

TOWNSHIP OF SOLON, MICHIGAN

ANNUAL FINANCIAL REPORT

YEAR ENDED MARCH 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Township of Solon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of the Township of Solon, Michigan, as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, the general fund, and the aggregate remaining fund information of the Township of Solon, Michigan, as of March 31, 2014, 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 table of 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2014, on our consideration of the Township of Solon, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Township of Solon, Michigan's internal control over financial reporting and compliance.



Gabridge & Company, PLC
Grand Rapids, MI
September 19, 2014

Management's Discussion & Analysis

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, 2014. 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 \$375,921 (net position). Of this amount, \$263,048 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the Township's general fund reported fund balance of \$367,283, an increase of \$79,406 in comparison with the prior year. Approximately 72% of this amount (\$263,048) is available for spending at the government's discretion (*unrestricted fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$248,237, or approximately 101% of total general fund expenditures.

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) notes to the 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 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., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from

other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, streets, community and economic development, and culture and recreation. The Township currently reports no business-type activities.

The government-wide financial statements can be found on pages 11-12 of this report.

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 adopts an annual appropriated budget for the general fund. Budgetary comparison schedules for the general fund have been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 13 - 16 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for the government-wide statements. The Township reports one type of fiduciary fund, an agency fund.

The *agency fund* reports resources held by the Township in a custodial capacity for individuals, private organizations, and other governments.

The fiduciary fund financial statement can be found on page 17 of this report.

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.

The notes to the financial statements can be found on pages 18 – 25 of this report.

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 schedules.

Required supplementary information can be found on page 26 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$375,921 at the close of the most recent fiscal year.

Township of Solon Statement of Net Position as of March 31, 2014 and March 31, 2012

	Governmental Activities	
	2014	2012
ASSETS		
<i>Current Assets</i>		
Cash & Cash Equivalents	\$ 338,048	\$ 254,493
Taxes Receivable	12,443	4,716
Due from State	16,327	-
Due from Agency Funds	582	-
Total Current Assets	367,400	259,209
<i>Noncurrent Assets</i>		
Capital Assets (Net)	8,638	15,224
Total Assets	376,038	274,433
LIABILITIES		
<i>Current Liabilities</i>		
Due to Other Agencies	117	55,474
Total Current Liabilities	117	55,474
<i>Noncurrent Liabilities</i>		
Total Liabilities	117	55,474
NET POSITION		
Net Investment in Capital Assets	8,638	15,224
Restricted	104,235	-
Unrestricted	263,048	203,735
Total Net Position	\$ 375,921	\$ 218,959

A small portion of the Township's net position (\$8,638, or 2%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. In addition, the Township has invested significantly in major and local roads within the Township. The major and local roads are not reported in the Township's financial statements because of Michigan law which makes these roads the property of the County Road Commission (along with the responsibility to maintain them).

An additional portion of the Township's net position (\$104,235, or 28%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$263,048, or 70%, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

The overall assets and liabilities reflected material changes for the fiscal year ended March 31, 2014 compared to the fiscal year ended March 31, 2012. This was due to the Township recognizing state revenue sharing receivables in-between the reporting periods, as well as two years of overall net position increase, which caused a corresponding increase in cash.

At the end of the current fiscal year, the Township is able to report positive balances in all reported categories of net position. The same situation held true for the prior fiscal year.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$77,347 from the prior fiscal year for an ending balance of \$375,921. From the prior audited year the township has seen an increase in revenue mostly attributed to an increase in property taxes of \$74,080. The Township decreased its public work expenditures by \$70,764 in the current year due to no major road projects while public safety expenditures increased by \$32,426. The net effect of these major changes along with all other variances in revenue led to the change in net position for the current year.

Township of Solon
Change in Net Position for Fiscal Years Ended
March 31, 2014 and March 31, 2012

	Governmental	
	Activities	
	2014	2012
Revenue		
Program Revenues		
Charges for Services	\$ 6,551	\$ 15,734
Capital Grants & Contributions	-	3,469
Total Program Revenues	6,551	19,203
General Revenues		
State Revenue Sharing	128,507	105,333
Property Taxes	166,349	92,269
Interest	715	551
Other	23,328	59,847
Total General Revenues	318,899	258,000
Total Revenues	325,450	277,203
Expenses		
General Government	99,873	114,109
Public Safety	92,426	60,000
Public Works	821	71,585
Community & Economic Development	26,268	24,477
Recreation & Culture	11,424	7,370
Other	17,291	20,690
Total Expenses	248,103	298,231
Change in Net Position	77,347	(21,028)
<i>Net Position at the Beginning of Period</i>	<i>298,574</i>	<i>239,987</i>
Net Position at the End of Period	\$ 375,921	\$ 218,959

Financial Analysis of Governmental Funds

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

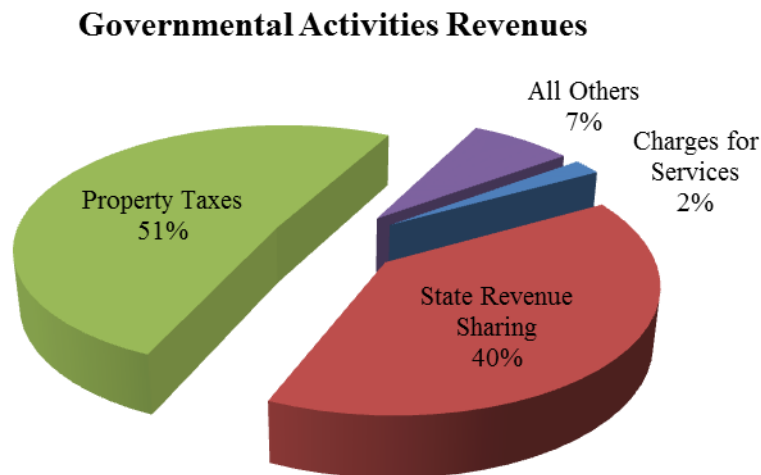
Governmental Funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful 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, 2014, the Township's general fund reported combined fund balances of \$367,283, an increase of \$79,406 in comparison with the prior year. Approximately 68% of this amount (\$248,237) constitutes unassigned fund balance, which is available for spending at the government's discretion, \$14,811 is assigned by the Board for upcoming expenditures. The remainder of the fund balance is restricted to indicate that it is restricted for the purposes of the original millage (\$104,235).

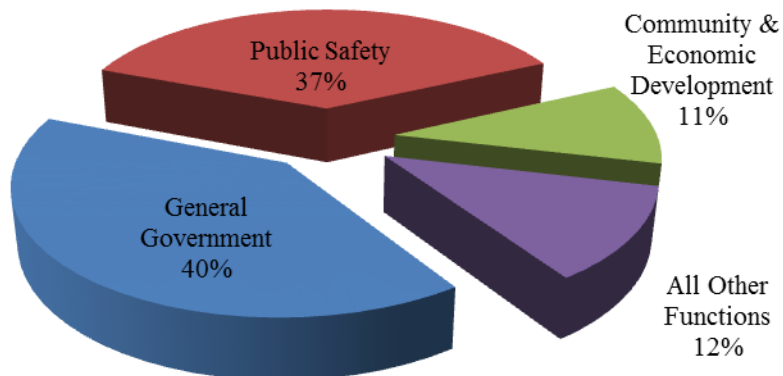
Governmental Activities

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



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 for any significant amendments to increase either the original estimated revenues or original budgeted appropriations.

Final budget compared to actual results. During the current fiscal year the Township had the following significant budget variances between the final budget compared to actual results.

	Final Amended Budget	Actual	Variance
General Fund - Other Miscellaneous	7,013	17,291	(10,278)

Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets for its governmental activities as of March 31, 2014, amounts to \$8,638 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, and park facilities. The total decrease in capital assets for the current fiscal year was approximately 3%.

Long-term Debt

The Township continued to remain debt free during the fiscal year.

Economic Condition and Outlook

Management estimates roughly \$287,300 of revenues to be available for appropriation in the general fund in the upcoming fiscal year. Expenditures are expected to change by small amounts compared to 2014. 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 2014, the Township plans again to use current revenues to provide essential services and to maintain the Township's financial reserves at similar levels. 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 of the Township.

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, we welcome you to contact the clerk at (231) 228-7663.

Township of Solon
Statement of Net Position
March 31, 2014

	<u>Primary Government Governmental Activities</u>
ASSETS	
<i>Current Assets</i>	
Cash & Cash Equivalents	\$ 338,048
Taxes Receivable	12,443
Due from State	16,327
Due from Agency Funds	582
<i>Total Current Assets</i>	<u>367,400</u>
<i>Noncurrent Assets</i>	
Fixed Assets (Net)	8,638
<i>Total Assets</i>	<u>376,038</u>
LIABILITIES	
<i>Current Liabilities</i>	
Due to Other Agencies	117
<i>Total Current Liabilities</i>	<u>117</u>
<i>Noncurrent Liabilities</i>	
<i>Total Liabilities</i>	<u>117</u>
NET POSITION	
Net Investment in Capital Assets	8,638
<i>Restricted for:</i>	
Fire	29,117
Roads	58,076
Sidewalks	17,042
<i>Unrestricted</i>	263,048
<i>Total Net Position</i>	<u>\$ 375,921</u>

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, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital Grants	Revenue
		Services	Grants and	and	Primary
			Contributions	Contributions	Government
					Governmental
					Activities
Primary Government					
Governmental Activities:					
Legislative	\$ 24,936	\$ --	\$ --	\$ --	\$ (24,936)
General Government	74,937	6,551	--	--	(68,386)
Public Safety	92,426	--	--	--	(92,426)
Public Works	821	--	--	--	(821)
Recreation & Culture	11,424	--	--	--	(11,424)
Community & Economic Development	26,268	--	--	--	(26,268)
Other	17,291	--	--	--	(17,291)
Total Primary Government	\$ 248,103	\$ 6,551	\$ --	\$ --	\$ (241,552)

General Purpose Revenues and Transfers:

Revenues

Taxes	166,349
State Shared Revenue	128,507
Interest	715
Other Receipts	23,328

Transfers

Total General Revenues and Transfers	318,899
Change in Net Position	77,347
<i>Net Position at Beginning of Period</i>	<i>298,574</i>
Net Position at End of Period	\$ 375,921

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

**Township of Solon
Balance Sheet
Governmental Funds
March 31, 2014**

	<u>General</u>
ASSETS	
Cash & Cash Equivalents	\$ 338,048
Taxes Receivable	12,443
Due from State	16,327
Due from Agency Funds	582
<i>Total Assets</i>	<u>\$ 367,400</u>
LIABILITIES	
Due to Other Agencies	\$ 117
<i>Total Liabilities</i>	<u>117</u>
FUND BALANCE	
Restricted	104,235
Assigned	14,811
Unassigned	248,237
<i>Total Fund Balance</i>	<u>367,283</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 367,400</u>

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, 2014

Total Fund Balance - Governmental Funds	\$	367,283
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This amount represents capital assets of \$60,332 , net of accumulated depreciation of \$51,694.		8,638
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Total Net Position - Governmental Funds	\$	<u>375,921</u>
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Township of Solon
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended March 31, 2014

	<u>General</u>
Revenues	
Taxes	\$ 166,349
State Shared Revenue	128,507
Rents & Royalties	1,900
Charges for Services	501
Refunds & Reimbursements	840
Other Receipts	26,638
Interest	715
<i>Total Revenues</i>	<u>325,450</u>
Expenditures	
Legislative	24,936
General Government	73,699
Public Safety	92,426
Community & Economic Development	26,268
Recreation & Culture	11,424
Other	17,291
<i>Total Expenditures</i>	<u>246,044</u>
<i>Excess of Revenues Over</i>	
<i>(Under) Expenditures</i>	<u>79,406</u>
<i>Net Change in Fund Balance</i>	<u>79,406</u>
<i>Fund Balance at Beginning of Period</i>	<u>287,877</u>
<i>Fund Balance at End of Period</i>	<u>\$ 367,283</u>

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, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	79,406
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents depreciation expense for the year.

		(2,059)
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Changes in Net Position - Governmental Funds	\$	<u>77,347</u>
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The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Solon
Statement of Fiduciary Net Position
Fiduciary Funds
March 31, 2014

	<u>Agency</u>
	<u>Current Tax Collection</u>
ASSETS	
Cash & Cash Equivalents	\$ 1,302
<i>Total Assets</i>	<u>1,302</u>
LIABILITIES	
Due to Other Agencies	720
Due to Township	<u>582</u>
<i>Total Liabilities</i>	<u>1,302</u>
NET POSITION	
Held in Trust	<u>\$ --</u>

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

Township of Solon
Statement of Net Position
March 31, 2014

	Primary Government Governmental Activities
ASSETS	
<i>Current Assets</i>	
Cash & Equivalents	\$ 338,048
Taxes Receivable	12,443
Due from the State of MI	16,327
Due from the Tax Collection	582
<i>Total Current Assets</i>	367,400
<i>Noncurrent Assets</i>	
Fixed Assets (Net)	8,638
<i>Total Assets</i>	376,038
LIABILITIES	
<i>Current Liabilities</i>	
Due to Other Agencies	117
<i>Total Current Liabilities</i>	117
<i>Noncurrent Liabilities</i>	
<i>Total Liabilities</i>	117
NET POSITION	
Invested in Fixed Assets	8,638
<i>Restricted for:</i>	
Fire	29,117
Roads	58,076
Sidewalks	17,042
<i>Unrestricted</i>	263,048
<i>Total Net Position</i>	\$ 375,921

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, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue Primary Government Governmental Activities
Primary Government					
Governmental Activities:					
Legislative	\$ 24,936	\$ --	\$ --	\$ --	\$ (24,936)
General Government	74,937	6,551	--	--	(68,386)
Public Safety	92,426	--	--	--	(92,426)
Public Works	821	--	--	--	(821)
Recreation & Culture	11,424	--	--	--	(11,424)
Other	17,291	--	--	--	(17,291)
Community & Economic Development	26,268	--	--	--	(26,268)
Total Primary Government	\$ 248,103	\$ 6,551	\$ --	\$ --	\$ (241,552)
General Purpose Revenues and Transfers:					
Revenues					
Taxes					166,349
State Shared Revenue					128,507
Interest					715
Other Receipts					23,328
Transfers					--
Total General Revenues and Transfers					318,899
Change in Net Position					77,347
<i>Net Position at Beginning of Period</i>					298,574
Net Position at End of Period					\$ 375,921

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

**Township of Solon
Balance Sheet
Governmental Funds
March 31, 2014**

	General
ASSETS	
Cash & Equivalents	\$ 338,048
Taxes Receivable	12,443
Due from the State of MI	16,327
Due from the Tax Collection	582
<i>Total Assets</i>	\$ 367,400
LIABILITIES	
Due to Other Agencies	\$ 117
<i>Total Liabilities</i>	117
FUND BALANCE	
Restricted	104,235
Assigned	14,811
Unassigned	248,237
<i>Total Fund Balance</i>	367,283
<i>Total Liabilities and Fund Balance</i>	\$ 367,400

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, 2014

Total Fund Balance - Governmental Funds	\$ 367,283
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This amount represents capital assets of \$60,332 , net of accumulated depreciation of \$51,694.	8,638
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Total Net Position - Governmental Funds	<u>\$ 375,921</u>
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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, 2014

	<u>General</u>
Revenues	
Taxes	\$ 166,349
State Shared Revenue	128,507
Rents & Royalties	1,900
Charges for Services	501
Refunds & Reimbursements	840
Other Receipts	26,638
Interest	715
<i>Total Revenues</i>	<u>325,450</u>
Expenditures	
Legislative	24,936
General Government	73,699
Public Safety	92,426
Community & Economic Development	26,268
Recreation & Culture	11,424
Other	17,291
<i>Total Expenditures</i>	<u>246,044</u>
<i>Excess of Revenues Over</i>	
<i>(Under) Expenditures</i>	<u>79,406</u>
<i>Net Change in Fund Balance</i>	<u>79,406</u>
<i>Fund Balance at Beginning of Period</i>	<u>287,877</u>
<i>Fund Balance at End of Period</i>	<u>\$ 367,283</u>

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, 2014

Total Net Change in Fund Balances - Governmental Funds	\$ 79,406
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents depreciation expense.

	(2,059)
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Changes in Net Position - Governmental Funds	<u>\$ 77,347</u>
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The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Solon
Statement of Fiduciary Net Position
Fiduciary Funds
March 31, 2014

	<u>Agency</u>
	<u>Current Tax Collection</u>
ASSETS	
Cash & Equivalents	\$ 1,302
<i>Total Assets</i>	<u>1,302</u>
LIABILITIES	
Due to Other Agencies	720
Current due to other funds	<u>582</u>
<i>Total Liabilities</i>	<u>1,302</u>
NET POSITION	
Held in Trust	<u>\$ --</u>

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

Township of Solon

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

The Township of Solon is governed by an elected five-member board. The financial statements of the Township of Solon (the “Township”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township’s accounting policies are described below.

Reporting Entity

Solon Township is a general law township located in Leelanau County. Population as of the 2010 census was 1,509.

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.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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 and major individual enterprise funds are reported as separate columns in the fund financial statements.

Township of Solon

Notes to the 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 fund financial statements, except for agency funds which do not have a measurement focus. 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund 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 when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, 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. 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 and available only when cash is received by the Township.

The Township of Solon reports the following major governmental funds:

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

Additionally, the government reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for asset that the government holds for others in an agency capacity (such as taxes collected for other governments).

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

Township of Solon

Notes to the Financial Statements

Budgetary and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to the first day of the following fiscal year, the budget is legally enacted through passage of a resolution.
4. The legal level of budgetary control is at the activity level.
5. Budget appropriations lapse at year-end.
6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621, which was followed for the year ended March 31, 2014. Expenditures may not exceed appropriations. Any amendment to the original budget must meet the requirements of Public Act 621.

Assets, Liabilities, and Equity

Cash and Cash Equivalents

The Township's cash and cash equivalents are 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.

State statutes and Township policy authorize the Township to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

Restricted Cash

Restricted cash within the general fund consists of amounts held from prior tax millages that must be expended for the original intended purpose of the millage.

Township of Solon

Notes to the Financial Statements

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.”

All trade 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, equipment, and infrastructure assets (e.g., water system and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of two years and an initial individual cost of more than \$2,500. 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. 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.

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

Buildings	40 Years
Building Improvements	20 Years
Land Improvements	20 Years
Vehicles	10 Years
Machinery & Equipment	7 Years
Furniture	5 years

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 order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary 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 – net position to have been depleted before unrestricted – net position is applied.

Township of Solon

Notes to the Financial Statements

Fund Balance Flow Assumptions

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.

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. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of 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 or motion prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution or motion remains in place until a similar action is taken (the adoption of another resolution or motion) 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 committed. The Township Board can 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. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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's Board.

Township of Solon

Notes to the Financial Statements

Property Tax Revenue Recognition

The Township property tax is levied on December 1 on the taxable valuation of property located in the Township as of the preceding December 31. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. It is the Township's policy to recognize revenues in the current year when they are levied and made available for the financing of Township operations. The Township considers property taxes levied on December 1 to be revenues of the current period.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Note 2 – Excess of Expenditures Over Budget

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2014, the Township did not incur expenditures in budgetary funds which were in excess of the amounts appropriated.

Note 3 – Cash and Investments

Following is a reconciliation of deposit balances as of March 31, 2014:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash & Cash Equivalents	\$ 338,048	\$ -	\$ 338,048
Cash With Fiscal Agent	-	1,302	1,302
Total Book Balance	<u>\$ 338,048</u>	<u>\$ 1,302</u>	<u>\$ 339,350</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$73,075 of the Township's bank balance of \$344,480 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Township believes it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Township of Solon

Notes to the Financial Statements

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Township's investment policy does not have specific limits in excess of state law on investment credit risk.

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. 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.

Note 4 – Capital Assets

Capital asset activity for governmental activities for the year ended March 31, 2014 was as follows:

<u>Governmental Activities</u>	Balance at March 31, 2013	Additions	Disposals	Balance at March 31, 2014
Capital Assets not Being Depreciated				
Land	\$ 3,481	\$ -	\$ -	\$ 3,481
Total Capital Assets not Being Depreciated	<u>3,481</u>	<u>-</u>	<u>-</u>	<u>3,481</u>
Capital Assets Being Depreciated				
Building & Improvements	26,349	-	-	26,349
Land Improvements	24,752	-	-	24,752
Machinery & Equipment	5,750	-	-	5,750
Total Capital Assets Being Depreciated	<u>56,851</u>	<u>-</u>	<u>-</u>	<u>56,851</u>
Less Accumulated Depreciation:				
Building & Improvements	26,349	-	-	26,349
Land Improvements	20,821	1,238	-	22,059
Machinery & Equipment	2,464	821	-	3,285
Total Accumulated Depreciation	<u>49,634</u>	<u>2,059</u>	<u>-</u>	<u>51,693</u>
Governmental Activities Capital Assets (Net)	<u>\$ 10,698</u>	<u>\$ (2,059)</u>	<u>\$ -</u>	<u>\$ 8,639</u>

Township of Solon

Notes to the Financial Statements

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

Governmental Activities:		
General Government	\$	1,238
Public Works		821
Total Governmental Activities	\$	<u>2,059</u>

Note 5 – Defined Contribution Pension Plan

The Township has a defined contribution plan for Michigan Township employees through Municipal Retirement Systems, Inc. Listed Below is a summary of the significant provisions adopted by Board resolution in July 1991:

- A. Eligibility Requirements
 - (1) Attained age of 18 and not more than 75.
 - (2) No minimum service requirement.
 - (3) All elected officials and full-time and part-time employees.
- B. Contributions
 - (1) 14% of annual compensation is funded annually – 7% by the Township and 7% by employees.
 - (2) Compensation determined by the basic annual rate of compensation in effect at the beginning of the plan year.
 - (3) Township pays 50% of required annual contribution.
- C. Vesting
 - (1) Contributions are vested to the employee immediately upon early retirement, termination of services, death, disability, or normal retirement age of 65.
- D. Plan Administration
 - (1) The plan is administered by the Township Clerk.

For the plan year September 16, 2012 to September 15, 2013 the plan balance was \$7,745. The plan was funded at the required contribution amount.

Note 6 – 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 risks of loss arising from general liability, property and casualty, and workers' compensation are managed through purchased commercial insurance.

Township of Solon

Notes to the Financial Statements

Note 7 – Fund Balances

The following chart details the restricted and assigned fund balances of the general fund:

General Fund - Restricted	
Fire	\$ 29,117
Roads	58,076
Sidewalks	17,042
<i>Total General Fund - Restricted</i>	<u>\$ 104,235</u>
General Fund - Assigned	
Computers	<u>\$ 14,811</u>

Note 8 – Joint Venture

The Township of Solon and the Township of Centerville participate jointly in the operations of the Solon-Centerville Fire Department. There are a total of 10 members on the Board, 5 from each township. The funds required are allocated among the participating municipalities according to a formula approved by the board of directors. The Township of Solon's appropriation of the Solon-Centerville Fire Department for this fiscal year ended March 31, 2014 was \$92,426.

Note 9 – Contingent Liabilities

Township officials are not aware of any contingent liabilities on the part of the Township as of September 19, 2014 that would have a significant impact on the financial condition of the Township.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Solon
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended March 31, 2014

	Budgeted Amounts			Variance Positive (Negative) Final to Actual
	Original	Final	Actual	
Revenues				
Taxes	\$ 168,600	\$ 168,600	\$ 166,349	\$ (2,251)
State Revenue Sharing	100,000	100,000	128,507	28,507
Rents & Royalties	--	--	1,900	1,900
Charges for Services	1,500	1,500	501	(999)
Refunds & Reimbursement	--	--	840	840
Other Receipts	8,000	8,000	26,638	18,638
Interest	100	100	715	615
Total Revenues	278,200	278,200	325,450	47,250
Expenditures				
General Government				
Township Board	31,000	31,000	24,936	6,064
Supervisor	9,810	9,811	9,811	--
Elections	2,000	2,000	1,011	989
Assessor	16,000	16,000	13,678	2,322
Clerk	17,500	19,718	15,930	3,788
Treasurer	17,710	17,710	15,819	1,891
Board of Review	5,200	9,260	860	8,400
Building & Grounds	14,300	14,300	14,254	46
Cemetery	4,000	4,000	1,265	2,735
Board of Appeals	2,000	2,000	1,071	929
Other Miscellaneous	7,000	7,013	17,291	(10,278)
Total General Government	126,520	132,812	115,926	16,886
Public Safety - EMS Service	92,426	92,426	92,426	--
Community & Economic Development				
Planning	29,062	29,062	16,630	12,432
Zoning	9,638	9,638	9,638	--
Total Community & Economic Development	38,700	38,700	26,268	12,432
Recreation & Culture	15,000	15,000	11,424	3,576
Total Expenditures	272,646	278,938	246,044	32,894
Excess (Deficiency) of Revenues				
Over Expenditures	5,554	(738)	79,406	80,144
Net Change in Fund Balance	5,554	(738)	79,406	80,144
Fund Balance at Beginning of Period	287,877	287,877	287,877	--
Fund Balance at End of Period	\$ 293,431	\$ 287,139	\$ 367,283	\$ 80,144

September 19, 2014

To the Township Board
Township of Solon

We have audited the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of the Township of Solon (the "Township") for the year ended March 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government 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 June 20, 2014. 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 the fiscal year 2014. 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 estimate(s) affecting the Township's financial statements was:

Management's estimate of the current year capital asset depreciation expense is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the current year capital asset depreciation expense in determining that the depreciation expense, and ending net book value of the underlying assets, are reasonable in relation to the financial statements taken as a whole.

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. There were no material misstatements detected as a result of audit procedures.

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 September 19, 2014.

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.

Restriction on Use

This information is intended solely for the use of the Township Board and management of the Township of Solon and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand clearly visible.

Gabridge & Company, PLC
Grand Rapids, MI

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Township Board
Township of Solon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of the Township of Solon, Michigan (the "Township"), as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 19, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, Michigan
September 19, 2014