

TOWNSHIP OF SOLON, KENT COUNTY, MICHIGAN

ANNUAL FINANCIAL REPORT

YEAR ENDED MARCH 31, 2022

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
<hr/>	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Governmental Funds	
Balance Sheet	15
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balance	17
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities	18
Fiduciary Fund	
Statement of Fiduciary Net Position	19
Statement of Changes in Fiduciary Net Position	20
Notes to the Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION	
<hr/>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	35
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Fire Operating Fund	36
OTHER SUPPLEMENTARY INFORMATION	
<hr/>	
Nonmajor Governmental Funds	
Combining Balance Sheet	38
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	39

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Township of Solon
Cedar Springs, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Solon (the "Township") as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

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 aggregate remaining fund information of the Township, as of March 31, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

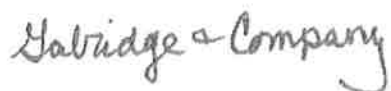
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual nonmajor fund financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Gabridge & Company, PLC
Grand Rapids, Michigan
August 17, 2022

Management's Discussion and Analysis

Township of Solon
Management's Discussion and Analysis
March 31, 2022

As management of the Township of Solon, Michigan (The "Township" or "government") we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2022. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$3,486,663 (net position). Of this amount, \$2,066,266 represents unrestricted net position.
- During the year, the Township received \$1,466,417 in revenues and incurred \$1,441,038 in expenses, resulting in a increase in net position of \$25,379.
- At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$2,219,456, an increase of \$119,418 in comparison with the previous year. A portion of this amount, \$1,404,890, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,404,890, or approximately 91.4% of annual general fund expenditures and transfers out.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

The *statement of net position* presents financial information on all of the Township's assets, deferred outflows, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus,

revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., changes in net pension liability and depreciation of capital assets).

Both of the government-wide financial statements report functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Township include general government, public works, community and economic development, recreation and culture and public safety. The government-wide financial statements include not only the Township itself (known as the primary government).

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, fire operating, and the three nonmajor capital project funds (which are aggregated into one column).

The Township adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund has been provided.

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

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

Governmental Activities. Governmental activities increased the Township's net position by \$25,379 when compared to the previous year.

Revenues as a whole increased by \$211,802. The primary reasons for increased revenues are an increase in state revenue sharing payments due to improved sales tax collections at the state level as well as an increase in the Township's census (the allocation of state aid is largely based on the population of each local unit). Also, charges for services increased by \$124,195 resulting from the gain on sale of capital assets of \$122,697. Expenses increase by \$520,878, the largest part coming from various road projects which lead to an increase of \$429,968, while public safety had an increase due to purchase of operating equipment.

Township of Solon's Changes in Net Position

Revenue	2022	2021
Program Revenues		
Charges for Services	\$ 395,612	\$ 271,417
Operating Grants and Contributions	10,591	85,308
<i>Total Program Revenues</i>	406,203	356,725
General Revenues		
Taxes	368,041	353,797
Unrestricted State Aid	691,546	542,728
Interest	627	1,365
<i>Total General Revenues</i>	1,060,214	897,890
<i>Total Revenues</i>	1,466,417	1,254,615
Expenses		
General Government	377,021	343,736
Public Works	580,949	150,984
Community and Economic Development	34,790	31,085
Public Safety	346,428	297,992
Recreation and Culture	101,850	96,363
<i>Total Expenses</i>	1,441,038	920,160
<i>Change in Net Position</i>	25,379	334,455
Net Position at the Beginning of Period	3,461,284	3,126,829
<i>Net Position at the End of Period</i>	\$ 3,486,663	\$ 3,461,284

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may

serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Township itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Township's Board.

At March 31, 2022, the Township's governmental funds reported combined fund balances of \$2,219,456, an increase of \$119,418 over the prior year. A portion of this amount \$1,404,890 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is: 1) restricted for particular purposes (\$153,190), 2) assigned for certain purposes (\$218,002), or 3) committed for particular purposes (\$443,374).

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,404,890. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 91.4% percent of total general fund expenditures and transfers out.

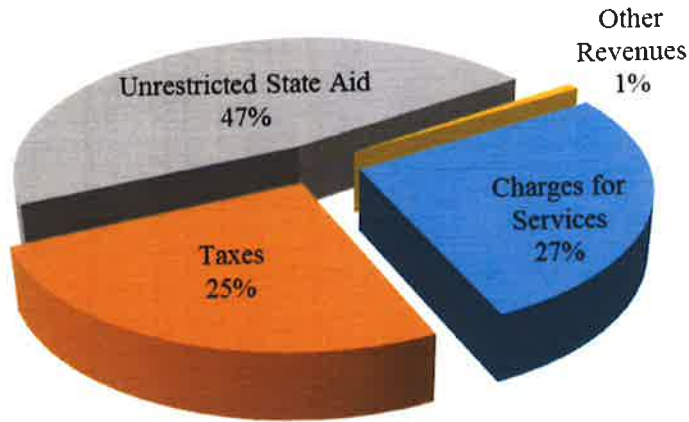
The fund balance of the Township's general fund decreased by \$155,148 during the current fiscal year, largely due to transfers out to other funds of \$337,455.

The fire operating fund ended the year with a fund balance of \$122,708, an increase of \$35,488. This increase is comparable with prior years.

Governmental Activities

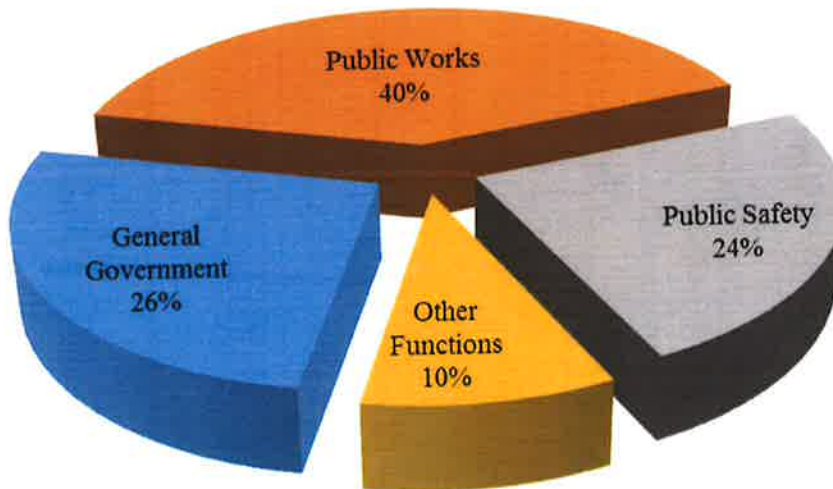
The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year-end:

Governmental Activities Revenues



The following chart summarizes the expenses for the governmental activities of the Township for the most recent fiscal year-end:

Governmental Activities Expenses



General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need to make material adjustments to expenditures in the between the original and final amended budget. However, expenditures within departments were adjusted as actual expenditures became known during the year.

Final budget compared to actual results. During the current fiscal year the Township had one actual expenditures in excess of the amounts appropriated, transfers out exceed the budget by \$5.

Capital Asset Administration

The Township's investment in capital assets for its governmental activities as of March 31, 2022 amounts to \$1,267,207 (net of accumulated depreciation). This was a decrease of \$87,452, or 6.5%, from the prior year as depreciation expense and disposals exceeded capital asset additions. This investment in capital assets includes land, land improvements, buildings, and machinery and equipment.

More detailed information about the Township's capital assets can be found in Note 4.

Economic Condition and Outlook

Property tax revenues are expected to change minimally reflecting fairly stable property values. The Township continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2023, the Township plans again to use current revenues to provide essential services and to maintain the Township's financial reserves at similar levels.

Contacting the Township

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

The Township of Solon
15185 Algoma Avenue
Cedar Springs, MI 49319

Basic Financial Statements

**Township of Solon
Statement of Net Position
March 31, 2022**

ASSETS

Current Assets

Cash and Cash Equivalents	\$	2,472,351
Taxes Receivable		12,354
Accounts Receivable		16,461
Due from State		167,064
Total Current Assets		2,668,230

Noncurrent Assets

Capital Assets not Being Depreciated		78,349
Capital Assets Being Depreciated		1,188,858
Total Assets		3,935,437

LIABILITIES

Current Liabilities

Accounts Payable		92,251
Accrued Liabilities		32,199
Unearned Revenue		324,324
Total Liabilities		448,774

NET POSITION

Investment in Capital Assets		1,267,207
<i>Restricted for:</i>		
Building Inspections		30,482
Fire Operations		122,708
<i>Unrestricted</i>		2,066,266
Total Net Position	\$	3,486,663

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

Township of Solon
Statement of Activities
For the Year Ended March 31, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General Government	\$ 377,021	\$ 185,016	--	\$ --	\$ (192,005)
Community and Economic Development	34,790	6,840	--	--	(27,950)
Public Safety	346,428	188,481	649	--	(157,298)
Public Works	580,949	15,275	9,703	--	(555,971)
Recreation and Culture	101,850	--	239	--	(101,611)
Total	\$ 1,441,038	\$ 395,612	\$ 10,591	\$ --	(1,034,835)

General Purpose Revenues:

Taxes	368,041
Unrestricted State Aid	691,546
Interest	627
Total General Revenues	1,060,214
Change in Net Position	25,379
<i>Net Position at Beginning of Period</i>	3,461,284
Net Position at End of Period	\$ 3,486,663

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

**Township of Solon
Balance Sheet
Governmental Funds
March 31, 2022**

	<u>Special Revenue</u>			
	<u>General</u>	<u>Fire Operating Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 1,888,974	\$ 127,994	\$ 455,383	\$ 2,472,351
Taxes Receivable	8,380	3,974	--	12,354
Accounts Receivable	16,461	--	--	16,461
Due from State	167,064	--	--	167,064
Total Assets	\$ 2,080,879	\$ 131,968	\$ 455,383	\$ 2,668,230
LIABILITIES				
Accounts Payable	\$ 70,982	\$ 9,260	\$ 12,009	\$ 92,251
Accrued Liabilities	32,199	--	--	32,199
Unearned Revenue	324,324	--	--	324,324
Total Liabilities	427,505	9,260	12,009	448,774
FUND BALANCE				
Restricted	30,482	122,708	--	153,190
Committed	--	--	443,374	443,374
Assigned	218,002	--	--	218,002
Unassigned	1,404,890	--	--	1,404,890
Total Fund Balance	1,653,374	122,708	443,374	2,219,456
Total Liabilities and Fund Balance	\$ 2,080,879	\$ 131,968	\$ 455,383	\$ 2,668,230

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

Township of Solon
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
March 31, 2022

Total Fund Balance - Governmental Funds	\$ 2,219,456
General government capital assets of \$1,872,290, net of accumulated depreciation of \$605,083, are not financial resources and, accordingly, are not reported in the funds.	1,267,207
Total Net Position - Governmental Activities	\$ <u>3,486,663</u>

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

Township of Solon
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended March 31, 2022

	<u>Special Revenue</u>			<u>Total Governmental Funds</u>
	<u>General</u>	<u>Fire Operating Fund</u>	<u>Other Governmental Funds</u>	
Revenues				
Taxes	\$ 268,188	\$ 99,853	\$ --	\$ 368,041
Licenses and Permits	180,620	--	--	180,620
Intergovernmental	701,249	649	--	701,898
Charges for Services	20,296	--	--	20,296
Franchise Fees	68,773	--	--	68,773
Interest and Rents	223	--	404	627
Other Revenue	359	2,867	239	3,465
Total Revenues	<u>1,239,708</u>	<u>103,369</u>	<u>643</u>	<u>1,343,720</u>
Expenditures				
General Government	339,625	--	--	339,625
Community and Economic Development	34,790	--	--	34,790
Public Safety	148,393	167,331	--	315,724
Public Works	580,949	--	--	580,949
Recreation and Culture	95,264	--	--	95,264
Capital Outlay	--	--	30,450	30,450
Total Expenditures	<u>1,199,021</u>	<u>167,331</u>	<u>30,450</u>	<u>1,396,802</u>
Excess of Revenues Over (Under) Expenditures	<u>40,687</u>	<u>(63,962)</u>	<u>(29,807)</u>	<u>(53,082)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	150,000	--	22,500	172,500
Transfers In	--	99,450	238,005	337,455
Transfers Out	(337,455)	--	--	(337,455)
Net Other Financing Sources (Uses)	<u>(187,455)</u>	<u>99,450</u>	<u>260,505</u>	<u>172,500</u>
Net Change in Fund Balance	(146,768)	35,488	230,698	119,418
<i>Fund Balance at Beginning of Period</i>	1,800,142	87,220	212,676	2,100,038
Fund Balance at End of Period	\$ 1,653,374	\$ 122,708	\$ 443,374	\$ 2,219,456

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

Township of Solon
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended March 31, 2022

Total Net Change in Fund Balances - Governmental Funds	\$	119,418
Changes to prepaid items are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.		(6,587)
Governmental funds report capital outlay as an expenditure; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This amount represents capital outlay expenditures of \$25,868 less depreciation expense of \$63,517 and net disposals of \$49,803.		(87,452)
Changes in Net Position - Governmental Activities	\$	<u>25,379</u>

**Township of Solon
Statement of Fiduciary Net Position
Fiduciary Fund
March 31, 2022**

	Custodial Fund
	Tax Collection
ASSETS	
Cash and Cash Equivalents	\$ 20,674
<i>Total Assets</i>	20,674
LIABILITIES	
Due to Other Governmental Units	20,674
<i>Total Liabilities</i>	20,674
NET POSITION	
Restricted for Individuals, Organizations, and Other Governments	\$ --

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

Township of Solon
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended March 31, 2022

	Custodial Fund
	Tax Collection
Additions	
Taxes Collected for Other Governments	\$ 6,201,568
<i>Total Additions</i>	6,201,568
Deductions	
Taxes Disbursed to Other Governments	6,201,568
<i>Total Deductions</i>	6,201,568
<i>Change in Net Position</i>	--
<i>Net Position at Beginning of Period</i>	--
<i>Net Position at End of Period</i>	\$ --

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

Notes to the Financial Statements

Township of Solon

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Township of Solon, Michigan (the "Township" or "government") 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:

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 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 based on the above criteria.

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 non-fiduciary activities of the primary government and its component units. Governmental activities are normally supported by taxes 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 revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: 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 revenue 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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary funds. Revenue is 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

Township of Solon

Notes to the Financial Statements

requirements imposed by the provider have been met. Custodial funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. They too use the accrual basis of accounting to recognize receivables and payables.

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 Township considers revenue to be available if it is collected within 60 days of the end of the current fiscal period.

Property taxes, franchise fees, state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Township reports the following major governmental fund:

The *general fund* is the Township'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* is a special revenue fund, which accounts for the financial resources used to operate the fire department and is funded mostly by property taxes.

Additionally, the Township reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital project funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified for the purpose of capital projects.

Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Township of Solon

Notes to the Financial Statements

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

Property Tax Revenue Recognition

The Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Kent County Treasurer on March 1 of the year following the levy. The Kent County Treasurer remits payments to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1.00 per \$1,000 of the taxable valuation for general government service. For the year ended March 31, 2022, the Township levied .7914 mills for general governmental services and .4798 fire operations. The total taxable value for the 2021 levy for property within the Township was \$207,554,417.

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.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Receivables and Payables

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

Township of Solon

Notes to the Financial Statements

All trade and property tax receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Description</u>	<u>Years</u>
Buildings	40 - 60
Building Improvements	15 - 30
Equipment	3 - 7
Vehicles	10 - 20

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In 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 government's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. Nonspendable fund balance are equal to prepaid items. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of

Township of Solon

Notes to the Financial Statements

other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Township Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

Unassigned fund balance is the residual classification for the Township's general fund and includes all spendable amounts not contained in the other classifications and is, therefore, available to be spent as determined by the Township Board.

Fund Balance Flow Assumption

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

Unearned Revenues

Unearned revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

Township of Solon

Notes to the Financial Statements

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Interfund Transactions

During the course of normal operations, the Township may have transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or component units are netted as part of the reconciliation to the government-wide financial statements.

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. 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 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 and the fire operating fund.

Township of Solon

Notes to the Financial Statements

- 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.

Excess of Expenditures Over Appropriations in Budgetary Funds

The Township had one expenditure of budgetary funds which were in excess of the amount budgeted during the year ended March 31, 2022. Transfers out exceed the budget of \$422,943 by \$5 in the general fund.

Note 3 - Cash and Investments

The captions on the government-wide and fund statements relating to cash are as follows:

	Governmental Activities	Fiduciary Fund	Total
Statement of Net Position			
Cash and Cash Equivalents	\$ 2,472,351	\$ 20,674	\$ 2,493,025
Deposits and Investments			
Checking and Savings Accounts	\$ 2,177,519	\$ 20,674	\$ 2,493,025
Certificates of Deposit	294,832	-	294,832
MIClass	530,856	-	530,856
Totals	\$ 2,472,351	\$ 20,674	\$ 2,787,857

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township's investment policy does not have specific limits in excess of state law pertaining to custodial credit risk. As of year-end \$956,926 of the bank balance of \$1,969,317 was exposed to custodial credit risk because it was uninsured and uncollateralized, the amount exposed to custodial credit risk is higher in prior years due to the tax fund having outstanding checks as of year-end.

Township of Solon

Notes to the Financial Statements

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices. As of year-end, all deposits and investments consist of demand accounts, pooled investments, certificates of deposit, all of which are not rated.

<u>Agency</u>	<u>Rating</u>	<u>Amount</u>
Standard & Poor's	AAAm	<u>\$ 530,856</u>

Interest Rate Risk

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Township's deposits and investments consisted of the following:

	<u>Certificates of Deposit</u>
Due within One Year	<u>\$ 294,832</u>

Fair Value Measurement

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

- Investments held with MICLASS totaled \$530,856. MICLASS is authorized to invest in the same investment types as local units of government in Michigan. These holdings are valued using Level 2 inputs.

Township of Solon

Notes to the Financial Statements

Note 4 - Capital Assets

Capital asset activity for the year was as follows:

Governmental Activities	Balance at 3/31/2021	Additions	Disposals	Balance at 3/31/2022
Capital Assets not being Depreciated				
Land	\$ 121,902	\$ -	\$ 43,553	\$ 78,349
Capital Assets being Depreciated:				
Buildings and Improvements	1,235,417	25,868	-	1,261,285
Equipment	184,204	-	-	184,204
Vehicles	473,452	-	125,000	348,452
Total Capital Assets being Depreciated	<u>1,893,073</u>	<u>25,868</u>	<u>125,000</u>	<u>1,793,941</u>
Less Accumulated Depreciation:				
Buildings and Improvements	334,961	31,068	-	366,029
Equipment	89,541	18,557	-	108,098
Vehicles	235,814	13,892	118,750	130,956
Total Accumulated Depreciation	<u>660,316</u>	<u>63,517</u>	<u>118,750</u>	<u>605,083</u>
Total Capital Assets being Depreciated, net	<u>1,232,757</u>	<u>(37,649)</u>	<u>(6,250)</u>	<u>1,188,858</u>
<i>Net Capital Assets</i>	<u>\$ 1,354,659</u>	<u>\$ (37,649)</u>	<u>\$ (49,803)</u>	<u>\$ 1,267,207</u>

Depreciation expense was charged as follows:

Governmental Activities	
General Government	\$ 29,360
Public Safety	30,380
Recreation and Culture	3,777
<i>Total Depreciation Expense</i>	<u>\$ 63,517</u>

Note 5 - Interfund Transfers

Interfund Transfers were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Fire Operating	General	\$ 99,450
Nonmajor Governmental	General	238,005

Transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments

Township of Solon

Notes to the Financial Statements

become due; and 3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 6 - Retirement Plans

Defined Contribution 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, 2022, the Township and eligible employees made contributions of \$22,391 and \$5,845, respectively. At March 31, 2022, 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.

Deferred Compensation

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

Township of Solon

Notes to the Financial Statements

Note 7 - Risk Management

The Township is exposed to various risks of losses for claims arising from general liability, wrongful acts, professional liability, property damage and destruction, crime, accidents, and injuries. Risks of losses arising from possible claims are managed through the purchase of commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

Note 8 - 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, 2022, the Township contributed \$7,000 to the Board.

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

Note 9 - Construction Code Fees

The Township oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction costs, including an allocation of estimated overhead costs. A summary of current activity showing current year ending surplus:

Current year building permit revenue	\$	161,688
Less related expenditures		
Direct Cost		<u>148,391</u>
Current year surplus (Deficit)		13,297
Cumulative surplus, beginning of year		<u>17,185</u>
Cumulative surplus, end of year	\$	<u>30,482</u>

Required Supplementary Information

Township of Solon
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Fire Operating Fund
For the Year Ended March 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable) Final to Actual</u>
Revenues				
Taxes	\$ 96,700	\$ 96,700	\$ 99,853	\$ 3,153
Intergovernmental	--	--	649	649
Other Revenue	--	--	2,867	2,867
<i>Total Revenues</i>	<u>96,700</u>	<u>96,700</u>	<u>103,369</u>	<u>6,669</u>
Other Financing Sources				
Transfers In	99,450	99,450	99,450	--
<i>Total Revenues and Other Financing Sources</i>	<u>196,150</u>	<u>196,150</u>	<u>202,819</u>	<u>6,669</u>
Expenditures				
Public Safety	192,850	192,850	167,331	25,519
<i>Total Expenditures</i>	<u>192,850</u>	<u>192,850</u>	<u>167,331</u>	<u>25,519</u>
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures</i>	<u>3,300</u>	<u>3,300</u>	<u>35,488</u>	<u>32,188</u>
<i>Net Change in Fund Balance</i>	3,300	3,300	35,488	32,188
<i>Fund Balance at Beginning of Period</i>	87,220	87,220	87,220	--
<i>Fund Balance at End of Period</i>	<u>\$ 90,520</u>	<u>\$ 90,520</u>	<u>\$ 122,708</u>	<u>\$ 32,188</u>

Township of Solon
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended March 31, 2022

	Capital Projects			Total Nonmajor Governmental Funds
	Capital Project Fund	Fire Department Capital Fund	Velzy Park Construction Fund	
Revenues				
Interest and Rents	\$ --	\$ 135	\$ 269	\$ 404
Other Revenue	--	--	239	239
Total Revenues	--	135	508	643
Expenditures				
Capital Outlay	1,150	622	28,678	30,450
Total Expenditures	1,150	622	28,678	30,450
Excess of Revenues Over (Under) Expenditures	(1,150)	(487)	(28,170)	(29,807)
Other Financing Sources (Uses)				
Sale of Capital Assets	--	22,500	--	22,500
Transfers In	180,005	50,000	8,000	238,005
Net Other Financing Sources (Uses)	180,005	72,500	8,000	260,505
Net Change in Fund Balance	178,855	72,013	(20,170)	230,698
<i>Fund Balance at Beginning of Period</i>	--	77,697	134,979	212,676
Fund Balance at End of Period	\$ 178,855	\$ 149,710	\$ 114,809	\$ 443,374

August 17, 2022

To the Board of Trustees
Township of Solon
Cedar Springs, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Solon (the "Township") for the year ended March 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 5, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Township's financial statements were:

- The estimated useful lives of depreciable capital assets is based on the length of time management believes those assets will provide some economic benefit in the future.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 17, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.