (Used) by Operating Activities	<u>2,044,952</u>	<u>78,116</u>	<u>2,123,068</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Transfer to other funds	<u>(433,167)</u>	<u>(347,515)</u>	<u>(780,682)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Capital Contributions	1,561,096	662,352	2,223,448
Contribution from Reserves at County	-	296,348	296,348
Proceeds from Bond Issuance	-	1,500,000	1,500,000
Proceeds from Sale of Tax Sale Properties	199,997	-	199,997
Collection of Notes Receivable	(15,272)	54,803	39,531
Interest Paid on Debt	-	(8,190)	(8,190)
Acquisition and Construction of Capital Assets	<u>(274,300)</u>	<u>(1,769,037)</u>	<u>(2,043,337)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>1,471,521</u>	<u>736,276</u>	<u>2,207,797</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest Earned	<u>3,575</u>	<u>6,198</u>	<u>9,773</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,086,881	473,075	3,559,956
Cash and Cash Equivalents, Beginning	<u>2,054,884</u>	<u>1,478,258</u>	<u>3,533,142</u>
Cash and Cash Equivalents, Ending	<u>\$ 5,141,765</u>	<u>\$ 1,951,333</u>	<u>\$ 7,093,098</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	\$ 776,070	\$ (213,018)	\$ 563,052
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization Expense	85,781	152,615	238,396
(Increase) Decrease in Accounts Receivable	(10,183)	-	(10,183)
(Increase) Decrease in Due from Other Funds	48,536	118,000	166,536
Increase (Decrease) in Accounts Payable	56,543	67,548	124,091
Increase (Decrease) in Accrued Liabilities	-	70,822	70,822
Increase (Decrease) in Contracts Payable	1,097,295	63,663	1,160,958
Increase (Decrease) in Unearned Revenue	<u>(9,090)</u>	<u>(181,514)</u>	<u>(190,604)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,044,952</u>	<u>\$ 78,116</u>	<u>\$ 2,123,068</u>

CHARTER TOWNSHIP OF LYON
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2014

	<u>Agency Funds</u>	
	<u>Tax Collection</u>	<u>Escrow</u>
<u>ASSETS</u>		
Cash	\$ <u>817,649</u>	\$ <u>3,110,255</u>
 <u>LIABILITIES</u>		
Due to Other	\$ <u>817,649</u>	\$ <u>3,110,255</u>

CHARTER TOWNSHIP OF LYON
Notes to Financial Statements
December 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Lyon Township became a Charter Township by Board resolution on January 16, 1980. The Township is operated under a Board of Trustees form of government and provides the following services as authorized by law: public safety (police and fire), library, recreation, public improvements, building, planning and zoning, and general administrative services.

As required by generally accepted accounting principles, these financial statements present the Charter Township of Lyon and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Township's operations and so data from these units is combined with data of the primary government. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. Each blended and discretely presented component unit has a December 31, 2014 year end.

Discretely Presented Component Units

The Township established the Charter Township of Lyon Downtown Development Authority (DDA) in 1999. The DDA Board is comprised of the Township Supervisor and 8 members appointed by the Township Board. The DDA is responsible for the creation of a development and financing plan for the downtown district or a development area within the district to promote economic growth. The Authority must obtain Township Board approval for all development and financing plans. The annual operating budget and any modifications also require the approval of the Township Board. The DDA is a discretely presented component unit of the Township, which is reported in a separate column in the combined financial statements and has a December 31 fiscal year end.

CHARTER TOWNSHIP OF LYON
Notes to Financial Statements
December 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. 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 and its component units. 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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.

C. 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. 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 if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CHARTER TOWNSHIP OF LYON
Notes to Financial Statements
December 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Property 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.

Governmental Funds

The Township 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 Police Special Revenue Fund is used to account for the voted police millages and the related expenditures.

The Mill River Water & Sewer Debt Service Fund, and the Southwest Water & Sewer Debt Service Fund were established to account for the special assessment collections and related debt service payment for certain infrastructure improvements.

In addition, the Township reports on the following fund types:

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

The debt service funds account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The capital project funds account for bond proceeds and the related construction expenditures for the respective projects.

CHARTER TOWNSHIP OF LYON
Notes to Financial Statements
December 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds include the following fund type:

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Township has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Township's enterprise funds are the Water and Sewer Funds, which are reported as major funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee capacity by the Township or as an agent on behalf of others. Fiduciary funds include the following fund type:

The Agency Funds are used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as needed.

CHARTER TOWNSHIP OF LYON
Notes to Financial Statements
December 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

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. State statutes authorize the Township to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Notes receivable which are recorded in the proprietary funds represent agreements with property owners who are paying their utility capital charges on an installment basis over a period of between 5 and 10 ten years including interest ranging from 3.885% – 5.22%.

All trade and property tax receivables are shown net of allowances for uncollectible accounts, which are recorded as follows:

	<u>Taxes Receivable</u>	<u>Accounts Receivable</u>
Total	\$5,241,774	\$ 248,211
Less Allowance for Doubtful Accounts	<u>-</u>	<u>-</u>
Net Realizable Value	<u>\$5,241,774</u>	<u>\$ 248,211</u>

CHARTER TOWNSHIP OF LYON
Notes to Financial Statements
December 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position or Equity – Continued

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-25
Equipment	5-15
Infrastructure	15-50

4. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Position. Long-term liabilities expected to be financed from proprietary funds are reported as liabilities in those funds.

CHARTER TOWNSHIP OF LYON
Notes to Financial Statements
December 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position or Equity – Continued

5. Fund Equity

The Township has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

Committed – Amounts that have been formally set aside by the Board for use for a specific purpose. Commitments are made and can be rescinded only via resolution of the Township Board.

Assigned – Intent to spend resources on specific purposes expressed by the governing body.

Unassigned – This is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

CHARTER TOWNSHIP OF LYON
Notes to Financial Statements
December 31, 2014

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Township is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- a. Budgets must be adopted for the General and Special Revenue Funds.
- b. Budgets must be balanced.
- c. Budgets must be amended as necessary.
- d. Public hearings must be held prior to adoption.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget appropriation prior to being incurred.

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

1. In accordance with State law, prior to December 16, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and means of financing them for the upcoming year. Detail line item budgets are included for administrative control. The level of control for the detail budgets is at the departmental basis.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to December 31, the budget is legally enacted through passage of a budget resolution (general appropriation act).
4. Formal budgetary integration is employed as a management control device for the General and Special Revenue Funds. Budgets for these funds are prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Proprietary Fund budgets are prepared on a non-GAAP method.
6. Budget appropriations lapse at year end.
7. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.
8. Budgeted amounts are reported as originally adopted and as amended by the Township Board.

CHARTER TOWNSHIP OF LYON
Notes to Financial Statements
December 31, 2014

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

None of the Township's funds have a deficit fund balance as of December 31, 2014.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The following departments had excess expenditures over appropriations:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess Expenditures Over Appropriations</u>
General Fund:			
Street Lighting	\$ 11,000	\$ 12,277	\$ 1,277
Youth Guidance	3,500	4,138	638
Citizen Programs	41,088	44,096	3,008
Insurance and Bonds	113,400	138,020	24,620
 Police Fund	 1,751,186	 1,755,519	 4,333
Building Fund	679,539	699,026	19,487
Library	386,798	396,163	9,365

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township 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 mature 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; and investment pools of financial institutions.

CHARTER TOWNSHIP OF LYON
Notes to Financial Statements
December 31, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

The Township has designated several banks for the deposit of funds. The investment policy adopted by the Township Board in accordance with Public Act 196 of 1997 authorized all investments permitted by PA 20. The Charter Township of Lyon's deposit and investment policies are in accordance with statutory authorities.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each financial institution; only those institutions with an acceptable estimated risk level are used as depositories.

At year end, the Township's book balance of its deposits was \$22,432,738. The bank balance was \$22,083,648 which was exposed to custodial credit risk as follows:

	<u>Bank Balance</u>
Insured by F.D.I.C.	\$ 1,250,000
Uninsured and Uncollateralized	<u>20,833,648</u>
Total	<u>\$ 22,083,648</u>

A reconciliation of cash for the primary government follows:

Cash and Cash Equivalents per:	
Statement of Net Position	\$ 18,504,834
Agency Funds	<u>3,927,904</u>
Total	<u>\$ 22,432,738</u>

At December 31, 2014, the carrying amount of the Downtown Development Authority, which is a component unit of the Charter Township of Lyon is \$1,246,747, and the bank balance is \$1,293,245 which is not FDIC insured.

CHARTER TOWNSHIP OF LYON
Notes to Financial Statements
December 31, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does have an investment policy for custodial credit risk of investments. At year end, the Township had \$880,000 of municipal bonds that were uninsured and unregistered, held by the counterparty or by its trust department or agent, and held in the name of the Charter Township of Lyon.

Interest Rate Risk

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Township's and the Component Unit's deposits and investments consisted of the following:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Primary Government:		
Savings and Checking Accounts	\$17,070,229	Demand
Bank Investment Pool	\$ 4,513,419	Demand
Certificates of Deposit	\$ 500,000	420 days
Fixed Income:		
Municipal Bonds	\$ 880,000	1.67 yrs
Component Units:		
Bank Investment Pool	\$ 1,293,245	Demand

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not 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>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Investments:			
Fixed Income -			
Municipal Bonds	\$ 880,000	SP1+	S&P

Concentration of Credit Risk

The Township's investment policy places no limit on the amount the Township may invest in any one issuer. The Township has 100% of its total investments in Genesee County municipal bonds.

CHARTER TOWNSHIP OF LYON
Notes to Financial Statements
December 31, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, not depreciated:				
Land	\$ 347,589	\$ -	\$ -	\$ 347,589
Capital Assets, being depreciated:				
Land Improvements	411,170	-	-	411,170
Building	6,165,475	-	-	6,165,475
Machinery and Equipment	2,228,085	103,914	-	2,331,999
Infrastructure	77,705,633	226,741	-	77,932,374
	<u>86,510,363</u>	<u>330,655</u>	<u>-</u>	<u>86,841,018</u>
Less: Accumulated Depreciation:				
Land Improvements	(412,528)	(3,995)	-	(416,523)
Building	(3,924,733)	(240,527)	-	(4,165,260)
Machinery and Equipment	(1,719,949)	(117,207)	-	(1,837,156)
Infrastructure	(13,376,237)	(1,942,641)	-	(15,318,878)
	<u>(19,433,447)</u>	<u>(2,304,370)</u>	<u>-</u>	<u>(21,737,817)</u>
Governmental Activities				
Capital Assets, net	<u>\$ 67,424,505</u>	<u>\$ (1,973,715)</u>	<u>\$ -</u>	<u>\$ 65,450,790</u>

Depreciated expense was charged to functions programs of the primary government as follows:

General Government	\$ 81,176
Public Safety	263,075
Public Works	1,942,641
Recreation and Cultural	<u>17,478</u>
	<u>\$ 2,304,370</u>

Business-type Activities:	Beg. Balance	Additions	Deletions	End. Balance
Capital Assets, being depreciated:				
Infrastructure	\$ 10,778,886	\$ 2,043,337	\$ -	\$ 12,822,223
Less: Accumulated Depreciation	<u>(2,561,559)</u>	<u>(238,396)</u>	<u>-</u>	<u>(2,799,955)</u>
Business-type Activities				
Capital Assets, net	<u>\$ 8,217,327</u>	<u>\$ 1,804,941</u>	<u>\$ -</u>	<u>\$ 10,022,268</u>

Component Unit-DDA:	Beg. Balance	Additions	Deletions	End. Balance
Capital Assets, being depreciated:				
Buildings	\$ 307,544	\$ -	\$ -	\$ 307,544
Infrastructure	17,475,465	15,946	-	17,491,411
Less: Accumulated Depreciation	<u>(1,308,381)</u>	<u>(391,311)</u>	<u>-</u>	<u>(1,699,692)</u>
Capital Assets, net	<u>\$ 16,474,628</u>	<u>\$ (375,365)</u>	<u>\$ -</u>	<u>\$ 16,099,263</u>

CHARTER TOWNSHIP OF LYON
Notes to Financial Statements
December 31, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Library	\$ 39,809
General Fund	West Pontiac Tr Water Construction	58,770
General Fund	Water Enterprise	138,836
General Fund	Sewer Enterprise	45,264
Water Enterprise	Sewer Enterprise	50,725
		<u>\$ 333,404</u>

The interfund balances represent routine and temporary cash flow assistance.

<u>Transfers In</u>	<u>Transfers Out</u>	
General Fund	Police Fund	\$ 40,000
General Fund	New Hudson Drive S/A Debt	34,915
General Fund	New Hudson Drive #2 S/A Debt	66,595
West Pontiac Trail Sewer Debt	West Pontiac Trail Water Construction	100,000
West Pontiac Trail Sewer Debt	Sewer Enterprise	133,167
Southwest Water & Sewer Debt	Sewer Enterprise	300,000
Woodwind Well GO Debt	Water Enterprise	130,387
Woodwind Well #3 GO Debt	Water Enterprise	12,871
West Pontiac Tr Water GO Debt	Water Enterprise	86,257
Martindale/Pontiac Tr Water Debt	Water Enterprise	118,000
		<u>\$ 1,022,192</u>

Transfer from the Police Fund to the General Fund is for reimbursement of a prior year operating transfer.

The transfers to the debt funds from the Water Enterprise Fund and Sewer Enterprise Fund are to fund the respective annual debt payments.

D. Long-Term Debt

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

	<u>Balance</u> <u>Jan 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec 31, 2014</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 2,209,000	\$ -	\$ 477,000	\$ 1,732,000	\$ 382,000
Special Assessment Bonds	29,340,000	-	4,385,000	24,955,000	3,915,000
	<u>\$ 31,549,000</u>	<u>\$ -</u>	<u>\$ 4,862,000</u>	<u>\$ 26,687,000</u>	<u>\$ 4,297,000</u>
Business-type Activities:					
Water Gen Oblig Bonds	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ 130,000</u>

CHARTER TOWNSHIP OF LYON
Notes to Financial Statements
December 31, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

Component Unit:	Balance Jan 1, 2014	Additions	Reductions	Balance Dec 31, 2014	Due Within One Year
DDA Bonds	\$ 10,715,000	\$ -	\$ 465,000	\$ 10,250,000	\$ 485,000
Land Contract	150,000	-	50,000	100,000	50,000
	<u>\$ 10,865,000</u>	<u>\$ -</u>	<u>\$ 515,000</u>	<u>\$ 10,350,000</u>	<u>\$ 535,000</u>

The following is a summary of general obligation debt outstanding:

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
Governmental Activities:				
General Obligation Bonds	4	3.00%-4.84%	2019	\$ 1,732,000
Special Assessments Bonds	12	3.65%-5.90%	2027	24,955,000
				<u>\$ 26,687,000</u>
Business-type Activities:				
Water GO Bonds	1	2.34%	2024	<u>\$ 1,500,000</u>
Component Unit:				
DDA Capital Improv. Bonds	2	3.25%-6.92%	2030	\$ 10,250,000
Land Contract	1	2.00%	2016	100,000
				<u>\$ 10,350,000</u>

2014 Water Capital Improvement Bonds

On August 4, 2014, the Township issued the 2014 Capital Improvement Bonds in the amount of \$2,000,000 to finance the acquisition and construction of the Eight Mile Road water supply system improvements. The debt payments, which have an interest rate of 2.34%, commenced on November 1, 2014 and mature in 2024. The bonds have been recorded in the Water Enterprise Fund.

CHARTER TOWNSHIP OF LYON
Notes to Financial Statements
December 31, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

The annual debt service requirements to maturity for debt outstanding as of December 31, 2014 is as follows:

Year Ended	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 4,297,000	\$ 1,121,337	\$ 130,000	\$ 33,579
2016	2,605,000	953,428	135,000	30,478
2017	2,530,000	840,573	140,000	27,261
2018	2,560,000	727,692	145,000	23,927
2019	2,420,000	616,688	145,000	20,532
2020-2024	8,325,000	1,862,974	805,000	48,495
2025-2029	3,950,000	319,812	-	-
	<u>\$ 26,687,000</u>	<u>\$ 6,442,504</u>	<u>\$ 1,500,000</u>	<u>\$ 184,272</u>

Year Ended	Component Unit-DDA	
	Principal	Interest
2015	\$ 535,000	\$ 524,968
2016	555,000	506,192
2017	525,000	482,234
2018	545,000	457,626
2019	570,000	432,130
2020-2024	3,255,000	1,718,102
2025-2029	4,045,000	795,692
2030	320,000	22,144
	<u>\$ 10,350,000</u>	<u>\$ 4,939,088</u>

E. Property Taxes

Property taxes are assessed as of each December 31. The Township tax levy is billed on December 1 of the following year, and payable through February. Taxes are considered delinquent on March 1, at which time the applicable property is subject to lien and penalty and interest is assessed. The maximum authorized operating levies for the Township are detailed below for the 2013 tax roll:

Purpose	Authorization	Authorized Rate (Pre Rollback)*	Authorized Rate (Post Rollback)*	Rate Levied
Operating	State Law	1.4100	.9990	.9990
Police	Voter Approved	2.5000	2.1291	2.1291
Police	Voter Approved	.7500	.6385	.6385
Library	Voter Approved	.5300	.5300	.5300
Fire Debt	Voter Approved	.8000	.8000	.4500
Total				<u>4.7466</u>

CHARTER TOWNSHIP OF LYON
Notes to Financial Statements
December 31, 2014

IV. OTHER INFORMATION

A. Defined Contribution Plan

Beginning in fiscal year 1997, the Township began providing pension benefits to all of its full-time salaried employees through a defined contribution plan administered by Midwest Pension Actuaries. The plan assets are invested through American Funds. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full time salaried employees are eligible to participate from the date of employment and are fully vested immediately. As established by Board resolution, the Township contributes 10% of employees' gross earnings annually to the plan. The plan may be amended by Board resolution. The Township's current year contribution was \$72,827.

B. Post Retirement Health Care Benefits

Plan Description – The Township provides health care benefits to eligible retirees in accordance with the Township's ordinance. The Township includes these retirees in its insured health care plan, with no contribution required by the participant. Currently, 3 individuals are receiving benefits. At the fund level, the expense is recognized by the Township as the payments to the employees are made. During the fiscal year 2014, this amounted to \$17,255.

Funding Policy – The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis).

Funding Progress – For the year ended December 31, 2013, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial study that complies with the requirements of GASB 45. The study computes an annual required contribution that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

CHARTER TOWNSHIP OF LYON
Notes to Financial Statements
December 31, 2014

IV. OTHER INFORMATION – Continued

B. Post Retirement Health Care Benefits – Continued

The computed contribution and actual funding are summarized as follows:

Annual Required Contribution (recommended)	\$ 82,309
Interest on the prior year's net OPEB obligation	-
Less adjustment to the annual required contribution	-
Annual OPEB Cost	<u>82,309</u>
Amounts Contributed:	
Payments of current premiums	17,255
Advance funding	-
Total Amounts Contributed	<u>17,255</u>
Increase in Net OPEB Liability	65,054
OPEB Liability - Beginning of Year	628,441
OPEB Liability - End of Year	<u><u>\$ 693,495</u></u>

The funding progress of the plan as of the most recent valuation date is as follows:

Valuation as of January 1, 2014:

Actuarial Value of Assets	\$ -
Actuarial Accrued Liability (AAL)	708,604
Unfunded AAL (UAAL)	708,604
Funded Ratio	0.00%
Ratio of UAAL to covered payroll	Not available

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Annual OPEB Costs</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2012	1/1/2009	\$ 142,649	11%	\$ 502,648
12/31/2013	1/1/2009	\$ 142,649	12%	\$ 628,441
12/31/2014	1/1/2014	\$ 82,309	21%	\$ 693,495

CHARTER TOWNSHIP OF LYON
Notes to Financial Statements
December 31, 2014

IV. OTHER INFORMATION – Continued

B. Post Retirement Health Care Benefits – Continued

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the January 1, 2014 calculation, the entry age actuarial cost method was used. The actuarial assumptions included a 1.0 percent investment rate of return and a 3.0% cost of living adjustment. The unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll over a period of 30 years.

C. Risk Management

The Township purchases insurance coverage through traditional means. The Township's property and liability and workers compensation coverages are on file in the Risk Manager's office.

D. Joint Ventures

South Lyon Area Recreation Council

The Township participates in the South Lyon Area Recreation Council, along with the City of South Lyon and the Township of Green Oak. The Council provides public recreation programs and facilities to the residents of the participating communities. The Township appoints one member of the Council's Board and contributes 43.06% of the expenses. During fiscal year 2014, the Township expensed approximately \$18,053 of payments made to the Council. Complete financial statements for the South Lyon Area Recreation Council can be obtained from the South Lyon Area Recreation Council office at 214 W. Lake Street, South Lyon, Michigan 48178.

CHARTER TOWNSHIP OF LYON
Notes to Financial Statements
December 31, 2014

IV. OTHER INFORMATION – Continued

E. Commitments

The Township has acquired 2 parcels of property through the state tax sale process, and has put the parcels up for sale to recuperate property taxes and special assessments that have become delinquent on the parcel. One parcel is within the Southwest Sewer Special Assessment District and the other parcel is within both the Southwest Water and the Southwest Sewer Special Assessment Districts. The Township may be required to pay the annual special assessment levy on the parcels until the properties are sold. The total annual special assessment levy on the two parcels is approximately \$290,000 including principal and interest, and has 12 years remaining on the assessments.

F. Contingencies/Extraordinary Items

The Township has issued special assessment debt to finance capital improvements, and levies special assessments on the properties that benefit from these improvements, in accordance with Public Act 188 of 1954. The special assessments are levied in annual installments on the properties for a period of 10 to 20 years, and are used to repay the debt which financed the capital improvements in the special assessment district. If the property owners become delinquent, the Township has an obligation for the special assessment debt repayment as part of the limited tax general obligation pledged on the bonds.

In prior years, certain property owners with significant special assessments became delinquent as a result of the current economic climate. If the County is not able to collect the delinquent taxes, the Township may be charged back and required to reimburse the County for the unpaid taxes. The Township is exploring all opportunities to mitigate any uncollectible special assessments including selling properties that the Township may acquire after the foreclosure and tax sale process. The Township estimates that the respective special assessment debt funds will not have sufficient funds to repay this liability, therefore the entire contingent liability amount has been accrued in the respective water and sewer enterprise funds at December 31, 2014 as follows: water enterprise fund \$200,000 and sewer enterprise fund \$200,000. In the current year, the Township did not receive any tax chargebacks and does not anticipate any in the subsequent year. The Township was able to market and sell many of the properties acquired at the annual tax sale totaling \$801,931 in fiscal year 2014. This also alleviates the Township's burden to pay the special assessments going forward on these foreclosed properties. These amounts have been treated as extraordinary items as they are both infrequent in occurrence and unusual in nature. In future years, the Township estimates that uncollectible parcels could result in a liability ranging from \$0 to \$2,400,000 in future years.

CHARTER TOWNSHIP OF LYON
Notes to Financial Statements
December 31, 2014

IV. OTHER INFORMATION – Continued

G. Subsequent Events

1. Dedicated Millages

On the August 5, 2014, the voters in the Charter Township of Lyon approved two new millages, which commenced to be levied on the December 1, 2014 tax roll, and will be recognized as revenue for the Township's fiscal year 2015. The approved millages include a dedicated millage of 1.58 mills for the continuation of fire protection services, equipment and apparatus for a period of 10 years, and a supplemental police millage of .80 mills for the purpose of providing police services for a period of 10 years.

2. Arbitration

In December 2014, the Township was involved in a private arbitration hearing to settle a matter pertaining to the wastewater treatment facility and sanitary sewer system. On March 1, 2015, the arbitration award resulted in the Township having to pay \$1,097,295 from current or future sewer capital charges, which has been accrued in the Sewer Enterprise Fund as of December 31, 2014.

3. 2015 Sewer Capital Improvement Bonds

On March 26, 2015, the Township Board adopted a resolution to approve the issuance of Capital Improvement Bonds, Series 2015 in the amount of \$4,000,000 to finance the cost of the acquisition and construction of improvements to the Township's waste water treatment plant to increase treatment capacity, as part of the Township's sanitary sewage disposal system. The total cost of the project is estimated to be \$5,831,000. The bonds are expected to be issued in May 2015, with debt payments commencing on November 1, 2015 and maturing in 2025.

H. Upcoming Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued two new pronouncements in June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, which amends GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*, which amends GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and GASB Statement No. 50, *Pension Disclosures*. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement, accumulating and managing assets dedicated for pensions, and measuring and recognizing liabilities and expenses. GASB No. 68 will require employers with defined benefit pension plans to recognize their unfunded pension benefit obligation as a liability on the government-wide and proprietary financial statements. These new standards will result in additional disclosures and required supplemental information, and will be effective beginning with the Township's fiscal year ending December 31, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF LYON
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Property Taxes	\$ 657,358	\$ 661,500	\$ 656,667	\$ (4,833)
Licenses and Permits	5,600	5,600	8,064	2,464
Intergovernmental - Federal/CDBG	26,234	26,234	13,961	(12,273)
Intergovernmental - State	1,098,383	1,098,383	1,114,662	16,279
Intergovernmental - County/Tri-Party	-	-	166,093	166,093
Grants	15,000	15,000	4,820	(10,180)
Charges for Services	405,241	405,241	434,806	29,565
Fines and Forfeitures	20,000	20,000	23,114	3,114
Franchise Fees	120,000	120,000	257,455	137,455
Special Assessments	25,000	25,000	12,665	(12,335)
Interest	5,723	5,723	14,789	9,066
Contributions-Roads	-	-	535,000	535,000
Other	109,850	109,850	119,476	9,626
Total Revenues	2,488,389	2,492,531	3,361,572	869,041
Expenditures:				
General Government:				
Township Board	22,080	22,080	20,093	1,987
Township Supervisor	89,594	89,594	86,226	3,368
Township Clerk	159,109	159,109	157,420	1,689
Township Treasurer	162,950	176,950	175,612	1,338
Tax Collection	23,000	23,000	14,464	8,536
Elections	60,676	60,676	43,922	16,754
Customer Service	48,027	48,027	48,011	16
Building and Grounds	129,100	129,100	118,566	10,534
Cemetery	11,000	11,000	9,738	1,262
Assessing	130,000	130,000	120,242	9,758
Board of Review	3,864	3,864	2,759	1,105
Professional Fees	104,375	132,000	112,326	19,674
Maintenance	72,031	77,331	77,168	163
Community Center	18,425	17,425	16,130	1,295
Total General Government	1,034,231	1,080,156	1,002,677	77,479
Public Safety:				
Fire Department	764,650	859,223	853,913	5,310
Planning and Zoning:				
Planning Commission	178,106	178,106	174,172	3,934
Board of Appeals	9,505	9,505	2,244	7,261
Total Planning and Zoning	187,611	187,611	176,416	11,195
Public Works:				
Streets	65,500	65,500	50,084	15,416
Street Lighting	11,000	11,000	12,277	(1,277)
Engineering	12,500	12,500	87	12,413
Drains	3,311	3,311	3,258	53
Total Public Works	92,311	92,311	65,706	26,605

(continued)

CHARTER TOWNSHIP OF LYON
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (continued):				
Health and Welfare:				
Youth Guidance	\$ 3,500	\$ 3,500	\$ 4,138	\$ (638)
Citizen Programs	41,088	41,088	44,096	(3,008)
Total Health and Welfare	44,588	44,588	48,234	(3,646)
Recreation	40,053	40,053	24,719	15,334
Insurance and Bonds	113,400	113,400	138,020	(24,620)
Other Functions	815,000	815,000	303,810	511,190
Capital Outlay	37,000	27,000	4,505	22,495
Total Expenditures	3,128,844	3,259,342	2,618,000	641,342
Excess (Deficiency) of Revenues Over Expenditures	(640,455)	(766,811)	743,572	1,510,383
Extraordinary Items:				
Proceeds from Sale of Tax Sale Properties	-	-	601,934	601,934
Other Financing Sources (Uses):				
Operating Transfers In	-	-	141,510	(141,510)
Net Change in Fund Balance	\$ <u>(640,455)</u>	\$ <u>(766,811)</u>	1,487,016	\$ <u>1,970,807</u>
Fund Balance - January 1			3,492,185	
Fund Balance - December 31			\$ <u>4,979,201</u>	

CHARTER TOWNSHIP OF LYON
Police Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues:				
Property Taxes	\$ 1,807,273	\$ 1,807,273	\$ 1,813,694	\$ 6,421
Licenses and Permits	9,400	9,400	10,795	1,395
Charges for Services	600	600	10,858	10,258
Total Revenues	<u>1,817,273</u>	<u>1,817,273</u>	<u>1,835,347</u>	<u>18,074</u>
Expenditures:				
Professional Services	1,682,041	1,682,041	1,691,206	(9,165)
Other	69,145	69,145	64,313	4,832
Total Expenditures	<u>1,751,186</u>	<u>1,751,186</u>	<u>1,755,519</u>	<u>(4,333)</u>
Excess (Deficiency) of Revenues Over Expenditures	66,087	66,087	79,828	13,741
Other Financing Sources (Uses):				
Operating Transfer Out	<u>-</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 66,087</u>	<u>\$ 26,087</u>	39,828	<u>\$ 13,741</u>
Fund Balance - January 1			<u>656</u>	
Fund Balance - December 31			<u>\$ 40,484</u>	

OTHER SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF LYON
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2014

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,736,867	\$ 3,540,453	\$ 234,274	\$ 5,511,594
Taxes Receivable	1,534,785	385,308	-	1,920,093
Accounts Receivable	99,660	-	-	99,660
Special Assessments Receivable	1,540,654	1,795,724	-	3,336,378
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>4,911,966</u>	\$ <u>5,721,485</u>	\$ <u>234,274</u>	\$ <u>10,867,725</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ 34,854	\$ -	\$ 10,000	\$ 44,854
Due to Other Funds	39,809	-	58,770	98,579
Total Liabilities	<u>74,663</u>	<u>-</u>	<u>68,770</u>	<u>143,433</u>
Deferred Inflows of Resources:				
Property Taxes Levied for the following year	1,534,785	374,342	-	1,909,127
Unavailable Revenue - Special Assessments	1,540,654	1,795,724	-	3,336,378
Total Deferred Inflows of Resources	<u>3,075,439</u>	<u>2,170,066</u>	<u>-</u>	<u>5,245,505</u>
Fund Balance:				
Restricted for:				
Capital Projects	-	-	165,504	165,504
Debt Service	-	3,551,419	-	3,551,419
Library	43,543	-	-	43,543
Roads	67,528	-	-	67,528
Building Dept.	1,625,267	-	-	1,625,267
Committed for Park	25,526	-	-	25,526
Total Fund Balance	<u>1,761,864</u>	<u>3,551,419</u>	<u>165,504</u>	<u>5,478,787</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ <u>4,911,966</u>	\$ <u>5,721,485</u>	\$ <u>234,274</u>	\$ <u>10,867,725</u>

CHARTER TOWNSHIP OF LYON
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2014

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$ 347,308	\$ 344,354	\$ -	\$ 691,662
Special Assessments	456,034	1,310,051	-	1,766,085
Intergovernmental	10,118	-	-	10,118
Charges for Services	1,080,207	-	-	1,080,207
Interest	189	8,274	825	9,288
Total Revenues	<u>1,893,856</u>	<u>1,662,679</u>	<u>825</u>	<u>3,557,360</u>
<u>Expenditures:</u>				
Public Safety	636,800	-	-	636,800
Public Works	463,779	-	5,451	469,230
Recreation and Cultural	450,807	-	-	450,807
Debt Service:				
Principal	-	3,337,000	-	3,337,000
Interest and Other Charges	-	450,647	-	450,647
Capital Outlay	65,654	-	-	65,654
Total Expenditures	<u>1,617,040</u>	<u>3,787,647</u>	<u>5,451</u>	<u>5,410,138</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>276,816</u>	<u>(2,124,968)</u>	<u>(4,626)</u>	<u>(1,852,778)</u>
<u>Other Financing Sources(Uses):</u>				
Operating Transfers In	-	580,682	-	580,682
Operating Transfers Out	-	(101,510)	(100,000)	(201,510)
Total Other Financing Sources (Uses)	<u>-</u>	<u>479,172</u>	<u>(100,000)</u>	<u>379,172</u>
Net Change in Fund Balances	276,816	(1,645,796)	(104,626)	(1,473,606)
Fund Balances - January 1	<u>1,485,048</u>	<u>5,197,215</u>	<u>270,130</u>	<u>6,952,393</u>
Fund Balances - December 31	<u>\$ 1,761,864</u>	<u>\$ 3,551,419</u>	<u>\$ 165,504</u>	<u>\$ 5,478,787</u>

CHARTER TOWNSHIP OF LYON
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2014

	<u>Fire</u>	<u>Public Library</u>	<u>Building Department</u>	<u>Park</u>
<u>ASSETS</u>				
Cash	\$ -	\$ 113,471	\$ 1,528,297	\$ 27,571
Taxes Receivable	1,149,270	385,515	-	-
Accounts Receivable	-	-	99,660	-
Special Assessments Receivable	-	-	-	-
Total Assets	<u>\$ 1,149,270</u>	<u>\$ 498,986</u>	<u>\$ 1,627,957</u>	<u>\$ 27,571</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ -	\$ 30,119	\$ 2,690	\$ 2,045
Due to Other Funds	-	39,809	-	-
Total Liabilities	<u>-</u>	<u>69,928</u>	<u>2,690</u>	<u>2,045</u>
Deferred Inflows of Resources:				
Property Taxes Levied for the following year	1,149,270	385,515	-	-
Unavailable Revenue	-	-	-	-
Total Deferred Inflows of Resources	<u>1,149,270</u>	<u>385,515</u>	<u>-</u>	<u>-</u>
Fund Balance:				
Restricted for:				
Library	-	41,077	-	-
Library-Genealogy	-	2,466	-	-
Roads	-	-	-	-
Building Dept.	-	-	1,625,267	-
Committed for Park	-	-	-	25,526
Total Fund Balance	<u>-</u>	<u>43,543</u>	<u>1,625,267</u>	<u>25,526</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,149,270</u>	<u>\$ 498,986</u>	<u>\$ 1,627,957</u>	<u>\$ 27,571</u>

-

<u>Lyon Town Center Paving</u>	<u>Total</u>
\$ 67,528	\$ 1,736,867
-	1,534,785
-	99,660
<u>1,540,654</u>	<u>1,540,654</u>
\$ <u><u>1,608,182</u></u>	\$ <u><u>4,911,966</u></u>

\$ -	\$ 34,854
-	39,809
<u>-</u>	<u>74,663</u>

-	1,534,785
<u>1,540,654</u>	<u>1,540,654</u>
<u>1,540,654</u>	<u>3,075,439</u>

-	41,077
-	2,466
67,528	67,528
-	1,625,267
-	25,526
<u>67,528</u>	<u>1,761,864</u>

\$ <u><u>1,608,182</u></u>	\$ <u><u>4,911,966</u></u>
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CHARTER TOWNSHIP OF LYON
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2014

	<u>Fire</u>	<u>Public Library</u>	<u>Building Department</u>	<u>Park</u>
Revenues:				
Property Taxes	\$ -	\$ 347,308	\$ -	\$ -
Special Assessments	-	-	-	-
Intergovernmental - State	-	10,118	-	-
Charges for Services	-	16,559	1,018,588	16,751
Fines	-	28,309	-	-
Interest	-	144	-	9
Total Revenues	<u>-</u>	<u>402,438</u>	<u>1,018,588</u>	<u>16,760</u>
Expenditures:				
Public Safety	-	-	636,800	-
Public Works	-	-	-	-
Recreation and Cultural	-	394,168	-	56,639
Capital Outlay	-	1,995	63,659	-
Total Expenditures	<u>-</u>	<u>396,163</u>	<u>700,459</u>	<u>56,639</u>
Excess (Deficiency) of Revenues Over Expenditures	-	6,275	318,129	(39,879)
Fund Balance - January 1	<u>-</u>	<u>37,268</u>	<u>1,307,138</u>	<u>65,405</u>
Fund Balance - December 31	<u>\$ -</u>	<u>\$ 43,543</u>	<u>\$ 1,625,267</u>	<u>\$ 25,526</u>

<u>Lyon Town Center Paving</u>	<u>Total</u>
-	\$ 347,308
456,034	456,034
-	10,118
-	1,051,898
-	28,309
36	189
<u>456,070</u>	<u>1,893,856</u>
-	636,800
463,779	463,779
-	450,807
-	65,654
<u>463,779</u>	<u>1,617,040</u>
(7,709)	276,816
<u>75,237</u>	<u>1,485,048</u>
<u>67,528</u>	<u>\$ 1,761,864</u>

CHARTER TOWNSHIP OF LYON
Nonmajor Debt Service Funds
Combining Balance Sheet
December 31, 2014

	1998 Water Special Assessment	Fire Station General Obligation	West Grand River Sewer Special Assessment	West Grand River Water Special Assessment	New Hudson Drive Special Assessment	New Hudson Drive #2 Special Assessment	Central Grand River Sewer Special Assessment	Pontiac Trail/ Martindale Road Sewer Special Assessment
<u>ASSETS</u>								
Cash	\$ 349,373	\$ 135,605	\$ 1,828,020	\$ 162,810	\$ -	\$ -	\$ 422,591	\$ 103,411
Taxes Receivable	-	374,342	10,966	-	-	-	-	-
Special Assessment Receivable:								
Current	129,434	-	175,722	38,073	-	-	-	-
Deferred	316,825	-	524,875	-	-	-	-	-
Total Assets	<u>\$ 795,632</u>	<u>\$ 509,947</u>	<u>\$ 2,539,583</u>	<u>\$ 200,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422,591</u>	<u>\$ 103,411</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>								
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Inflows of Resources:								
Property Taxes Levied for the following year	-	374,342	-	-	-	-	-	-
Unavailable Revenue	446,259	-	700,597	38,073	-	-	-	-
	<u>446,259</u>	<u>374,342</u>	<u>700,597</u>	<u>38,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:								
Restricted for Debt Service	349,373	135,605	1,838,986	162,810	-	-	422,591	103,411
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 795,632</u>	<u>\$ 509,947</u>	<u>\$ 2,539,583</u>	<u>\$ 200,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422,591</u>	<u>\$ 103,411</u>

Woodwind Well General Obligation	Woodwind Well Special Assessment	Martindale/ Pontiac Trail Water Special Assessment	West Pontiac Trail Sewer Special Assessment	West Pontiac Trail Water General Obligation	West Pontiac Trail Water Special Assessment	Woodwind Well #3 General Obligation	Woodwind Well #3, Timber Trail, Spaulding Sewer Special Assessment	11 Mile Road Paving & Spaulding Rd Water/Lyon Ridge Sewer Assessment	Total
\$ -	\$ 91,738	\$ 7,053	\$ 28,502	\$ -	\$ 55,898	\$ -	\$ 166,630	\$ 188,822	\$ 3,540,453
-	-	-	-	-	-	-	-	-	385,308
-	-	52,442	213,341	-	89,068	-	-	255,944	954,024
-	-	-	-	-	-	-	-	-	841,700
<u>\$ -</u>	<u>\$ 91,738</u>	<u>\$ 59,495</u>	<u>\$ 241,843</u>	<u>\$ -</u>	<u>\$ 144,966</u>	<u>\$ -</u>	<u>\$ 166,630</u>	<u>\$ 444,766</u>	<u>\$ 5,721,485</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-	-	-	-	-	-	-	374,342
-	-	52,442	213,341	-	89,068	-	-	255,944	1,795,724
-	-	<u>52,442</u>	<u>213,341</u>	-	<u>89,068</u>	-	-	<u>255,944</u>	<u>2,170,066</u>
-	91,738	7,053	28,502	-	55,898	-	166,630	188,822	3,551,419
<u>\$ -</u>	<u>\$ 91,738</u>	<u>\$ 59,495</u>	<u>\$ 241,843</u>	<u>\$ -</u>	<u>\$ 144,966</u>	<u>\$ -</u>	<u>\$ 166,630</u>	<u>\$ 444,766</u>	<u>\$ 5,721,485</u>

CHARTER TOWNSHIP OF LYON
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2014

	1998 Water Special Assessment	Fire Station General Obligation	West Grand River Sewer Special Assessment	West Grand River Water Special Assessment	New Hudson Drive Special Assessment	New Hudson Drive #2 Special Assessment	Central Grand River Sewer Special Assessment	Pontiac Trail/ Martindale Road Sewer Special Assessment
Revenues:								
Property Taxes	\$ -	\$ 344,354	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	143,431	-	186,194	40,416	-	-	-	628
Interest	387	209	5,172	317	5	9	837	202
Total Revenues	<u>143,818</u>	<u>344,563</u>	<u>191,366</u>	<u>40,733</u>	<u>5</u>	<u>9</u>	<u>837</u>	<u>830</u>
Expenditures:								
Principal	175,000	260,000	500,000	100,000	-	-	-	245,000
Interest and Fees	36,287	66,287	194,160	12,237	-	-	-	5,316
Total Expenditures	<u>211,287</u>	<u>326,287</u>	<u>694,160</u>	<u>112,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,316</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(67,469)</u>	<u>18,276</u>	<u>(502,794)</u>	<u>(71,504)</u>	<u>5</u>	<u>9</u>	<u>837</u>	<u>(249,486)</u>
Other Financing Sources (Uses):								
Operating Transfers In	-	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	(34,915)	(66,595)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,915)</u>	<u>(66,595)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(67,469)	18,276	(502,794)	(71,504)	(34,910)	(66,586)	837	(249,486)
Fund Balance - January 1	<u>416,842</u>	<u>117,329</u>	<u>2,341,780</u>	<u>234,314</u>	<u>34,910</u>	<u>66,586</u>	<u>421,754</u>	<u>352,897</u>
Fund Balance - December 31	<u>\$ 349,373</u>	<u>\$ 135,605</u>	<u>\$ 1,838,986</u>	<u>\$ 162,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422,591</u>	<u>\$ 103,411</u>

Woodwind Well General Obligation	Woodwind Well Special Assessment	Martindale/ Pontiac Trail Water Special Assessment	West Pontiac Trail Sewer Special Assessment	West Pontiac Trail Water General Obligation	West Pontiac Trail Water Special Assessment	Woodwind Well #3 General Obligation	Woodwind Well #3, Timber Trail, Spaulding Sewer Special Assessment	11 Mile Road Paving & Spaulding Rd Water/Lyon Ridge Sewer Assessment	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 344,354
-	88,441	26,115	302,172	-	121,769	-	78,656	322,229	1,310,051
-	558	75	170	-	2	-	130	201	8,274
-	88,999	26,190	302,342	-	121,771	-	78,786	322,430	1,662,679
125,000	225,000	125,000	675,000	80,000	200,000	12,000	145,000	470,000	3,337,000
5,387	9,487	13,357	50,775	6,257	14,950	871	8,196	27,080	450,647
130,387	234,487	138,357	725,775	86,257	214,950	12,871	153,196	497,080	3,787,647
(130,387)	(145,488)	(112,167)	(423,433)	(86,257)	(93,179)	(12,871)	(74,410)	(174,650)	(2,124,968)
130,387	-	118,000	233,167	86,257	-	12,871	-	-	580,682
-	-	-	-	-	-	-	-	-	(101,510)
130,387	-	118,000	233,167	86,257	-	12,871	-	-	479,172
-	(145,488)	5,833	(190,266)	-	(93,179)	-	(74,410)	(174,650)	(1,645,796)
-	237,226	1,220	218,768	-	149,077	-	241,040	363,472	5,197,215
\$ -	\$ 91,738	\$ 7,053	\$ 28,502	\$ -	\$ 55,898	\$ -	\$ 166,630	\$ 188,822	\$ 3,551,419

CHARTER TOWNSHIP OF LYON
Nonmajor Capital Project Funds
Combining Balance Sheet
December 31, 2014

	West Pontiac Trail Water	Southwest Water & Sewer	Total
<u>ASSETS</u>			
Cash	\$ <u>212,013</u>	\$ <u>22,261</u>	\$ <u>234,274</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ -	\$ 10,000	\$ 10,000
Due to Other Funds	<u>58,770</u>	<u>-</u>	<u>58,770</u>
Total Liabilities	58,770	10,000	68,770
 Fund Balance:			
Restricted for Capital Projects	<u>153,243</u>	<u>12,261</u>	<u>165,504</u>
Total Liabilities and Fund Balance	\$ <u>212,013</u>	\$ <u>22,261</u>	\$ <u>234,274</u>

CHARTER TOWNSHIP OF LYON
Nonmajor Capital Project Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2014

	West Pontiac Trail Water	Southwest Water & Sewer	Total
Revenues:			
Interest	\$ 548	\$ 277	\$ 825
Expenditures:			
Other	4,000	1,451	5,451
Excess (Deficiency) of Revenues Over Expenditures	(3,452)	(1,174)	(4,626)
Other Financing Uses:			
Operating Transfers Out	(100,000)	-	(100,000)
Net Change in Fund Balances	(103,452)	(1,174)	(104,626)
Fund Balance - January 1	256,695	13,435	270,130
Fund Balance - December 31	\$ 153,243	\$ 12,261	\$ 165,504

CHARTER TOWNSHIP OF LYON
Balance Sheet
Component Unit - Downtown Development Authority
December 31, 2014

	<u>Downtown Development Authority</u>
<u>Assets</u>	
Cash	\$ 1,246,747
Taxes Receivable	<u>1,355,074</u>
Total Assets	<u>\$ 2,601,821</u>
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balance</u>	
Liabilities:	
Accounts Payable	\$ 22,567
Deferred Inflows of Resources:	
Property Taxes Levied for the following year	1,959,965
Fund Balance	<u>619,289</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 2,601,821</u>
 Fund Balance at December 31, 2014	 \$ 619,289
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	16,099,263
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(10,350,000)</u>
Net Position of Governmental Activities-Component Unit	<u>\$ 6,368,552</u>

CHARTER TOWNSHIP OF LYON
Statement of Revenues, Expenditures and Changes in Fund Balance
Component Unit - Downtown Development Authority
December 31, 2014

**Downtown
Development
Authority**

Revenues

Property Taxes	\$ 1,133,700
Interest	465
Other	43,305
Total Revenues	<u>1,177,470</u>

Expenditures

Community Development	197,097
Debt Service:	
Principal	515,000
Interest	434,969
Capital Outlay	15,946
Total Expenditures	<u>1,163,012</u>

Change in Fund Balance	14,458
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Fund Balance - Beginning	<u>604,831</u>
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Fund Balance - Ending	<u><u>\$ 619,289</u></u>
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Reconciliation to Statement of Activities (pages 11-12):

Net Change in Fund Balance at December 31, 2014	\$ 14,458
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents capital outlay in excess of depreciation in the current period.

Capital Outlay	15,946
Depreciation	(391,311)

Repayment of the principal of long-term debt is recorded as an expenditure in governmental funds. In the Statement of Net Position, it is a reduction in the long-term debt payable. This amount represents the principal paid on long-term debt in the current year plus additional debt incurred.

Principal Paid	<u>515,000</u>
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Change in Net Position-Component Unit	<u><u>\$ 154,093</u></u>
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PSLZ LLP
Certified Public Accountants

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Deborah M. Cox, C.P.A.
Robert J. Sheu, C.P.A.

April 2, 2015

To the Board of Trustees
Charter Township of Lyon
Oakland County, Michigan

We have audited the financial statements of the Charter Township of Lyon for the year ended December 31, 2014, and have issued our report thereon dated April 2, 2015. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 14, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Charter Township of Lyon. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on February 2, 2015.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Charter Township of Lyon are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 estimates affecting the financial statements were the estimated annual required contributions and the actuarial accrued liability related to the retiree healthcare funding, which the Township obtained using a third party actuarial valuation, the estimates of the allowance for doubtful accounts for property tax collections and utility billings, which are based on historical collection statistics, and the estimated contingent liabilities accrued for property tax and special assessment chargebacks.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements related to those estimates discussed in the section above.

Difficulties Encountered in Performing the Audit

We encountered no 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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. These entries included adjustments to current year special assessment revenues and receivables.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 April 2, 2015.

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.

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

Sincerely,

A handwritten signature in black ink, appearing to read "PSLZ LLP", written in a cursive, stylized script.

PSLZ LLP
Certified Public Accountants

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Deborah M. Cox, C.P.A.
Robert J. Sheu, C.P.A.

April 2, 2015

Board of Trustees
Charter Township of Lyon
Oakland County, Michigan

In planning and performing our audit of the financial statements of the Charter Township of Lyon as of and for the year ended December 31, 2014 in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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. We consider the following deficiencies in the Township's internal control to be material weaknesses:

The volume and complexity of the Township's accounting records, especially the year end closing process, continues to be a significant amount of work, which requires numerous journal entries to the Township's general ledger at year end as part of the audit process. We recommend that more timely reconciliations be made, which may reduce the year end work.

Board of Trustees
Charter Township of Lyon
April 2, 2015
Page 2

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

Sincerely,

A handwritten signature in black ink, appearing to read "PSLZ LLP", written in a cursive, stylized script.

PSLZ LLP
Certified Public Accountants