

Township of Solon
Kent County, Michigan

FINANCIAL STATEMENTS

Year ended March 31, 2018

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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, 2018, 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, 2018, 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.

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, 2018

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, 2018. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$257,024 (11 percent) as a result of this year's activities.
- Of the \$2,508,026 total net position reported, \$1,251,400 (50 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 \$791,790, which represents 116 percent of the actual total General Fund expenditures and transfers out 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 2018 and 2017 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 \$2,508,026. Of this total, \$1,245,666 represents an investment in capital assets, and \$10,960 is restricted for public safety. Consequently, unrestricted net position was \$1,251,400.

Condensed financial information
Net position

	<i>Governmental activities</i>	
	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 1,285,433	\$ 1,141,788
Capital assets	<u>1,245,666</u>	<u>1,134,448</u>
Total assets	<u>2,531,099</u>	<u>2,276,236</u>
Current and other liabilities	<u>23,073</u>	<u>25,234</u>
Net position:		
Investment in capital assets	1,245,666	1,134,448
Restricted	10,960	8,872
Unrestricted	<u>1,251,400</u>	<u>1,107,682</u>
Total net position	<u>\$ 2,508,026</u>	<u>\$ 2,251,002</u>

Changes in net position

The Township's total revenues were \$1,019,869 in the current year. Nearly 48 percent of the Township's revenues comes from state shared revenue and 24 percent comes from property taxes.

The total cost of the Township's programs amounted to \$762,845. Nearly 42 percent of the Township's costs relates to the provision of general governmental services, while public safety costs account for 33 percent, in the current year.

*Condensed financial information
Changes in net position*

	<i>Governmental activities</i>	
	<u>2018</u>	<u>2017</u>
Program revenues:		
Charges for services	\$ 157,858	\$ 145,027
Operating grants and contributions	17,498	16,384
Capital grants and contributions	32,924	-
General revenues:		
State shared revenue	488,314	474,379
Property taxes	248,360	240,848
Franchise fees	73,358	72,937
Interest income	1,557	684
	<u>1,019,869</u>	<u>950,259</u>
Expenses:		
General government	319,057	319,678
Public safety	248,225	220,189
Public works	29,962	487,494
Community and economic development	84,725	49,886
Recreation and culture	80,876	74,883
	<u>762,845</u>	<u>1,152,130</u>
Changes in net position	<u>\$ 257,024</u>	<u>\$ (201,871)</u>
Net position, end of year	<u>\$ 2,508,026</u>	<u>\$ 2,251,002</u>

Governmental activities

Governmental activities increased the Township's net position by \$257,024 in the current year compared to a \$201,871 decrease in the prior year. The Township's net position increased during the current year, as revenues increased by \$69,610, while expenses decreased by \$389,285. Revenues increased as capital contributions, in the amount of \$32,924, were recognized during the year. Expenses decreased due to a \$457,532 decrease in public works costs associated with substantial road improvements in the previous year.

The total cost of governmental activities this year was \$762,845. After subtracting the direct charges to those who directly benefited from the programs (\$157,858) and operating and capital grants (\$50,422), the "public benefit" portion covered by state revenue sharing, property taxes, and other general revenues was \$554,565.

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 \$1,241,309, an increase of \$152,410 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 \$1,014,847, an increase of \$221,165, as revenues (\$902,419) exceeded expenditures (\$568,010) and transfers out (\$113,244) in the current year.

The Fire Operating Fund, a special revenue fund, has a fund balance of \$25,346 at the end of the fiscal year. The fund's revenues (\$83,432) and transfers in (\$90,244) exceeded expenditures (\$158,334) by \$15,342, causing an increase in fund balance in the current year.

The Fire Capital Fund, a capital project fund, decreased by \$56,112 as expenditures (\$80,781) and transfers out (\$2,000) exceeded revenues (\$6,669) and a \$20,000 transfer from the General Fund. Fund balance, which is assigned for capital equipment acquisitions for the fire department, amounted to \$184,917 at year end.

The Park Improvements Fund, a capital project fund, decreased by \$27,985 as expenditures of \$35,875 exceeded revenues of \$2,890 and a \$5,000 transfer from the General Fund. Fund balance, in the amount of \$16,199, 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 \$585,745, were increased by \$17,205. Revenues were increased by \$17,350.

Total revenues were \$32,129 more than budgeted, primarily because state grant revenue was \$29,710 more than expected as state distributions were higher than expected. Total expenditures were \$17,735 less than the amounts appropriated. The most significant variance involved general government expenditures, which were \$15,115 less than appropriated, as expenditures were less than budgeted in every activity.

These variances resulted in a \$49,864 positive budget variance, with a \$221,165 increase in fund balance compared to a budget that anticipated a \$171,301 increase 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, 2018, is \$1,245,666 (net of accumulated depreciation). This investment includes land, buildings, equipment, and vehicles. The Township's investment in capital assets increased by \$111,218 for the current year, as \$153,669 in asset acquisitions exceeded the current year depreciation provision of \$42,451.

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

- The Township made an \$80,781 deposit on a new fire truck to be delivered in the subsequent fiscal year
- A walking trail was constructed at a cost of \$33,559
- Election equipment, with a value of \$18,772, was received from the State
- Fire equipment, with a value of \$14,152, was donated

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 2019 in order to maintain current fund balances. Expenditures are expected to increase by nominal amounts compared to fiscal year 2018. 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
Phone: (616) 696-1718

BASIC FINANCIAL STATEMENTS

Township of Solon

STATEMENT OF NET POSITION

March 31, 2018

	<i>Governmental activities</i>
ASSETS	
Current assets:	
Cash	\$ 1,148,492
Receivables	122,890
Prepaid expenses	<u>7,051</u>
Total current assets	<u>1,278,433</u>
Noncurrent assets:	
Receivables	7,000
Capital assets not being depreciated	202,683
Capital assets, net of accumulated depreciation	<u>1,042,983</u>
Total noncurrent assets	<u>1,252,666</u>
Total assets	<u>2,531,099</u>
LIABILITIES	
Current liabilities - payables	<u>23,073</u>
NET POSITION	
Investment in capital assets	1,245,666
Restricted for public safety	10,960
Unrestricted	<u>1,251,400</u>
Total net position	<u>\$ 2,508,026</u>

See notes to financial statements

BALANCE SHEET - governmental funds

March 31, 2018

	<i>Special revenue</i>				<i>Total governmental funds</i>
	<i>General</i>	<i>Fire Operating</i>	<i>Capital project funds</i>		
			<i>Fire Capital</i>	<i>Park Improvements</i>	
ASSETS					
Cash	\$ 911,078	\$ 36,288	\$ 184,917	\$ 16,209	\$ 1,148,492
Receivables	125,748	4,142	-	-	129,890
Total assets	<u>\$ 1,036,826</u>	<u>\$ 40,430</u>	<u>\$ 184,917</u>	<u>\$ 16,209</u>	<u>\$ 1,278,382</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities - payables	\$ 7,979	\$ 15,084	\$ -	\$ 10	\$ 23,073
Deferred inflows of resources:					
Unavailable special assessment revenue	14,000	-	-	-	14,000
Fund balances:					
Restricted for public safety					
Public safety	5,240	-	-	-	5,240
Public safety equipment	-	-	5,720	-	5,720
Assigned for:					
Public safety - fire protection	-	25,346	-	-	25,346
Public works - street improvements	217,817	-	-	-	217,817
Capital improvements	-	-	179,197	16,199	195,396
Unassigned	791,790	-	-	-	791,790
Total fund balances	<u>1,014,847</u>	<u>25,346</u>	<u>184,917</u>	<u>16,199</u>	<u>1,241,309</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,036,826</u>	<u>\$ 40,430</u>	<u>\$ 184,917</u>	<u>\$ 16,209</u>	<u>\$ 1,278,382</u>
Reconciliation of the balance sheet to the statement of net position:					
Total fund balance - total governmental funds					\$ 1,241,309
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.					
					1,245,666
Special assessments receivable are not available to liquidate liabilities of the current period, and, therefore, are a deferred inflow of resources in the funds.					
					14,000
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.					
					<u>7,051</u>
Net position of <i>governmental activities</i>					<u>\$ 2,508,026</u>

Township of Solon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds

Year ended March 31, 2018

	General	Special revenue	Capital project funds		Total governmental funds
		Fire Operating	Fire Capital	Park improvements	
REVENUES					
Property taxes	\$ 219,335	\$ 83,432	\$ -	\$ -	\$ 302,767
Licenses and permits	146,295	-	-	-	146,295
Federal grant	-	-	-	-	-
State grants	497,283	-	-	-	497,283
Charges for services	25,661	-	-	-	25,661
Fines and forfeitures	-	-	-	-	-
Interest and rentals	5,694	-	404	9	6,107
Other	8,151	-	6,265	2,881	17,297
Total revenues	902,419	83,432	6,669	2,890	995,410
EXPENDITURES					
Current:					
General government	294,015	-	-	-	294,015
Public safety	75,116	157,964	-	-	233,080
Public works	29,962	-	-	-	29,962
Community and economic development	84,725	-	-	-	84,725
Recreation and culture	77,162	-	-	1,390	78,552
Capital outlay	7,030	370	80,781	34,485	122,666
Total expenditures	568,010	158,334	80,781	35,875	843,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	334,409	(74,902)	(74,112)	(32,985)	152,410
OTHER FINANCING SOURCES (USES)					
Transfers in	-	90,244	20,000	5,000	115,244
Transfers out	(113,244)	-	(2,000)	-	(115,244)
Net other financing sources (uses)	(113,244)	90,244	18,000	5,000	-
NET CHANGES IN FUND BALANCES	221,165	15,342	(56,112)	(27,985)	152,410
FUND BALANCES - BEGINNING	793,682	10,004	241,029	44,184	1,088,899
FUND BALANCES - ENDING	\$ 1,014,847	\$ 25,346	\$ 184,917	\$ 16,199	\$ 1,241,309

Township of Solon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds (Continued)

Year ended March 31, 2018

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) \$ 152,410

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

Capital assets:

Assets acquired 153,669
Provision for depreciation (42,451)

Decrease in deferred inflows (7,000)

Decrease in prepaid expenses 396

Change in net position of *governmental activities* \$ 257,024

Township of Solon

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - Escrow Fund

March 31, 2018

ASSETS

Cash \$ 36,704

LIABILITIES

Escrow deposits \$ 36,704

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. Property 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 assets) 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:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
General	Recreation and culture	Library	\$ 64,500	\$ 67,162	\$ 2,662
	Capital outlay		5,625	7,030	1,405

NOTE 3 - CASH

Cash of the Township’s funds consists solely of deposits with financial institutions:

<u>Governmental activities</u>	<u>Fiduciary activity</u>	<u>Total</u>
\$ 1,148,492	\$ 36,704	\$ 1,185,196

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, 2018, \$454,795 of the Township’s bank balances of \$1,199,895 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - RECEIVABLES

Receivables as of March 31, 2018, for the Township's funds were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assessment</u>	<u>Inter - governmental</u>	<u>Totals</u>
General	\$ 24,952	\$ 9,623	\$ 14,000	\$ 77,173	\$ 125,748
Fire Operating	-	4,142	-	-	4,142
Total governmental	<u>\$ 24,952</u>	<u>\$ 13,765</u>	<u>\$ 14,000</u>	<u>\$ 77,173</u>	<u>\$ 129,890</u>
Amounts due beyond one year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,000</u>	<u>\$ -</u>	<u>\$ 7,000</u>

All receivables are considered fully collectible.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2018, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 121,902	\$ -	\$ -	\$ 121,902
Construction in progress	-	80,781	-	80,781
Total capital assets not being depreciated	<u>121,902</u>	<u>80,781</u>	<u>-</u>	<u>202,683</u>
Capital assets being depreciated:				
Buildings and improvements	1,130,188	38,285	-	1,168,473
Equipment	260,553	34,603	(24,640)	270,516
Vehicles	204,582	-	-	204,582
Subtotal	<u>1,595,323</u>	<u>72,888</u>	<u>(24,640)</u>	<u>1,643,571</u>
Less accumulated depreciation for:				
Buildings and improvements	(213,094)	(28,781)	-	(241,875)
Equipment	(171,801)	(13,670)	24,640	(160,831)
Vehicles	(197,882)	-	-	(197,882)
Subtotal	<u>(582,777)</u>	<u>(42,451)</u>	<u>24,640</u>	<u>(600,588)</u>
Total capital assets being depreciated, net	<u>1,012,546</u>	<u>30,437</u>	<u>-</u>	<u>1,042,983</u>
Governmental activities capital assets, net	<u>\$ 1,134,448</u>	<u>\$ 111,218</u>	<u>\$ -</u>	<u>\$ 1,245,666</u>

NOTE 5 - CAPITAL ASSETS (Continued)

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

Governmental activities:		
General government	\$	26,278
Public safety		14,775
Recreation and culture		<u>1,398</u>
Total governmental activities	\$	<u>42,451</u>

NOTE 6 - PAYABLES

Payables as of March 31, 2018, for the Township's funds were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Totals</u>
General	\$ 5,545	\$ 2,434	\$ 7,979
Fire Operating	8,523	6,561	15,084
Park improvements	<u>10</u>	<u>-</u>	<u>10</u>
Total governmental	<u>\$ 14,078</u>	<u>\$ 8,995</u>	<u>\$ 23,073</u>

NOTE 7 - INTERFUND TRANSFERS

A summary of interfund transfers for the year ended March 31, 2018, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Fire Operating	\$ 88,244	General	\$ 113,244
Fire Capital	20,000		
Park Improvements	5,000		
Fire Operating	<u>2,000</u>	Fire Capital	<u>2,000</u>
Totals	<u>\$ 115,244</u>		<u>\$ 115,244</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.

The transfer from the Fire Capital Fund to the Fire Operating Fund represents repayment of previous year transfer.

NOTE 8 - TAX REVENUES

The 2017 taxable valuation of the Township approximated \$167,712,000, on which ad valorem taxes levied consisted of 0.8153 mills for operating purposes, and 0.4944 mills for public safety, raising approximately \$138,000 for operating purposes and \$83,000 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, 2018, the Township and eligible employees made contributions of \$17,681 and \$4,758, respectively. At March 31, 2018, 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, 2018, is as follows:

Cumulative excess revenues, beginning of year	<u>\$ 8,872</u>
Revenues	\$ 71,484
Expenses	<u>75,116</u>
Deficiency of revenues over expenses	<u>\$ (3,632)</u>
Cumulative excess revenues, end of year	<u>\$ 5,240</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, 2018, 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.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Solon

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended March 31, 2018

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 209,650	\$ 218,750	\$ 219,335	\$ 585
Licenses and permits	134,127	141,127	146,295	5,168
State grants	467,573	467,573	497,283	29,710
Charges for services	28,135	27,885	25,661	(2,224)
Interest and rentals	6,100	6,100	5,694	(406)
Other	7,355	8,855	8,151	(704)
Total revenues	<u>852,940</u>	<u>870,290</u>	<u>902,419</u>	<u>32,129</u>
EXPENDITURES				
General government:				
Legislative	6,550	6,050	5,320	730
Supervisor	33,085	33,085	30,385	2,700
Elections	2,725	2,625	2,511	114
Assessor	43,650	43,650	42,643	1,007
Clerk	34,790	35,010	33,341	1,669
Board of review	1,100	1,100	1,017	83
Treasurer	38,100	36,300	34,452	1,848
Hall and grounds	36,130	34,330	34,299	31
Cemetery	12,200	11,830	9,850	1,980
Other	119,750	105,150	100,197	4,953
Total general government	<u>328,080</u>	<u>309,130</u>	<u>294,015</u>	<u>15,115</u>
Public safety:				
Construction code inspections	66,850	76,290	75,116	1,174
Public works:				
Road improvements and maintenance	44,500	30,100	29,115	985
Street lighting	800	800	847	(47)
Total public works	<u>45,300</u>	<u>30,900</u>	<u>29,962</u>	<u>938</u>
Community and economic development - planning and zoning	46,310	89,300	84,725	4,575

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2018

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
EXPENDITURES (Continued)				
Recreation and culture:				
Parks and recreation	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Historical society	5,000	5,000	5,000	-
Library	<u>64,500</u>	<u>64,500</u>	<u>67,162</u>	<u>(2,662)</u>
Total recreation and culture	<u>74,500</u>	<u>74,500</u>	<u>77,162</u>	<u>(2,662)</u>
Capital outlay	<u>7,500</u>	<u>5,625</u>	<u>7,030</u>	<u>(1,405)</u>
Total expenditures	<u>568,540</u>	<u>585,745</u>	<u>568,010</u>	<u>17,735</u>
EXCESS OF REVENUES OVER EXPENDITURES	284,400	284,545	334,409	49,864
OTHER FINANCING USES				
Transfers out	<u>(113,244)</u>	<u>(113,244)</u>	<u>(113,244)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	171,156	171,301	221,165	49,864
FUND BALANCES - BEGINNING	<u>793,682</u>	<u>793,682</u>	<u>793,682</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 964,838</u>	<u>\$ 964,983</u>	<u>\$ 1,014,847</u>	<u>\$ 49,864</u>

Township of Solon

BUDGETARY COMPARISON SCHEDULE - Fire Operating Fund

Year ended March 31, 2018

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 79,500	\$ 79,500	\$ 83,432	\$ 3,932
EXPENDITURES				
Public safety - Fire Department	165,744	165,744	157,964	7,780
Capital outlay	<u>2,000</u>	<u>2,000</u>	<u>370</u>	<u>1,630</u>
Total expenditures	<u>167,744</u>	<u>167,744</u>	<u>158,334</u>	<u>9,410</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(88,244)	(88,244)	(74,902)	13,342
OTHER FINANCING SOURCES				
Transfers in	<u>88,244</u>	<u>88,244</u>	<u>90,244</u>	<u>2,000</u>
NET CHANGES IN FUND BALANCES	-	-	15,342	15,342
FUND BALANCES - BEGINNING	<u>10,004</u>	<u>10,004</u>	<u>10,004</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 10,004</u>	<u>\$ 10,004</u>	<u>\$ 25,346</u>	<u>\$ 15,342</u>