

CHARTER TOWNSHIP OF SUPERIOR
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

CHARTER TOWNSHIP OF SUPERIOR

TOWNSHIP OFFICIALS

Supervisor - Kenneth Schwartz
Clerk - Lynette Findley
Treasurer - Brenda McKinney

BOARD OF TRUSTEES

Kenneth Schwartz
Lynette Findley
Brenda McKinney
Nancy Caviston
Lisa A. Lewis
Rodrick Green
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LEGAL COUNSEL

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TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

May 21, 2018

To the Board of Trustees
Charter Township of Superior
3040 North Prospect
Ypsilanti, MI 48198

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Superior, Michigan, as of and for the year ended December 31, 2017, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Superior, Michigan, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof 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 on pages 8 - 13 and 53 - 55 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 Charter Township of Superior, Michigan's, basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual 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 and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis
December 31, 2017

Within this section of the Charter Township of Superior's annual financial report, the Township's management is providing a narrative discussion and analysis of the financial activities of the Township for the fiscal year ended December 31, 2017. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Township's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Position. This is the Township-wide statement of position presenting information that includes all the Township's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall health of the Township may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities, which reports how the Township's net position changed during the current fiscal year. The design of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues generated by the Township.

Both government-wide financial statements distinguish governmental activities of the Township that are principally supported by taxes and revenue sharing from the business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include such activities as general government, public safety, and public works departments. Business-type activities include water & sewer utility operations. Fiduciary activities (such as tax collection) are not included in the government-wide statements since these assets are not available to fund Township programs.

The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units). The Township had no component units.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data is provided in the combining statements later in this report.

The Township has three kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Proprietary funds are reported in the financial statements and are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Township activities.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for nonmajor funds are presented in a subsequent section of this report.

Financial analysis of the Township as a whole

The Township's net position included under governmental activities increased by \$762,028 and the net position included under business type activities increased by \$182,575.

The Township's total net position at the end of the year was \$29,963,301. This is a \$944,603 increase over last year's net position of \$29,018,698.

The following tables provide a summary of the Township's financial activities and changes in net position:

CHARTER TOWNSHIP OF SUPERIOR

**SUMMARY OF NET POSITION
DECEMBER 31, 2017 AND 2016**

	Governmental Activities			Business Type Activities			Totals		
	12/31/2017	12/31/2016	Increase (Decrease)	12/31/2017	12/31/2016	Increase (Decrease)	12/31/2017	12/31/2016	Increase (Decrease)
ASSETS									
Current and other assets	\$ 10,363,300	\$ 10,493,382	\$ (130,082)	\$ 6,252,873	\$ 6,052,090	\$ 200,783	\$ 16,616,173	\$ 16,545,472	\$ 70,701
Capital assets	6,999,009	6,151,922	847,087	15,430,906	15,844,979	(414,073)	22,429,915	21,996,901	433,014
Total assets	17,362,309	16,645,304	717,005	21,683,779	21,897,069	(213,290)	39,046,088	38,542,373	503,715
DEFERRED OUTFLOWS OF RESOURCES									
Pension investment activities	33,043	491,634	(458,591)				33,043	491,634	(458,591)
LIABILITIES									
Other liabilities	2,829,910	849,630	1,980,280	756,301	703,451	52,850	3,586,211	1,553,081	2,033,130
Unearned revenues	22,646	22,646					22,646	22,646	
Long-term liabilities	492,890	3,003,752	(2,510,862)	1,334,906	1,783,621	(448,715)	1,827,796	4,787,373	(2,959,577)
Total liabilities	3,345,446	3,876,028	(530,582)	2,091,207	2,487,072	(395,865)	5,436,653	6,363,100	(926,447)
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenues	3,736,452	3,652,209	84,243				3,736,452	3,652,209	84,243
NET POSITION									
Net investment in capital assets	6,413,970	5,476,877	937,093	13,647,285	13,625,276	22,009	20,061,255	19,102,153	959,102
Restricted	3,315,720	3,347,488	(31,768)				3,315,720	3,347,488	(31,768)
Unrestricted	641,039	784,336	(143,297)	5,945,287	5,784,721	160,566	6,586,326	6,569,057	17,269
Total net position	\$ 10,370,729	\$ 9,608,701	\$ 762,028	\$ 19,592,572	\$ 19,409,997	\$ 182,575	\$ 29,963,301	\$ 29,018,698	\$ 944,603

CHARTER TOWNSHIP OF SUPERIOR

**SUMMARY OF CHANGES IN NET POSITION
FOR THE YEARS ENDING DECEMBER 31, 2017 AND 2016**

	Governmental Activities			Business Type Activities			Totals		
	12/31/2017	12/31/2016	Increase (Decrease)	12/31/2017	12/31/2016	Increase (Decrease)	12/31/2017	12/31/2016	Increase (Decrease)
REVENUES									
Program revenues									
Charges for services	\$ 633,411	\$ 870,003	\$ (236,592)	\$ 4,113,103	\$ 4,233,444	\$ (120,341)	\$ 4,746,514	\$ 5,103,447	\$ (356,933)
Capital/operating grants and contributions	905,057	383,352	521,705	121,821	234,930	(113,109)	1,026,878	618,282	408,596
General revenues									
Property taxes	3,677,649	3,551,398	126,251				3,677,649	3,551,398	126,251
State shared revenues	1,133,037	1,037,951	95,086				1,133,037	1,037,951	95,086
Interest	17,683	8,938	8,745	4,875	7,056	(2,181)	22,558	15,994	6,564
Other	480,586	253,777	226,809	29,643	3,267	26,376	510,229	257,044	253,185
Gain (loss) on sale of assets	1,679		1,679				1,679		1,679
Total revenues	6,849,102	6,105,419	743,683	4,269,442	4,478,697	(209,255)	11,118,544	10,584,116	534,428
EXPENSES									
General government	1,218,855	1,400,631	(181,776)				1,218,855	1,400,631	(181,776)
Fire protection	1,877,296	2,182,305	(305,009)				1,877,296	2,182,305	(305,009)
Police protection	1,715,336	1,655,649	59,687				1,715,336	1,655,649	59,687
Legal defense	42,822	9,207	33,615				42,822	9,207	33,615
Public works	173,014	100,378	72,636				173,014	100,378	72,636
Roads	596,773	521,412	75,361				596,773	521,412	75,361
Building department	207,790	187,967	19,823				207,790	187,967	19,823
Parks and recreation	239,624	233,170	6,454				239,624	233,170	6,454
Interest on long-term debt	15,564	24,039	(8,475)				15,564	24,039	(8,475)
Utility system				4,086,867	3,897,447	189,420	4,086,867	3,897,447	189,420
Total expenses	6,087,074	6,314,758	(227,684)	4,086,867	3,897,447	189,420	10,173,941	10,212,205	(38,264)
CHANGE IN NET POSITION	762,028	(209,339)	971,367	182,575	581,250	(398,675)	944,603	371,911	572,692
BEGINNING NET POSITION	9,608,701	9,818,040	(209,339)	19,409,997	18,828,747	581,250	29,018,698	28,646,787	371,911
ENDING NET POSITION	\$ 10,370,729	\$ 9,608,701	\$ 762,028	\$ 19,592,572	\$ 19,409,997	\$ 182,575	\$ 29,963,301	\$ 29,018,698	\$ 944,603

Financial Analysis of the Township's Major Funds

For the year ended December 31, 2017, there were three major funds.

1. **General Fund** - In compliance with GASB Standards, the Parks and Recreation Fund has been consolidated with the General Fund. Overall, the General Fund continues to be strong financially. Its fund balance decreased \$97,699. This was primarily due to increasing expenditures for public works.
2. **Fire Operating Fund** - The operations of the Fire Fund resulted in a decrease of its fund balance by \$41,034. The Township continues to place emphasis on building up the Fire Department's reserves for future obligations as noted further in the footnotes.
3. **Law Enforcement Fund** - The Law Fund decreased its fund balance by \$20,745 due to contract increases with the County. The Township Board consciously decided to increase the fund balance in prior years because of anticipated increases in contract costs with Washtenaw County Sheriff Department.

General Fund Budgetary Highlights

The General Fund adopted its budget prior to the fiscal year in accordance with Public Act 493 of 2000. Expenditures are budgeted by activity. No activities exceeded appropriations. The budget was amended during the year to account for some minor adjustments in the expenditures.

Capital Asset and Debt Administration

There were \$1,116,694 in capital assets purchased under governmental activities for the year. These purchases included a new tabulator, a ladder truck (which has not yet been received), a hot water heater for the fire station, a new roof for the fire station, a van for the parks department, and various pieces of playground equipment. There was one disposal for the year, which was a Toro lawn mower. The cost of the ladder truck includes equipment added to it at no cost to the Township in the amount of \$25,100, and will begin to be depreciated when received in April of 2018.

The business-type activities capitalized \$285,356 in costs for the fiscal year ended December 31, 2017. There were \$41,986 in fully depreciated disposals for the year. These disposals included a vehicle and a lawn mower.

The business-type activities began the year with \$377,786 of construction in progress. This included \$348,245 in costs associated with a sewer line expansion project, \$19,849 in costs associated with a lift station project on Clark Road, and \$9,692 for the booster station demolition on Geddes Road. For the current fiscal year, the sewer line expansion project incurred additional costs of \$121,638, and as of December 31, 2017, is complete with a final cost of \$469,883. The lift station on Clark Road experienced additional costs of \$12,422, and as of December 31, 2017, is complete with a final cost of \$32,271. The booster station demolition on Geddes Road incurred additional costs of \$81,632, and as of December 31, 2017, is 95% complete. Additionally, an integration project began during the year, and incurred costs of \$11,397. As of December 31, 2017, the project is 95% complete, with an estimated total cost of \$12,000. Also, a water asset management plan project began during the year, and incurred costs of \$14,004. As of December 31, 2017, the project is also 95% complete, with an estimated total cost of \$14,700. Finally, water main repairs at MacArthur began during the year, and incurred costs of \$7,228. As of December 31, 2017, the project is 37% complete, with an estimated total cost of \$19,500.

The 2013 Refunding Capital Improvement Bonds used for the Fire Department and Utility operations made payments of \$90,006 for Fire activities and \$119,994 for Utility operations. The ending balance amounted to \$585,039 for Fire Activities and \$779,961 for Utility activities.

The governmental funds also extinguished the remaining \$130,000 balance on the outstanding debt for the Hyundai project.

The business-type activities also extinguished \$316,088 of the \$1,319,748 outstanding debt for 2010 refunding bonds.

Economic Conditions and Future Activities

Tax revenues for the Township increased approximately 3% to 5% depending on the activity. This was due to increasing taxable values. No taxes were levied for legal defense during the December 13, 2017 fiscal year.

State shared revenues continue to increase due to the economic recovery. The Township also fulfilled the requirement of CVTRS (City, Village and Township Revenue Sharing) with the State of Michigan Department of Treasury in order to receive additional state shared revenues. Management has and will keep reviewing costs in all areas of the Township in order to maintain services at minimal costs.

Contacting the Township’s Financial Management

This report is designed to provide a general overview of the Township’s financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact the Charter Township of Superior at 3040 North Prospect, Ypsilanti, Michigan, 48198.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF SUPERIOR

STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 5,701,642	\$ 5,189,145	\$ 10,890,787
Receivables:			
Taxes	3,365,513		3,365,513
Special assessments	109,523		109,523
State shared revenues	377,274		377,274
Accounts	731,039	990,538	1,721,577
Inventory		34,172	34,172
Prepaid expenditures	78,309	39,018	117,327
Capital assets			
Assets not being depreciated	2,752,011	334,415	3,086,426
Assets, net of depreciation	4,246,998	15,096,491	19,343,489
Total assets	<u>17,362,309</u>	<u>21,683,779</u>	<u>39,046,088</u>
DEFERRED OUTFLOWS OF RESOURCES			
Differences in actuarial assumptions	171,049		171,049
Differences in experience	33,043		33,043
Total deferred outflows of resources	<u>204,092</u>		<u>204,092</u>
Total assets and deferred outflows of resources	<u>\$ 17,566,401</u>	<u>\$ 21,683,779</u>	<u>\$ 39,250,180</u>
LIABILITIES			
Accounts payable	\$ 72,901	\$ 282,415	\$ 355,316
Accrued compensated absences	532,174	25,171	557,345
Unearned revenues	22,646		22,646
Net pension liability	2,132,686		2,132,686
Long-term obligations			
Other due within one year	92,149	448,715	540,864
Other due in more than one year	492,890	1,334,906	1,827,796
Total liabilities	<u>3,345,446</u>	<u>2,091,207</u>	<u>5,436,653</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	3,736,452		3,736,452
Differences in investment expectations versus actual	113,774		113,774
Total deferred inflows of resources	<u>3,850,226</u>		<u>3,850,226</u>
Total liabilities and deferred inflows of resources	<u>7,195,672</u>	<u>2,091,207</u>	<u>9,286,879</u>
NET POSITION			
Invested in capital assets, net of related debt	6,413,970	13,647,285	20,061,255
Restricted for:			
Fire protection	2,503,040		2,503,040
Police protection	219,936		219,936
Public works	304,589		304,589
Legal defense	288,155		288,155
Unrestricted	641,039	5,945,287	6,586,326
Total net position	<u>\$ 10,370,729</u>	<u>\$ 19,592,572</u>	<u>\$ 29,963,301</u>

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF SUPERIOR

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities						
General government	\$ (1,218,855)	\$ 11,631	\$ 10,000	\$ (1,197,224)	\$	\$ (1,197,224)
Fire protection	(1,877,296)	200	893,525	(983,571)		(983,571)
Police protection	(1,715,336)	303,049	1,532	(1,410,755)		(1,410,755)
Legal defense	(42,822)			(42,822)		(42,822)
Public works	(173,014)			(173,014)		(173,014)
Roads	(596,773)			(596,773)		(596,773)
Building department	(207,790)	318,531		110,741		110,741
Parks and recreation	(239,624)			(239,624)		(239,624)
Interest on long-term debt	(15,564)			(15,564)		(15,564)
Total governmental activities	(6,087,074)	633,411	905,057	(4,548,606)		(4,548,606)
Business-type activities						
Utility fund	(4,086,867)	4,113,103	121,821		148,057	148,057
Total	\$ (10,173,941)	\$ 4,746,514	\$ 1,026,878	(4,548,606)	148,057	(4,400,549)
General revenues						
Property taxes				3,677,649		3,677,649
Special assessments				117,023		117,023
State shared revenues				1,133,037		1,133,037
Unrestricted investment earnings				17,683	4,875	22,558
Cable franchise fees				252,878		252,878
Gain/(loss) on disposal of assets				1,679		1,679
Other income				110,685	29,643	140,328
Total general revenues				5,310,634	34,518	5,345,152
Changes in net position				762,028	182,575	944,603
Net position, January 1, 2017				9,608,701	19,409,997	29,018,698
Net position, December 31, 2017				\$ 10,370,729	\$ 19,592,572	\$ 29,963,301

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF SUPERIOR

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General Fund	Fire Fund	Law Fund	Other Nonmajor Funds	Totals
ASSETS					
Cash and cash equivalents	\$ 1,911,682	\$ 2,069,287	\$ 422,699	\$ 1,297,974	\$ 5,701,642
Receivables:					
Taxes	454,181	1,663,613	1,247,719		3,365,513
Special assessments				109,523	109,523
State shared revenue	377,274				377,274
Due from other funds	55,278				55,278
Other	69,432	633,783	21,068		724,283
Other current assets:					
Prepaid expenditures	27,263	47,673	1,200	2,173	78,309
Total assets	\$ 2,895,110	\$ 4,414,356	\$ 1,692,686	\$ 1,409,670	\$ 10,411,822
LIABILITIES					
Accounts payable	\$ 30,331	\$ 4,736	\$ 10,306	\$ 7,234	\$ 52,607
Due to other funds	8,100	11,954	40,000	8,762	68,816
Unearned revenue				22,646	22,646
Total liabilities	38,431	16,690	50,306	38,642	144,069
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	504,274	1,846,953	1,385,225		3,736,452
FUND BALANCE					
Nonspendable for prepaids	27,263	47,673	1,200	2,173	78,309
Restricted for:					
Fire Protection		2,503,040			2,503,040
Police Protection			219,936		219,936
Public works				304,589	304,589
Legal defense				288,155	288,155
Committed for:					
Building reserve	383,157				383,157
Capital improvement	2,550				2,550
Compensated absences	30,974			19,458	50,432
Non-motorized trails	27,060				27,060
Ordinance enforcement				745,607	745,607
Right of Way	20,637				20,637
Assigned for future budget deficit	77,238		36,019	11,046	124,303
Unassigned	1,783,526				1,783,526
Total fund equity	2,352,405	2,550,713	257,155	1,371,028	6,531,301
Total liabilities, deferred inflows of resources and fund balance	\$ 2,895,110	\$ 4,414,356	\$ 1,692,686	\$ 1,409,670	\$ 10,411,822

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF SUPERIOR

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017**

Total governmental fund balance per balance sheet		\$ 6,531,301
Amounts reported for 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 in the funds:		
Historical cost	\$ 10,791,006	
Depreciation	<u>(3,791,997)</u>	
Capital assets net of depreciation		6,999,009
Pension related activities are not a consumption of current resources and therefore are reported as deferred outflows of resources in the Statement of Net Position:		
Differences in actuarial assumptions	171,049	
Differences in experience	33,043	
Differences in investment expectations versus actual	<u>(113,774)</u>	
Net pension-related activities		90,318
Pension liabilities, net of pension plan fiduciary net position, are not due and payable in the current period and are not reported in the fund financial statements:		
Net pension liability		(2,132,686)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. This includes:		
Bonds payable	(585,039)	
Compensated absences	<u>(532,174)</u>	
Total		<u>(1,117,213)</u>
Net position of governmental activities		<u><u>\$ 10,370,729</u></u>

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF SUPERIOR

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Fire Fund	Law Fund	Other Nonmajor Funds	Totals
REVENUES					
Taxes	\$ 523,881	\$ 1,802,149	\$ 1,351,619	\$	\$ 3,677,649
Special assessments				242,023	242,023
Licenses and permits	3,583				3,583
Federal grants		891,483			891,483
State grants	1,133,037	2,042	1,532		1,136,611
Contributions from local units	10,000				10,000
Charges for services	11,631	200	303,049	318,531	633,411
Fines and forfeits			30,407		30,407
Interest and rents	257,549	7,219	4,618	1,175	270,561
Other revenue	40,733	10,862			51,595
Total revenues	<u>1,980,414</u>	<u>2,713,955</u>	<u>1,691,225</u>	<u>561,729</u>	<u>6,947,323</u>
EXPENDITURES					
General government	1,050,196			4,782	1,054,978
Public safety	42,822	1,621,402	1,711,970		3,376,194
Public works	689,422			80,365	769,787
Community and economic development	19,359			227,735	247,094
Recreation and culture	218,300				218,300
Capital outlay					
General government	5,000				5,000
Fire protection		1,031,430			1,031,430
Parks and recreation	55,164				55,164
Debt Service					
Debt - principal		90,006		130,000	220,006
Debt - interest		12,151		3,413	15,564
Total expenditures	<u>2,080,263</u>	<u>2,754,989</u>	<u>1,711,970</u>	<u>446,295</u>	<u>6,993,517</u>
Excess of revenues over (under) expenditures	<u>(99,849)</u>	<u>(41,034)</u>	<u>(20,745)</u>	<u>115,434</u>	<u>(46,194)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets	<u>2,150</u>				<u>2,150</u>
Net changes in fund balances	(97,699)	(41,034)	(20,745)	115,434	(44,044)
FUND BALANCE, JANUARY 1, 2017	<u>2,450,104</u>	<u>2,591,747</u>	<u>277,900</u>	<u>1,255,594</u>	<u>6,575,345</u>
FUND BALANCE, DECEMBER 31, 2017	<u>\$ 2,352,405</u>	<u>\$ 2,550,713</u>	<u>\$ 257,155</u>	<u>\$ 1,371,028</u>	<u>\$ 6,531,301</u>

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF SUPERIOR

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Net change in fund balances - governmental funds \$ (44,044)

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their useful lives as depreciation expense. The amount by which capital outlay exceeded depreciation is as follows:

Capital outlay	\$ 1,116,694
Depreciation expense	(269,136)
Proceeds from sale of asset	(2,150)
Gain/(loss) on disposal of asset	<u>1,679</u>

Net change 847,087

Repayment of bond and contract payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Repayment of bonds payable 220,006

Accrued absences for vacation and sick time for the employees is recorded on the Statement of Net Position:

Accrued absences at December 31, 2016	511,442
Accrued absences at December 31, 2017	<u>(532,174)</u>

Net change (20,732)

Principal received on special assessments are income as they are levied annually for governmental funds, but they are income when originally assessed for the Statement of Activities:

Special assessment principle (125,000)

Some pension contributions in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the Governmental Fund:

Change in net pension asset/(liability)	286,027
Differences in projected investments to actual	(266,495)
Change in assumptions and experience	<u>(134,821)</u>

Net change (115,289)

Change in net position \$ 762,028

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF SUPERIOR

**PROPRIETARY FUND - UTILITY FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

CURRENT ASSETS		
Cash and investments	\$	1,604,806
Receivables:		
Due from other funds		2,563
Usage charges		794,692
Other		193,283
Inventory		34,172
Prepaid expenses		<u>39,018</u>
Total current assets		\$ 2,668,534
RESTRICTED ASSETS		
Cash and investments		3,584,339
PROPERTY, PLANT AND EQUIPMENT		
Capital assets not depreciated		334,415
Capital assets depreciated, net		<u>15,096,491</u>
Property, plant and equipment		<u>15,430,906</u>
Total assets		<u>\$ 21,683,779</u>
CURRENT LIABILITIES		
Accounts payable	\$	275,600
Accrued sick and vacation		25,171
Due to other funds		6,815
Contract payable (from restricted assets)		325,864
Bonds payable (from restricted assets)		<u>122,851</u>
Total current liabilities		\$ 756,301
LONG-TERM OBLIGATIONS		
Contract payable (from restricted assets)		677,796
Bonds payable (from restricted assets)		<u>657,110</u>
Total long-term liabilities		<u>1,334,906</u>
Total liabilities		<u>2,091,207</u>
NET POSITION		
Invested in capital assets, net of related debt		13,647,285
Unrestricted		<u>5,945,287</u>
Total net position		<u>\$ 19,592,572</u>

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF SUPERIOR
PROPRIETARY FUND - UTILITY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

OPERATING REVENUES	
Charges for services	\$ 4,095,235
Meter sales	17,868
	<hr/>
Total operating revenues	4,113,103
OPERATING EXPENSES	
Water and sewer purchases	2,292,120
Salaries	373,647
Taxable benefits	48,304
Payroll taxes	33,195
Insurance benefits	80,778
Pension expense	46,477
Repairs and maintenance - administration building	12,419
Computer services and supplies	5,000
Supplies	6,188
Utilities	5,177
Telecommunications	7,457
Leased equipment	6,470
Cleaning services	2,092
Lift and booster station expense	30,737
Maintenance facility expense	72,701
System repairs and maintenance	94,465
Professional fees	19,570
Employee expense	5,779
Meters and supplies	132,590
Fuel	5,122
Insurance and bonds	30,440
Depreciation	699,429
Postage	5,845
Bank fees	30
Bad debt expense	3,272
Printing and publishing	4,801
Membership and dues	8,061
Miscellaneous	854
	<hr/>
Total operating expenses	4,033,020
OPERATING INCOME	80,083
NON-OPERATING REVENUES AND (EXPENSES)	
Grant income	121,821
Interest income - operations	4,875
Interest income - restricted	11,920
Interest expense - debt	(53,321)
Agency fees - debt	(526)
Other income	3,328
Proceeds from disposal of fixed assets	14,395
	<hr/>
Total non-operating revenues and (expenses)	102,492
Change in net position	182,575
NET POSITION, JANUARY 1, 2017	19,409,997
	<hr/>
NET POSITION, DECEMBER 31, 2017	\$ 19,592,572
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF SUPERIOR
UTILITY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash receipts from customers	\$ 3,842,706
Cash payments to employees for services	(475,165)
Cash payments to suppliers of goods and services	<u>(2,795,456)</u>

Net cash from operating activities \$ 572,085

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Interest on restricted assets	11,920
Principal payments on contract payable	(436,082)
Interest payments on debt	(53,321)
Debt fees	(526)
Acquisition of fixed assets	(285,356)
Other income	3,328
Sale of fixed assets	14,395
Grant revenue	<u>121,821</u>

Net cash (used in) capital and related financing activities (623,821)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on cash and cash equivalents	<u>4,875</u>
---------------------------------------	--------------

Net increase in cash and cash equivalents (46,861)

CASH AND CASH EQUIVALENTS, JANUARY 1, 2017

5,236,006

CASH AND CASH EQUIVALENTS, DECEMBER 31, 2017

\$ 5,189,145

ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH FROM (USED IN) OPERATING ACTIVITIES:

Operating income	\$ 80,083
Adjustments to reconcile operating income to net cash from (used in) operating activities:	
Depreciation	699,429
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	(270,397)
(Increase) decrease in prepaid expenses	815
(Increase) decrease in inventory	24,394
Increase (decrease) in due to other funds	(1,528)
Increase (decrease) in accounts payable	59,308
Increase (decrease) in accrued compensated absences	<u>(20,019)</u>

Net cash from operating activities \$ 572,085

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF SUPERIOR
FIDUCIARY FUNDS
STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2017

ASSETS

Cash and investments	\$ 3,871,094
Due from other funds	24,484
Due from others	<u>8,638</u>
Total assets	<u>\$ 3,904,216</u>

LIABILITIES

Due to others	\$ 3,897,522
Due to other funds	<u>6,694</u>
Total liabilities	<u>\$ 3,904,216</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter Township of Superior was incorporated February 26, 1979, under the provision of Public Act 90 of 1976, as amended. The policies of the Charter Township of Superior conform to generally accepted accounting principles as applicable to governmental units.

The following is a summary of the more significant policies:

A. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statements, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Position and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental fund types are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Position reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets and deferred outflows of resources less liabilities and deferred inflows of resources equals net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) invested in capital assets 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net positions are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. Net positions not otherwise classified as restricted, are shown as unrestricted. Generally, the Township would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Township are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expense between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Standards. Although GASB Standards sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

The Township reports the following major governmental funds:

- The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Fire Fund** accounts for the activities related to operating fire protection services. This fund is primarily supported through the collection of property taxes.
- The **Law Enforcement Fund** accounts for the activities related to operating police protection services. This fund is primarily supported through the collection of property taxes and charges for services.

The Township reports the following major proprietary fund:

- The **Utility Fund** accounts for all the activity associated with the operations and maintenance of operating the sewer and water systems of the Township.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services and interest.
- Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond/debt proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balances as a measure of available spendable resources.

CHARTER TOWNSHIP OF SUPERIOR

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Township's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, reconciliations are provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and enterprise funds reported on the proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989, for its business-type activities.

Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township programs.

C. BUDGETARY DATA

The Township approves budgets for the general, special revenue and debt service funds. Amendments made during the fiscal year are reflected in the budget column of the appropriate financial statement. The budgets are prepared on a modified accrual basis.

D. PROPERTY TAXES

The Township property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Taxable values are established annually by the county and are equalized by the state. Real and personal property in the Township for the 2016 levy was assessed at an adjusted taxable value of \$626,057,249. Taxes are due and payable by February 28. Delinquent real and personal property taxes are returned to the County Treasurer for collection.

The Township levied the following millage rates in December 2016:

General township operations	0.8128
Police	2.2327
Fire	<u>2.9769</u>
Total millage	<u><u>6.0224</u></u>

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CAPITAL ASSETS

Under GASB standards, all capital assets whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Land is considered a capital asset regardless of initial cost. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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

Buildings, structures and improvements	10 to 50 years
Machinery and equipment	5 to 40 years

Any capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

F. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. FUND EQUITY

Under Governmental Accounting Standards Board (GASB) standards in the fund financial statements, governmental funds report the following components of fund balance:

- Nonspendable - Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed - Amounts that have been formally set aside by the Township board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Township Board.
- Assigned - Intent to spend resources on specific purposes expressed by the Township Board; or Supervisor, Clerk, and Treasurer; who are authorized by policy approved by the Township Board to make assignments. All current year assignments have been made by the Township Board.
- Unassigned - Amounts that do not fall into any other aforementioned category. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

I. DEFINED PENSION BENEFIT PLAN

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. DEFERRED OUTFLOWS AND DEFERRED INFLOWS

Under GASB standards, the Township is reporting two new sections in the Statement of Net Position (Government Wide Statement) and in the Balance Sheet (Fund Statement), which are called *deferred outflows* (previously called *assets*) and *deferred inflows* (previously called *liabilities*).

These separate financial statement elements, which meet the definition of deferred outflows and inflows, are no longer considered assets or liabilities.

Deferred outflows of resources represent a consumption of net position that applies to a future period. The element will not be recognized as an expense and (or) expenditure until the time restriction is met.

For the year ended December 31, 2017, the Township records deferred outflows of resources on the Statement of Net Position relating to differences in actuarial assumptions and differences in experience. In addition, the Township records deferred outflows of resources for differences in investment expectations versus actual (if applicable) and contributions made subsequent to pension liability measurement date (if applicable) as of December 31, 2017:

Deferred Outflows of Resources	
Differences in actuarial assumptions	\$ 171,049
Differences in experience	33,043
Differences in investment expectations versus actual	
Contributions made subsequent to pension liability measurement date	
Totals	\$ 204,092

Deferred inflows of resources represent an acquisition of net position or fund balance that applies to a future period. The element will not be recognized as revenue until the time restriction is met.

For the year ended December 31, 2017, the Township records deferred inflows of resources on the Statement of Net Position relating to property taxes received or reported as receivables before the period in which the levy was to apply and differences in investment expectations versus actual. Property taxes levied in December 2017 will not be recognized as revenue until the year 2018. This type of transaction is listed on both the Statement of Net Position as well as the Balance Sheets under Fund Accounting. In addition, the Township records deferred inflows of resources for differences in actuarial assumptions (if applicable), differences in experience (if applicable), and investment expectations versus actual (if applicable) as of December 31, 2017:

Deferred Inflows of Resources	
Unavailable revenues	\$ 3,736,452
Differences in actuarial assumptions	
Differences in experience	
Differences in investment expectations versus actual	113,774
Contributions made subsequent to pension liability measurement date	
Totals	\$ 3,850,226

CHARTER TOWNSHIP OF SUPERIOR

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 2 - DESCRIPTION OF REPORTING ENTITY

In accordance with Governmental Accounting Standards Board (GASB) standards, all funds, agencies, and activities of the Charter Township of Superior as the primary government have been included in the financial statements.

NOTE 3 - INTERFUND BALANCES AND TRANSFERS

All interfund balances are short-term in character. Interfund transfers will be disbursed and collected during the next reporting period. These amounts are reported as current assets and current liabilities in the governmental balance sheets. The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>	<u>Purpose</u>
General Fund	\$ 913	Fire Fund	\$ 913	Reimbursement between funds
General Fund	7,609	Streetlights Fund	7,609	Loan for Streetlight project
General Fund	62	Utility Fund	62	Reimbursement between funds
General Fund	40,000	Law Fund	40,000	Reimbursement between funds
General Fund	1,598	Trust & Agency Fund	1,598	Reimbursement between funds
General Fund	96	Current Tax Fund	96	Start up funds
General Fund	5,000	Payroll Fund	5,000	Start up funds
Payroll Fund	1,153	Building Fund	1,153	Reimbursement between funds
Payroll Fund	808	Parks and Recreation Fund	808	Reimbursement between funds
Payroll Fund	4,371	Utility Fund	4,371	Reimbursement between funds
Payroll Fund	7,111	General Fund	7,111	Reimbursement between funds
Payroll Fund	11,041	Fire Fund	11,041	Reimbursement between funds
Utility Fund	44	General Fund	44	Reimbursement between funds
Utility Fund	<u>137</u>	Parks and Recreation Fund	<u>137</u>	Reimbursement between funds
Total	<u>\$ 79,943</u>	Total	<u>\$ 79,943</u>	

The General Fund transferred \$251,702 to the Parks & Recreation Fund during the year.

CHARTER TOWNSHIP OF SUPERIOR

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 - GOVERNMENTAL AND PROPRIETARY CAPITAL ASSETS

A summary of changes in governmental fund capital assets is as follows:

	Audited Balance 1/1/2017	Additions	Deletions	Audited Balance 12/31/2017
Capital Assets Not Being Depreciated				
Land	\$ 1,614,918	\$	\$	\$ 1,614,918
Conservation easement	116,320			116,320
Other non-depreciable assets		1,020,773		1,020,773
Total non-depreciable	1,731,238	1,020,773		2,752,011
Other Capital Assets				
Non-motorized Trails				
Harris road non-motor trail	238,169			238,169
Geddes #1 non-motor trail	581,411			581,411
Structures				
Parks	42,627	15,000		57,627
Buildings				
General	1,944,648			1,944,648
Fire	2,446,691	27,375		2,474,066
Law	47,362			47,362
Parks		10,500		10,500
Vehicles				
Fire	1,923,207			1,923,207
Building Department	24,163			24,163
Parks	67,451	23,200		90,651
Equipment				
General	107,493	5,000		112,493
Fire	286,506	8,382		294,888
Law	5,945			5,945
Building Department	7,330			7,330
Parks	234,071	6,464	(14,000)	226,535
Total depreciable	7,957,074	95,921	(14,000)	8,038,995
Total capital assets	9,688,312	1,116,694	(14,000)	10,791,006
Accumulated depreciation	(3,536,390)	(269,136)	13,529	(3,791,997)
Governmental Funds				
Capital Assets, Net	\$ 6,151,922	\$ 847,558	\$ (471)	6,999,009
Related long term debt outstanding at December 31, 2017				(585,039)
Capital assets, net related long term debt				\$ 6,413,970

Depreciation expense is being recorded in the government-wide statement of activities based upon the activity utilizing the assets. The Township utilizes the straight line method to depreciate capital assets over their estimated useful lives.

Depreciation expense was distributed to the various activities as follows:

General	\$ 68,196
Fire	177,320
Law	3,366
Building department	733
Parks	19,521
Total	\$ 269,136

CHARTER TOWNSHIP OF SUPERIOR

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 - GOVERNMENTAL AND PROPRIETARY CAPITAL ASSETS (continued)

A summary of changes in capital assets and depreciation for the Utility activity is as follows:

	<u>Balance 1/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Balance 12/31/2017</u>
Non-depreciable assets					
Land	\$ 210,463	\$	\$	\$	\$ 210,463
Construction in progress	<u>377,786</u>	<u>248,321</u>	<u></u>	<u>(502,154)</u>	<u>123,953</u>
Total non-depreciable assets	<u>588,249</u>	<u>248,321</u>	<u></u>	<u>(502,154)</u>	<u>334,416</u>
Depreciable assets					
Building	3,385,724				3,385,724
Utility system	19,238,206			502,154	19,740,360
Equipment and improvements	951,882	23,335			975,217
Office improvements	122,945				122,945
Office equipment	121,888				121,888
Vehicles	535,791	13,700	(41,986)		507,505
Metering program	<u>169,482</u>	<u></u>	<u></u>	<u></u>	<u>169,482</u>
Total depreciable	<u>24,525,918</u>	<u>37,035</u>	<u>(41,986)</u>	<u>502,154</u>	<u>25,023,121</u>
Total capital assets	25,114,167	285,356	(41,986)		25,357,537
Less accumulated depreciation	<u>(9,269,188)</u>	<u>(699,429)</u>	<u>41,986</u>	<u></u>	<u>(9,926,631)</u>
Business type activities					
Capital asset, net	<u>\$ 15,844,979</u>	<u>\$ (414,073)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 15,430,906</u>

Investment in capital assets, net of related debt for the Utility activity was calculated as follows:

Cost	\$ 25,357,537
Accumulated depreciation	(9,926,631)
Related debt	<u>(1,783,621)</u>
Investment in capital assets, net of related debt	<u>\$ 13,647,285</u>

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 - GOVERNMENTAL AND PROPRIETARY CAPITAL ASSETS (continued)

Depreciation for the systems, equipment, improvements, and software is charged as an expense against operations.

Accumulated depreciation is reported on the proprietary fund statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Utility Systems	40 years
System Improvements	30 years
Building	30 years
Office Improvements	15 years
Equipment, Furniture, and Software	7 years

NOTE 5 - LONG-TERM OBLIGATIONS

A. GOVERNMENTAL LONG-TERM OBLIGATIONS

- Accrued Compensated Absences – The Township has recorded a liability in the Statement of Net Position for compensated absences of the general, building, and fire funds. The policies regarding compensated absences are outlined in the Township’s “Rules of Employment” and the “Township Fire Department Agreement”.
- During 2003, the Township sold bonds totaling \$3.5M (2003 General Obligation Capital Improvement Bonds), of which \$1.5M was used to help finance the construction of a new fire hall and \$2.0M was used for various water and sewer projects. The \$1.5M was recorded as part of long-term debt under governmental activities. The \$2M was recorded as a liability under business-type activities. In 2013, the Township issued refunding bonds in order to defease the 2003 General Obligation Capital Improvement Bonds. The payoff amount of the original 2003 bonds at time of defeasance was \$1,002,857. The refunding bond issued amounted to \$936,491 for the fire department. Interest is charged at 1% for years through 2017 and at 2% for years 2018 through 2023.
- During 2008 the Township sold bonds totaling \$1,250,000 (2008 Special Assessment Bonds) to help finance the road construction near the Township’s Hyundai Plant. Interest varied from 5.0% to 5.25%. The debt was extinguished during the current fiscal year.

CHARTER TOWNSHIP OF SUPERIOR

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The following summarizes changes in the Township's governmental activity's long-term debt for 2017:

<u>Description</u>	<u>Balance 1/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2017</u>	<u>Due Within One Year</u>
Accrued Compensated Absences	\$ 511,442	\$ 20,732	\$	\$ 532,174	\$ 532,174
2008 Special Assessment Bonds - Hyundai	130,000		(130,000)		
2013 Refunding Bonds Fire	<u>675,045</u>		<u>(90,006)</u>	<u>585,039</u>	<u>92,149</u>
Totals	<u>\$ 1,316,487</u>	<u>\$ 20,732</u>	<u>\$ (220,006)</u>	<u>\$ 1,117,213</u>	<u>\$ 624,323</u>

B. BUSINESS-TYPE LONG-TERM OBLIGATIONS

The Township's business-type activities have two long-term debt obligations, which are as follows:

- The 2010 refunding bonds was a jointly constructed project between Superior and Ypsilanti Townships and was issued to refund original 2000 Sanitary Sewer System No. 2 Bonds. The total cost of \$4,740,000 broken out by townships as follows:

Superior Township	\$ 3,089,188	65.17%
Ypsilanti Township	<u>1,650,812</u>	<u>34.83%</u>
Total	<u>\$ 4,740,000</u>	<u>100.00%</u>

The bonds were issued under the provisions of (a) Act 34, Public Acts of Michigan 2001, as amended, (b) Act 233, Public Acts of Michigan, 1955, as amended (collectively, the "Acts"). The bonds were issued for the purpose of refunding the Authority's 2000 Sanitary Sewer System NO. 2 bonds dated December 1, 2000, and paying the costs associated with issuing the bonds. The interest rate ranges between 1.5% and 3.125% per annum.

- The 2013 Refunding Bonds were issued to pay off 2003 Capital Improvement Bonds used to finance Utility and Fire Department projects. The total cost of \$2,185,000 is broken out by department as follows:

Fire Department	\$ 936,491	42.86%
Sewer Department	<u>1,248,509</u>	<u>57.14%</u>
Total	<u>\$ 2,185,000</u>	<u>100.0%</u>

CHARTER TOWNSHIP OF SUPERIOR

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The bonds were issued under the provisions of (a) Act 34, Public Acts of Michigan 2001, as amended, (b) Act 233 Public Acts of Michigan, 1955, as amended (collectively, the "Acts"). The bonds were issued for the purpose of refunding the Township's 2003 General Obligation Capital Improvement Bonds and paying the costs associated with issuing the bonds. Interest is charged at a rate of 1% in 2017 and 2% for years 2018 through 2023.

<u>Description</u>	<u>Balance 1/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2017</u>	<u>Current Portion</u>
2010 Refunding Bonds Payable	\$ 1,319,748	\$	\$ (316,088)	\$ 1,003,660	\$ 325,864
2013 Refunding Bonds Utility Payable	899,955		(119,994)	779,961	122,851
Totals	<u>\$ 2,219,703</u>	<u>\$</u>	<u>\$ (436,082)</u>	<u>\$ 1,783,621</u>	<u>\$ 448,715</u>

The following is a schedule of future required principle and interest payments due from the Charter Township of Superior's governmental activities in regards to long-term debt:

<u>Year</u>	2013 Refund Bonds		
	Fire Hall		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 102,928	\$ 92,149	\$ 10,779
2019	103,207	94,292	8,915
2020	103,443	96,435	7,008
2021	103,636	98,579	5,057
2022	103,785	100,721	3,064
2023	103,892	102,863	1,029
	<u>\$ 620,891</u>	<u>\$ 585,039</u>	<u>\$ 35,852</u>

CHARTER TOWNSHIP OF SUPERIOR

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The following is a schedule of future required principle and interest payments due from the Charter Township of Superior's business-type activities in regards to long-term debt:

<u>Year</u>	YCUA 2010 Refunding Bonds Payable		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 355,083	\$ 325,864	\$ 29,219
2019	355,898	335,640	20,258
2020	352,848	342,156	10,692
	<u>\$ 1,063,829</u>	<u>\$ 1,003,660</u>	<u>\$ 60,169</u>

<u>Year</u>	2013 Refunding Bonds Utility		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 137,222	\$ 122,851	\$ 14,371
2019	137,593	125,708	11,885
2020	137,907	128,565	9,342
2021	138,165	131,422	6,743
2022	138,365	134,279	4,086
2023	138,507	137,136	1,371
	<u>\$ 827,759</u>	<u>\$ 779,961</u>	<u>\$ 47,798</u>

<u>Year</u>	Total Proprietary Long-Term Debt Utility		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 492,305	\$ 448,715	\$ 43,590
2019	493,491	461,348	32,143
2020	490,755	470,721	20,034
2021	138,165	131,422	6,743
2022	138,365	134,279	4,086
2023	138,507	137,136	1,371
	<u>\$ 1,891,588</u>	<u>\$ 1,783,621</u>	<u>\$ 107,967</u>

CHARTER TOWNSHIP OF SUPERIOR

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 6 - STATEMENT OF CASH FLOWS - ENTERPRISE FUND

Pursuant to the Governmental Accounting Standards Board (GASB) statement number 9, a statement of cash flows is presented. The purpose of the statement of cash flows is to explain the change in cash and cash equivalents during the year. For purposes of the statement of cash flows, the enterprise fund considers all investments to be cash equivalents due to the highly liquid nature of the investments.

The direct method was utilized to present cash flows from operations. The following is the beginning and ending balances for cash and cash equivalents:

	<u>1/1/2017</u>	<u>12/31/2017</u>
Unrestricted - operations		
Cash and investments	\$ 1,472,372	\$ 1,604,806
Restricted		
Cash and investments	<u>3,763,634</u>	<u>3,584,339</u>
Total	<u><u>\$ 5,236,006</u></u>	<u><u>\$ 5,189,145</u></u>

The restricted cash and investments consist of the following:

Capital (construction, replacement, improvement)	\$ 2,582,859
Debt service	<u>1,001,480</u>
Total	<u><u>\$ 3,584,339</u></u>

NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN

History

The Township originally adopted a Defined Contribution Plan with Manulife in October 1967 which has since become John Hancock. The plan was set up as voluntary; however, to join the plan the employee had to contribute 5% of gross pay, the Township would then match with 10%. Eligible employees were all Union Firefighters, full time employees, the Fire Chief, Ordinance Officer, Supervisor, Clerk, Treasurer, Deputy Treasurer, and Trustees (employees also had to be at least 18 year of age). In October 1990, the Union Firefighters were moved into a MERS Defined Benefit pension plan. They were allowed to keep all their years of service, and allowed to keep all their accumulated pension monies in the Manulife Plan. Their accounts with Manulife were switched to inactive status, and they can access this money upon separation from service from the Township.

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN (continued)

In January 2004, the Township further amended the Defined Contribution Plan with John Hancock, when it approved a second MERS defined benefit plan for the non-union employees. This new MERS defined benefit plan became mandatory for all new hires that work full time. Existing employees as of January 1, 2004, were given the choice to either transfer to the new MERS Plan or remain in the John Hancock Plan (about 50% of the eligible employees moved to the new MERS Plan). The John Hancock employee accounts of the employees who switched to the new MERS Plan were withdrawn from John Hancock and deposited in the MERS Pension Plan. As of January 2004, the Township had three pension plans: the MERS Defined Benefit Plan for the Union firefighters referred to as MERS #1, the MERS Defined Benefit Plan for non-union employees referred to as MERS #2, and the John Hancock Defined Contribution Plan for all part time employees averaging at least 20 hours/week, trustees, and the full-time employees who decided to stay with John Hancock Plan at the January 2004 switchover.

John Hancock - (Adopted October 1967) a defined contribution plan for full-time employees only as defined above, regular part-time employees averaging 20 hours/week (including Fire Chief and Fire Marshall), and Trustees. Participation is voluntary with 5% contribution required to participate, and a 10% matching contribution from the Township. Plan vests after 20 months of plan participation, normal retirement age 55. New employees that opt out of the John Hancock plan, cannot join at a later date. The new Fire Chief has a contract for part time services which excludes him from eligibility for any Township benefits.

The following summarizes that activity in the John Hancock defined contribution plan for 2017:

Total value January 1, 2017		\$ 781,067
Additions		
Employee contributions	\$ 14,918	
Employer contributions	29,836	
Net gain for 2017	125,314	
Total additions		170,068
Withdrawals		(124,048)
Total value December 31, 2017		\$ 827,087
Covered payroll		\$ 288,050
Total payroll		\$ 356,307

NOTE 8 - DEFINED BENEFIT PLAN

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com and is available to the public.

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 8 - DEFINED BENEFIT PLAN (continued)

Description of Benefits

Benefits Provided

The defined benefit plan is comprised of two divisions, with Division 01 open to all full time, non-union employees and Division 05 open to all union firefighters. The plan calls for benefits to be paid as 2.25% of the final average compensation with a maximum of 80% for both divisions. Final average compensation is calculated based on the employee's final 3 years wages for Division 01 and the employee's final 5 years wages for Division 05.

For Division 01, the plan has a vesting period of 6 years, with normal retirement at age 60, and early retirement eligible at age 55 with 15 years of service or age 50 with 25 years of service and reduced benefits.

For Division 05, the plan has a vesting period of 10 years, with normal retirement at age 60 and early retirement eligible age 50 with 25 years of service or age 55 with 15 years of service and reduced benefits.

Employees Covered by Benefit Terms

At the December 31, 2016 valuation date, the following employees were covered by the benefit terms:

	Division 01	Division 05
	Non-Union	Union Fire
Inactive employees or beneficiaries currently receiving benefits	7	5
Inactive employees entitled to but not yet receiving benefits	0	0
Active employees	15	9
	22	14

Contributions

The Township is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The actuarially determined rate for the year ended December 31, 2017 was 14.09% of eligible wages, with total contributions of \$130,428 for Division 01 and 16.30%, with total contributions of \$113,250 for Division 05. The Township also requires employees to contribute 5.0% of eligible wages for Division 01 and 6.0% for Division 05 to fund the plan.

Net Pension Liability

The employer's Net Pension Liability was rolled forward to December 31, 2017, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of December 31, 2016.

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 8 - DEFINED BENEFIT PLAN (continued)

Actuarial assumptions

The total pension liability in the December 31, 2016 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%.

Salary Increases: 3.75% in the long term.

Investment rate of return: 7.75%, net of investment and administrative expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with price inflation of 2.5%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2009-2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.50%	5.02%
Global Fixed Income	20.00%	2.18%
Real Assets	12.50%	4.23%
Diversifying Strategies	10.00%	6.56%

Discount Rate

The discount rate used to measure the total pension liability is 8.00% for the 2016 valuation. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CHARTER TOWNSHIP OF SUPERIOR

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 8 - DEFINED BENEFIT PLAN (continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2016	\$ 7,290,511	\$ 4,871,798	\$ 2,418,713
Changes for the year			
Service Cost	187,817		187,817
Interest on Total Pension Liability	574,515		574,515
Changes in Benefits			
Difference between expected and actual experience	(60,111)		(60,111)
Changes in assumptions			
Employer Contributions		243,677	(243,677)
Employee Contributions		97,044	(97,044)
Net Investment Income		644,352	(644,352)
Benefit payments, including employee refunds	(405,961)	(405,961)	
Administrative expense		(10,196)	10,196
Other Changes	(13,371)		(13,371)
Net Changes	<u>282,889</u>	<u>568,916</u>	<u>(286,027)</u>
Balances as of 12/31/2017	<u>\$ 7,573,400</u>	<u>\$ 5,440,714</u>	<u>\$ 2,132,686</u>

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease	Current Discount	1% Increase
	7.00%	Rate	9.00%
Net Pension Liability at 12/31/2017	\$ 2,132,686	\$ 2,132,686	\$ 2,132,686
Change in Net Pension Liability (NPL) from change in discount rate	898,826		(753,854)
Calculated NPL	<u>\$ 3,031,512</u>	<u>\$ 2,132,686</u>	<u>\$ 1,378,832</u>

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 8 - DEFINED BENEFIT PLAN (continued)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension

For the year ended December 31, 2017, the Township recognized pension expense of \$358,966. The Township reported deferred outflows and deferred inflows related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in actuarial assumptions	\$ 171,049	\$
Differences in experience	33,043	
Differences in investment expectations versus actual		113,774
Contributions made subsequent to pension liability measurement date		
Totals	\$ 204,092	\$ 113,774

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Expense
2018	\$ 83,579
2019	83,579
2020	(5,279)
2021	(61,545)
2022	(10,016)
Total	\$ 90,318

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - FUND BALANCE DESIGNATIONS

The following is a summary of all restricted and further broken down to designations of fund balances for all governmental fund types.

	Major Funds			Nonmajor Funds				Total	
	General and Parks Fund	Fire Fund	Law Fund	Legal Defense Fund	Streetlight Fund	Side Street Maintenance Fund	Hyundai SAD Fund		Building Fund
Nonspendable for:									
Prepays	\$ 27,263	\$ 47,673	\$ 1,200	\$	\$	\$	\$	\$ 2,173	\$ 78,309
Restricted for:									
Fire protection									
General		1,443,345							1,443,345
Compensated absences		481,742							481,742
Truck replacement		1,077							1,077
Debt reserve		121,530							121,530
Building construction		455,346							455,346
Police protection			219,936						219,936
Public works					92,210	11,102	201,277		304,589
Legal defense				288,155					288,155
Committed for:									
Building reserve	383,157								383,157
Capital improvement	2,550								2,550
Compensated absences	30,974							19,458	50,432
Non-motorized trails	27,060								27,060
Ordinance enforcement								745,607	745,607
Right of Way	20,637								20,637
Assigned for Future Budget Deficit	77,238		36,019	5,000				6,046	124,303
Unassigned	<u>1,783,526</u>								<u>1,783,526</u>
Total designated	<u>\$ 2,352,405</u>	<u>\$ 2,550,713</u>	<u>\$ 257,155</u>	<u>\$ 293,155</u>	<u>\$ 92,210</u>	<u>\$ 11,102</u>	<u>\$ 201,277</u>	<u>\$ 773,284</u>	<u>\$ 6,531,301</u>

The Fire, Law, SAD, Legal Defense and Side Street Maintenance Funds are all restricted by tax millages, assessments and grants (outside of the Township Board) for the respective fund activity. As shown above various amounts which are restricted to the respective fund activity are further segregated for specific purposes within the fund activity by the Township Board.

CHARTER TOWNSHIP OF SUPERIOR

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 10 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal Agency obligation repurchase agreements; bankers acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in all of the investments mentioned in the preceding paragraph.

As of December 31, 2017, cash and investments consist of the following:

	<u>Total</u>	<u>Cash</u>	<u>Investments</u>
Deposits			
Checking accounts	\$ 6,734,580	\$ 6,734,580	\$
Money market accounts	4,742,987		4,742,987
Non-negotiable CDs	1,397,082		1,397,082
Total	<u>\$ 12,874,649</u>	<u>\$ 6,734,580</u>	<u>\$ 6,140,069</u>

Cash and investments are presented in the financial statements in the following areas:

Statement of Net Position:

Cash and investments \$ 10,890,787

Fiduciary Funds:

Cash and investments 3,871,094

Total cash and investments \$ 14,761,881

The carrying amount of cash and investments is stated at \$14,761,881 as of December 31, 2017. The difference between the carrying amounts and amounts mentioned above stem from cash on hand of \$900, outstanding checks of \$410,635, and outstanding deposits of \$2,296,967.

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 10 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (continued)

Deposits - Custodial Credit Risk

This is the risk that in the event of a bank failure, the Township will be able to recover its deposits. The Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

As of December 31, 2017, deposits in banks totaled \$12,874,649 which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 1,399,108
Uninsured and uncollateralized	<u>11,475,541</u>
	<u>\$ 12,874,649</u>

The Township's investment policy does not address this risk.

As of January 1, 2017, funds in noninterest-bearing accounts no longer receive unlimited deposit insurance. FDIC insurance is limited to the legal maximum of \$250,000 per public unit for all time and savings deposits and \$250,000 per public unit for all demand deposits.

NOTE 11 - MERS POST EMPLOYMENT HEALTH CARE SAVINGS PROGRAM

The Township adopted the MERS post-employment health care savings plan (HCSP) during 2005. The program is an employer sponsored program that allows employees to save money in an account that can be used for medical expenses and (or) health insurance premiums after termination of service.

All full-time employees (those with an average of 37.5 hours per week), are eligible to participate in the HCSP. The Township contributes to the plan on behalf of the eligible employees and requires the employees to contribute a percentage of pay, as described below.

For 2017, the Township contributed \$225 per non-union employee and \$225 per union employee per month to individual accounts, a total of \$53,010 for all employees. To make up for previous years of service, the Township created a compensation schedule with years of service for 15 - 25 years being weighted heavier than years 1 -14. Based on this schedule, a lump sum was deposited in each employee's account by the Township. For each employee to receive the lump sum start-up money a signed release and settlement agreement releasing the Township from a previously adopted retirement health care program was completed by each employee.

The Township requires employees to contribute a percentage of wages toward their account based on the employee's employment class. All employees hired prior to November 1, 2011, are in their own individual class. The required contributions range from a minimum of 2% of compensation to a maximum 15% of compensation within the various classes. Employees may choose between three options for wages used to calculate the contribution due; regular pay only, regular and overtime pay, or regular, overtime and longevity pay. Each employee may change the contribution percentage and covered wages once per year, between November 1st and November 15th for the upcoming year.

As of November 1, 2011, all newly hired employees are classified as one uniform employee class for all union new hires and one class for all non-union new hires. These two new classes of employees' contribution percentage will be reviewed annually in November and amended as necessary. Union employees elected to have 8% of all regular, overtime and longevity pay and non-union employees elected to have 3% of regular pay contributed for the year ended December 31, 2017.

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 11 - MERS POST EMPLOYMENT HEALTH CARE SAVINGS PROGRAM (continued)

The Township contribution is subject to a vesting schedule as follows:

<u>Employees service</u>	<u>Vested Percentage</u>
Prior to six (6) years full time employment	0%
Six (6) years but less than nine (9) years full time employment	25%
Nine (9) years but less than twelve (12) years full time employment	50%
Twelve (12) years but less than fifteen (15) years full time employment	75%
Fifteen (15) or more years full time employment	100%

The mandated employee contributions are vested immediately and are withheld as pretax contributions.

All contributions are invested in the MERS portfolio and grow tax free. When an employee retires the savings account is available for tax free reimbursement of medical expenses and (or) health insurance premiums for employees, and spouses and dependents of employees.

NOTE 12 - POST EMPLOYMENT BENEFITS

In addition to the MERS Health Care Savings Plan described in Note 11, the Township also provides post-employment health care benefits to two (2) firefighters who retired prior to June 30, 2005. These two (2) firefighters are governed under the old retirement health care system as described in the union contracts for the fiscal years in which they retired (Firefighter Winters 2001 and Firefighter Dickinson January 2005). The benefit to these two (2) firefighters are: The Township pays 100% of the premium of whatever health insurance is in effect for the active firefighters and 50% of whatever Vision and Dental benefits are in effect for active firefighters (currently Vision Service Plan and Delta Dental). This is a lifelong benefit for these retired firefighters, and their spouses, if they were married to the spouse at the time of retirement. Firefighters who have retired from the Township after June 30, 2005, are not entitled to this benefit and were offered a legal buy-out for the loss of this benefit, indemnifying the Township of any claims to this benefit.

During 2017, the Township paid for the cost of covering these retirees. During the fiscal year 2017, the net cost of health care benefits for the retirees was \$3,452, which was paid directly to the healthcare provider.

NOTE 13 - HSA PLAN

Beginning April 21, 2016, the Charter Township of Superior approved to purchase the Blue Cross Blue Shield Simply Blue HSA plan and the Township will pay a wellness incentive to employees to help offset the plan deductible. Wellness incentives for the year ended December 31, 2017 are \$1,350 for individuals or \$2,700 for families for non-union employees and \$2,300 for individuals or \$4,600 for families for union employees.

CHARTER TOWNSHIP OF SUPERIOR

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 14 - GRANT ACTIVITIES

Grants have been received by the Charter Township of Superior for various fire department, parks and recreation, and Utility activities. Management is not aware of any compliance issues should any prior grant be audited by the grantor. During the current fiscal year, the Township spent over \$750,000 in federal grants. Because of this, the Township is required to contract for a compliance audit ("Single Audit") under *Uniform Guidance*. This audit will be performed by a secondary auditor that specializes in these particular audits. The Township was the recipient of three FEMA Assisting Firefighter Grants (AFG), with details as follows:

- FEMA AFG ladder truck grant – The Township was the recipient of a FEMA AFG regional ladder truck grant. The Township received \$840,910 for the ladder truck from FEMA. The grant included a required match of \$157,863, less a discount of \$3,100. The total amount spent on the fire truck was \$995,673. The final amount capitalized included equipment added to the truck (at no cost to the Township) of \$25,100, leading to a final value of \$1,020,773.
- FEMA AFG hose grant – The Township was a sub-recipient of a FEMA AFG regional hose grant, administered through the Charter Township of Ann Arbor. The Township received \$26,396 worth of hose, with a Township match of \$2,640. The Township has recognized \$23,756 in grant revenue.
- FEMA AFG AED grant – The Township was a sub-recipient of a FEMA AFG regional AED equipment grant, administered through the City of Ypsilanti Fire Department. The Township received \$29,499 in AED equipment, with a Township match of \$2,682. The Township recognized \$26,817 in grant revenue.

In summary, federal grant expenditures totaled \$891,483 for the year ended December 31, 2017.

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township maintains a proprietary fund which is financed by user charges. Segment information as of December 31, 2017, follows:

	Utility System
Operating revenues	\$ 4,113,103
Depreciation	699,429
Operating gain	80,083
Non-operating	
revenues and (expenses) net	102,492
Changes in net assets	182,575
Current assets	2,668,534
Current liabilities	756,301
Net working capital	1,912,233
Total assets	21,683,779
Total liabilities	2,091,207
Net assets	19,592,572

NOTE 16 – UPCOMING ACCOUNTING PRONOUNCEMENTS

In January of 2017, the Governmental Accounting Standards Board issued GASB Statement #84 - Fiduciary Activities. This establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements beginning in the December 31, 2019 calendar year.

In June of 2017, the Governmental Accounting Standards Board issued GASB Statement #87 - Leases. This improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously 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. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements beginning in the December 31, 2020 calendar year.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 21, 2018, the date the financial statements were available to be issued.

The Township was awarded a FEMA assisting firefighters grant (AFG) in the amount of \$840,910 for the acquisition of a new aerial ladder truck. The Township paid the full cost of the truck on January 30, 2017. However, as of the fiscal year-end, the vehicle had not yet been received.

REQUIRED SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF SUPERIOR

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budget Amount</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>with Final Budget Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$ 525,369	\$ 525,369	\$ 523,881	\$ (1,488)
Licenses and permits	3,000	3,000	3,583	583
State grants	1,048,697	1,083,256	1,133,037	49,781
Contributions from local units	10,000	10,000	10,000	
Charges for services	9,500	13,100	11,631	(1,469)
Interest and rents	212,850	236,650	257,549	20,899
Other revenue	11,900	36,800	40,733	3,933
Total revenues	<u>1,821,316</u>	<u>1,908,175</u>	<u>1,980,414</u>	<u>72,239</u>
EXPENDITURES				
General government	1,127,930	1,125,805	1,055,196	70,609
Public safety	56,590	47,690	42,822	4,868
Public works	458,840	710,409	689,422	20,987
Community and economic development	30,416	25,066	19,359	5,707
Recreation and culture	307,423	275,273	273,464	1,809
Total expenditures	<u>1,981,199</u>	<u>2,184,243</u>	<u>2,080,263</u>	<u>103,980</u>
Excess of revenues over (under) expenditures	<u>(159,883)</u>	<u>(276,068)</u>	<u>(99,849)</u>	<u>176,219</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets		2,150	2,150	
Net change in fund balance	<u>(159,883)</u>	<u>(273,918)</u>	<u>(97,699)</u>	<u>176,219</u>
FUND BALANCE, JANUARY 1, 2017	<u>2,450,104</u>	<u>2,450,104</u>	<u>2,450,104</u>	
FUND BALANCE, DECEMBER 31, 2017	<u>\$ 2,290,221</u>	<u>\$ 2,176,186</u>	<u>\$ 2,352,405</u>	<u>\$ 176,219</u>

CHARTER TOWNSHIP OF SUPERIOR

FIRE FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budget Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,804,743	\$ 1,804,743	\$ 1,802,149	\$ (2,594)
Federal grants		210,227	891,483	681,256
State grants		2,050	2,042	(8)
Charges for services	1,500	300	200	(100)
Interest and rents	4,200	6,900	7,219	319
Other revenue	7,300	11,400	10,862	(538)
Total revenues	<u>1,817,743</u>	<u>2,035,620</u>	<u>2,713,955</u>	<u>678,335</u>
EXPENDITURES				
Public safety	1,554,250	2,649,656	2,652,832	(3,176)
Debt service	102,928	102,928	102,157	771
Total expenditures	<u>1,657,178</u>	<u>2,752,584</u>	<u>2,754,989</u>	<u>(2,405)</u>
Excess of revenues over (under) expenditures	<u>160,565</u>	<u>(716,964)</u>	<u>(41,034)</u>	<u>680,740</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	<u>(160,565)</u>			
Net change in fund balance		<u>(716,964)</u>	<u>(41,034)</u>	<u>680,740</u>
FUND BALANCE, JANUARY 1, 2017	<u>2,591,747</u>	<u>2,591,747</u>	<u>2,591,747</u>	
FUND BALANCE, DECEMBER 31, 2017	<u>\$ 2,591,747</u>	<u>\$ 1,874,783</u>	<u>\$ 2,550,713</u>	<u>\$ 680,740</u>

CHARTER TOWNSHIP OF SUPERIOR

LAW ENFORCEMENT FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budget Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,355,749	\$ 1,355,749	\$ 1,351,619	\$ (4,130)
State grants		1,600	1,532	(68)
Charges for services	279,000	279,000	303,049	24,049
Fines and forfeits	10,000	25,000	30,407	5,407
Interest and rents	200	3,600	4,618	1,018
Total revenues	<u>1,644,949</u>	<u>1,664,949</u>	<u>1,691,225</u>	<u>26,276</u>
EXPENDITURES				
Public safety	<u>1,708,799</u>	<u>1,739,099</u>	<u>1,711,970</u>	<u>27,129</u>
Net change in fund balance	(63,850)	(74,150)	(20,745)	53,405
FUND BALANCE, JANUARY 1, 2017	<u>277,900</u>	<u>277,900</u>	<u>277,900</u>	
FUND BALANCE, DECEMBER 31, 2017	<u>\$ 214,050</u>	<u>\$ 203,750</u>	<u>\$ 257,155</u>	<u>\$ 53,405</u>

CHARTER TOWNSHIP OF SUPERIOR

**REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Schedule of Employer Contributions

	For the Plan Year Ended <u>December 31, 2017</u>	For the Plan Year Ended <u>December 31, 2016</u>	For the Plan Year Ended <u>December 31, 2015</u>
Actuarial determined contributions	\$ 243,677	\$ 208,778	\$ 187,940
Contributions in relation to the actuarial determined contribution	<u>243,677</u>	<u>208,778</u>	<u>187,940</u>
Contribution (deficiency) excess	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered employee payroll	<u>\$ 1,583,227</u>	<u>\$ 1,621,846</u>	<u>\$ 1,572,197</u>
Contributions as a percentage of covered payroll	<u>15.39 %</u>	<u>12.87 %</u>	<u>11.95 %</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available will be presented.

Notes to the Schedule of Employer Contributions

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	23 years
Asset valuation method	5 years smoothed
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	<u>Division 01</u> : Age 60, early retirement at age 55 with 15 years of service or age 50 with 25 years of service with reduced benefits. <u>Division 05</u> : Age 60, early retirement at age 50 with 25 years of service or age 55 with 15 years of service with reduced benefits.
Mortality	50% Female/50% Male RP-2014 group Annuity Mortality Table

Previous Actuarial Methods and Assumptions

A ten-year smoothed asset valuation method was used for the time period of 2005 through 2015.

CHARTER TOWNSHIP OF SUPERIOR

REQUIRED SUPPLEMENTARY INFORMATION
 DEFINED BENEFIT PENSION PLAN
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 FOR THE YEAR ENDED DECEMBER 31, 2017

	For the Plan Year Ended <u>December 31, 2017</u>	For the Plan Year Ended <u>December 31, 2016</u>	For the Plan Year Ended <u>December 31, 2015</u>
TOTAL PENSION LIABILITY			
Service Cost	\$ 187,817	\$ 185,852	\$ 171,059
Interest	574,515	531,168	505,344
Changes in benefit terms			
Differences between expected and actual experience	(60,111)	138,559	
Changes of assumptions		285,083	
Benefit payments, including refunds of employee contributions	(405,961)	(362,555)	(349,525)
Other changes	<u>(13,371)</u>	<u>(14,343)</u>	<u>(14,745)</u>
Net change in total pension liability	282,889	763,764	312,133
TOTAL PENSION LIABILITY - BEGINNING	<u>7,290,511</u>	<u>6,526,747</u>	<u>6,214,614</u>
TOTAL PENSION LIABILITY - ENDING	<u>\$ 7,573,400</u>	<u>\$ 7,290,511</u>	<u>\$ 6,526,747</u>
PLAN FIDUCIARY NET POSITION			
Contributions - employer	243,677	208,778	187,940
Contributions - employee	97,044	89,336	86,207
Net investment income	644,352	505,591	(68,734)
Benefit payments, including refunds of employee contributions	(405,961)	(362,555)	(349,525)
Administrative Expenses	<u>(10,196)</u>	<u>(9,975)</u>	<u>(10,063)</u>
Net change in plan fiduciary net position	568,916	431,175	(154,175)
PLAN FIDUCIARY NET POSITION, BEGINNING	<u>4,871,798</u>	<u>4,440,623</u>	<u>4,594,798</u>
PLAN FIDUCIARY NET POSITION, ENDING	<u>\$ 5,440,714</u>	<u>\$ 4,871,798</u>	<u>\$ 4,440,623</u>
NET PENSION LIABILITY (TOTAL PENSION LIABILITY - PLAN FIDUCIARY NET POSITION)	<u>\$ 2,132,686</u>	<u>\$ 2,418,713</u>	<u>\$ 2,086,124</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71.84%</u>	<u>66.82%</u>	<u>68.04%</u>
Covered employee payroll	<u>\$ 1,583,227</u>	<u>\$ 1,621,846</u>	<u>\$ 1,572,197</u>
Net pension liability as a percentage of covered employee payroll	<u>134.71%</u>	<u>149.13%</u>	<u>132.69%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available will be presented.

SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF SUPERIOR

ALL FUNDS INCLUDED IN GASB 54 GENERAL FUND CONSOLIDATION
 COMBINING BALANCE SHEET
 DECEMBER 31, 2017

	<u>General Fund Pre GASB 54 Consolidation</u>	<u>Parks and Recreation Fund</u>	<u>Totals Restated General Fund</u>
ASSETS			
Cash and investments	\$ 1,339,813	\$ 571,869	\$ 1,911,682
Receivables:			
Taxes	454,181		454,181
State shared revenue	377,274		377,274
Due from other funds	55,278		55,278
Other	69,350	82	69,432
Other current assets			
Prepaid expenditures	19,771	7,492	27,263
Total assets	<u>\$ 2,315,667</u>	<u>\$ 579,443</u>	<u>\$ 2,895,110</u>
LIABILITIES			
Accounts payable	\$ 29,525	\$ 806	\$ 30,331
Due to other funds	7,155	945	8,100
Total liabilities	<u>36,680</u>	<u>1,751</u>	<u>38,431</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	504,274		504,274
FUND BALANCES			
Nonspendable for prepaids	19,771	7,492	27,263
Committed:			
Building reserve		383,157	383,157
Capital improvement		2,550	2,550
Compensated absences	23,014	7,960	30,974
Non-motorized trails	27,060		27,060
Right of Way	20,637		20,637
Assigned for future budget deficit		77,238	77,238
Unassigned	1,684,231	99,295	1,783,526
Total fund balances	<u>1,774,713</u>	<u>577,692</u>	<u>2,352,405</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,315,667</u>	<u>\$ 579,443</u>	<u>\$ 2,895,110</u>

CHARTER TOWNSHIP OF SUPERIOR

ALL NONMAJOR FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2017

	Legal Defense Fund	Streetlight Fund	Side Street Maintenance Fund	Hyundai SAD Fund	Building Fund	Totals
ASSETS						
Cash and investments	\$ 293,155	\$ 20,123	\$ 11,102	\$ 201,277	\$ 772,317	\$ 1,297,974
Receivables:						
Special assessments		86,877	22,646			109,523
Other current assets:						
Prepaid expenditures					2,173	2,173
Total assets	<u>\$ 293,155</u>	<u>\$ 107,000</u>	<u>\$ 33,748</u>	<u>\$ 201,277</u>	<u>\$ 774,490</u>	<u>\$ 1,409,670</u>
LIABILITIES						
Accounts payable	\$	\$ 7,181	\$	\$	\$ 53	\$ 7,234
Due to other funds		7,609			1,153	8,762
Unearned revenue			22,646			22,646
Total liabilities		<u>14,790</u>	<u>22,646</u>		<u>1,206</u>	<u>38,642</u>
FUND BALANCE						
Nonspendable for:						
Prepays					2,173	2,173
Restricted for:						
Public works		92,210	11,102	201,277		304,589
Legal defense	288,155					288,155
Committed for:						
Compensated absences					19,458	19,458
Ordinance enforcement					745,607	745,607
Assigned for future budget deficit	5,000				6,046	11,046
Total fund equity	<u>293,155</u>	<u>92,210</u>	<u>11,102</u>	<u>201,277</u>	<u>773,284</u>	<u>1,371,028</u>
Total liabilities and fund equity	<u>\$ 293,155</u>	<u>\$ 107,000</u>	<u>\$ 33,748</u>	<u>\$ 201,277</u>	<u>\$ 774,490</u>	<u>\$ 1,409,670</u>

CHARTER TOWNSHIP OF SUPERIOR

ALL AGENCY FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2017

	Trust and Agency Fund	Current Tax Fund	Payroll Fund	Totals
ASSETS				
Cash and investments	\$ 470,216	\$ 3,381,792	\$ 19,086	\$ 3,871,094
Due from other funds			24,484	24,484
Due from others	8,638			8,638
	<u>8,638</u>			<u>8,638</u>
Total assets	<u>\$ 478,854</u>	<u>\$ 3,381,792</u>	<u>\$ 43,570</u>	<u>\$ 3,904,216</u>
LIABILITIES				
Due to others	\$ 477,256	\$ 3,381,696	\$ 38,570	\$ 3,897,522
Due to other funds	1,598	96	5,000	6,694
	<u>1,598</u>	<u>96</u>	<u>5,000</u>	<u>6,694</u>
Total liabilities	<u>\$ 478,854</u>	<u>\$ 3,381,792</u>	<u>\$ 43,570</u>	<u>\$ 3,904,216</u>

CHARTER TOWNSHIP OF SUPERIOR

**ALL FUNDS INCLUDED IN GASB 54 GENERAL FUND CONSOLIDATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General Fund Pre GASB 54 Consolidation	Parks and Recreation Fund	Eliminations	Total Restated General Fund
REVENUES				
Taxes	\$ 523,881	\$	\$	\$ 523,881
Licenses and permits	3,583			3,583
State grants	1,133,037			1,133,037
Contributions from local units	10,000			10,000
Charges for services	11,631			11,631
Interest and rents	255,454	2,095		257,549
Other revenue	34,325	6,408		40,733
Total revenues	1,971,911	8,503		1,980,414
EXPENDITURES				
General government	1,050,196			1,050,196
Public safety	42,822			42,822
Public works	689,422			689,422
Community and economic development	19,359			19,359
Recreation and culture		218,300		218,300
Capital outlay				
General government	5,000			5,000
Parks and recreation		55,164		55,164
Total expenditures	1,806,799	273,464		2,080,263
Excess of revenues over (under) expenditures	165,112	(264,961)		(99,849)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets		2,150		2,150
Transfers in		251,702	(251,702)	
Transfers (out)	(251,702)		251,702	
Total other financing sources (uses)	(251,702)	253,852		2,150
Net change in fund balance	(86,590)	(11,109)		(97,699)
FUND BALANCE, JANUARY 1, 2017	1,861,303	588,801		2,450,104
FUND BALANCE, DECEMBER 31, 2017	\$ 1,774,713	\$ 577,692	\$	\$ 2,352,405

CHARTER TOWNSHIP OF SUPERIOR
ALL NONMAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Legal Defense Fund	Streetlight Fund	Side Street Maintenance Fund	Hyundai Fund	Building Fund	Totals
REVENUES						
Special assessments	\$	\$ 86,877	\$ 22,646	\$ 132,500	\$	\$ 242,023
Charges for services					318,531	318,531
Interest and rents				1,132	43	1,175
Total revenues		86,877	22,646	133,632	318,574	561,729
EXPENDITURES						
General government	4,032			750		4,782
Public works		80,365				80,365
Community and economic development			19,945		207,790	227,735
Debt service						
Principal				130,000		130,000
Interest				3,413		3,413
Total expenditures	4,032	80,365	19,945	134,163	207,790	446,295
Net change in fund balance	(4,032)	6,512	2,701	(531)	110,784	115,434
FUND BALANCE, JANUARY 1, 2017	297,187	85,698	8,401	201,808	662,500	1,255,594
FUND BALANCE, DECEMBER 31, 2017	\$ 293,155	\$ 92,210	\$ 11,102	\$ 201,277	\$ 773,284	\$ 1,371,028

INDIVIDUAL FUNDS

GENERAL FUND

CHARTER TOWNSHIP OF SUPERIOR

GENERAL FUND (PRE GASB 54 - RESTATEMENT)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Taxes			
Payment in lieu of taxes	\$ 1,800	\$ 1,766	\$ (34)
Property taxes	523,569	522,115	(1,454)
Licenses and permits			
Trailer home fees	3,000	3,583	583
State grants			
State shared revenue	1,073,556	1,123,216	49,660
Personal property tax reimbursement		280	280
ROW fees	9,700	9,541	(159)
Contributions from local units			
CTAP grant	10,000	10,000	
Charges for services			
Solid waste/recycling	4,700	4,231	(469)
Litter control	8,400	7,400	(1,000)
Interest and rents			
Cable fees	191,000	209,283	18,283
Cell tower	43,000	43,595	595
Interest income	1,200	2,576	1,376
Other revenue			
Reimbursements and refunds	2,500	668	(1,832)
Planning department	12,300	8,805	(3,495)
Other income	16,000	24,852	8,852
Total revenues	<u>1,900,725</u>	<u>1,971,911</u>	<u>71,186</u>

This supplementary information shows the General Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information.

CHARTER TOWNSHIP OF SUPERIOR

GENERAL FUND (PRE GASB 54 - RESTATEMENT)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES			
General government			
Township board	12,020	9,458	2,562
Supervisor	92,097	92,077	20
Treasurer	170,428	167,153	3,275
Clerk	119,991	117,987	2,004
Assessing equalization	154,926	139,132	15,794
Elections	43,728	38,311	5,417
Building and grounds	54,484	52,498	1,986
Attorney	5,000	1,903	3,097
All other general government	473,131	436,677	36,454
Public safety			
Ordinance enforcement	47,690	42,822	4,868
Public works			
Infrastructure	607,068	596,773	10,295
Sanitation	18,200	16,479	1,721
Public transportation	85,141	76,170	8,971
Community and economic development			
Planning and zoning	25,066	19,359	5,707
Total expenditures	<u>1,908,970</u>	<u>1,806,799</u>	<u>102,171</u>
Excess of revenues over (under) expenditures	(8,245)	165,112	173,357
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(251,702)</u>	<u>(251,702)</u>	
Net change in fund balance	(259,947)	(86,590)	173,357
FUND BALANCE, JANUARY 1, 2017	<u>1,861,303</u>	<u>1,861,303</u>	
FUND BALANCE, DECEMBER 31, 2017	<u><u>\$ 1,601,356</u></u>	<u><u>\$ 1,774,713</u></u>	<u><u>\$ 173,357</u></u>

This supplementary information shows the General Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information.

CHARTER TOWNSHIP OF SUPERIOR

**GENERAL FUND (PRE GASB 54 - RESTATEMENT)
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
TOWNSHIP BOARD			
Salaries	\$ 12,020	\$ 9,458	\$ 2,562
SUPERVISOR			
Salaries	80,045	80,045	
Taxable benefits	12,002	12,002	
Supplies	50	30	20
Total supervisor	<u>92,097</u>	<u>92,077</u>	<u>20</u>
TREASURER			
Salaries	72,320	72,320	
Other salaries	68,960	67,901	1,059
Contracted services		38	(38)
Training	500	25	475
Taxable benefits	25,148	22,876	2,272
Supplies	2,000	1,616	384
Printing and publishing	1,500	2,327	(827)
Memberships and dues		50	(50)
Total treasurer	<u>170,428</u>	<u>167,153</u>	<u>3,275</u>
CLERK			
Salary	72,320	72,320	
Other salaries	43,221	42,562	659
Training	1,000	933	67
Taxable benefits	1,950	1,300	650
Supplies	1,500	872	628
Total clerk	<u>119,991</u>	<u>117,987</u>	<u>2,004</u>

This supplementary information shows the General Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information.

CHARTER TOWNSHIP OF SUPERIOR

**GENERAL FUND (PRE GASB 54 - RESTATEMENT)
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ASSESSING EQUALIZATION			
Salaries	132,100	116,592	15,508
Contract services	2,500	1,870	630
Training	900	1,345	(445)
Taxable benefits	15,826	16,426	(600)
Supplies	1,500	1,091	409
Telephone	500	481	19
Transportation	600	476	124
Meals and lodging	500	201	299
Memberships and dues	500	650	(150)
	<u>154,926</u>	<u>139,132</u>	<u>15,794</u>
ELECTIONS			
Salaries	14,028	12,340	1,688
Supplies and postage	8,700	6,131	2,569
Rent	1,000		1,000
Equipment	20,000	19,840	160
	<u>43,728</u>	<u>38,311</u>	<u>5,417</u>
BUILDINGS AND GROUNDS			
Salaries	16,004	16,006	(2)
Contract services	6,000	3,304	2,696
Taxable benefits	480	480	
Operating supplies	6,000	4,242	1,758
Transportation	200		200
Utilities	10,000	9,048	952
Repairs and maintenance	13,000	15,387	(2,387)
Expense allocation	(7,200)	(5,416)	(1,784)
Building improvements	10,000	9,447	553
	<u>54,484</u>	<u>52,498</u>	<u>1,986</u>
ATTORNEY			
Professional services	5,000	1,903	3,097

This supplementary information shows the General Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information.

CHARTER TOWNSHIP OF SUPERIOR

**GENERAL FUND (PRE GASB 54 - RESTATEMENT)
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ALL OTHER GENERAL GOVERNMENT			
Administration salaries	31,700	31,191	509
Administration training	500		500
Administration taxable benefits	676	674	2
Administration office supplies	4,000	3,938	62
Administration postage	14,000	12,715	1,285
Cemetery upkeep	2,000	1,910	90
Professional services	42,170	38,519	3,651
Telephone	7,200	7,145	55
Insurance and bonds	12,000	12,133	(133)
Transportation	5,000	7,282	(2,282)
Printing and publishing	14,500	13,852	648
Repairs and maintenance	5,000	487	4,513
Expense allocation	(2,400)	(1,955)	(445)
Meals on Wheels	2,150	2,150	
Equipment rental	2,500	3,738	(1,238)
Memberships and dues	20,000	10,819	9,181
Bank charges	1,000	399	601
Equipment	4,000	1,441	2,559
Miscellaneous	6,300	7,301	(1,001)
Accounting Salaries	69,010	67,862	1,148
Accounting taxable benefits	3,142	3,142	
Accounting supplies	800	919	(119)
Accounting expense allocation	(22,000)	(18,265)	(3,735)
Unallocated FICA	51,174	51,475	(301)
Unallocated medical insurance	82,759	72,377	10,382
Unallocated dental insurance	9,245	8,329	916
Unallocated vision insurance	1,913	1,760	153
Unallocated life insurance	1,880	1,804	76
Unallocated HSA administration fees	400	224	176
Unallocated HCSP fees	20,580	20,020	560
Unallocated pension expense	81,932	73,291	8,641
Total all other general government	<u>473,131</u>	<u>436,677</u>	<u>36,454</u>

This supplementary information shows the General Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information.

CHARTER TOWNSHIP OF SUPERIOR

GENERAL FUND (PRE GASB 54 - RESTATEMENT)
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ORDINANCE ENFORCEMENT			
Salaries	41,076	37,850	3,226
Contract services	400	400	
Taxable benefits	1,714	1,792	(78)
Miscellaneous	4,500	2,780	1,720
Total ordinance enforcement	<u>47,690</u>	<u>42,822</u>	<u>4,868</u>
INFRASTRUCTURE			
Master plan revisions	6,500	991	5,509
Geddes Ridge drain maintenance	34,615	34,532	83
Special projects	17,000	11,817	5,183
Miscellaneous	3,400	3,315	85
Salaries	2,578	1,220	1,358
Contract services	1,000	1,055	(55)
Supplies	500	69	431
Road maintenance	487,719	491,569	(3,850)
Non-motorized trails maintenance	2,500	3,095	(595)
Other maintenance	4,000	2,516	1,484
Streetlights	3,950	3,836	114
Drains	43,306	42,758	548
Total infrastructure	<u>607,068</u>	<u>596,773</u>	<u>10,295</u>
SANITATION			
Recycling	12,000	11,453	547
Garbage and yard waste tags	3,200	2,533	667
Dump usage collection	3,000	2,493	507
Total sanitation	<u>18,200</u>	<u>16,479</u>	<u>1,721</u>

This supplementary information shows the General Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information.

CHARTER TOWNSHIP OF SUPERIOR

GENERAL FUND (PRE GASB 54 - RESTATEMENT)
 STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
PUBLIC TRANSPORTATION			
A.A.T.A. contract	53,719	45,036	8,683
Demand response	18,922	18,634	288
New buses	<u>12,500</u>	<u>12,500</u>	
Total public transportation	<u>85,141</u>	<u>76,170</u>	<u>8,971</u>
PLANNING AND ZONING			
Salaries	17,740	13,084	4,656
Taxable benefits	676	807	(131)
Supplies	400	501	(101)
Professional services	6,000	4,809	1,191
Printing and publishing	<u>250</u>	<u>158</u>	<u>92</u>
Total planning and zoning	<u>25,066</u>	<u>19,359</u>	<u>5,707</u>
Total expenditures	<u>\$ 1,908,970</u>	<u>\$ 1,806,799</u>	<u>\$ 102,171</u>

This supplementary information shows the General Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information.

PARKS AND RECREATION FUND

CHARTER TOWNSHIP OF SUPERIOR

**PARKS AND RECREATION FUND (PRE GASB 54 - RESTATEMENT)
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ADMINISTRATION			
Salaries	\$ 44,953	\$ 43,982	\$ 971
Training	1,000	944	56
Taxable benefits		321	(321)
Supplies	600	413	187
Professional services	2,400	1,345	1,055
Telephone	1,200	1,558	(358)
Insurance and bonds	7,100	7,053	47
Transportation	600	995	(395)
Printing and publishing	1,000	477	523
Repairs and maintenance	250	150	100
Membership and dues	500	518	(18)
Bank fees	50	34	16
	<u>59,653</u>	<u>57,790</u>	<u>1,863</u>
RECREATION			
Salaries	7,461	7,828	(367)
Training		550	(550)
Supplies	3,000	3,221	(221)
Telephone	400	384	16
Miscellaneous	1,100	452	648
	<u>11,961</u>	<u>12,435</u>	<u>(474)</u>
MAINTENANCE AND IMPROVEMENTS			
Salaries	95,655	92,768	2,887
Taxable benefits	1,945	2,052	(107)
Supplies	6,500	6,593	(93)
Uniforms	600	468	132
Fuel and lubricants	5,000	3,614	1,386
Telephone	480	403	77
Utilities	400	485	(85)
Repair and Maintenance	5,100	4,224	876
Equipment	25,000	24,288	712
	<u>140,680</u>	<u>134,895</u>	<u>5,785</u>
	<u>38,400</u>	<u>45,314</u>	<u>(6,914)</u>
GRANT PARK DEVELOPMENT			
	<u>24,579</u>	<u>23,030</u>	<u>1,549</u>
UNALLOCATED EXPENSES			
Total expenditures	<u>\$ 275,273</u>	<u>\$ 273,464</u>	<u>\$ 1,809</u>

This supplementary information shows the Parks and Recreation Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information.

UTILITY FUND

CHARTER TOWNSHIP OF SUPERIOR

**UTILITY FUND
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Charges for services	\$ 3,995,939	\$ 4,095,235	\$ 99,296
Interest income	8,300	16,795	8,495
Meter sales	18,000	17,868	(132)
Other	3,500	17,723	14,223
Grant		121,821	121,821
	<u>4,025,739</u>	<u>4,269,442</u>	<u>243,703</u>
EXPENSES			
Water and sewer purchases	2,384,984	2,292,120	92,864
Salaries	385,872	373,647	12,225
Taxable benefits	26,886	48,304	(21,418)
Payroll taxes	33,488	33,195	293
Insurance benefits	89,589	80,778	8,811
Pension expense	48,646	46,477	2,169
Repairs and maintenance - administration building	12,000	12,419	(419)
Computer services and supplies	5,000	5,000	
Supplies	6,000	6,188	(188)
Utilities	6,000	5,177	823
Telecommunications	6,600	7,457	(857)
Leased equipment	5,527	6,470	(943)
Cleaning services	3,500	2,092	1,408
Lift and booster station expense	31,650	30,737	913
Maintenance facility expense	82,000	72,701	9,299
System repairs and maintenance	58,200	94,465	(36,265)
Professional fees	23,600	19,570	4,030
Employee expense	5,000	5,779	(779)
Meters and supplies	100,000	132,590	(32,590)
Fuel	6,000	5,122	878
Insurance and bonds	32,000	30,440	1,560
Depreciation	650,000	699,429	(49,429)
Postage	7,000	5,845	1,155
Bank fees		30	(30)
Bad debt expense	3,500	3,272	228
Printing and publishing	5,000	4,801	199
Membership and dues	9,000	8,061	939
Miscellaneous	900	854	46
Bond interest expense	53,321	53,321	
Agency fee	450	526	(76)
	<u>4,081,713</u>	<u>4,086,867</u>	<u>(5,154)</u>
Change in net assets	<u>\$ (55,974)</u>	<u>\$ 182,575</u>	<u>\$ 238,549</u>

This schedule is prepared on a budgetary basis for the operating accounts of the enterprise fund and as such does not present the results of operations on the basis of generally accepted accounting principles but is presented for supplemental information.

CHARTER TOWNSHIP OF SUPERIOR

**UTILITY FUND - COMPARATIVE STATEMENT OF REVENUES AND EXPENSES - OPERATING ACCOUNTS ONLY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016, 2015, 2014, 2013, 2012, AND 2011**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
REVENUES							
Charges for services	\$ 4,095,235	\$ 4,208,728	\$ 3,508,267	\$ 3,067,196	\$ 2,646,685	\$ 2,943,343	\$ 2,621,228
Meter sales	<u>17,868</u>	<u>24,716</u>	<u>28,618</u>	<u>12,265</u>	<u>4,345</u>	<u>13,065</u>	<u>6,748</u>
Total revenues	<u>4,113,103</u>	<u>4,233,444</u>	<u>3,536,885</u>	<u>3,079,461</u>	<u>2,651,030</u>	<u>2,956,408</u>	<u>2,627,976</u>
EXPENSES							
Water and sewer purchases	2,292,120	2,262,792	2,047,088	1,855,590	1,591,836	1,708,525	1,533,302
Salaries and wages	373,647	377,151	376,305	373,262	439,453	429,636	430,301
Taxable benefits	48,304	36,855	26,534	25,256	29,168	21,329	28,352
Payroll taxes	33,195	31,760	29,537	29,409	36,123	34,157	34,107
Insurance benefits	68,843	62,095	59,324	77,676	112,456	112,868	100,396
Pension	46,477	43,973	39,017	31,150	38,442	38,443	37,962
Repairs and maintenance	179,585	142,777	149,361	70,484	61,125	64,328	56,923
Computer expenses	5,000	9,414	10,941	16,183	10,483	14,981	15,294
Operating supplies and meters	138,778	69,731	48,577	33,646	35,896	37,528	46,242
Utilities	35,914	33,024	35,770	44,502	40,665	37,401	42,236
Telecommunications	7,457	13,385	11,952	9,098	8,539	11,292	11,251
Lease equipment	6,470	8,640	4,441	3,674	3,538	3,987	4,239
Office expenses	13,943	37,429	32,248	21,527	18,433	15,866	6,150
Professional services	19,570	12,852	46,515	34,452	46,719	22,212	25,514
Health savings expense	11,935	11,093	10,871	11,463	13,770	12,240	12,240
Insurance and bonds	30,440	30,391	28,223	24,552	25,864	25,752	13,155
Bad debt expense	3,272	3,224	5,541	3,173	3,136	5,994	2,960
Printing and publishing	4,801	2,312	3,430	3,186	4,210	3,808	3,439
Memberships and dues	8,061	7,638	6,765	4,372	9,628	5,950	5,652
Training and other employee expenses	<u>5,779</u>	<u>3,717</u>	<u>3,980</u>	<u>3,189</u>	<u>5,288</u>	<u>5,463</u>	<u>5,953</u>
Total expenses	<u>3,333,591</u>	<u>3,200,253</u>	<u>2,976,420</u>	<u>2,675,844</u>	<u>2,534,772</u>	<u>2,611,760</u>	<u>2,415,668</u>
Net revenues over expenses	<u>\$ 779,512</u>	<u>\$ 1,033,191</u>	<u>\$ 560,465</u>	<u>\$ 403,617</u>	<u>\$ 116,258</u>	<u>\$ 344,648</u>	<u>\$ 212,308</u>

This schedule only includes operating revenues and expenses (excludes connection fees revenue, interest income, depreciation expense, and interest expense) and as such does not present results of operations on the basis of generally accepted accounting principles but is presented for supplementary information.

PHP

PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
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May 21, 2018

Charter Township of Superior
Honorable Board of Trustees
3040 North Prospect
Ypsilanti, MI 48198

Dear Honorable Board of Trustees:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Superior as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter Township of Superior's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Township of Superior's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter Township of Superior's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in the Charter Township of Superior's internal control to be a material weakness:

Establish Control Over the Financial Reporting Process - Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles.

At times, management may choose to outsource certain accounting functions due to cost or training considerations. Such accounting functions and service providers must be governed by the control policies and procedures of the Company. Management is as responsible for outsourced functions performed by a service provider as it would be if your personnel performed such functions. Specifically, management is responsible for management decisions and functions for designating an individual with suitable skill knowledge, or experience to oversee any outsourced services; and for evaluating the adequacy and results of those services and accepting responsibility for them.

As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management did not have the accounting expertise to perform a detailed review of the financial statements. The absence of this control procedure is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the Township's internal control.

The existence of significant deficiencies or material weaknesses may already be known to management and may represent a conscious decision by management or those charged with governance to accept that degree of risk because of cost or other considerations. Management is responsible for making decisions concerning costs and the related benefits. We are responsible to communicate significant deficiencies and material weaknesses in accordance with professional standards regardless of management's decisions.

Response by Management - Management believes the benefit of hiring additional personnel with the qualified experience to draft the financial statements does not outweigh the costs. Management has decided to maintain the current practice of requesting the auditing firm to draft the financial statements. Management has read, reviewed, understands and takes responsibility of the Financial Statements.

OTHER MATTERS

We came across other matters which we feel should be reported to you that are not considered material weaknesses or significant deficiencies:

1. THE STATE UNIFORM CHART OF ACCOUNTS

According to the State of Michigan's Department of Treasury, local units of government are required to follow the State Uniform Chart of Accounts, which has recently been updated. This is a significant project, and we suggest the accounting department make this a priority.

2. PERSONNEL MANUAL AND PENSION PLAN

The Township's Personnel Manual states the pension contribution made by the Township is based on all compensation. However, the MERS plan document states the Township contribution is based on gross compensation less certain items.

The Township should take care to align these two policies.

3. INVOICES

We noted a few invoices that were prepared by the Township and sent to various entities which were incorrectly compiled, including amounts on the invoice did not reconcile with the total amount billed.

In the future, these types of documents should be reviewed prior to distribution.

CONCLUSION

Thank you for your assistance and hospitality toward our firm while conducting the audit of the Charter Township of Superior.

If you should have any questions, comments or concerns please do not hesitate to call us.

This report is intended solely for the information and use of the Board of Trustees and management of the Charter Township of Superior and is not intended to be and should not be used by anyone other than the specified parties.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants