

***Township of Solon***  
***Kent County, Michigan***

**FINANCIAL STATEMENTS**

*Year ended March 31, 2017*

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Township of Solon, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Township of Solon, Michigan, as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Township of Solon, Michigan, as of March 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Correction of an Error**

As described in Note 14 to the financial statements, the Township recorded a prior period adjustment to correct its method of accounting for intangible capital assets of the governmental activities. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required supplementary information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the 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.

*Siegfried Crandall P.C.*

July 24, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Solon's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2017. Please read it in conjunction with the Township's financial statements.

#### **FINANCIAL HIGHLIGHTS**

- The Township's total net position decreased by \$201,871 (8 percent) as a result of this year's activities.
- Of the \$2,251,002 total net position reported, \$1,107,682 (49 percent) is available to be used at the Board's discretion, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$738,294, which represents 76 percent of the actual total General Fund expenditures for the current fiscal year.

#### **Overview of the financial statements**

The Township's annual report is comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
  - Governmental funds statements explain how government services, like general government, public safety, and public works, were financed in the short-term, as well as what remains for future spending.
  - Fiduciary funds statements provide information about the financial relationships in which the Township acts solely as an agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2017 and 2016 is also presented.

#### **Government-wide financial statements**

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net position and how it has changed. Net position (the difference between the Township's assets and liabilities) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements present governmental activities. These activities include functions most commonly associated with government (e.g., general government, public safety, public works, etc.). State shared revenue and property taxes generally fund these services.

#### **Fund financial statements**

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes subject to the following criteria:

- Certain funds are required by state law.
- The Township Board establishes other funds to control and manage money for particular purposes, such as the accumulation of funds for future capital projects.

The Township has two types of funds:

- *Governmental funds.* The Township's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the Township. The Township is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. The Township's fiduciary balances are reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

#### **FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE**

##### **Net position**

Total net position at the end of the fiscal year was \$2,251,002. Of this total, \$1,134,448 represents an investment in capital assets, and \$8,872 is restricted for public safety (inspections activity). Consequently, unrestricted net position was \$1,107,682.

*Condensed financial information*  
*Net position*

	<i>Governmental activities</i>	
	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 1,141,788	\$ 1,399,672
Capital assets	<u>1,134,448</u>	<u>1,442,491</u>
Total assets	<u>2,276,236</u>	<u>2,842,163</u>
Current and other liabilities	<u>25,234</u>	<u>28,146</u>
Net position:		
Investment in capital assets	1,134,448	1,442,491
Restricted	8,872	4,095
Unrestricted	<u>1,107,682</u>	<u>1,367,431</u>
Total net position	<u>\$ 2,251,002</u>	<u>\$ 2,814,017</u>

The 2016 column reflects restated amounts for capital assets and the related net position, net investment in capital assets, as a result of a prior period adjustment recorded in 2017. Both amounts were reduced by \$361,144, for the effect of correcting the method of accounting used for intangible capital assets.

#### **Changes in net position**

The Township's total revenues were \$950,259 in the current year. Nearly 50 percent of the Township's revenues comes from state shared revenue and 25 percent comes from property taxes.

The total cost of the Township's programs amounted to \$1,152,130. Nearly 28 percent of the Township's costs relates to the provision of general governmental services, while public works costs account for 42 percent, in the current year.



*Condensed financial information  
Changes in net position*

	<i>Governmental activities</i>	
	<b>2017</b>	<b>2016</b>
Program revenues:		
Charges for services	\$ 145,027	\$ 157,652
Operating grants and contributions	16,384	21,942
Capital grants and contributions	-	4,999
General revenues:		
State shared revenue	474,379	449,389
Property taxes	240,848	236,380
Franchise fees	72,937	72,507
Interest income	684	1,623
Gain on sale of capital assets	-	37,468
Total revenues	<u>950,259</u>	<u>981,960</u>
Expenses:		
General government	319,678	309,654
Public safety	220,189	257,038
Public works	487,494	36,336
Community and economic development	49,886	16,422
Recreation and culture	74,883	60,116
Total expenses	<u>1,152,130</u>	<u>679,566</u>
Changes in net position	<u>\$ (201,871)</u>	<u>\$ 302,394</u>
Net position, end of year	<u>\$ 2,251,002</u>	<u>\$ 2,452,873</u>

The 2016 column reflects restated amounts as a result of a prior period adjustment recorded in 2017. Public works expenses were reduced by \$50,853, related to the restatement of 2016 balances for the effect of correcting the method of accounting used for intangible capital assets. Public works costs previously capitalized, in the amount of \$78,039, were expensed, and depreciation expense was reduced by \$27,186.

#### **Governmental activities**

Governmental activities decreased the Township's net position by \$201,871 in the current year compared to a \$302,394 increase in the prior year. The Township's net position decreased during the current year, as revenues declined by \$31,701, while expenses increased by \$472,564. Revenues decreased as a \$37,468 gain on the sale of capital assets was recognized in the prior year. Expenses increased due to a \$451,158 increase in public works costs associated with road improvements in the current year.

The total cost of governmental activities this year was \$1,152,130. After subtracting the direct charges to those who directly benefited from the programs (\$145,027) and operating and capital grants (\$16,384), the "public benefit" portion covered by state revenue sharing, property taxes, and other general revenues was \$990,719.

## **FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

### **Governmental funds**

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,088,899, a decrease of \$237,347 compared to the prior year.

The General Fund is the primary operating fund of the Township. At the end of the fiscal year, its fund balance was \$793,682, a decrease of \$251,826, as revenues (\$872,764) were less than expenditures (\$969,290) and transfers out (\$155,300).

The Fire Operating Fund, a special revenue fund, has a fund balance of \$10,004 at the end of the fiscal year. The fund's expenditures (\$206,993) exceeded revenues (\$86,389) by \$120,604, but transfers from the General Fund, in the amount of \$130,300, allowed a \$9,696 increase in fund balance in the current year.

The Fire Capital Fund, a capital project fund, decreased by \$6,888 as expenditures (\$27,416) exceeded revenues (\$528) and a \$20,000 transfer from the General Fund. Fund balance, which is assigned for capital equipment acquisitions for the fire department, amounted to \$241,029 at year end.

The Park Improvements Fund, a capital project fund, has a fund balance of \$44,184 due to a \$5,000 transfer from the General Fund and \$7,109 in revenues. Fund balance, in the amount of \$44,184, is assigned for future park improvements.

### **General Fund budgetary highlights**

The Township amended its General Fund budget during the year by reallocating planned expenditures among activities. Total expenditures, in the amount of \$1,024,558, were unchanged. Revenues were not amended.

Total revenues were \$17,913 more than budgeted, as license and permit revenues were \$12,281 more than expected due to the growth in building activity in the Township. Total expenditures were \$55,268 less than the amounts appropriated. The most significant variance involved general government expenditures, which were \$37,655 less than appropriated, primarily because other expenditures were lower than anticipated.

These variances resulted in a \$73,181 positive budget variance, with a \$251,826 decrease in fund balance compared to a budget that anticipated a \$325,007 decrease in fund balance.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital assets**

The Township's investment in capital assets for its governmental activities as of March 31, 2017, is \$1,134,448 (net of accumulated depreciation). This investment includes land, buildings, equipment, and vehicles. The Township's investment in capital assets increased by \$53,101 for the current year, as \$96,621 in asset acquisitions exceeded the current year depreciation provision of \$43,520.

The major capital asset addition during the current fiscal year involved the following:

- The parking lot, at the Fire Department, was paved at a cost of \$64,910
- Fire rescue tools were purchased at a cost of \$27,416

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

**Debt**

The Township had no debt outstanding at the beginning or end of the year.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Township plans to primarily use current revenues to provide essential services in fiscal year 2018 in order to maintain current fund balances. Expenditures are expected to increase by nominal amounts compared to fiscal year 2017. The ongoing costs of providing essential services for the citizens of the Township will again need to be monitored in order to maintain the financial condition and operational capabilities of the Township.

**CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT**

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

Robert Ellick, Township Supervisor  
Township of Solon  
15185 Algoma Avenue  
Cedar Springs, MI 49319

[supervisor@solontwp.org](mailto:supervisor@solontwp.org)  
Phone: (616) 696-1718

## BASIC FINANCIAL STATEMENTS

**Township of Solon****STATEMENT OF NET POSITION**

March 31, 2017

	<u><b>Governmental activities</b></u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 998,486
Receivables	122,647
Prepaid expenses	<u>6,655</u>
Total current assets	<u>1,127,788</u>
Noncurrent assets:	
Receivables	14,000
Capital assets not being depreciated	121,902
Capital assets, net of accumulated depreciation	<u>1,012,546</u>
Total noncurrent assets	<u>1,148,448</u>
Total assets	<u>2,276,236</u>
<b>LIABILITIES</b>	
Current liabilities - payables	<u>25,234</u>
<b>NET POSITION</b>	
Investment in capital assets	1,134,448
Restricted - public safety	8,872
Unrestricted	<u>1,107,682</u>
Total net position	<u>\$ 2,251,002</u>

See notes to financial statements

*Township of Solon*

**STATEMENT OF ACTIVITIES**

*Year ended March 31, 2017*

		<i>Program revenues</i>		<i>Net (expenses)</i>
		<i>Charges for</i>	<i>Operating</i>	<i>revenues and</i>
	<i>Expenses</i>	<i>services</i>	<i>grants and</i>	<i>change in</i>
			<i>contributions</i>	<i>net position</i>
				<i>Governmental</i>
				<i>activities</i>
<b>Functions/Programs</b>				
Governmental activities:				
General government	\$ 319,678	\$ 75,383	\$ -	\$ (244,295)
Public safety	220,189	64,639	-	(155,550)
Public works	487,494	-	9,295	(478,199)
Community and economic development	49,886	5,005	-	(44,881)
Recreation and culture	74,883	-	7,089	(67,794)
Total governmental activities	<u>\$ 1,152,130</u>	<u>\$ 145,027</u>	<u>\$ 16,384</u>	<u>\$ (990,719)</u>
		General revenues:		
				474,379
				240,848
				72,937
				684
			Total general revenues	<u>788,848</u>
			Change in net position	(201,871)
			Net position - beginning	<u>2,452,873</u>
			Net position - ending	<u>\$ 2,251,002</u>

*See notes to financial statements*

**BALANCE SHEET - governmental funds**

March 31, 2017

		<u>Special revenue</u>	<u>Capital project funds</u>		<u>Total governmental funds</u>	
	<u>General</u>	<u>Fire operating</u>	<u>Fire Capital</u>	<u>Park Improvements</u>		
<b>ASSETS</b>						
Cash	\$ 699,283	\$ 13,990	\$ 241,029	\$ 44,184	\$ 998,486	
Receivables	132,480	4,167	-	-	136,647	
Total assets	<u>\$ 831,763</u>	<u>\$ 18,157</u>	<u>\$ 241,029</u>	<u>\$ 44,184</u>	<u>\$ 1,135,133</u>	
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities - payables	<u>\$ 17,081</u>	<u>\$ 8,153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,234</u>	
Deferred inflows of resources:						
Unavailable special assessment revenue	<u>21,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,000</u>	
Fund balances:						
Restricted for public safety	8,872	-	-	-	8,872	
Assigned for:						
Public safety - fire protection	-	10,004	-	-	10,004	
Public works - street improvements	46,516	-	-	-	46,516	
Capital improvements			241,029	44,184	285,213	
Unassigned	<u>738,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>738,294</u>	
Total fund balances	<u>793,682</u>	<u>10,004</u>	<u>241,029</u>	<u>44,184</u>	<u>1,088,899</u>	
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 831,763</u>	<u>\$ 18,157</u>	<u>\$ 241,029</u>	<u>\$ 44,184</u>	<u>\$ 1,135,133</u>	
Reconciliation of the balance sheet to the statement of net position:						
Total fund balance - total governmental funds					\$ 1,088,899	
Amounts reported for <i>governmental activities</i> in the statement of net position (page 11) are different because:						
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.						1,134,448
Special assessments receivable are not available to liquidate liabilities of the current period, and, therefore, are a deferred inflow of resources in the funds.						21,000
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.						6,655
Net position of <i>governmental activities</i>						\$ 2,251,002

*Township of Solon*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**

**BALANCES - governmental funds**

*Year ended March 31, 2017*

		<i>Special revenue</i>	<i>Capital project funds</i>		<i>Total governmental funds</i>
	<i>General</i>	<i>Fire operating</i>	<i>Fire Capital</i>	<i>Park improvements</i>	
<b>REVENUES</b>					
Property taxes	\$ 211,038	\$ 80,915	\$ -	\$ -	\$ 291,953
Licenses and permits	137,881	-	-	-	137,881
Federal grant	-	4,999	-	-	4,999
State grants	483,674	-	-	-	483,674
Charges for services	25,220	-	-	-	25,220
Interest and rentals	6,819	-	528	20	7,367
Other	8,132	475	-	7,089	15,696
<b>Total revenues</b>	<b>872,764</b>	<b>86,389</b>	<b>528</b>	<b>7,109</b>	<b>966,790</b>
<b>EXPENDITURES</b>					
Current:					
General government	296,830	-	-	-	296,830
Public safety	59,687	206,863	-	-	266,550
Public works	487,494	-	-	-	487,494
Community and economic development	49,886	-	-	-	49,886
Recreation and culture	74,445	-	-	438	74,883
Capital outlay	948	130	27,416	-	28,494
<b>Total expenditures</b>	<b>969,290</b>	<b>206,993</b>	<b>27,416</b>	<b>438</b>	<b>1,204,137</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(96,526)</b>	<b>(120,604)</b>	<b>(26,888)</b>	<b>6,671</b>	<b>(237,347)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	130,300	20,000	5,000	155,300
Transfers out	(155,300)	-	-	-	(155,300)
<b>Net other financing sources (uses)</b>	<b>(155,300)</b>	<b>130,300</b>	<b>20,000</b>	<b>5,000</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(251,826)</b>	<b>9,696</b>	<b>(6,888)</b>	<b>11,671</b>	<b>(237,347)</b>
<b>FUND BALANCES - BEGINNING</b>	<b>1,045,508</b>	<b>308</b>	<b>247,917</b>	<b>32,513</b>	<b>1,326,246</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 793,682</b>	<b>\$ 10,004</b>	<b>\$ 241,029</b>	<b>\$ 44,184</b>	<b>\$ 1,088,899</b>

*See notes to financial statements*



*Township of Solon*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - governmental funds (Continued)**

*Year ended March 31, 2017*

Reconciliation of the statement of revenues, expenditures, and changes in  
fund balances to the statement of activities:

Net change in fund balance - total governmental funds (page 14) \$ (237,347)

Amounts reported for *governmental activities* in the statement of  
activities (page 12) are different because:

Capital assets:

Assets acquired 96,621  
Provision for depreciation (43,520)

Decrease in deferred inflows (14,182)

Decrease in prepaid expenses (3,443)

Change in net position of *governmental activities* \$ (201,871)

*Township of Solon*

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - Escrow Fund**

*March 31, 2017*

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**ASSETS**

Cash	<u>\$ 37,467</u>
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**LIABILITIES**

Escrow deposits	<u>\$ 37,467</u>
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*See notes to financial statements*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township of Solon, Michigan (the Township), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

*Reporting entity:*

As required by generally accepted accounting principles, these financial statements present only the Township (located in Kent County), as management has determined that there are no other entities for which the Township is financially accountable.

*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 Township. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

*Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds 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 the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, 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. All other revenue items are considered to be measurable only when cash is received by the Township.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Measurement focus, basis of accounting, and financial statement presentation (continued):*

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from state shared revenue and property taxes.

The Fire Operating Fund, a special revenue fund, accounts for financial resources used to finance the costs of the Township's fire department. Revenues are primarily derived from property taxes.

The Fire Capital Fund, a capital project fund, accounts for the accumulation of funds for the acquisition of fire equipment.

The Park Improvements Fund, a capital project fund, accounts for the accumulation of funds for park improvements.

The Township also reports fiduciary funds, which account for assets held by the Township as an agent for individuals, private organizations, and other governments. The Township currently reports one fiduciary fund (Escrow Fund). Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

*Assets, liabilities, deferred inflows of resources, and net position or equity:*

*Cash* - Cash is 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.

*Receivables* - No allowance for uncollectible accounts has been recorded, as the Township considers all receivables to be fully collectible.

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

*Capital assets* - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., nonmotorized trails and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$2,500 (\$10,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 50 years
Equipment	5 - 15 years
Vehicles	5 - 20 years

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Assets, liabilities, deferred inflows of resources, and net position or equity* (continued):

*Deferred inflows of resources* - The governmental funds balance sheet includes a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs. The Township has one item included in this category: unavailable special assessments. Special assessment revenues, which are not recognized until available (collected not later than 60 days after the end of the Township's fiscal year) are deferred and recognized as inflows of resources in the period that the revenues become available.

*Net position* - Net position represents the difference between assets, and liabilities and deferred inflows of resources. The Township reports three categories of net position, as follows: (1) *Investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the Township's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the Township.

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

*Fund equity* - Governmental funds report restricted fund balance when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Township Board retains the authority to assign fund balance. Unassigned fund balance is the residual classification for the General Fund. When the Township incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Township's policy to use restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

*Property tax revenue recognition* - Property taxes are levied each December 1 (lien date) on the taxable valuation of property as of the preceding December 31. Property taxes are considered delinquent on March 1 of the following year, at which time interest and penalties are assessed. It is the Township's policy to recognize revenue from the tax levy in the current year, when the proceeds are budgeted and made available for the financing of operations.

*Use of estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for governmental funds. The budget document presents information by fund, function, and activity. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

*Excess of expenditures over appropriations* - The following schedule sets forth the reportable budget variances:

<i>Fund</i>	<i>Function</i>	<i>Activity</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance</i>
General	General government	Hall and grounds	\$ 28,500	\$ 34,204	\$ 5,704
		Cemetery	9,975	11,780	1,805
	Community and economic development	Planning and zoning	47,510	49,886	2,376

**NOTE 3 - CASH AND INVESTMENTS**

The components of cash and investments of the Township's funds consisted of the following:

<i>Governmental activities</i>	<i>Fiduciary activity</i>	<i>Total</i>
\$ 998,486	\$ 37,467	\$ 1,035,953

*Deposits* - Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. The Township's investment policy does not specifically address custodial credit risk for deposits. At March 31, 2017, \$274,451 of the Township's bank balances of \$1,057,839 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**NOTE 4 - RECEIVABLES**

Receivables as of March 31, 2017, for the Township's funds were as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Property taxes</i>	<i>Special assessment</i>	<i>Inter - governmental</i>	<i>Totals</i>
General	\$ 17,993	\$ 10,473	\$ 21,000	\$ 83,014	\$ 132,480
Fire Operating	-	4,167	-	-	4,167
Total governmental funds	\$ 17,993	\$ 14,640	\$ 21,000	\$ 83,014	\$ 136,647
Amounts due beyond one year	\$ -	\$ -	\$ 14,000	\$ -	\$ 14,000

All receivables are considered fully collectible.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2017, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 121,902	\$ -	\$ -	\$ 121,902
Capital assets being depreciated:				
Buildings and improvements	1,065,278	64,910	-	1,130,188
Equipment	228,842	31,711	-	260,553
Vehicles	204,582	-	-	204,582
Subtotal	1,498,702	96,621	-	1,595,323
Less accumulated depreciation for:				
Buildings and improvements	(186,252)	(26,842)	-	(213,094)
Equipment	(162,180)	(9,621)	-	(171,801)
Vehicles	(190,825)	(7,057)	-	(197,882)
Subtotal	(539,257)	(43,520)	-	(582,777)
Total capital assets being depreciated, net	959,445	53,101	-	1,012,546
Governmental activities capital assets, net	\$ 1,129,686	\$ 53,101	\$ -	\$ 1,182,787

The beginning balance column reflects restated amounts as discussed in Note 14 to the financial statements.

**NOTE 5 - CAPITAL ASSETS (Continued)**

Sometimes, the Township records capitalizable costs, as part of current expenditure functions, for purposes of administrative control. In fiscal year 2017, capitalizable costs of \$64,910 were reported within public safety, and \$4,295 of capitalizable costs were reported within the general government function in the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 14).

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

Governmental activities:	
General government	\$ 25,101
Public safety	<u>18,419</u>
Total governmental activities	<u>\$ 43,520</u>

**NOTE 6 - PAYABLES**

Payables as of March 31, 2017, for the Township's funds were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Totals</u>
General	\$ 12,268	\$ 4,813	\$ 17,081
Fire Operating	<u>1,950</u>	<u>6,203</u>	<u>8,153</u>
Total governmental funds	<u>\$ 14,218</u>	<u>\$ 11,016</u>	<u>\$ 25,234</u>

**NOTE 7 - INTERFUND TRANSFERS**

A summary of interfund transfers for the year ended March 31, 2017, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Fire Operating	\$ 130,300	General	<u>\$ 155,300</u>
Fire Capital	20,000		
Park Improvements	<u>5,000</u>		
Totals	<u>\$ 155,300</u>		<u>\$ 155,300</u>

The transfer to the Fire Operating Fund represents support from the General Fund for the Township's Fire Department.

The transfer to the Fire Capital Fund represents an addition to the amount being accumulated for future purchases of fire department capital assets.

The transfer to the Park Improvements Fund represents an addition to the amount being accumulated for future park improvements.



**NOTE 8 - TAX REVENUES**

The 2016 taxable valuation of the Township approximated \$161,047,000, on which ad valorem taxes levied consisted of 0.8228 mills for operating purposes, and 0.5000 mills for public safety, raising approximately \$133,000 for operating purposes and \$81,000 for public safety. These amounts are recognized in the fund financial statements as property tax revenue.

**NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN**

The Township and its employees contribute to the Solon Township Governmental Non-ERISA Retirement Plan, a defined contribution pension plan, which is administered by a third-party administrator. The plan covers two classes of employees, as allowed under Internal Revenue Code Section 401(a). The first class of employees includes Township board members. The second class of employees includes all full-time employees and regular, permanent, and part-time employees.

Benefit terms, including contribution requirements, for the Plan are established, and may be amended, by the Township Board. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate as described above. The Township contributes 15% of covered payroll to the first class of qualifying employees. The Township contributes 5% of covered payroll to the second class of qualifying employees, with employees contributing a mandatory match of 5%. Employees are permitted to make contributions to the Plan, up to applicable Internal Revenue Code limits. For the year ended March 31, 2017, the Township and eligible employees made contributions of \$16,571 and \$4,021, respectively. At March 31, 2017, the Township reported no accrued liability as part of the contributions to the plan.

The Township's contributions for each employee (and investment earnings allocated to the employee's account) are fully vested on the day the employee is eligible to participate in the plan, which occurs when the employee is hired.

The Township is not a trustee of the defined contribution pension plan, nor is the Township responsible for investment management of the pension plan assets. Accordingly, plan assets, and changes therein, are not reported in these financial statements.

**NOTE 10 - DEFERRED COMPENSATION PLAN**

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The assets of the plan are held in trust (custodial account or annuity contract), as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Township's financial statements.

**NOTE 11 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 12 - CONSTRUCTION CODE ACT**

A summary of construction code enforcement transactions for the year ended March 31, 2017, is as follows:

Cumulative excess revenues, beginning of year	\$ 4,095
Revenues	\$ 64,464
Expenses	<u>59,687</u>
Excess of revenues over expenses	<u>\$ 4,777</u>
Cumulative excess revenues, end of year	<u>\$ 8,872</u>

**NOTE 13 - JOINT VENTURE**

The Township, along with six other municipalities, is a participant in the Cedar Springs Area Parks and Recreation Board (the Board) under the provisions of Public Act 156 of 1917. The governing body of the Board consists of members appointed by each participating unit. The Board was formed for the purpose of providing recreation services to the citizens of its member municipalities. The inter-local agreement governing the joint venture does not convey to its members an explicit interest in the assets of the joint venture.

Costs of operations and capital asset acquisitions of the Board are supported by contributions from the member municipalities and fees from recreation programs. During the year ended March 31, 2017, the Township contributed \$5,000 to the Board.

The Township is unaware of any indication that the Board is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit or burden on the Township in the near future. Separate financial statements are issued for the Board and may be obtained from the Cedar Springs Parks and Recreation Board.

**NOTE 14 - PRIOR PERIOD ADJUSTMENT**

A prior period adjustment has been recorded in 2017 to correct the method of accounting used for intangible capital assets that resulted in a restatement of opening net position of governmental activities. Net position, as of March 31, 2016, included in the government-wide financial statements, represents a restated balance as presented below.

	<u>Net position</u>
	<u>Governmental</u>
	<u>activities</u>
Beginning of year, as previously reported	\$ 2,814,017
Prior period adjustment - overstatement of intangible capital assets	<u>(361,144)</u>
Beginning of year, as restated	<u>\$ 2,452,873</u>

**NOTE 15 - RECLASSIFICATION**

The beginning of year fund balance of the Street Improvements Fund (SIF), of \$363,211, was reclassified as part of the beginning of year fund balance of the General Fund, as the SIF did not meet the definition of a capital project fund.

## REQUIRED SUPPLEMENTARY INFORMATION

*Township of Solon*

**BUDGETARY COMPARISON SCHEDULE - General Fund**

*Year ended March 31, 2017*

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>				
Property taxes	\$ 208,198	\$ 208,198	\$ 211,038	\$ 2,840
Licenses and permits	125,600	125,600	137,881	12,281
State grants	481,703	481,703	483,674	1,971
Charges for services	24,635	24,635	25,220	585
Interest and rentals	5,800	5,800	6,819	1,019
Other	8,915	8,915	8,132	(783)
<b>Total revenues</b>	<u>854,851</u>	<u>854,851</u>	<u>872,764</u>	<u>17,913</u>
<b>EXPENDITURES</b>				
General government:				
Legislative	6,600	6,600	5,251	1,349
Supervisor	32,200	32,200	29,500	2,700
Elections	7,000	7,000	7,180	(180)
Assessor	43,870	43,870	39,695	4,175
Clerk	39,840	39,840	37,721	2,119
Board of review	1,100	1,100	840	260
Treasurer	38,950	38,950	35,424	3,526
Hall and grounds	37,500	28,500	34,204	(5,704)
Cemetery	9,975	9,975	11,780	(1,805)
Other	106,450	126,450	95,235	31,215
<b>Total general government</b>	<u>323,485</u>	<u>334,485</u>	<u>296,830</u>	<u>37,655</u>
Public safety:				
Construction code inspections	58,925	58,925	59,687	(762)
Public works:				
Road improvements and maintenance	507,900	502,900	486,769	16,131
Street lighting	900	900	725	175
<b>Total public works</b>	<u>508,800</u>	<u>503,800</u>	<u>487,494</u>	<u>16,306</u>
Community and economic development - planning and zoning	50,510	47,510	49,886	(2,376)

*Township of Solon*

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

*Year ended March 31, 2017*

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>EXPENDITURES (Continued)</b>				
Recreation and culture:				
Parks and recreation	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Historical society	5,000	5,000	5,000	-
Library	<u>64,838</u>	<u>64,838</u>	<u>64,445</u>	<u>393</u>
Total recreation and culture	<u>74,838</u>	<u>74,838</u>	<u>74,445</u>	<u>393</u>
Capital outlay	<u>8,000</u>	<u>5,000</u>	<u>948</u>	<u>4,052</u>
Total expenditures	<u>1,024,558</u>	<u>1,024,558</u>	<u>969,290</u>	<u>55,268</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(169,707)	(169,707)	(96,526)	73,181
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(155,300)</u>	<u>(155,300)</u>	<u>(155,300)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	(325,007)	(325,007)	(251,826)	73,181
<b>FUND BALANCES - BEGINNING</b>	<u>1,045,508</u>	<u>1,045,508</u>	<u>1,045,508</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 720,501</u>	<u>\$ 720,501</u>	<u>\$ 793,682</u>	<u>\$ 73,181</u>

**Township of Solon**

**BUDGETARY COMPARISON SCHEDULE - Fire Operating Fund**

Year ended March 31, 2017

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>				
Property taxes	\$ 80,796	\$ 80,796	\$ 80,915	\$ 119
Federal grants	-	-	4,999	4,999
Other	-	-	475	475
Total revenues	80,796	80,796	86,389	5,593
<b>EXPENDITURES</b>				
Public safety - Fire Department	209,024	209,024	206,863	2,161
Capital outlay	2,000	2,000	130	1,870
Total expenditures	211,024	211,024	206,993	4,031
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(130,228)	(130,228)	(120,604)	9,624
<b>OTHER FINANCING SOURCES</b>				
Transfers in	130,300	130,300	130,300	-
<b>NET CHANGES IN FUND BALANCES</b>	72	72	9,696	9,624
<b>FUND BALANCES - BEGINNING</b>	308	308	308	-
<b>FUND BALANCES - ENDING</b>	\$ 380	\$ 380	\$ 10,004	\$ 9,624