

# **Solon Township**

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**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

**Year Ended March 31, 2019**

# Solon Township

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March 31, 2019

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## **INDEPENDENT AUDITOR'S REPORT**

To the Township Board  
Solon Township

We have audited the accompanying financial statements of the governmental activities and each major fund of Solon Township, Michigan, as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Nelson Township, Michigan, as of March 31, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

A handwritten signature in cursive script that reads "Douglas Wohlberg".

Douglas Wohlberg, CPA  
Byron Center, Michigan  
September 23, 2019

# Solon Township

## 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 \$319,839 (13 percent) as a result of this year's activities.

Of the \$2,827,865 total net position reported, \$1,423,743 (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 \$868,715, which represents 133 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 2019 and 2018 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.

# Solon Township

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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 governmentwide 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 \$2,827,865. Of this total, \$1,389,846 represents an investment in capital assets, and \$14,276 is restricted for public safety. Consequently, unrestricted net position was \$1,423,743.

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
Current and other assets	\$ 1,462,264	\$ 1,285,433
Capital assets	1,389,846	1,245,666
Total assets	2,852,110	2,531,099
Other liabilities	24,245	23,073
Net position		
Invested in capital assets	1,389,846	1,245,666
Restricted	14,276	10,960
Unrestricted	1,423,743	1,251,400
Total net position	\$ 2,827,865	\$ 2,508,026

### Changes in Net Position

Unrestricted net position, the part of net position that can be used to finance day to day operations, increased by \$172,343 for the governmental activities. This represents an increase of approximately 14%. The current level of unrestricted net position for our governmental activities stands at \$1,423,743, or about 186% of expenditures. This is within the targeted range set by the Township Board during its last budget process.

# Solon Township

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net position as of March 31, 2019 to the prior year:

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 172,504	\$ 157,858
Operating grants and contributions	63,363	17,498
Capital grants and contributions	656	32,924
Property taxes	263,399	248,360
State-shared revenue	508,905	488,314
Franchise fees	72,155	73,358
Unrestricted investment income	4,488	1,557
<b>Total revenues</b>	<b>1,085,470</b>	<b>1,019,869</b>
<b>Program expenses</b>		
General government	331,622	319,057
Public safety	283,688	248,225
Public works	24,848	29,962
Community development	40,776	84,725
Recreation and culture	84,697	80,876
<b>Total expenses</b>	<b>765,631</b>	<b>762,845</b>
<b>Change in net position</b>	<b>\$ 319,839</b>	<b>\$ 257,024</b>

### Governmental Activities

Governmental activities increased the Township's net position by \$319,839 in the current year compared to a \$257,024 increase in the prior year. The Township's net position increased during the current year, as revenues increased by \$65,601, while expenses increased by \$2,786. Revenues increased as capital contributions, in the amount of \$32,924, were recognized during the year. Expenses increased due to a \$12,565 increase in general government, a \$35,463 increase in public safety, and a \$43,949 decrease in community development.

The total cost of governmental activities this year was \$765,631. After subtracting the direct charges to those who directly benefited from the programs (\$172,504) and operating and capital grants (\$64,019), the "public benefit" portion covered by state revenue sharing, property taxes, and other general revenues was \$529,108.

# Solon Township

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Governmental Funds

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,242,280, an increase of \$183,971 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 \$1,311,782, an increase of \$296,935, as revenues (\$951,380) exceeded expenditures (\$536,301) and transfers out (\$118,144) in the current year.

The Fire Operating Fund, a special revenue fund, has a fund balance of \$31,172 at the end of the fiscal year. The fund's revenues (\$87,978) and transfers in (\$95,668) exceeded expenditures (\$177,820) by \$5,826, causing an increase in fund balance in the current year.

The Fire Capital Fund, a capital project fund, decreased by \$176,327 as expenditures (\$193,989) and transfers out (\$3,524) exceeded revenues (\$1,186) and a \$20,000 transfer from the General Fund. Fund balance, which is assigned for capital equipment acquisitions for the fire department, amounted to \$8,590 at year end.

The Park Improvements Fund, a capital project fund, increased by \$57,537 as revenues of \$52,624 and a \$6,000 transfer from the General Fund exceeded expenditures of \$1,087. Fund balance, in the amount of \$73,736, is assigned for future park improvements.

# Solon Township

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 \$570,225, were increased by \$4,955. Revenues were increased by \$48,825.

Total revenues were \$9,569 more than budgeted, primarily because licenses and permits were \$14,314 more than expected. Total expenditures were \$38,879 less than the amounts appropriated. The most significant variance involved general government expenditures, which were \$18,410 more than appropriated, and the building inspection department expenditures, which were \$11,984 more than appropriated.

These variances resulted in a \$96,935 positive budget variance, with a \$296,935 increase in fund balance compared to a budget that anticipated a \$200,000 increase in fund balance.

### Capital Asset and Debt Administration

At March 31, 2019, the Township had \$1,389,846, net of accumulated depreciation, invested in land, building and equipment. This investment includes land, buildings, equipment, and vehicles. The Township's investment in capital assets increased by \$144,180 for the current year, as \$201,748 in asset acquisitions exceeded the current year depreciation provision of \$57,568.

The Township had no outstanding debt as of March 31, 2019.

### Economic Factors and Next Year's Budgets and Rates

The Township plans to primarily use current revenues to provide essential services in fiscal year 2020 in order to maintain current fund balances. Expenditures are expected to increase by nominal amounts compared to fiscal year 2019. 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 Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township's Supervisor at the Solon Township Hall, 15185 Algoma Avenue, Cedar Springs, MI 49319. The Township's phone number is (616) 696-1718.

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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# Solon Township

## Statement of Net Position

March 31, 2019

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	<b>Governmental activities</b>
<b>ASSETS</b>	
Cash	\$ 1,326,880
Receivables, net	116,882
Prepaid items	6,439
Other assets	12,063
Land	121,902
Capital assets, net of accumulated depreciation	1,267,944
<b>Total assets</b>	<b>\$ 2,852,110</b>
<b>LIABILITIES</b>	
Payables	\$ 24,245
<b>NET POSITION</b>	
Investment in capital assets	1,389,846
Restricted for public safety	14,276
Unrestricted	1,423,743
<b>Total net position</b>	<b>2,827,865</b>
<b>Total liabilities and net position</b>	<b>\$ 2,852,110</b>

The Notes to the Financial Statements are an integral part of this statement.

# Solon Township

## Statement of Activities

For the year ended March 31, 2019

Functions/Programs:	Expenses	Program revenues			Net (expense) revenue and changes in net position
		Charges for services	Operating grants and contributions	Capital grants and contributions	
Primary government:					
Governmental activities:					
General government	\$ 331,622	\$ 79,404	\$ -	\$ 6	\$ (252,212)
Public safety	283,688	87,060	1,305	650	(194,673)
Public works	24,848	3,400	9,476	-	(11,972)
Community and economic development	40,776	2,640	-	-	(38,136)
Recreation and culture	84,697	-	52,582	-	(32,115)
Total governmental activities	\$ 765,631	\$ 172,504	\$ 63,363	\$ 656	(529,108)

General revenues:

Property taxes	263,399
State shared revenues	508,905
Franchise fees	72,155
Unrestricted investment earnings	4,488
<b>Total general revenues</b>	<b>848,947</b>

**Change in net position** 319,839

**Net position-beginning** 2,508,026

**Net position-ending** \$ 2,827,865

The Notes to the Financial Statements are an integral part of this statement.

# Solon Township

## Governmental Funds

### Balance Sheet

March 31, 2019

	General	Special revenue Fire Operating	Capital project funds Fire Capital	Park Improvements	Total
<b>ASSETS</b>					
Cash	\$ 1,211,158	\$ 33,396	\$ 8,590	\$ 73,736	\$ 1,326,880
Receivables	112,466	4,416	-	-	116,882
Assets held for sale	12,063	-	-	-	12,063
<b>Total assets</b>	<b>\$ 1,335,687</b>	<b>\$ 37,812</b>	<b>\$ 8,590</b>	<b>\$ 73,736</b>	<b>\$ 1,455,825</b>
<b>LIABILITIES</b>					
Payables	\$ 17,605	\$ 6,640	\$ -	\$ -	\$ 24,245
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable special assessment revenue	6,300	-	-	-	6,300
<b>FUND BALANCES</b>					
Restricted for public safety:					
Public safety	8,556	-	-	-	8,556
Public safety equipment			5,720		5,720
Assigned for:					
Public safety - fire protection	-	31,172	-	-	31,172
Public works - street improvements	434,511		2,870		437,381
Capital improvements	-	-	-	73,736	73,736
Unassigned	868,715	-	-	-	868,715
<b>Total fund balances</b>	<b>1,311,782</b>	<b>31,172</b>	<b>8,590</b>	<b>73,736</b>	<b>1,425,280</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,335,687</b>	<b>\$ 37,812</b>	<b>\$ 8,590</b>	<b>\$ 73,736</b>	<b>\$ 1,455,825</b>

The Notes to the Financial Statements are an integral part of this statement.

# Solon Township

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

March 31, 2019

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Total fund balances - governmental funds	\$ 1,425,280
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,389,846
Special assessments receivable are not available to liquidate liabilities of the current period, and, therefore, are a deferred inflow of resources in the funds.	6,300
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.	6,439
<b>Net position of governmental activities</b>	<b>\$ 2,827,865</b>

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The Notes to the Financial Statements are an integral part of this statement.

# Solon Township

## Governmental Funds

### Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended March 31, 2019

	General	Special revenue	Capital project funds		Total
		Fire Operating	Fire Capital	Park Improvements	
<b>REVENUES</b>					
Property taxes	\$ 233,605	\$ 87,828	\$ -	\$ -	\$ 321,433
Licenses and permits	160,970	-	-	-	160,970
State grants	518,381	-	-	-	518,381
Charges for services	20,286	-	-	-	20,286
Interest and rents	9,409	-	686	42	10,137
Other revenue	8,729	150	500	52,582	61,961
<b>Total revenues</b>	<b>951,380</b>	<b>87,978</b>	<b>1,186</b>	<b>52,624</b>	<b>1,093,168</b>
<b>EXPENDITURES</b>					
Current:					
General government	302,880	-	-	-	302,880
Public safety	83,734	175,004	-	-	258,738
Public works	24,848	-	-	-	24,848
Community and economic development	40,776	-	-	-	40,776
Recreation and culture	82,211	-	-	1,087	83,298
Capital outlay	1,852	2,816	193,989	-	198,657
<b>Total expenditures</b>	<b>536,301</b>	<b>177,820</b>	<b>193,989</b>	<b>1,087</b>	<b>909,197</b>
Excess (deficiency) of revenues over expenditures	415,079	(89,842)	(192,803)	51,537	183,971
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer in	-	95,668	20,000	6,000	121,668
Transfer out	(118,144)	-	(3,524)	-	(121,668)
<b>Total other financing sources (uses)</b>	<b>(118,144)</b>	<b>95,668</b>	<b>16,476</b>	<b>6,000</b>	<b>-</b>
Net change in fund balances	296,935	5,826	(176,327)	57,537	183,971
Fund balances-beginning	1,014,847	25,346	184,917	16,199	1,241,309
Fund balances-ending	\$ 1,311,782	\$ 31,172	\$ 8,590	\$ 73,736	\$ 1,425,280

The Notes to the Financial Statements are an integral part of this statement.

# Solon Township

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended March 31, 2019

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Net change in fund balances - total governmental funds	\$	183,971
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	201,748
Depreciation expense	(57,568)
Decrease in deferred inflows	(7,700)
Decrease in prepaid expenses	(612)

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Change in net position of government activities	\$	319,839
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The Notes to the Financial Statements are an integral part of this statement.

# Solon Township

## Escrow Fund

### Statement of Assets and Liabilities

March 31, 2019

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#### ASSETS

Cash	\$	36,073
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#### LIABILITIES

Escrow deposits	\$	36,073
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The Notes to the Financial Statements are an integral part of this statement.

## **NOTES TO THE FINANCIAL STATEMENTS**

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# Solon Township

## Notes to Basic Financial Statements

For the year ended March 31, 2019

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

Solon Township is located in Kent County. The Township is governed by an elected five-member Board and provides the following services: public safety, public works, culture and recreation, and general administration services. The accounting policies of Solon Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

#### **A. Reporting Entity**

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity," these financial statements present the Township (the primary government). The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

There are no other units that should be included in the financial statements.

#### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes, special assessments, and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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

# Solon Township

## Notes to Basic Financial Statements

For the year ended March 31, 2019

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, 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 and available only when cash is received by the Township.

# Solon Township

## Notes to Basic Financial Statements

For the year ended March 31, 2019

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The Township reports the following major governmental funds:

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

The 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

# Solon Township

## Notes to Basic Financial Statements

For the year ended March 31, 2019

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### D. Assets, Liabilities, and Net Position or Equity

#### Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

#### Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on February 15th of the following year, at which time penalties and interest are assessed.

#### Prepaid Items

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

#### Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	40 to 60 years
Building improvements	15 to 30 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

# Solon Township

## Notes to Basic Financial Statements

For the year ended March 31, 2019

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### Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Township did not have any items qualifying for this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Township did not have any items qualifying for this category.

### Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### Other Financing Sources (Uses)

Transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

# Solon Township

## Notes to Basic Financial Statements

For the year ended March 31, 2019

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### Net Position and Fund Balances

The difference between fund assets and liabilities is "Net Position" on the government-wide and fiduciary fund statements and "Fund Balances" on governmental fund statements. Net Position are classified as "Net investment in capital assets," legally "Restricted" for a specific purpose, or "Unrestricted" and available for appropriation for the general purposes of the fund. In governmental fund financial statements, fund balances are classified as follows:

- Nonspendable--Amounts that cannot be spent either because they are (a) not in spendable form; or (b) legally or contractually required to be maintained intact.
- Restricted--Amounts with constraints placed on the use of resources because they are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed--Amounts that can be used only for specific purposes determined by a formal action by Board ordinance or resolution, and that remain binding unless removed in the same manner.
- Assigned--Amounts neither restricted nor committed for which a government has a stated intended use as established by the Board or a body or official to which the Board has delegated the authority to assign amounts for specific purposes.
- Unassigned--Amounts that cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

### Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Township's policy is to first apply the expense toward restricted resources then toward unrestricted resources. In governmental funds, the Township's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

### Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for individual governmental funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

# Solon Township

## Notes to Basic Financial Statements

For the year ended March 31, 2019

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### E. Revenues and Expenditures/Expenses

#### Program Revenues

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.

#### Property Taxes

Solon Township's 2018 ad valorem tax was levied and collectible on December 1, 2018. It is the Township's policy to recognize revenues from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing operations. Taxes are considered delinquent on February 15th of the following year, at which time penalties and interest are assessed.

# Solon Township

## Notes to Basic Financial Statements

For the year ended March 31, 2019

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

#### Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

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

On or before March 1, the Township Supervisor submits to the Township Board, a proposed operating budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted at the Township hall to obtain taxpayer comments.

On or before March 31, the budget is adopted by resolution.

Any revisions that alter the total expenditures of any fund must be approved by the Township Board.

Budgeted amounts are presented as originally adopted, or as amended by the Township Board before March 31.

Budgets as presented for the General Fund are prepared on the modified accrual basis of accounting on the activity level. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.

The Township legally adopts budgets for the General Fund, Library Fund and Pine Lake Weed Control Fund.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the Township Board.

The legal level of control is at the activity level of the General Fund and at the fund expenditure totals for the Special Revenue Funds.

The Township Clerk is authorized to transfer budgeted amounts between accounts within the same activity.

The budget document presents information by fund, function, activity and line items.

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

# Solon Township

## Notes to Basic Financial Statements

For the year ended March 31, 2019

### NOTE 3 - CASH

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

Governmental activities	Fiduciary activity	Total
\$ 1,326,880	\$ 36,073	\$ 1,362,953

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

The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all of State statutory authority as listed above.

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

#### Custodial Credit Risk of Bank Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Township's deposits may not be recovered. The Township does not have a deposit policy for custodial credit risk. The bank balance of the Township's deposits is \$1,362,898, of which \$587,000 is covered by federal depository insurance. The remaining \$775,898 is uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Fair Value Hierarchy

The government has no investments that fall under the Fair Value Measurement Standards.

### NOTE 4 - RECEIVABLES

In the governmental funds balance sheet, amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. The detail for this line item (Receivables, net) is as follows:

<u>Receivables, net</u>	<u>Fund</u>		<u>Total</u>
	<u>General</u>	<u>Fire Operating</u>	
Taxes	\$ 9,636	\$ 4,416	\$ 14,052
Accounts	17,569	-	17,569
Special assessments	6,300	-	6,300
Intergovernmental	78,961	-	78,961
<b>Net receivables</b>	<b>\$ 112,466</b>	<b>\$ 4,416</b>	<b>\$ 116,882</b>

# Solon Township

## Notes to Basic Financial Statements

For the year ended March 31, 2019

### NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the year ended March 31, 2019, was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 121,902	\$ -	\$ -	\$ 121,902
Construction in progress	80,781	-	80,781	-
Capital assets, being depreciated:				
Buildings and improvements	1,168,473	-	-	1,168,473
Equipment	270,516	10,659	-	281,175
Vehicles	204,582	271,870	-	476,452
<b>Total capital assets, being depreciated</b>	<b>1,643,571</b>	<b>282,529</b>	<b>-</b>	<b>1,926,100</b>
Less accumulated depreciation for:				
Buildings and improvements	241,875	28,783	-	270,658
Equipment	160,831	15,191	-	176,022
Vehicles	197,882	13,594	-	211,476
<b>Total accumulated depreciation</b>	<b>600,588</b>	<b>57,568</b>	<b>-</b>	<b>658,156</b>
<b>Total capital assets being depreciated, net</b>	<b>1,042,983</b>	<b>224,961</b>	<b>-</b>	<b>1,267,944</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 1,245,666</b>	<b>\$ 224,961</b>	<b>\$ 80,781</b>	<b>\$ 1,389,846</b>

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

<b>Governmental Activities:</b>		
General government	\$	26,278
Public safety		29,892
Recreation and culture		1,398
<b>Total depreciation expense - governmental activities</b>	<b>\$</b>	<b>57,568</b>

# Solon Township

## Notes to Basic Financial Statements

For the year ended March 31, 2019

### **NOTE 6 - PAYABLES**

Payables as of March 31, 2019, for the Township's funds were as follows:

<b>Fund</b>	<b>General</b>	<b>Fire Operating</b>	<b>Total</b>
Accounts payable	\$ 11,802	\$ 389	\$ 12,191
Payroll	5,803	6,251	12,054
<b>Total</b>	<b>\$ 17,605</b>	<b>\$ 6,640</b>	<b>\$ 24,245</b>

### **NOTE 7 - INTERFUND TRANSFERS**

The composition of interfund transfers as of March 31, 2019, is as follows:

Interfund transfers:

<b>Transfer Out Fund</b>	<b>Transfer In Fund</b>			<b>Total</b>
	<b>Fire Operating</b>	<b>Fire Capital</b>	<b>Park Improvement</b>	
General Fund	\$ 92,144	\$ 20,000	\$ 6,000	\$ 118,144
Fire Capital	3,524	-	-	3,524
<b>Total</b>	<b>\$ 95,668</b>	<b>\$ 20,000</b>	<b>\$ 6,000</b>	<b>\$ 121,668</b>

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.

# Solon Township

## Notes to Basic Financial Statements

For the year ended March 31, 2019

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### **NOTE 8 - 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 selfinsured, 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 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, 2019, the Township and eligible employees made contributions of \$16,014 and \$5,310, respectively. At March 31, 2019, 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

# Solon Township

## Notes to Basic Financial Statements

For the year ended March 31, 2019

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### **NOTE 11 - CONSTRUCTION CODE ACT**

A summary of construction code enforcement transactions for the year ended March 31, 2019, is as follows:

Cumulative excess revenues, beginning of year	\$	5,240
Revenues		87,060
Expenses		<u>83,744</u>
<u>Excess (deficiency) of revenues over expenses</u>		<u>3,316</u>
<u>Cumulative excess revenues, end of year</u>	\$	<u>8,556</u>

### **NOTE 12 - JOINT VENTURE**

The Township, along with six other municipalities, is a participant in the North Kent Community Enrichment 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, 2019, the Township contributed \$6,000 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 SUPPLEMENTAL INFORMATION**

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# Solon Township

## General Fund

### Budgetary Comparison Schedule

For the year ended March 31, 2019

	Original	Final	Actual	Variance with final budget
<b>REVENUES</b>				
Property taxes	\$ 215,850	\$ 229,915	\$ 233,605	\$ 3,690
Licenses and permits	140,582	146,656	160,970	14,314
State grants	498,684	529,285	518,381	(10,904)
Charges for services	26,175	23,625	20,286	(3,339)
Interest and rents	4,150	5,650	9,409	3,759
Other revenue	7,545	6,680	8,729	2,049
<b>Total revenues</b>	<b>892,986</b>	<b>941,811</b>	<b>951,380</b>	<b>9,569</b>
<b>EXPENDITURES</b>				
Current:				
General government				
Township board	6,550	6,550	5,320	1,230
Supervisor	30,385	30,385	30,385	-
Clerk	35,910	35,560	32,758	2,802
Board of review	1,200	1,200	1,205	(5)
Treasurer	35,820	35,920	34,358	1,562
Assessor	43,650	43,380	42,673	707
Elections	8,700	3,450	7,942	(4,492)
Buildings and grounds	36,525	33,125	32,205	920
Other	109,325	94,900	116,034	(21,134)
<b>Total general government</b>	<b>308,065</b>	<b>284,470</b>	<b>302,880</b>	<b>(18,410)</b>
Public safety				
Building inspection department	66,250	71,750	83,734	(11,984)
Public works				
Department of public works	5,000	2,500	1,946	554
Highways, streets, bridges	44,500	42,500	12,017	30,483
Street lighting	800	850	933	(83)
Cemetery	13,200	14,150	9,952	4,198
<b>Total public works</b>	<b>63,500</b>	<b>60,000</b>	<b>24,848</b>	<b>35,152</b>
Community and economic development				
Zoning	44,210	66,060	40,776	25,284

# Solon Township

## General Fund

### Budgetary Comparison Schedule

For the year ended March 31, 2019

	Original	Final	Actual	Variance with final budget
Recreation and culture				
Parks and recreation	\$ 6,000	\$ 6,400	\$ 6,000	\$ 400
Historical society	5,000	5,000	5,000	-
Library	67,200	73,000	71,211	1,789
Total recreation and culture	78,200	84,400	82,211	2,189
Other				
Capital outlay	10,000	8,500	1,852	6,648
Total expenditures	570,225	575,180	536,301	38,879
Excess (deficiency) of revenues over expenditures	322,761	366,631	415,079	48,448
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(106,144)	(166,631)	(118,144)	48,487
Net change in fund balances	216,617	200,000	296,935	96,935
Fund balance-beginning	1,014,847	1,014,847	1,014,847	-
Fund balance-ending	\$ 1,231,464	\$ 1,214,847	\$ 1,311,782	\$ 96,935

# Solon Township

## Fire Operating Fund

### Budgetary Comparison Schedule

For the year ended March 31, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
<b>REVENUES</b>				
Property taxes	\$ 82,500	\$ 85,000	\$ 87,828	\$ 2,828
Other revenue	-	-	150	150
Total revenues	82,500	85,000	87,978	2,978
<b>EXPENDITURES</b>				
Public safety:				
Fire department	157,950	177,045	175,004	2,041
Capital outlay	4,694	1,000	2,816	(1,816)
Total expenditures	162,644	178,045	177,820	225
Excess (deficiency) of revenues over expenditures	(80,144)	(93,045)	(89,842)	3,203
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	80,144	88,045	95,668	7,623
Net change in fund balance	-	(5,000)	5,826	10,826
Fund balance-beginning	25,346	25,346	25,346	-
Fund balance-ending	\$ 25,346	\$ 20,346	\$ 31,172	\$ 10,826