

**TOWNSHIP OF SOMERSET
HILLSDALE COUNTY, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required and other
supplementary information)**

YEAR ENDED JUNE 30, 2021

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2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

☎ 517.323.7500

✉ 517.323.6346

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, 2021, 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, 2021, 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.

Manes Costeiran PC

November 15, 2021

**TOWNSHIP OF SOMERSET
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2021. 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, 2021.

- General Fund fund balance decreased approximately \$119,230 from the prior year.
- Total net position was \$3,592,044.

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 13 and 15 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.

TOWNSHIP OF SOMERSET MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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 Road 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, Police Fund, and Road 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 18-30 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.

**TOWNSHIP OF SOMERSET
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Township as a Whole

The following table shows, in a condensed format, the net position as of June 30, 2020 and 2021.

	Governmental Activities	
	<u>2020</u>	<u>2021</u>
Assets		
Current and other assets	\$ 1,978,351	\$ 1,999,919
Capital assets	<u>1,612,145</u>	<u>1,633,777</u>
Total assets	<u>3,590,496</u>	<u>3,633,696</u>
Liabilities		
Current liabilities	31,090	41,652
Noncurrent liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>31,090</u>	<u>41,652</u>
Net Position		
Investment in capital assets	1,612,145	1,633,777
Restricted	536,666	670,432
Unrestricted	<u>1,410,595</u>	<u>1,287,835</u>
Total net position	<u>\$ 3,559,406</u>	<u>\$ 3,592,044</u>

The Township's total net position was \$3,592,044 on June 30, 2021. Unrestricted net position (the part of net position that can be used to finance day-to-day operations) was \$1,287,835 at the end of the fiscal year. The net position invested in capital assets was at \$1,633,777 and restricted net position was at \$670,432.

**TOWNSHIP OF SOMERSET
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

	Governmental Activities	
	<u>2020</u>	<u>2021</u>
Revenues		
Program revenue		
Charges for services	\$ 514,739	\$ 591,348
Operating grants and contributions	126,010	213,092
Capital grants and contributions	46,061	-
General revenues		
Property taxes	617,603	638,747
State Revenue Sharing	399,049	452,478
Investment earnings	39,754	4,858
Miscellaneous	14,597	8,418
Total revenues	<u>1,757,813</u>	<u>1,908,941</u>
Expenses		
General government	409,993	376,312
Public safety	912,157	1,224,591
Public works	218,166	114,226
Culture and recreation	68,753	117,658
Community and economic development	15,163	43,516
Interest on long-term debt	1,801	-
Total expenses	<u>1,626,033</u>	<u>1,876,303</u>
Change in net position	<u>\$ 131,780</u>	<u>\$ 32,638</u>

Governmental Activities

The Township's governmental revenues totaled \$1,908,941 with the greatest revenue source being property taxes, making up approximately 33% of total governmental revenue. Charges for services account for approximately 31% of revenue, and state shared revenues were approximately 24% of revenue.

The Township incurred expenses of \$1,876,303 during the year. This represents an increase of \$250,270, or approximately 15% over the prior year. The majority of expense, 65%, is associated with providing public safety services. The second largest expense category, general government activities, is about 20% of total current year expenses.

**TOWNSHIP OF SOMERSET
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Township's Funds

Governmental Funds. The analysis of the Township's major funds begins on page 12, 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, 2021 were the General Fund, Police Fund, Fire Fund, and Road Fund.

The General Fund pays for most of the Township's governmental services. Expenditures and other financing uses exceeded revenues in the General Fund by \$119,230 resulting in an ending fund balance of \$1,295,422. The most significant service provided during the fiscal year was general governmental services, which incurred expenditures of \$395,346 for the fiscal year. This was an increase of \$44,460, or 13%, from the prior year.

The Fire Fund expenditures exceeded revenues and other financing sources by \$96,148, resulting in an ending fund balance of \$266,974.

The Police Fund revenues and other financing sources exceeded expenditures by \$5,469, resulting in an ending fund balance of \$42,028.

The Improvement Fund expenditures exceeded revenues and other financing sources by \$38,802, resulting in ending fund balance of \$118,283.

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 \$80,810, or 13% from the original budget to the final budget.

Fire Fund Budgetary Highlights

Total budgeted expenditures in the Fire Fund were decreased from \$829,324 in the original budget to \$681,871 in the final budget. Total budgeted expenditures were decreased by \$147,453, or 22%.

Police Fund Budgetary Highlights

Total budgeted expenditures in the Police Fund were increased from \$282,600 in the original budget to \$316,089 in the final budget. Total budgeted expenditures were increased by \$33,489, or 11%.

**TOWNSHIP OF SOMERSET
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year, the Township had approximately \$3,552,357 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 \$1,918,580 for a net capital asset total of \$1,633,777. 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 4 of the financial statements.

Long-term Debt. The Township reports amounts outstanding for compensated absences which were earned but not used as of June 30, 2021.

Additional information related to long-term debt can be found in Note 5 of the financial statements.

Current Economic Factors

The State of Michigan revenue sharing continues to be the most significant budgetary. Short term investments are recommended at this time as interest rates are slowly increasing. Taxable values are expected to remain consistent and total millage levels will decrease from 2.9371 mills to 2.9025 mills.

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, 2021**

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,478,897
Accounts receivable	66,693
Due from other governmental units	84,650
Prepays	<u>71,643</u>
Total current assets	<u>1,701,883</u>
Noncurrent assets	
Investments	298,036
Capital assets not being depreciated	226,100
Capital assets, net	<u>1,407,677</u>
Total noncurrent assets	<u>1,931,813</u>
TOTAL ASSETS	<u>3,633,696</u>
LIABILITIES	
Current liabilities	
Accounts payable	16,975
Accrued liabilities	17,725
Current portion of compensated absences	<u>6,952</u>
TOTAL LIABILITIES	<u>41,652</u>
NET POSITION	
Investment in capital assets	1,633,777
Restricted	670,432
Unrestricted	<u>1,287,835</u>
TOTAL NET POSITION	<u>\$ 3,592,044</u>

See accompanying notes to financial statements.

**TOWNSHIP OF SOMERSET
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Program Revenues		Net (Expenses) Revenue and Changes in Net Position
	Expenses	Charges for Services	
Governmental activities			
General government	\$ 376,312	\$ 206,153	\$ (168,919)
Public safety	1,224,591	375,796	(650,291)
Public works	114,226	-	(101,100)
Recreation and culture	117,658	9,399	(108,037)
Community and economic development	43,516	-	(43,516)
Total governmental activities	\$ 1,876,303	\$ 591,348	(1,071,863)
General revenues			
Property taxes			638,747
State shared revenues			452,478
Investment earnings			4,858
Miscellaneous			8,418
Total general revenues			1,104,501
Change in net position			32,638
Net position, beginning of the year			3,559,406
Net position, end of the year			\$ 3,592,044

See accompanying notes to financial statements.

**TOWNSHIP OF SOMERSET
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021**

ASSETS	General	Fire Fund	Police Fund	Improvement Fund	Nonmajor Governmental Funds	Total
Cash and cash equivalents	\$ 956,547	\$ 212,381	\$ 27,147	\$ 101,200	\$ 181,622	\$ 1,478,897
Investments	229,195	-	-	17,083	51,758	298,036
Accounts receivable	9,719	56,974	-	-	-	66,693
Due from other governmental units	84,650	-	-	-	-	84,650
Prepays	30,379	10,882	20,116	-	10,266	71,643
TOTAL ASSETS	\$ 1,310,490	\$ 280,237	\$ 47,263	\$ 118,283	\$ 243,646	\$ 1,999,919
LIABILITIES						
Accounts payable	\$ 12,548	\$ 2,248	\$ 1,045	\$ -	\$ 1,134	\$ 16,975
Accrued liabilities	2,520	11,015	4,190	-	-	17,725
TOTAL LIABILITIES	15,068	13,263	5,235	-	1,134	34,700
FUND BALANCES						
Nonspendable - prepaids	30,379	10,882	20,116	-	10,266	71,643
Restricted	-	256,092	21,912	-	-	278,004
Public safety	-	-	-	-	69,269	69,269
Public works	635	-	-	-	-	635
Perpetual care	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Capital improvements	-	-	-	118,283	162,977	162,977
Assigned	444,964	-	-	-	-	118,283
Unassigned	819,444	-	-	-	-	444,964
TOTAL FUND BALANCES	1,295,422	266,974	42,028	118,283	242,512	1,965,219
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,310,490	\$ 280,237	\$ 47,263	\$ 118,283	\$ 243,646	\$ 1,999,919

See accompanying notes to financial statements.

**TOWNSHIP OF SOMERSET
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total fund balances - governmental funds \$ 1,965,219

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	\$ 3,552,357	
Accumulated depreciation is	<u>(1,918,580)</u>	
Capital assets, net		1,633,777

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:

Compensated absences		<u>(6,952)</u>
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Net position of governmental activities \$ 3,592,044

**TOWNSHIP OF SOMERSET
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2021**

	General	Fire Fund	Police Fund	Improvement Fund	Nonmajor Governmental Funds	Total
REVENUES						
Taxes	\$ 214,660	\$ 159,079	\$ 106,044	\$ 52,988	\$ 105,976	\$ 638,747
Fees and fines	1,504	-	376	-	-	1,880
Licenses and permits	96,499	-	-	-	-	96,499
Intergovernmental	453,391	-	-	-	13,126	466,517
Charges for services	108,150	572,690	709	-	-	681,549
Interest and rents	8,892	157	986	211	4,011	14,257
Other	6,952	525	455	-	1,560	9,492
TOTAL REVENUES	890,048	732,451	108,570	53,199	124,673	1,908,941
EXPENDITURES						
Current						
General government	395,346	-	-	-	-	395,346
Public safety	27,050	636,303	306,955	-	-	970,308
Public works	36,322	-	-	-	77,904	114,226
Recreation and culture	34,008	-	-	-	71,418	105,426
Community and economic development	43,516	-	-	-	-	43,516
Capital outlay	-	-	-	265,583	-	265,583
TOTAL EXPENDITURES	536,242	636,303	306,955	265,583	149,322	1,894,405
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	353,806	96,148	(198,385)	(212,384)	(24,649)	14,536
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	203,854	173,582	95,600	473,036
Transfers out	(473,036)	-	-	-	-	(473,036)
TOTAL OTHER FINANCING SOURCES (USES)	(473,036)	-	203,854	173,582	95,600	-
NET CHANGE IN FUND BALANCES	(119,230)	96,148	5,469	(38,802)	70,951	14,536
Fund balances, beginning of year	1,414,652	170,826	36,559	157,085	171,561	1,950,683
Fund balances, end of year	\$ 1,295,422	\$ 266,974	\$ 42,028	\$ 118,283	\$ 242,512	\$ 1,965,219

See accompanying notes to financial statements.

TOWNSHIP OF SOMERSET
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, 2021

Net change in fund balances - total governmental funds \$ 14,536

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	\$ 301,437	
Loss on disposal of capital assets	(126,900)	
Depreciation expense	<u>(152,905)</u>	
Excess of capital outlay over depreciation expense and other items		21,632

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:

(Increase) in compensated absences		<u>(3,530)</u>
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Change in net position of governmental activities \$ 32,638

**TOWNSHIP OF SOMERSET
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021**

	Custodial Fund Tax Collection Fund
ASSETS	
Cash	\$ -
LIABILITIES	
Undistributed tax collections	-
NET POSITION	
Restricted for individuals and agencies	\$ -

See accompanying notes to financial statements.

**TOWNSHIP OF SOMERSET
 FIDUCIARY FUND
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED JUNE 30, 2021**

	Custodial Fund Tax Collection Fund
ADDITIONS	
Collection of taxes for other governments	\$ 6,128,031
DEDUCTIONS	
Payment of taxes collected for other governments	6,128,031
Net change in fiduciary net position	-
NET POSITION	
Beginning of year	-
End of year	\$ -

See accompanying notes to financial statements.

**TOWNSHIP OF SOMERSET
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - 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 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.

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.

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.

**TOWNSHIP OF SOMERSET
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Basis of Presentation (continued)

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.

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 Improvement Fund accounts for the tax millage levied for the capital improvements incurred by the Township.

The Township also reports as a fiduciary fund the current tax collections fund (custodial fund).

Measurement Focus

The government-wide and fiduciary fund 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.

Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide and custodial fund financial statements are prepared using the accrual basis of accounting.

**TOWNSHIP OF SOMERSET
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Basis of Accounting (continued)

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants and contributions are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded in the government-wide financial statements when resources are received by the Township before it has legal claim to them, such as when program fees are received.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the Township to disburse fiduciary resources.

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.

Budgets and Budgetary Accounting

Budgets for governmental funds are 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.

**TOWNSHIP OF SOMERSET
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, uncategorized pooled investment accounts.

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.

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. 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.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Receivables

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

**TOWNSHIP OF SOMERSET
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

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.

The Township is permitted to levy up to \$0.9790 per \$1,000 of assessed valuation for general governmental services, up to \$0.7344 per \$1,000 of assessed valuation for fire protection services, up to \$0.4896 per \$1,000 of assessed valuation for police protection services, and up to \$0.2447 per \$1,000 of assessed valuation for parks and recreation services, road improvements, and capital improvements, respectively. For the year ended June 30, 2021, the Township levied the full amount for each levy. The total taxable value for the 2020 levy for property within the Township was \$216,369,611.

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.

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

**TOWNSHIP OF SOMERSET
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

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.

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.

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.

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.

Fund Balance Classifications

Fund balance classifications 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 fund balance classifications of fund balance:

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.

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.

**TOWNSHIP OF SOMERSET
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Fund Balance Classifications (continued)

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.

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 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2021, the Township had deposits and investments subject to the following risks.

Custodial Credit Risk - 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, 2021, \$82,931 of the Township's bank balance of \$799,804 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount of the Township's deposits was \$709,226. The Township has \$175 of imprest cash at June 30, 2021.

**TOWNSHIP OF SOMERSET
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and investing through pre-approved third-party custodians.

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 the investment portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, considering the investment risk constraints and the cash flow characteristics of the portfolio.

	Fair Value	Weighted Average Maturity
Michigan CLASS	\$ 1,067,532	55 days

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 investment in a single issuer, by diversifying the investment portfolio 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. State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. As of June 30, 2021, the Township did not have any investments that would be subject to rating.

	Fair Value	Rating	Rating Agency
Michigan CLASS	\$ 1,067,532	AAAm	Standard & Poor's

Foreign Currency Risk

The Township is not authorized to invest in investments which have this type of risk.

**TOWNSHIP OF SOMERSET
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Township's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Investments in Entities that Calculate Net Asset Value Per Share

The Township holds shares in the Michigan CLASS investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

At the year ended June 30, 2021, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan CLASS	\$ 1,067,532	\$ -	No restrictions	None

The cash and cash equivalents and investments referred to above have been reported under the cash and cash equivalents and investment captions on the financial statements, based upon criteria disclosed in Note 1. The following summarizes the categorization of these amounts as of June 30, 2021:

	Primary Government	Fiduciary Fund	Total
Cash and cash equivalents	\$ 1,478,897	\$ -	\$ 1,478,897
Investments - noncurrent	298,036	-	298,036
	\$ 1,776,933	\$ -	\$ 1,776,933

**TOWNSHIP OF SOMERSET
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - 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>\$ 203,854</u>
Transfer to Improvements Fund from General Fund	<u>\$ 173,582</u>
Transfer to nonmajor governmental funds from General Fund	<u>\$ 95,600</u>

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

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Governmental activities				
Capital assets not being depreciated				
Land	\$ 226,100	\$ -	\$ -	\$ 226,100
Capital assets being depreciated				
Buildings and improvements	1,031,320	7,539	-	1,038,859
Furniture and fixtures	177,928	33,965	-	211,893
Machinery and equipment	566,457	46,512	-	612,969
Vehicles	1,438,615	213,421	(189,500)	1,462,536
Total capital assets being depreciated	3,214,320	301,437	(189,500)	3,326,257
Less accumulated depreciation for				
Buildings and improvements	(637,015)	(32,696)	-	(669,711)
Furniture and fixtures	(143,606)	(4,974)	-	(148,580)
Machinery and equipment	(361,979)	(27,920)	-	(389,899)
Vehicles	(685,675)	(87,315)	62,600	(710,390)
Total accumulated depreciation	(1,828,275)	(152,905)	62,600	(1,918,580)
Net capital assets being depreciated	1,386,045	148,532	(126,900)	1,407,677
Net capital assets	\$ 1,612,145	\$ 148,532	\$ (126,900)	\$ 1,633,777

**TOWNSHIP OF SOMERSET
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS (continued)

Depreciation expense was charged to the following governmental activities:

General government	\$ 16,820
Recreation and culture	12,232
Public safety	<u>123,853</u>
 Total	 <u><u>\$ 152,905</u></u>

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations (including current portion) of the Township for the year ended June 30, 2021:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated Absences	<u>\$ 3,422</u>	<u>\$ 13,174</u>	<u>\$ 9,644</u>	<u>\$ 6,952</u>	<u>\$ 6,952</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 \$6,952 at June 30, 2021.

NOTE 6 - RETIREMENT PLAN

The Township is the sponsor of a defined contribution retirement plan for the sole benefit of its employees. The Somerset Township Pension Plan is a money purchase defined contribution pension benefit plan administered by the Michigan Municipal Employees' Retirement System. Plan provisions and contribution requirements are established and may be amended by the Township Board. For the year ended June 30, 2021, Township made employer contributions to the retirement plan in the amount of \$2,856 and employees contributed \$2,172.

**TOWNSHIP OF SOMERSET
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - 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, 2021:

Public safety	\$	309,002
Capital improvements		118,283
Perpetual care		635
Parks and recreation		165,655
Public works		<u>76,857</u>
	\$	<u>670,432</u>

NOTE 8 - 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 9 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement will increase the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangement*. The statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year

NOTE 10 - UNCERTAINTIES

The extend of the impact of COVID-19 on the Township's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on services, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition and results of operations is uncertain.

**TOWNSHIP OF SOMERSET
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - SUBSEQUENT EVENT

The American Rescue Plan (ARP) Act was signed into law on March 11, 2021, and it guaranteed direct relief to local municipalities. The Township is estimated to receive approximately \$474,000 in ARP funding. Funding will be released by the U.S. Department of Treasury in two tranches. Half of the funding the Township is entitled to was released in September 2021, and the second half of the funding will be released under the second tranche approximately one year after the disbursement of the first tranche. The Township will have until 2024 to obligate the federal funds and until 2026 to spend the funds on allowable expenditures.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWNSHIP OF SOMERSET
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 213,175	\$ 213,175	\$ 214,660	\$ 1,485
Fees and fines	10,000	10,000	1,504	(8,496)
Licenses and permits	78,200	78,200	96,499	18,299
Intergovernmental	300,000	300,000	453,391	153,391
Charges for services	91,100	91,100	108,150	17,050
Interest and rents	7,350	7,350	8,892	1,542
Other	4,800	4,800	6,952	2,152
TOTAL REVENUES	<u>704,625</u>	<u>704,625</u>	<u>890,048</u>	<u>185,423</u>
EXPENDITURES				
Current				
General government				
Township board	10,600	11,492	8,625	2,867
Supervisor	20,750	22,528	21,220	1,308
Treasurer	61,500	61,500	47,715	13,785
Assessor	95,000	100,300	91,347	8,953
Clerk	55,850	71,845	65,509	6,336
Elections	18,800	24,865	20,029	4,836
Building and grounds	45,500	55,442	50,447	4,995
Board of review	1,520	1,780	728	1,052
Professional fees	25,000	39,000	29,326	9,674
Data and computer processing	1,500	1,500	127	1,373
Utilities	28,500	28,500	25,025	3,475
Other	45,800	45,800	35,248	10,552
Total general government	<u>410,320</u>	<u>464,552</u>	<u>395,346</u>	<u>69,206</u>
Public safety				
Inspections	19,400	27,400	27,050	350
Public works				
Cemetery	31,000	31,000	35,066	(4,066)
Sanitation and cleanup	3,000	3,000	1,256	1,744
Drain assessment	2,000	2,000	-	2,000
Total public works	<u>36,000</u>	<u>36,000</u>	<u>36,322</u>	<u>(322)</u>
Recreation and culture				
Fireworks	10,000	10,000	10,000	-
Library	25,250	26,050	24,008	2,042
Total recreation and culture	<u>35,250</u>	<u>36,050</u>	<u>34,008</u>	<u>2,042</u>

**TOWNSHIP OF SOMERSET
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (continued)
YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES (continued)				
Current (continued)				
Community and economic development				
Planning and zoning	\$ 24,900	\$ 42,678	\$ 43,516	\$ (838)
TOTAL EXPENDITURES	525,870	606,680	536,242	70,438
EXCESS OF REVENUES OVER EXPENDITURES	178,755	97,945	353,806	255,861
OTHER FINANCING (USES)				
Transfer out	(191,638)	(191,638)	(473,036)	(281,398)
NET CHANGE IN FUND BALANCE	(12,883)	(93,693)	(119,230)	(25,537)
Fund balance, beginning of year	1,414,652	1,414,652	1,414,652	-
Fund balance, end of year	\$ 1,401,769	\$ 1,320,959	\$ 1,295,422	\$ (25,537)

**TOWNSHIP OF SOMERSET
FIRE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 159,302	\$ 159,302	\$ 159,079	\$ (223)
Charges for services	518,840	518,840	572,690	53,850
Interest	1,200	1,200	157	(1,043)
Other	2,400	2,400	525	(1,875)
TOTAL REVENUES	<u>681,742</u>	<u>681,742</u>	<u>732,451</u>	<u>50,709</u>
EXPENDITURES				
Current				
Public safety				
Personnel services	447,000	447,129	416,286	30,843
Payroll taxes and benefits	60,000	60,000	59,382	618
Supplies	71,212	71,212	55,631	15,581
Fuel	15,000	15,000	12,193	2,807
Repairs and maintenance	33,500	33,500	56,968	(23,468)
Insurance	16,000	16,000	14,102	1,898
Telephone	1,300	1,300	1,935	(635)
Printing and publishing	50	50	175	(125)
Education and training	14,000	14,000	5,871	8,129
Contracted services	17,000	17,000	8,204	8,796
Dues and subscriptions	2,500	2,500	5,556	(3,056)
Other	25	25	-	25
Total public safety	<u>677,587</u>	<u>677,716</u>	<u>636,303</u>	<u>41,413</u>
Debt service				
Principal payments	-	-	-	-
Interest	151,737	4,155	-	4,155
Total debt service	<u>151,737</u>	<u>4,155</u>	<u>-</u>	<u>4,155</u>
TOTAL EXPENDITURES	<u>829,324</u>	<u>681,871</u>	<u>636,303</u>	<u>45,568</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(147,582)</u>	<u>(129)</u>	<u>96,148</u>	<u>96,277</u>
OTHER FINANCING SOURCES				
Transfers in	147,582	129	-	(129)
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>96,148</u>	<u>96,148</u>
Fund balance, beginning of year	<u>170,826</u>	<u>170,826</u>	<u>170,826</u>	<u>-</u>
Fund balance, end of year	<u>\$ 170,826</u>	<u>\$ 170,826</u>	<u>\$ 266,974</u>	<u>\$ 96,148</u>

**TOWNSHIP OF SOMERSET
POLICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 106,085	\$ 106,085	\$ 106,044	\$ (41)
Charges for services	-	-	709	709
Fines and forfeits	3,500	3,500	376	(3,124)
Interest and rents	-	-	986	986
Other	2,650	2,650	455	(2,195)
TOTAL REVENUES	<u>112,235</u>	<u>112,235</u>	<u>108,570</u>	<u>(3,665)</u>
EXPENDITURES				
Current				
Public safety				
Personnel services	150,700	153,389	147,265	6,124
Payroll taxes and benefits	60,000	90,800	90,797	3
Supplies	12,850	12,850	16,622	(3,772)
Fuel	11,000	11,000	10,192	808
Repairs and maintenance	9,000	9,000	9,169	(169)
Insurance	23,300	23,300	17,962	5,338
Telephone	2,650	2,650	2,452	198
Education and training	8,500	8,500	7,441	1,059
Professional fees	1,000	1,000	475	525
Dues and subscriptions	500	500	564	(64)
Other	3,100	3,100	4,016	(916)
TOTAL EXPENDITURES	<u>282,600</u>	<u>316,089</u>	<u>306,955</u>	<u>9,134</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(170,365)</u>	<u>(203,854)</u>	<u>(198,385)</u>	<u>5,469</u>
OTHER FINANCING SOURCES				
Transfer in	<u>170,365</u>	<u>203,854</u>	<u>203,854</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>5,469</u>	<u>5,469</u>
Fund balance, beginning of year	<u>36,559</u>	<u>36,559</u>	<u>36,559</u>	<u>-</u>
Fund balance, end of year	<u>\$ 36,559</u>	<u>\$ 36,559</u>	<u>\$ 42,028</u>	<u>\$ 5,469</u>

**TOWNSHIP OF SOMERSET
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

NOTE 1 - 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, 2021, 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 works			
Cemetery	\$ 31,000	\$ 35,066	\$ 4,066
Community and economic development			
Planning and zoning	42,678	43,516	838
Transfers out	191,638	473,036	281,398

OTHER SUPPLEMENTARY INFORMATION

**TOWNSHIP OF SOMERSET
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021**

	Special Revenue		Total
	Parks and Recreation	Road Fund	
ASSETS			
Cash and cash equivalents	\$ 126,732	\$ 54,890	\$ 181,622
Investments	37,379	14,379	51,758
Prepays	2,678	7,588	10,266
TOTAL ASSETS	<u>\$ 166,789</u>	<u>\$ 76,857</u>	<u>\$ 243,646</u>
LIABILITIES			
Accounts payable	\$ 1,134	-	\$ 1,134
FUND BALANCES			
Nonspendable - prepaids	2,678	7,588	10,266
Restricted for public works	-	69,269	69,269
Restricted for parks and recreation	162,977	-	162,977
TOTAL FUND BALANCES	<u>165,655</u>	<u>76,857</u>	<u>242,512</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 166,789</u>	<u>\$ 76,857</u>	<u>\$ 243,646</u>

**TOWNSHIP OF SOMERSET
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2021**

	Special Revenue		Total
	Parks and Recreation	Road Fund	
REVENUES			
Taxes	\$ 52,988	\$ 52,988	\$ 105,976
Intergovernmental	-	13,126	13,126
Interest and rents	3,974	37	4,011
Other	1,560	-	1,560
TOTAL REVENUES	<u>58,522</u>	<u>66,151</u>	<u>124,673</u>
EXPENDITURES			
Current			
Public works	-	77,904	77,904
Recreation and culture	71,418	-	71,418
TOTAL EXPENDITURES	<u>71,418</u>	<u>77,904</u>	<u>149,322</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(12,896)</u>	<u>(11,753)</u>	<u>(24,649)</u>
OTHER FINANCING SOURCES			
Transfers in	42,600	53,000	95,600
NET CHANGE IN FUND BALANCES	29,704	41,247	70,951
Fund balances, beginning of year	<u>135,951</u>	<u>35,610</u>	<u>171,561</u>
Fund balances, end of year	<u>\$ 165,655</u>	<u>\$ 76,857</u>	<u>\$ 242,512</u>

