

Township of Solon
Kent County, Michigan

FINANCIAL STATEMENTS

Year ended March 31, 2016

	<i>Page</i>
INDEPENDENT AUDITOR'S REPORT	3 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 10
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net position	11
Statement of activities	12
Fund financial statements:	
Balance sheet - governmental funds	13
Statement of revenues, expenditures, and changes in fund balances - governmental funds	14 - 15
Statement of fiduciary assets and liabilities - Escrow Fund	16
Notes to financial statements	17 - 25
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	26 - 27
Fire Operating Fund	28

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Township of Solon, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Township of Solon, Michigan, as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Township of Solon, Michigan, as of March 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Siegfried Crandall P.C.

August 5, 2016

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, 2016. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$302,394 (12 percent) as a result of this year's activities.
- Of the \$2,814,017 total net position reported, \$1,367,431 (49 percent) is available to be used at the Board's discretion, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$678,202, which represents 136 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

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

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

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

A comparative analysis of the government-wide financial statements for 2016 and 2015 is also presented.

Government-wide financial statements

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

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

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

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

Fund financial statements

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

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

The Township has two types of funds:

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

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$2,814,017. Of this total, \$1,442,491 represents an investment in capital assets, and \$4,095 is restricted for public safety (inspections activity). Consequently, unrestricted net position was \$1,367,431.

Condensed financial information
Net position

	<i>Governmental activities</i>	
	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 1,399,672	\$ 1,111,394
Capital assets	1,442,491	1,422,895
Total assets	<u>2,842,163</u>	<u>2,534,289</u>
Current and other liabilities	<u>28,146</u>	<u>22,666</u>
Net position:		
Investment in capital assets	1,442,491	1,422,895
Restricted	4,095	32,832
Unrestricted	<u>1,367,431</u>	<u>1,055,896</u>
Total net position	<u>\$ 2,814,017</u>	<u>\$ 2,511,623</u>

Changes in net position

The Township's total revenues were \$981,960 in the current year. Nearly 24 percent of the Township's revenues comes from state shared revenue and 46 percent comes from property taxes.

The total cost of the Township's programs amounted to \$679,566. Nearly 46 percent of the Township's costs relates to the provision of general governmental services, while public safety costs account for 38 percent. No other expense category exceeds 9 percent of the total.

*Condensed financial information
Changes in net position*

	<i>Governmental activities</i>	
	<u>2016</u>	<u>2015</u>
Program revenues:		
Charges for services	\$ 157,652	\$ 123,704
Operating grants and contributions	21,942	23,748
Capital grants and contributions	4,999	-
General revenues:		
Property taxes	449,389	460,457
State shared revenue	236,380	232,458
Franchise fees	72,507	68,688
Interest income	1,623	2,624
Gain on sale of capital assets	37,468	-
	<u>981,960</u>	<u>911,679</u>
Expenses:		
General government	309,654	341,490
Public safety	257,038	168,583
Public works	36,336	44,585
Community and economic development	16,422	18,866
Recreation and culture	60,116	53,907
Interest on long-term debt	-	2,328
	<u>679,566</u>	<u>629,759</u>
Changes in net position	<u>\$ 302,394</u>	<u>\$ 281,920</u>
Net position, end of year	<u>\$ 2,814,017</u>	<u>\$ 2,511,623</u>

Governmental activities

Governmental activities increased the Township's net position by \$302,394 in the current year compared to \$281,920 in the prior year. The Township experienced a larger increase in net position during the current year, as revenues increased by \$70,281, while expenses only increased by \$49,807. Revenues rose primarily due to a \$33,948 increase in charges for services, related to increased inspections activity, and a \$37,468 gain on the sale of capital assets during the current year. Expenses increased due to an \$88,455 increase in public safety costs associated with higher personnel and maintenance costs, for the fire department, and an increase in contracted service costs associated with the increased inspections activity. General government expenses declined by \$31,836, as costs were reduced in several departments.

The total cost of governmental activities this year was \$679,566. After subtracting the direct charges to those who directly benefited from the programs (\$157,652) and operating and capital grants (\$26,941), the "public benefit" portion covered by state revenue sharing, property taxes, and other general revenues was \$494,973.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,326,246, an increase of \$281,222 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 \$682,297, an increase of \$97,547, as revenues (\$849,175) and proceeds from asset sales (\$63,915) exceeded expenditures (\$497,583) and transfers out (\$317,960).

The Fire Operating Fund, a special revenue fund, has a fund balance of \$308 at the end of the fiscal year. The fund's expenditures, in the amount of \$197,631, exceeded revenues (\$93,564) and transfers from the General Fund (\$71,543) causing fund balance to decrease by \$32,524 in the current year.

The Street Improvements Fund, a capital project fund, has a fund balance of \$363,211, as increase of \$163,211, due to a \$195,000 transfer from the General Fund, less expenditures of \$31,789 for street improvements in the current year.

The Fire Capital Fund, a capital project fund, increased by \$20,475 due to a \$20,000 transfer from the General Fund and \$475 in interest income. Fund balance, which is assigned for capital equipment acquisitions for the fire department, amounted to \$247,917 at year end.

The Park Improvements Fund, a new capital project fund, has a fund balance of \$32,513 due to a \$31,417 transfer from the General Fund and \$1,096 in other revenues. Fund balance is assigned for future park improvements.

General Fund budgetary highlights

The Township amended its General Fund budget during the year reducing expected revenues by \$45,216 and decreasing expenditure appropriations by \$143,365. The reduction in revenues was primarily associated with a \$78,456 decrease in property taxes, as the new fire protection levy was included in the original budget. The reduction in expenditures was primarily due to moving \$152,665 in expenditures, related to the fire department, to the new Fire Operating Fund.

Total revenues were \$466 lower than budgeted, while total expenditures were \$38,906 less than the amounts appropriated. The most significant variance involved general government expenditures, which were \$24,984 less than appropriated, as the expenditures of virtually every activity were less than budgeted.

These variances, along with net other financing uses being \$2,002 more than budgeted, resulted in a \$36,438 positive budget variance, with a \$97,547 increase in fund balance compared to a budget that anticipated a \$61,109 increase in fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Township's investment in capital assets for its governmental activities as of March 31, 2016, is \$1,442,491 (net of accumulated depreciation). This investment includes land, buildings, equipment, vehicles, and the Township's share of road improvement costs. The Township's investment in capital assets increased by \$19,596 for the current year, as \$122,438 in asset acquisitions were offset by \$76,395 in current depreciation and \$26,447 in disposals.

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

- The Township incurred road improvement costs of \$78,039 that were capitalized as intangible assets.
- Improvements were made to the fire station at a cost of \$20,894.

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

Debt

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Township plans to primarily use current revenues to provide essential services in fiscal year 2017 in order to maintain current fund balances. Expenditures are expected to increase by nominal amounts compared to fiscal year 2016. The ongoing costs of providing essential services for the citizens of the Township will again need to be monitored in order to maintain the financial condition and operational capabilities of the Township.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

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

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

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

BASIC FINANCIAL STATEMENTS

Township of Solon

STATEMENT OF NET POSITION

March 31, 2016

	<i>Governmental activities</i>
ASSETS	
Current assets:	
Cash	\$ 1,253,811
Receivables	114,963
Prepaid expenses	<u>10,098</u>
Total current assets	<u>1,378,872</u>
Noncurrent assets:	
Receivables	21,000
Capital assets not being depreciated	170,241
Capital assets, net of accumulated depreciation	<u>1,272,250</u>
Total noncurrent assets	<u>1,463,491</u>
Total assets	<u>2,842,363</u>
LIABILITIES	
Current liabilities - payables	<u>28,346</u>
NET POSITION	
Investment in capital assets	1,442,491
Restricted - public safety	4,095
Unrestricted	<u>1,367,431</u>
Total net position	<u>\$ 2,814,017</u>

See notes to financial statements

BALANCE SHEET - governmental funds

March 31, 2016

	<i>Special revenue</i>		<i>Capital project funds</i>			<i>Total governmental funds</i>
	<i>General</i>	<i>Fire operating</i>	<i>Street Improvements</i>	<i>Fire Capital</i>	<i>Park Improvements</i>	
ASSETS						
Cash	\$ 597,213	\$ 4,398	\$ 371,770	\$ 247,917	\$ 32,513	\$ 1,253,811
Receivables	<u>127,019</u>	<u>8,944</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,963</u>
Total assets	<u>\$ 724,232</u>	<u>\$ 13,342</u>	<u>\$ 371,770</u>	<u>\$ 247,917</u>	<u>\$ 32,513</u>	<u>\$ 1,389,774</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities - payables	\$ 11,752	\$ 8,035	\$ 8,559	\$ -	\$ -	\$ 28,346
Deferred inflows of resources:						
Unavailable special assessment revenue	28,000	-	-	-	-	28,000
Unavailable expenditure reimbursements	<u>2,183</u>	<u>4,999</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,182</u>
Total deferred inflows of resources	<u>30,183</u>	<u>4,999</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,182</u>
Fund balances:						
Restricted for public safety	4,095	-	-	-	-	4,095
Assigned for:						
Public safety - fire protection	-	308	-	-	-	308
Public works - street improvements	-	-	363,211	-	-	363,211
Capital improvements	-	-	-	247,917	32,513	280,430
Unassigned	<u>678,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>678,202</u>
Total fund balances	<u>682,297</u>	<u>308</u>	<u>363,211</u>	<u>247,917</u>	<u>32,513</u>	<u>1,326,246</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 724,232</u>	<u>\$ 13,342</u>	<u>\$ 371,770</u>	<u>\$ 247,917</u>	<u>\$ 32,513</u>	<u>\$ 1,389,774</u>

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds \$ 1,326,246

Amounts reported for *governmental activities* in the statement of net position (page 11) are different because:Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 1,442,491

Special assessments receivable are not available to liquidate liabilities of the current period, and, therefore, are a deferred inflow of resources in the funds. 28,000

Unavailable expense reimbursements are not available to liquidate liabilities of the current period, and, therefore, are a deferred inflow of resources in the funds. 7,182

Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds. 10,098Net position of *governmental activities* \$ 2,814,017

Township of Solon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds

Year ended March 31, 2016

	<u>General</u>	<u>Special</u>	<u>Capital project funds</u>			<u>Total governmental funds</u>
		<u>revenue</u>	<u>Street</u>	<u>Fire</u>	<u>Park</u>	
		<u>Fire</u>	<u>improvements</u>	<u>Capital</u>	<u>improvements</u>	
		<u>operating</u>				
REVENUES						
Property taxes	\$ 206,919	\$ 78,969	\$ -	\$ -	\$ -	\$ 285,888
Licenses and permits	138,369	-	-	-	-	138,369
State grants	455,639	5,828	-	-	-	461,467
Charges for services	24,850	-	-	-	-	24,850
Interest and rentals	7,168	-	-	475	-	7,643
Other	16,230	8,767	-	-	1,096	26,093
Total revenues	<u>849,175</u>	<u>93,564</u>	<u>-</u>	<u>475</u>	<u>1,096</u>	<u>944,310</u>
EXPENDITURES						
Current:						
General government	304,108	-	-	-	-	304,108
Public safety	61,537	196,550	-	-	-	258,087
Public works	55,400	-	31,789	-	-	87,189
Community and economic development	16,422	-	-	-	-	16,422
Recreation and culture	60,116	-	-	-	-	60,116
Capital outlay	-	1,081	-	-	-	1,081
Total expenditures	<u>497,583</u>	<u>197,631</u>	<u>31,789</u>	<u>-</u>	<u>-</u>	<u>727,003</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	<u>351,592</u>	<u>(104,067)</u>	<u>(31,789)</u>	<u>475</u>	<u>1,096</u>	<u>217,307</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	63,915	-	-	-	-	63,915
Transfers in	-	71,543	195,000	20,000	31,417	317,960
Transfers out	(317,960)	-	-	-	-	(317,960)
Net other financing sources (uses)	<u>(254,045)</u>	<u>71,543</u>	<u>195,000</u>	<u>20,000</u>	<u>31,417</u>	<u>63,915</u>
NET CHANGES IN FUND BALANCES						
	97,547	(32,524)	163,211	20,475	32,513	281,222
FUND BALANCES - BEGINNING						
	<u>584,750</u>	<u>32,832</u>	<u>200,000</u>	<u>227,442</u>	<u>-</u>	<u>1,045,024</u>
FUND BALANCES - ENDING						
	<u>\$ 682,297</u>	<u>\$ 308</u>	<u>\$ 363,211</u>	<u>\$ 247,917</u>	<u>\$ 32,513</u>	<u>\$ 1,326,246</u>

See notes to financial statements

Township of Solon

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

Year ended March 31, 2016

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

Net change in fund balance - total governmental funds (page 14)	\$ 281,222
Amounts reported for <i>governmental activities</i> in the statement of activities (page 12) are different because:	
Capital assets:	
Assets acquired	122,438
Provision for depreciation	(76,395)
Basis of assets disposed	(26,447)
Decrease in special assessment receivable	(7,000)
Increase in unavailable expenditure reimbursements	7,182
Net increase in prepaid expenses	<u>1,394</u>
Change in net position of <i>governmental activities</i>	<u>\$ 302,394</u>

Township of Solon

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - Escrow Fund

March 31, 2016

ASSETS

Cash \$ 33,117

LIABILITIES

Escrow deposits \$ 33,117

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting entity:

In accordance with generally accepted accounting principles and the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*, these financial statements present only the Township, located in Kent County. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and existence of a financial benefit or burden, and whether the financial statements would be misleading if data were not included. Management of the Township has determined that no other entity qualifies for inclusion as a component unit.

Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements.

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):

The Township reports the following major governmental funds:

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

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

The Street Improvements Fund, a capital project fund, accounts for the accumulation of funds for street improvements within the Township.

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

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

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

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

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

Cash - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Buildings and improvements	15 - 50 years
Equipment	5 - 15 years
Vehicles	5 - 20 years
Shared road costs	20 years

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
General	Other financing uses	Transfers out	\$ 315,943	\$ 317,960	\$ 2,017
Fire Operating	Public safety	Fire Department	188,999	196,550	7,551

NOTE 3 - CASH AND INVESTMENTS

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

<u>Governmental activities</u>	<u>Fiduciary activity</u>	<u>Total</u>
\$ 1,253,811	\$ 33,117	\$ 1,286,928

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

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. The Township’s investment policy does not specifically address custodial credit risk for deposits. At March 31, 2016, \$509,263 of the Township’s bank balances of \$1,292,468 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - RECEIVABLES

Receivables as of March 31, 2016, for the Township's funds were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assessment</u>	<u>Inter - governmental</u>	<u>Totals</u>
General	\$ 21,888	\$ 7,968	\$ 28,000	\$ 69,163	\$ 127,019
Fire Operating	-	3,718	-	5,226	8,944
Total governmental funds	<u>\$ 21,888</u>	<u>\$ 11,686</u>	<u>\$ 28,000</u>	<u>\$ 74,389</u>	<u>\$ 135,963</u>
Amounts due beyond one year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,000</u>	<u>\$ -</u>	<u>\$ 21,000</u>

All receivables are considered fully collectible.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2016, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 128,669	\$ 19,680	\$ (26,447)	\$ 121,902
Construction in progress	-	48,339	-	48,339
Total capital assets not being depreciated	<u>128,669</u>	<u>68,019</u>	<u>(26,447)</u>	<u>170,241</u>
Capital assets being depreciated:				
Buildings and improvements	1,044,384	20,894	-	1,065,278
Equipment	225,017	3,825	-	228,842
Vehicles	204,582	-	-	204,582
Shared road costs	425,325	29,700	-	455,025
Subtotal	<u>1,899,308</u>	<u>54,419</u>	<u>-</u>	<u>1,953,727</u>
Less accumulated depreciation for:				
Buildings and improvements	(160,492)	(25,760)	-	(186,252)
Equipment	(151,726)	(10,454)	-	(162,180)
Vehicles	(177,829)	(12,996)	-	(190,825)
Shared road costs	(115,035)	(27,185)	-	(142,220)
Subtotal	<u>(605,082)</u>	<u>(76,395)</u>	<u>-</u>	<u>(681,477)</u>
Total capital assets being depreciated, net	<u>1,294,226</u>	<u>(21,976)</u>	<u>-</u>	<u>1,272,250</u>
Governmental activities capital assets, net	<u>\$ 1,422,895</u>	<u>\$ 46,043</u>	<u>\$ (26,447)</u>	<u>\$ 1,442,491</u>

NOTE 5 - CAPITAL ASSETS (Continued)

From time to time, the Township records capitalizable costs, as part of current expenditure functions, for purposes of administrative control. In fiscal year 2016, capitalizable costs of \$78,039 were reported within public works, \$24,719 of capitalizable costs were reported within public safety, and \$19,680 of capitalizable costs were reported within the general government function in the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 14).

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

Governmental activities:	
General government	\$ 26,620
Public safety	22,589
Public works	<u>27,186</u>
Total governmental activities	<u>\$ 76,395</u>

NOTE 6 - PAYABLES

Payables as of March 31, 2016, for the Township's funds were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Totals</u>
General	\$ 11,513	\$ 239	\$ 11,752
Fire Operating	1,319	6,716	8,035
Street Improvements	<u>8,559</u>	<u>-</u>	<u>8,559</u>
Total governmental funds	<u>\$ 21,391</u>	<u>\$ 6,955</u>	<u>\$ 28,346</u>

NOTE 7 - INTERFUND TRANSFERS

A summary of interfund transfers for the year ended March 31, 2016, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Fire Operating	\$ 71,543	General	<u>\$ 317,960</u>
Street Improvements	195,000		
Fire Capital	20,000		
Park Improvements	<u>31,417</u>		
Totals	<u>\$ 317,960</u>		<u>\$ 317,960</u>

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

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

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

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

NOTE 8 - TAX REVENUES

The 2015 taxable valuation of the Township approximated \$156,758,000, on which ad valorem taxes levied consisted of 0.8245 mills for operating purposes, and 0.5000 mills for public safety, raising approximately \$130,000 for operating purposes and \$79,000 for public safety. These amounts are recognized in the fund financial statements as property tax revenue.

NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN

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

Benefit terms, including contribution requirements, for the Plan are established, and may be amended, by the Township Board. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate as described above. The Township contributes 15% of covered payroll to the first class of qualifying employees. The Township contributes 5% of covered payroll to the second class of qualifying employees, with employees contributing a mandatory match of 5%. Employees are permitted to make contributions to the Plan, up to applicable Internal Revenue Code limits. For the year ended March 31, 2016, the Township and eligible employees made contributions of \$16,696 and \$3,821, respectively. At March 31, 2016, the Township reported no accrued liability as part of the contributions to the plan.

NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN (Continued)

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

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

NOTE 10 - DEFERRED COMPENSATION PLAN

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

NOTE 11 - CONSTRUCTION CODE ACT

A summary of construction code enforcement transactions for the year ended March 31, 2016, is as follows:

Cumulative excess revenues, beginning of year	\$ <u> -</u>
Revenues	\$ 65,632
Expenses	<u>61,537</u>
Excess of revenues over expenses	<u>\$ 4,095</u>
Cumulative excess revenues, end of year	<u>\$ 4,095</u>

NOTE 12 - JOINT VENTURE

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

Costs of operations and capital asset acquisitions of the Board are supported by contributions from the member municipalities and fees from recreation programs. During the year ended March 31, 2016, the Township contributed \$4,000 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 13 - RISK MANAGEMENT

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

NOTE 14 - CONSTRUCTION COMMITMENT

At year end, the Township has a construction contract, in the amount of \$505,505, for blacktopping about one mile of Albrecht Road. Costs incurred on the project through March 31, 2016, amounted to \$56,750, leaving a commitment of \$448,755. The project is being funded by available resources in the Street Improvement and General funds.

NOTE 15 - PENDING ACCOUNTING PRONOUNCEMENT

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about (1) the Township's own tax abatement agreements and (2) those that are entered into by other governments, which reduce the Township's tax revenues. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

The Township is currently evaluating the impact this Statement will have on the financial statements when adopted during the year ending March 31, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Solon

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended March 31, 2016

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 281,030	\$ 202,574	\$ 206,919	\$ 4,345
Licenses and permits	106,795	132,570	138,369	5,799
State grants	467,619	467,619	455,639	(11,980)
Charges for services	24,215	29,265	24,850	(4,415)
Interest and rentals	5,203	7,653	7,168	(485)
Other	9,995	9,960	16,230	6,270
	<u>894,857</u>	<u>849,641</u>	<u>849,175</u>	<u>(466)</u>
Total revenues				
EXPENDITURES				
General government:				
Legislative	6,900	6,900	5,352	1,548
Supervisor	31,200	31,200	29,512	1,688
Elections	2,025	4,275	4,327	(52)
Assessor	44,220	44,220	40,547	3,673
Clerk	36,986	36,986	34,824	2,162
Board of review	950	950	1,148	(198)
Treasurer	36,850	36,850	34,964	1,886
Hall and grounds	41,500	38,550	32,379	6,171
Cemetery	9,950	11,200	10,981	219
Other	113,161	117,961	110,074	7,887
	<u>323,742</u>	<u>329,092</u>	<u>304,108</u>	<u>24,984</u>
Total general government				
Public safety:				
Fire department	172,290	-	-	-
Construction code inspections	42,572	62,197	61,537	660
	<u>214,862</u>	<u>62,197</u>	<u>61,537</u>	<u>660</u>
Total public safety				
Public works:				
Road improvements and maintenance	54,500	54,500	54,566	(66)
Street lighting	900	900	834	66
	<u>55,400</u>	<u>55,400</u>	<u>55,400</u>	<u>-</u>
Total public works				
Community and economic development -				
planning and zoning	19,150	19,100	16,422	2,678

Township of Solon

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2016

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
EXPENDITURES (Continued)				
Recreation and culture:				
Parks and recreation	\$ 4,000	\$ 4,000	\$ 4,000	\$ -
Historical society	4,000	4,000	4,000	-
Library	<u>46,000</u>	<u>52,200</u>	<u>52,116</u>	<u>84</u>
Total recreation and culture	<u>54,000</u>	<u>60,200</u>	<u>60,116</u>	<u>84</u>
Capital outlay	<u>12,700</u>	<u>10,500</u>	<u>-</u>	<u>10,500</u>
Total expenditures	<u>679,854</u>	<u>536,489</u>	<u>497,583</u>	<u>38,906</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>215,003</u>	<u>313,152</u>	<u>351,592</u>	<u>38,440</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	63,900	63,915	15
Transfers out	<u>(215,000)</u>	<u>(315,943)</u>	<u>(317,960)</u>	<u>(2,017)</u>
Net other financing uses	<u>(215,000)</u>	<u>(252,043)</u>	<u>(254,045)</u>	<u>(2,002)</u>
NET CHANGES IN FUND BALANCES	3	61,109	97,547	36,438
FUND BALANCES - BEGINNING	<u>584,750</u>	<u>584,750</u>	<u>584,750</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 584,753</u>	<u>\$ 645,859</u>	<u>\$ 682,297</u>	<u>\$ 36,438</u>

Township of Solon

BUDGETARY COMPARISON SCHEDULE - Fire Operating Fund

Year ended March 31, 2016

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ -	\$ 78,456	\$ 78,969	\$ 513
Federal grants	-	5,000	-	(5,000)
State grants	-	5,825	5,828	3
Other	-	-	8,767	8,767
	<u>-</u>	<u>89,281</u>	<u>93,564</u>	<u>4,283</u>
Total revenues	<u>-</u>	<u>89,281</u>	<u>93,564</u>	<u>4,283</u>
EXPENDITURES				
Public safety - Fire Department	-	188,999	196,550	(7,551)
Capital outlay	-	1,100	1,081	19
	<u>-</u>	<u>190,099</u>	<u>197,631</u>	<u>(7,532)</u>
Total expenditures	<u>-</u>	<u>190,099</u>	<u>197,631</u>	<u>(7,532)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	-	(100,818)	(104,067)	(3,249)
OTHER FINANCING SOURCES				
Transfers in	-	69,543	71,543	2,000
	<u>-</u>	<u>69,543</u>	<u>71,543</u>	<u>2,000</u>
NET CHANGES IN FUND BALANCES	-	(31,275)	(32,524)	(1,249)
FUND BALANCES - BEGINNING	<u>32,832</u>	<u>32,832</u>	<u>32,832</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 32,832</u>	<u>\$ 1,557</u>	<u>\$ 308</u>	<u>\$ (1,249)</u>