

**Township of Somerset
Hillsdale County, Michigan**

FINANCIAL STATEMENTS

June 30, 2018

Township of Somerset

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Somerset
Hillsdale County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Somerset, Michigan (the Township), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Somerset, Michigan, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

October 29, 2018

The following is a discussion and analysis of the Township of Somerset's (the Township's) financial performance and position, providing an overview of the activities for the year ended June 30, 2018. This analysis should be read in conjunction with the Independent Auditor's Report and with the Township's financial statements, which follow this section. This discussion and analysis provides comparisons with the previous year.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2018.

- Governmental Funds fund balance increased approximately \$202,069 from the prior year.
- Total net position was \$3,273,685.

Using This Annual Report

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide Financial Statements. The statement of net position and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

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

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 8 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (including depreciation) are not reported on the fund financial statements of the governmental funds. Capital assets and depreciation expense are reported on the government-wide financial statements.
- Capital outlay spending results in capital assets on the government-wide financial statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Long-term liabilities, such as amounts accrued for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide financial statements; however, they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.

Fund Financial Statements. The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township in more detail than the government-wide financial statements by providing information about the Township's most significant 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 evaluating 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 of Somerset maintains six (6) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Police Fund, Fire Fund, and Capital Improvement Fund, which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Other Supplementary Information section of this report.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund, Fire Fund, and Police Fund to demonstrate compliance with this budget.

Notes to the Financial Statements. The notes provide additional information that is essential to 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 10-19 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as this MD&A and the budgetary comparison schedules. Combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information.

The Township as a Whole

The following table shows, in a condensed format, the net position as of June 30, 2017 and 2018.

	Governmental Activities	
	2017	2018
Assets		
Current and Other Assets	\$ 1,571,077	\$ 1,757,614
Capital Assets	1,595,746	1,736,654
Total Assets	<u>3,166,823</u>	<u>3,494,268</u>
Liabilities		
Current Liabilities	45,840	68,038
Noncurrent Liabilities	-	152,545
Total Liabilities	<u>45,840</u>	<u>220,583</u>
Net Position		
Net investment in capital assets	1,595,746	1,546,042
Restricted	556,096	481,223
Unrestricted	969,141	1,246,420
Total net position	<u>\$ 3,120,983</u>	<u>\$ 3,273,685</u>

The Township's total net position was \$3,273,685 on June 30, 2018. Unrestricted net position (the part of net position that can be used to finance day-to-day operations) was \$1,246,420 at the end of the fiscal year. The net position invested in capital assets, net of related debt was at \$1,546,042 and restricted net position was at \$481,223.

The following table shows the changes in net position during the current and prior year.

	Governmental Activities	
	<u>2017</u>	<u>2018</u>
Revenues		
Program revenue:		
Charges for services	\$ 505,424	\$ 445,716
Operating grants and contributions	56,167	114,330
Capital grants and contributions	16,664	21,776
General revenues:		
Property taxes	575,566	580,196
State Revenue Sharing	371,861	384,304
Investment earnings	7,274	9,634
Miscellaneous	31,588	67,021
Total revenues	<u>1,564,544</u>	<u>1,622,977</u>
Expenses		
General government	393,234	434,907
Public safety	842,149	844,059
Public works	99,353	92,438
Culture and recreation	97,452	81,499
Community and economic development	15,874	15,342
Interest on long-term debt	385	2,030
Total expenses	<u>1,448,447</u>	<u>1,470,275</u>
Change in net position	<u>\$ 116,097</u>	<u>\$ 152,702</u>

Governmental Activities

The Township's governmental revenues totaled \$1,622,977 with the greatest revenue source being property taxes, making up approximately 36% of total governmental revenue. Charges for services account for approximately 27% of revenue, and state shared revenues were approximately 24% of revenue.

The Township incurred expenses of \$1,470,275 during the year. This represents an increase of \$21,828, or approximately 2% over the prior year. The majority of expense, 57%, is associated with providing public safety services. The second largest expense category, general government activities, is about 30% of total current year expenses.

The Township's Funds

Governmental Funds. The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township of Somerset's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millage. The Township's major funds for the fiscal year ended June 30, 2018 were the General Fund, Police Fund, Fire Fund, and Capital Improvement Fund.

The General Fund pays for most of the Township's governmental services. Revenues exceeded expenditures and other financing uses in the General Fund by \$278,276 resulting in an ending fund balance of \$1,253,956. The most significant service provided during the fiscal year was general governmental services, which incurred expenditures of \$352,924 for the fiscal year. This was a decrease of \$23,083, or 7%, from the prior year.

The Fire Fund expenditures exceeded revenues and other financing sources by \$64,645, resulting in an ending fund balance of \$152,258.

The Police Fund expenditures exceeded revenues and other financing sources by \$8,638, resulting in an ending fund balance of \$12,919.

The Capital Improvement Fund revenues exceeded expenditures by \$6,682, resulting in ending fund balance of \$110,834.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budgeted expenditures and other financing uses were adjusted throughout the year. Total budgeted expenditures were increased by \$12,969, or 3% from the original budget to the final budget.

Fire Fund Budgetary Highlights

Total budgeted expenditures in the Fire Fund were increased from \$580,256 in the original budget to \$856,105 in the final budget. Total budgeted expenditures were increased by \$275,849, or 47%.

Police Fund Budgetary Highlights

Total budgeted expenditures in the Police Fund were increased from \$213,023 in the original budget to \$222,031 in the final budget. Total budgeted expenditures were increased by \$9,008, or 4%.

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year, the Township had approximately \$3,286,653 invested in a broad range of capital assets, including buildings, land and equipment, and capital assets held by the police and fire fund. Accumulated depreciation on these assets was \$1,549,999 for a net capital asset total of \$1,736,654. In addition, the Township has made certain investments in roads within the Township. These assets are not reported in the Township's fund statements, because under Michigan law, these roads are the property of the Hillsdale County Road Commission.

Additional information related to capital assets can be found in Note E of the financial statements.

Long-term Debt. During the current year, the Township obtained long term debt from a commercial loan of \$200,000 to help purchase a new ambulance.

Additional information related to long-term debt can be found in Note F of the financial statements.

Current Economic Factors

The State of Michigan revenue sharing continues to be the most significant budgetary concern. Short term investment rates are recommended at this time as interest rates are slowly increasing.

Contacting the Township Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township finances and demonstrates the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk or Treasurer at the Township Hall.

BASIC FINANCIAL STATEMENTS

Township of Somerset
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,195,527
Investments	120,457
Accounts receivable	50,227
Due from other governmental units	115,050
Prepays	3,345
Total current assets	1,484,606
Noncurrent assets	
Investments	273,008
Capital assets not being depreciated	226,100
Capital assets, net	1,510,554
Total noncurrent assets	2,009,662
TOTAL ASSETS	3,494,268
LIABILITIES	
Current liabilities	
Accounts payable	13,997
Accrued liabilities	9,048
Accrued interest payable	670
Current portion of compensated absences	6,256
Current portion of long-term debt	38,067
Total current liabilities	68,038
Noncurrent liabilities	
Noncurrent portion of long-term debt	152,545
TOTAL LIABILITIES	220,583
NET POSITION	
Net Investment in capital assets	1,546,042
Restricted	481,223
Unrestricted	1,246,420
TOTAL NET POSITION	\$ 3,273,685

See accompanying notes to financial statements.

Township of Somerset
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 434,907	\$ 187,688	\$ 814	\$ -	\$ (246,405)
Public safety	844,059	242,883	100,424	21,776	(478,976)
Public works	92,438	4,300	7,380	-	(80,758)
Recreation and culture	81,499	10,845	5,712	-	(64,942)
Community and economic development	15,342	-	-	-	(15,342)
Interest on long-term debt	2,030	-	-	-	(2,030)
Total governmental activities	<u>\$ 1,470,275</u>	<u>\$ 445,716</u>	<u>\$ 114,330</u>	<u>\$ 21,776</u>	(888,453)
General revenues					
Property taxes					580,196
State shared revenues					384,304
Investment earnings					9,634
Miscellaneous					67,021
Total general revenues					<u>1,041,155</u>
Change in net position					152,702
Net position, beginning of the year					<u>3,120,983</u>
Net position, end of the year					<u>\$ 3,273,685</u>

See accompanying notes to financial statements.

Township of Somerset

Governmental Funds

BALANCE SHEET

June 30, 2018

	General	Fire Fund	Police Fund
ASSETS			
Cash and cash equivalents	\$ 815,114	\$ 124,757	\$ 9,912
Investments	330,107	-	-
Accounts receivable	9,732	37,996	-
Due from other funds	7,000	-	216
Due from other governmental units	95,483	7,501	5,323
Prepays	3,345	-	-
TOTAL ASSETS	<u><u>\$ 1,260,781</u></u>	<u><u>\$ 170,254</u></u>	<u><u>\$ 15,451</u></u>
LIABILITIES			
Accounts payable	\$ 4,612	\$ 5,301	\$ 839
Accrued liabilities	2,213	5,142	1,693
Due to other funds	-	7,553	-
TOTAL LIABILITIES	6,825	17,996	2,532
FUND BALANCES			
Nonspendable - prepaids	3,345	-	-
Restricted			
Public safety	-	152,258	12,919
Public works	-	-	-
Perpetual care	610	-	-
Parks and recreation	-	-	-
Capital improvements	-	-	-
Unassigned	1,250,001	-	-
TOTAL FUND BALANCES	<u><u>1,253,956</u></u>	<u><u>152,258</u></u>	<u><u>12,919</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,260,781</u></u>	<u><u>\$ 170,254</u></u>	<u><u>\$ 15,451</u></u>

See accompanying notes to financial statements.

Capital Improvement Fund	Nonmajor Governmental Funds	Total
\$ 94,263	\$ 151,481	\$ 1,195,527
15,399	47,959	393,465
-	2,499	50,227
-	337	7,553
4,244	2,499	115,050
-	-	3,345
<u>\$ 113,906</u>	<u>\$ 204,775</u>	<u>\$ 1,765,167</u>
\$ 3,072	\$ 173	\$ 13,997
-	-	9,048
-	-	7,553
3,072	173	30,598
-	-	3,345
-	-	165,177
-	123,840	123,840
-	-	610
-	80,762	80,762
110,834	-	110,834
-	-	1,250,001
<u>110,834</u>	<u>204,602</u>	<u>1,734,569</u>
<u>\$ 113,906</u>	<u>\$ 204,775</u>	<u>\$ 1,765,167</u>

Township of Somerset

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2018

Total fund balances - governmental funds \$ 1,734,569

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 3,286,653	
Accumulated depreciation is	<u>(1,549,999)</u>	
Capital assets, net		1,736,654

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Loan payable	(190,612)	
Compensated absences	(6,256)	
Accrued interest payable	<u>(670)</u>	
		<u>(197,538)</u>

Net position of governmental activities \$ 3,273,685

Township of Somerset

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2018

	General	Fire Fund	Police Fund
REVENUES			
Taxes	\$ 193,712	\$ 144,950	\$ 96,638
Fees and fines	15,182	-	1,502
Licenses and permits	86,913	-	-
Intergovernmental	384,918	60,667	-
Charges for services	85,592	297,890	261
Interest and rents	14,028	1,144	143
Other	7,326	45,429	7,358
TOTAL REVENUES	787,671	550,080	105,902
EXPENDITURES			
Current			
General government	352,924	-	-
Public safety	28,046	507,590	192,578
Public works	1,112	-	-
Recreation and culture	31,971	-	-
Community and economic development	15,342	-	-
Debt service	-	10,748	-
Capital outlay	-	296,387	1,962
TOTAL EXPENDITURES	429,395	814,725	194,540
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	358,276	(264,645)	(88,638)
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	200,000	-
Transfers in	-	-	80,000
Transfers out	(80,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(80,000)	200,000	80,000
NET CHANGE IN FUND BALANCES	278,276	(64,645)	(8,638)
Fund balances, beginning of year	975,680	216,903	21,557
Fund balances, end of year	<u>\$ 1,253,956</u>	<u>\$ 152,258</u>	<u>\$ 12,919</u>

See accompanying notes to financial statements.

Capital Improvement Fund	Nonmajor Governmental Funds	Total
\$ 48,298	\$ 96,596	\$ 580,194
-	-	16,684
-	-	86,913
1,745	5,634	452,964
-	4,300	388,043
443	4,420	20,178
9,942	7,946	78,001
60,428	118,896	1,622,977
-	-	352,924
-	-	728,214
-	91,326	92,438
-	37,176	69,147
-	-	15,342
-	-	10,748
53,746	-	352,095
53,746	128,502	1,620,908
6,682	(9,606)	2,069
-	-	200,000
-	-	80,000
-	-	(80,000)
-0-	-0-	200,000
6,682	(9,606)	202,069
104,152	214,208	1,532,500
\$ 110,834	\$ 204,602	\$ 1,734,569

Township of Somerset

Governmental Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Net change in fund balances - total governmental funds \$ 202,069

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$	340,005
Loss on disposal of capital assets		(66,122)
Depreciation expense		(132,975)
		(132,975)

Excess of capital outlay over depreciation expense and loss on disposal		140,908
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Issuance of debt		(200,000)
Debt principal retirement		9,388
		9,388

(190,612)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences		1,007
Increase in accrued interest payable		(670)
		(670)

337

Change in net position of governmental activities

\$ 152,702

Township of Somerset

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2018

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 2,122</u>
LIABILITIES	
Due to others	<u>\$ 2,122</u>

Township of Somerset

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Somerset, Michigan, (the Township) was organized as a township under provisions of the constitution and general law of the State of Michigan. The Township is one of eighteen (18) townships in Hillsdale County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two Trustees and provides services to its residents in many areas including fire protection, police services, parks and recreation, and planning.

The financial statements of the Township have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to township governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the Township of Somerset. The Township does not have any activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of Somerset contain all the funds controlled by the Township Board.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of these statements.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The Township reports the following major governmental funds:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Fire Fund accounts for the tax millage levied for the related fire protection costs and the billed services accounts for the emergency service costs incurred by the Township.
- c. The Police Fund accounts for the tax millage levied for the related police protection costs incurred by the Township.
- d. The Capital Improvement Fund accounts for all the financial resources that are used to fund improvement projects within the Township.

The Township also reports an agency fund to account for assets held by the Township as an agent for other governments or individuals. Agency funds are, by nature, custodial, therefore, operation results are not measured. The Township's agency fund is the Current Tax Fund.

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as receivable and unavailable revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Accounting - continued

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

5. Budgets and Budgetary Accounting

Budgets for governmental fund is adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. The Township employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to July 1, the budget is adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between accounts within a fund or activity or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year at the activity level for the General Fund and total expenditure level for the Special Revenue Funds.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, and temporary investments in various instruments with a maturity from date of purchase of 90 days or less.

Investments include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. All investments are stated at fair value.

7. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services.

8. Property Tax

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Property Tax - continued

The Township is permitted to levy up to \$0.9941 per \$1,000 of assessed valuation for general governmental services, up to \$0.7456 per \$1,000 of assessed valuation for fire protection services, up to \$0.4971 per \$1,000 of assessed valuation for police protection services, and up to \$0.2485 per \$1,000 of assessed valuation for parks and recreation services, road improvements, and capital improvements, respectively. For the year ended June 30, 2018, the Township levied the full amount for each levy. The total taxable value for the 2017 levy for property within the Township was \$195,780,903.

9. Interfund Transactions

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

10. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the government activities. Capital assets are those with an initial individual cost greater than \$5,000 and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition cost on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Machinery and equipment	10 - 20 years
Furniture and fixtures	3 - 40 years
Buildings and improvements	20 - 50 years
Vehicles	5 - 20 years

11. Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet and the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of fund balance/net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure/expense) until that time.

In addition to liabilities, the balance sheet and the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance/net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Township does not currently have any items that meet the recognition criteria for classification as deferred outflows of resources or deferred inflows of resources.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Restrictions of Net Position

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

13. Compensated Absences

It is the Township's policy to permit employees to accumulate earned but unused vacation and sick time benefits, subject to certain limitations. These benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

14. Tax Abatements

The Township's tax revenues have been reduced by tax abatements. Management has determined these amounts to be immaterial to the financial statements.

15. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Township of Somerset

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2018, the carrying amount of the Township's deposits was \$879,647 and the bank balance was \$911,522 all of which was covered by federal depository insurance.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs. There are three (3) levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

The Township had the following fair value measurements as of June 30, 2018:

	Fair Value Measurements			Total	Weighted Average Maturity	S&P Rating
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
PRIMARY GOVERNMENT						
Uncategorized pooled investment funds						
Michigan CLASS	\$ -0-	\$ 711,292	\$ -0-	\$ 711,292	52 Days	AAAm

The Township participates in the Michigan Cooperative Liquid Asset Securities System (Michigan CLASS). Portfolio investments are assigned a level based on the observability of inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Because the value of the Michigan CLASS investments is not obtained from a quoted price in an active market, these investments are classified as Level 2. Fair value is determined based on the fair value of the pool's underlying investments. Michigan CLASS's annual financial statements may be obtained at www.michiganclass.org.

Township of Somerset
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2018, rating information on the Township's investments is presented above.

Interest Rate Risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by designing its portfolio so that the investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2018:

	Primary Government	Fiduciary Fund	Total
Cash and cash equivalents	\$ 1,195,527	\$ 2,122	\$ 1,197,649
Investments - current	120,457	-	120,457
Investments - noncurrent	273,008	-	273,008
	\$ 1,588,992	\$ 2,122	\$ 1,591,114

The Township has \$175 in imprest cash as of June 30, 2018.

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2018, are as follows:

Due to General Fund from:	
Fire Fund	\$ 7,000
Due to Police Fund from:	
Fire Fund	\$ 216
Due to nonmajor governmental funds from:	
Fire Fund	\$ 337

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

Township of Somerset
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers have been eliminated.

Transfer to Police Fund from:	
General Fund	<u><u>\$ 80,000</u></u>

Transfers from the General Fund are to fund current year operations.

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental activities				
Capital assets not being depreciated				
Land	\$ 226,100	\$ -	\$ -	\$ 226,100
Capital assets being depreciated				
Buildings and improvements	931,438	90,882	-	1,022,320
Furniture and fixtures	179,208	15,500	(11,056)	183,652
Machinery and equipment	409,614	6,352	-	415,966
Vehicles	1,325,313	227,271	(113,969)	1,438,615
Total capital assets being depreciated	2,845,573	340,005	(125,025)	3,060,553
Less accumulated depreciation for:				
Buildings and improvements	(541,126)	(30,252)	-	(571,378)
Furniture and fixtures	(158,570)	(5,206)	11,056	(152,720)
Machinery and equipment	(298,029)	(19,742)	-	(317,771)
Vehicles	(478,202)	(77,775)	47,847	(508,130)
Total accumulated depreciation	(1,475,927)	(132,975)	58,903	(1,549,999)
Net capital assets being depreciated	1,369,646	207,030	(66,122)	1,510,554
Net capital assets	\$ 1,595,746	\$ 207,030	\$ (66,122)	\$ 1,736,654

Depreciation expense was charged to the following governmental activities:

General government	\$ 15,861
Recreation and culture	12,352
Public safety	104,762
Total	\$ 132,975

The current year depreciation expense for governmental activities is \$132,975.

Township of Somerset

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended June 30, 2018:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Commercial Loan	\$ -	\$ 200,000	\$ 9,388	\$ 190,612	\$ 38,067
Compensated Absences	7,263	9,717	10,724	6,256	6,256
	<u>\$ 7,263</u>	<u>\$ 209,717</u>	<u>\$ 20,112</u>	<u>\$ 196,868</u>	<u>\$ 44,323</u>

Commercial Loan

Hillsdale County National Bank Loan due in quarterly installments of \$10,748 through February 22, 2023, with interest of 2.75 percent, for an ambulance with an original cost of \$200,000.

Year Ending June 30,	Principal	Interest
2019	\$ 38,067	\$ 4,923
2020	39,131	3,859
2021	40,242	2,748
2022	41,376	1,614
2023	31,796	448
	<u>\$ 190,612</u>	<u>\$ 13,592</u>

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick and vacation. The dollar amounts of these vested rights including related payroll taxes, have been accrued on the government-wide financial statements. The total liability amounted to approximately \$6,256 at June 30, 2018.

NOTE G: RISK MANAGEMENT

The Township maintains commercial insurance coverage for property, liability, wrongful acts, law enforcement, automobile, bond, crime, inland marine, boiler, EDP, and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE H: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) fund balance classifications under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Township of Somerset

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE H: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, Township of Somerset's highest level of decision-making authority is the Board of Trustees. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution of the Board of Trustees.

For assigned fund balance, the Township has not approved a policy indicating who is to assign amounts to a specific purpose. As a result, this authority is retained by the Board of Trustees.

The Township has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. Therefore, restricted resources will be used first, then unrestricted resources as they are needed.

NOTE I: RESTRICTED NET POSITION

Restriction of net position shown in the government-wide financial statements indicate that restriction imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various restrictions in net position as of June 30, 2018:

Public safety	\$	165,177
Capital improvements		110,834
Perpetual care		610
Parks and recreation		80,762
Public works		123,840
		<hr/>
	\$	481,223
		<hr/> <hr/>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Somerset

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 195,086	\$ 195,086	\$ 193,712	\$ (1,374)
Fees and fines	18,000	18,000	15,182	(2,818)
Licenses and permits	78,200	78,200	86,913	8,713
Intergovernmental	361,450	361,450	384,918	23,468
Charges for services	91,100	91,100	85,592	(5,508)
Interest and rents	7,350	7,350	14,028	6,678
Other	5,200	7,076	7,326	250
TOTAL REVENUES	756,386	758,262	787,671	29,409
EXPENDITURES				
Current				
General government				
Township board	11,050	12,200	12,018	182
Supervisor	16,950	16,950	16,213	737
Treasurer	57,125	57,125	52,384	4,741
Assessor	90,556	91,656	76,232	15,424
Clerk	47,450	48,630	47,521	1,109
Elections	4,255	5,155	1,571	3,584
Building and grounds	49,721	49,720	42,935	6,785
Board of review	820	1,520	1,193	327
Cemetery	29,500	29,500	26,799	2,701
Professional fees	19,000	20,200	13,013	7,187
Data and computer processing	1,500	1,500	-	1,500
Utilities	26,500	28,500	27,890	610
Other	37,150	41,250	35,155	6,095
Total general government	391,577	403,906	352,924	50,982
Public safety				
Inspections	24,350	26,345	28,046	(1,701)
Public works				
Sanitation and cleanup	3,000	3,000	1,109	1,891
Drain assessment	2,000	5	3	2
Total public works	5,000	3,005	1,112	1,893
Recreation and culture				
Fireworks	7,000	7,000	7,000	-0-
Library	25,700	25,700	24,971	729
Total recreation and culture	32,700	32,700	31,971	729

Township of Somerset

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Community and economic development				
Planning and zoning	\$ 21,685	\$ 22,335	\$ 15,342	\$ 6,993
TOTAL EXPENDITURES	475,312	488,291	429,395	58,896
EXCESS OF REVENUES OVER EXPENDITURES	281,074	269,971	358,276	88,305
OTHER FINANCING (USES)				
Transfer out	(281,074)	(188,184)	(80,000)	108,184
NET CHANGE IN FUND BALANCE	-0-	81,787	278,276	196,489
Fund balance, beginning of year	975,680	975,680	975,680	-0-
Fund balance, end of year	\$ 975,680	\$ 1,057,467	\$ 1,253,956	\$ 196,489

Township of Somerset

Fire Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 145,669	\$ 145,669	\$ 144,950	\$ (719)
Intergovernmental	66,000	66,000	60,667	(5,333)
Charges for services	310,883	310,883	297,890	(12,993)
Interest	300	300	1,144	844
Other	100	42,558	45,429	2,871
TOTAL REVENUES	522,952	565,410	550,080	(15,330)
EXPENDITURES				
Current				
Public safety				
Personnel services	330,272	332,773	315,875	16,898
Payroll taxes and benefits	51,000	55,000	52,363	2,637
Supplies	14,100	14,100	2,644	11,456
Fuel	8,000	8,000	14,321	(6,321)
Repairs and maintenance	25,000	69,558	76,513	(6,955)
Insurance	15,000	15,605	16,344	(739)
Telephone	1,000	1,000	1,011	(11)
Printing and publishing	50	50	-	50
Education and training	13,000	13,000	10,043	2,957
Contracted services	15,000	15,000	16,998	(1,998)
Professional fees	250	250	105	145
Dues and subscriptions	1,600	1,600	1,131	469
Other	-	-	242	(242)
Total public safety	474,272	525,936	507,590	18,346
Debt service				
Principal payments	-	19,000	9,388	9,612
Interest	-	2,700	1,360	1,340
Total debt service	-0-	21,700	10,748	10,952
Capital outlay	105,984	308,469	296,387	12,082
TOTAL EXPENDITURES	580,256	856,105	814,725	41,380
EXCESS OF REVENUES (UNDER) EXPENDITURES	(57,304)	(290,695)	(264,645)	26,050
OTHER FINANCING SOURCES				
Transfers in	57,304	59,304	-	(59,304)
Loan proceeds	-	200,000	200,000	-0-
TOTAL OTHER FINANCING SOURCES	57,304	259,304	200,000	(59,304)
NET CHANGE IN FUND BALANCE	-0-	(31,391)	(64,645)	(33,254)
Fund balance, beginning of year	216,903	216,903	216,903	-0-
Fund balance, end of year	\$ 216,903	\$ 185,512	\$ 152,258	\$ (33,254)

Township of Somerset

Police Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 97,002	\$ 97,002	\$ 96,638	\$ (364)
Fees and fines	3,500	3,500	1,502	(1,998)
Charges for services	-	-	261	261
Interest and rents	-	-	143	143
Other	2,250	5,758	7,358	1,600
TOTAL REVENUES	102,752	106,260	105,902	(358)
EXPENDITURES				
Current				
Public safety				
Personnel services	127,693	120,693	95,524	25,169
Payroll taxes and benefits	50,000	57,000	56,877	123
Supplies	550	550	1,318	(768)
Fuel	7,000	7,000	5,197	1,803
Repairs and maintenance	1,630	5,138	5,572	(434)
Insurance	17,000	17,000	16,737	263
Telephone	2,650	2,650	2,297	353
Education and training	1,000	1,000	1,196	(196)
Professional fees	1,000	6,500	6,318	182
Dues and subscriptions	500	500	366	134
Other	2,000	2,000	1,176	824
Total public safety	211,023	220,031	192,578	27,453
Capital outlay	2,000	2,000	1,962	38
TOTAL EXPENDITURES	213,023	222,031	194,540	27,491
EXCESS OF REVENUES (UNDER) EXPENDITURES	(110,271)	(115,771)	(88,638)	27,133
OTHER FINANCING SOURCES				
Transfer in	110,271	115,771	80,000	(35,771)
NET CHANGE IN FUND BALANCE	-0-	-0-	(8,638)	(8,638)
Fund balance, beginning of year	21,557	21,557	21,557	-0-
Fund balance, end of year	<u>\$ 21,557</u>	<u>\$ 21,557</u>	<u>\$ 12,919</u>	<u>\$ (8,638)</u>

Township of Somerset

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2018

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated. The Township's budgeted expenditures in the General Fund have been adopted at the activity level and at the total fund level for the Special Revenue Funds.

During the year ended June 30, 2018, the Township incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund Public safety Inspections	\$ 26,345	\$ 28,046	\$ (1,701)

OTHER SUPPLEMENTARY INFORMATION

Township of Somerset
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 June 30, 2018

	Special Revenue		Total
	Parks and Recreation	Road Fund	
ASSETS			
Cash and cash equivalents	\$ 43,417	\$ 108,064	\$ 151,481
Investments	34,682	13,277	47,959
Accounts receivables	2,499	-	2,499
Due from other governmental units	-	2,499	2,499
Due from other funds	337	-	337
	<u>337</u>	<u>-</u>	<u>337</u>
TOTAL ASSETS	<u>\$ 80,935</u>	<u>\$ 123,840</u>	<u>\$ 204,775</u>
LIABILITIES			
Accounts payable	\$ 173	\$ -	\$ 173
FUND BALANCES			
Restricted for parks and recreation	80,762	-	80,762
Restricted for public works	-	123,840	123,840
	<u>-</u>	<u>123,840</u>	<u>123,840</u>
TOTAL FUND BALANCES	<u>80,762</u>	<u>123,840</u>	<u>204,602</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 80,935</u>	<u>\$ 123,840</u>	<u>\$ 204,775</u>

Township of Somerset

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2018

	Special Revenue		Total
	Parks and Recreation	Road Fund	
REVENUES			
Taxes	\$ 48,298	\$ 48,298	\$ 96,596
Intergovernmental	-	5,634	5,634
Charges for services	-	4,300	4,300
Interest and rents	3,098	1,322	4,420
Other	7,429	517	7,946
TOTAL REVENUES	58,825	60,071	118,896
EXPENDITURES			
Current			
Public works	-	91,326	91,326
Recreation and culture	37,176	-	37,176
TOTAL EXPENDITURES	37,176	91,326	128,502
NET CHANGE IN FUND BALANCES	21,649	(31,255)	(9,606)
Fund balances, beginning of year	59,113	155,095	214,208
Fund balances, end of year	\$ 80,762	\$ 123,840	\$ 204,602