

CHARTER TOWNSHIP OF SUPERIOR
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

CHARTER TOWNSHIP OF SUPERIOR

TOWNSHIP OFFICIALS

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Clerk - Lynette Findley
Treasurer - Brenda McKinney

BOARD OF TRUSTEES

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Lynette Findley
Brenda McKinney
Nancy Caviston
Lisa A. Lewis
Meghan Winslow
Alex Williams

LEGAL COUNSEL

Victor L. Lillich, JD & Associates, PLLC
Lucas Law, PC
Reading, Etter, Attorneys at Law
Stefani A. Carter, J.D., P.C.
Pear, Sperling, Eggan & Daniels, P.C.

TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

INDEPENDENT AUDITOR'S REPORT

May 20, 2019

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, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Superior, Michigan, as of December 31, 2018, 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 54 - 56 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, 2018

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, 2018. 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 decreased by \$60,600 and the net position included under business type activities increased by \$17,359.

The Township's total net position at the end of the year was \$29,920,060. This is a \$43,241 decrease over last year's net position of \$29,963,301.

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, 2018 AND 2017**

	Governmental Activities			Business Type Activities			Totals		
	12/31/2018	12/31/2017	Increase (Decrease)	12/31/2018	12/31/2017	Increase (Decrease)	12/31/2018	12/31/2017	Increase (Decrease)
ASSETS									
Current and other assets	\$ 10,826,750	\$ 10,363,300	\$ 463,450	\$ 6,327,395	\$ 6,252,873	\$ 74,522	\$ 17,154,145	\$ 16,616,173	\$ 537,972
Capital assets	6,834,513	6,999,009	(164,496)	14,861,287	15,430,906	(569,619)	21,695,800	22,429,915	(734,115)
Total assets	17,661,263	17,362,309	298,954	21,188,682	21,683,779	(495,097)	38,849,945	39,046,088	(196,143)
DEFERRED OUTFLOWS OF RESOURCES									
Pension investment activities	633,416	33,043	600,373				633,416	33,043	600,373
LIABILITIES									
Other liabilities	3,657,998	2,829,910	828,088	705,193	756,301	(51,108)	4,363,191	3,586,211	776,980
Unearned revenues	22,620	22,646	(26)				22,620	22,646	(26)
Long-term liabilities	398,598	492,890	(94,292)	873,558	1,334,906	(461,348)	1,272,156	1,827,796	(555,640)
Total liabilities	4,079,216	3,345,446	733,770	1,578,751	2,091,207	(512,456)	5,657,967	5,436,653	221,314
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenues	3,905,334	3,736,452	168,882				3,905,334	3,736,452	168,882
NET POSITION									
Net investment in capital assets	6,341,623	6,413,970	(72,347)	13,526,381	13,647,285	(120,904)	19,868,004	20,061,255	(193,251)
Restricted	3,475,071	3,315,720	159,351				3,475,071	3,315,720	159,351
Unrestricted	493,435	641,039	(147,604)	6,083,550	5,945,287	138,263	6,576,985	6,586,326	(9,341)
Total net position	\$ 10,310,129	\$ 10,370,729	\$ (60,600)	\$ 19,609,931	\$ 19,592,572	\$ 17,359	\$ 29,920,060	\$ 29,963,301	\$ (43,241)

CHARTER TOWNSHIP OF SUPERIOR

**SUMMARY OF CHANGES IN NET POSITION
FOR THE YEARS ENDING DECEMBER 31, 2018 AND 2017**

	<u>Governmental Activities</u>			<u>Business Type Activities</u>			<u>Totals</u>		
	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>Increase (Decrease)</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>Increase (Decrease)</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>Increase (Decrease)</u>
REVENUES									
Program revenues									
Charges for services	\$ 682,360	\$ 633,411	\$ 48,949	\$ 4,759,837	\$ 4,113,103	\$ 646,734	\$ 5,442,197	\$ 4,746,514	\$ 695,683
Capital/operating grants and contributions	21,298	905,057	(883,759)		121,821	(121,821)	21,298	1,026,878	(1,005,580)
General revenues									
Property taxes	3,769,095	3,677,649	91,446				3,769,095	3,677,649	91,446
State shared revenues	1,168,970	1,133,037	35,933				1,168,970	1,133,037	35,933
Interest	45,493	17,683	27,810	57,441	4,875	52,566	102,934	22,558	80,376
Other	410,643	480,586	(69,943)	3,196	29,643	(26,447)	413,839	510,229	(96,390)
Gain (loss) on sale of assets	2,770	1,679	1,091	4,244		4,244	7,014	1,679	5,335
Total revenues	<u>6,100,629</u>	<u>6,849,102</u>	<u>(748,473)</u>	<u>4,824,718</u>	<u>4,269,442</u>	<u>555,276</u>	<u>10,925,347</u>	<u>11,118,544</u>	<u>(193,197)</u>
EXPENSES									
General government	1,348,883	1,218,855	130,028				1,348,883	1,218,855	130,028
Fire protection	2,069,728	1,877,296	192,432				2,069,728	1,877,296	192,432
Police protection	1,691,035	1,715,336	(24,301)				1,691,035	1,715,336	(24,301)
Legal defense	48,252	42,822	5,430				48,252	42,822	5,430
Public works	178,497	173,014	5,483				178,497	173,014	5,483
Roads	260,764	596,773	(336,009)				260,764	596,773	(336,009)
Building department	278,711	207,790	70,921				278,711	207,790	70,921
Parks and recreation	274,580	239,624	34,956				274,580	239,624	34,956
Interest on long-term debt	10,779	15,564	(4,785)				10,779	15,564	(4,785)
Utility system				4,807,359	4,086,867	720,492	4,807,359	4,086,867	720,492
Total expenses	<u>6,161,229</u>	<u>6,087,074</u>	<u>74,155</u>	<u>4,807,359</u>	<u>4,086,867</u>	<u>720,492</u>	<u>10,968,588</u>	<u>10,173,941</u>	<u>794,647</u>
CHANGE IN NET POSITION	(60,600)	762,028	(822,628)	17,359	182,575	(165,216)	(43,241)	944,603	(987,844)
BEGINNING NET POSITION	<u>10,370,729</u>	<u>9,608,701</u>	<u>762,028</u>	<u>19,592,572</u>	<u>19,409,997</u>	<u>182,575</u>	<u>29,963,301</u>	<u>29,018,698</u>	<u>944,603</u>
ENDING NET POSITION	<u>\$ 10,310,129</u>	<u>\$ 10,370,729</u>	<u>\$ (60,600)</u>	<u>\$ 19,609,931</u>	<u>\$ 19,592,572</u>	<u>\$ 17,359</u>	<u>\$ 29,920,060</u>	<u>\$ 29,963,301</u>	<u>\$ (43,241)</u>

Financial Analysis of the Township's Major Funds

For the year ended December 31, 2018, 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 increased \$107,360. This was primarily due to decreasing expenditures for public works.
2. **Fire Operating Fund** - The operations of the Fire Fund resulted in an increase in its fund balance of \$82,057. 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 increased its fund balance by \$42,219. Due to contract increases with the County, the Township Board consciously decided to increase revenues (tax millage) to offset these cost increases.

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 \$174,604 in capital assets purchased under governmental activities for the year. These purchases included a security system for the Township Hall, a wheelchair ramp, a new water filtration system, a security system for the fire station, preliminary costs for a pavilion at Dixboro Park, a 2019 Ford Explorer, a 2019 Ford F-150, boardwalk improvements at Cherry Hill, a new play structure at Community Park, and a new slide and timbers at Fireman's Park.

There were three disposals for the year. These included the 1999 LaFrance fire truck, an old playground structure, and a number of swings and fountains.

A new ladder truck was received during the year and put into service. It was paid for during the prior fiscal year at a cost of \$1,020,773. The Dixboro Park pavilion is the only project in process at December 31, 2018, and has incurred costs of \$30,000. It is approximately 25% complete and is expected to be finished during 2019.

The business-type activities capitalized \$221,367 in costs for the fiscal year ended December 31, 2018.

There were two disposals for the year. These included a sewer jet that was fully depreciated and an old computer server with a net book value of \$756. The sewer jet was sold for \$5,000.

The business-type activities began the year with \$123,953 of construction in progress, incurred another \$221,367 in costs, put \$174,117 of projects in service, and ended with a balance of \$171,203. Construction in progress activity (by project) is described in Note 4 of the Notes to Financial Statements.

The 2013 Refunding Capital Improvement Bonds used for the Fire Department and Utility operations made payments of \$92,149 for Fire activities and \$122,851 for Utility operations. The ending balance amounted to \$492,890 for Fire Activities and \$657,110 for Utility activities.

The business-type activities also extinguished \$325,864 of the \$1,003,660 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 31, 2018 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, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 6,444,826	\$ 5,396,512	\$ 11,841,338
Receivables:			
Taxes	3,709,015		3,709,015
Special assessments	104,334		104,334
State shared revenues	399,385		399,385
Accounts	89,269	853,929	943,198
Inventory		34,147	34,147
Prepaid expenditures	79,921	42,807	122,728
Capital assets			
Assets not being depreciated	1,761,238	381,666	2,142,904
Assets, net of depreciation	<u>5,073,275</u>	<u>14,479,621</u>	<u>19,552,896</u>
Total assets	<u>17,661,263</u>	<u>21,188,682</u>	<u>38,849,945</u>
DEFERRED OUTFLOWS OF RESOURCES			
Differences in actuarial assumptions	114,032		114,032
Differences in investment expectations versus actual	393,792		393,792
Differences in experience	<u>125,592</u>		<u>125,592</u>
Total deferred outflows of resources	<u>633,416</u>		<u>633,416</u>
LIABILITIES			
Accounts payable	\$ 93,559	\$ 213,444	\$ 307,003
Accrued compensated absences	566,460	30,401	596,861
Unearned revenues	22,620		22,620
Net pension liability	2,903,687		2,903,687
Long-term obligations			
Other due within one year	94,292	461,348	555,640
Other due in more than one year	<u>398,598</u>	<u>873,558</u>	<u>1,272,156</u>
Total liabilities	<u>4,079,216</u>	<u>1,578,751</u>	<u>5,657,967</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	<u>3,905,334</u>		<u>3,905,334</u>
Total liabilities and deferred inflows of resources	<u>7,984,550</u>	<u>1,578,751</u>	<u>9,563,301</u>
NET POSITION			
Invested in capital assets, net of related debt	6,341,623	13,526,381	19,868,004
Restricted for:			
Fire protection	2,583,123		2,583,123
Police protection	298,174		298,174
Public works	312,493		312,493
Legal defense	281,281		281,281
Unrestricted	<u>493,435</u>	<u>6,083,550</u>	<u>6,576,985</u>
Total net position	<u>\$ 10,310,129</u>	<u>\$ 19,609,931</u>	<u>\$ 29,920,060</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, 2018

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	\$ (1,348,883)	\$ 11,763	\$ 16,230	\$ (1,320,890)	\$	\$ (1,320,890)
Fire protection	(2,069,728)	250	2,896	(2,066,582)		(2,066,582)
Police protection	(1,691,035)	306,563	2,172	(1,382,300)		(1,382,300)
Legal defense	(48,252)			(48,252)		(48,252)
Public works	(178,497)			(178,497)		(178,497)
Roads	(260,764)			(260,764)		(260,764)
Building department	(278,711)	363,784		85,073		85,073
Parks and recreation	(274,580)			(274,580)		(274,580)
Interest on long-term debt	(10,779)			(10,779)		(10,779)
Total governmental activities	(6,161,229)	682,360	21,298	(5,457,571)		(5,457,571)
Business-type activities						
Utility fund	(4,807,359)	4,759,837			(47,522)	(47,522)
Total	\$ (10,968,588)	\$ 5,442,197	\$ 21,298	(5,457,571)	(47,522)	(5,505,093)
General revenues						
Property taxes				3,769,095		3,769,095
Special assessments				104,360		104,360
State shared revenues				1,168,970		1,168,970
Unrestricted investment earnings				45,493	57,441	102,934
Cable franchise fees				237,904		237,904
Gain/(loss) on disposal of assets				2,770	4,244	7,014
Other income				68,379	3,196	71,575
Total general revenues				5,396,971	64,881	5,461,852
Changes in net position				(60,600)	17,359	(43,241)
Net position, January 1, 2018				10,370,729	19,592,572	29,963,301
Net position, December 31, 2018				\$ 10,310,129	\$ 19,609,931	\$ 29,920,060

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

FUND FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF SUPERIOR

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General Fund	Fire Fund	Law Fund	Other Nonmajor Funds	Totals
ASSETS					
Cash and cash equivalents	\$ 1,997,229	\$ 2,703,404	\$ 400,208	\$ 1,343,985	\$ 6,444,826
Receivables:					
Taxes	500,523	1,833,437	1,375,055		3,709,015
Special assessments				104,334	104,334
State shared revenue	399,385				399,385
Due from other funds	57,853				57,853
Other	53,279		20,787		74,066
Other current assets:					
Prepaid expenditures	27,232	49,647	1,200	1,842	79,921
Total assets	\$ 3,035,501	\$ 4,586,488	\$ 1,797,250	\$ 1,450,161	\$ 10,869,400
LIABILITIES					
Accounts payable	\$ 40,437	\$ 11,530	\$ 10,039	\$ 10,341	\$ 72,347
Due to other funds	8,283	11,707	40,000	3,872	63,862
Unearned revenue				22,620	22,620
Total liabilities	48,720	23,237	50,039	36,833	158,829
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	527,016	1,930,481	1,447,837		3,905,334
FUND BALANCE					
Nonspendable for prepaids	27,232	49,647	1,200	1,842	79,921
Restricted for:					
Fire Protection		2,583,123			2,583,123
Police Protection			298,174		298,174
Public works				312,493	312,493
Legal defense				281,281	281,281
Committed for:					
Building reserve	383,157				383,157
Capital improvement	2,550				2,550
Compensated absences	49,986			20,831	70,817
Non-motorized trails	30,600				30,600
Ordinance enforcement				764,187	764,187
Right of Way	26,631				26,631
Assigned for future budget deficit	30,000			32,694	62,694
Unassigned	1,909,609				1,909,609
Total fund equity	2,459,765	2,632,770	299,374	1,413,328	6,805,237
Total liabilities, deferred inflows of resources and fund balance	\$ 3,035,501	\$ 4,586,488	\$ 1,797,250	\$ 1,450,161	\$ 10,869,400

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, 2018**

Total governmental fund balance per balance sheet		\$ 6,805,237
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	\$ 10,459,764	
Depreciation	<u>(3,625,251)</u>	
Capital assets net of depreciation		6,834,513
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	114,032	
Differences in experience	125,592	
Differences in investment expectations versus actual	<u>393,792</u>	
Net pension-related activities		633,416
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		(2,903,687)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. This includes:		
Bonds payable	(492,890)	
Compensated absences	<u>(566,460)</u>	
Total		<u>(1,059,350)</u>
Net position of governmental activities		<u><u>\$ 10,310,129</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, 2018

	General Fund	Fire Fund	Law Fund	Other Nonmajor Funds	Totals
REVENUES					
Taxes	\$ 538,824	\$ 1,845,826	\$ 1,384,381	\$ 64	\$ 3,769,095
Special assessments				104,360	104,360
State grants	1,168,970	2,896	2,172		1,174,038
Contributions from local units	16,230				16,230
Charges for services	11,763	250	306,563	363,784	682,360
Fines and forfeits			34,695		34,695
Interest and rents	250,707	27,614	3,795	1,281	283,397
Other revenue	21,659	11,003	32	990	33,684
Total revenues	2,008,153	1,887,589	1,731,638	470,479	6,097,859
EXPENDITURES					
General government	1,107,511			7,714	1,115,225
Public safety	48,252	1,696,360	1,689,419		3,434,031
Public works	362,313			76,948	439,261
Community and economic development	31,034			278,711	309,745
Recreation and culture	250,899				250,899
Capital outlay					
General government	20,728				20,728
Fire protection		9,014			9,014
Housing and development				64,806	64,806
Parks and recreation	80,056				80,056
Debt Service					
Debt - principal		92,149			92,149
Debt - interest		10,779			10,779
Total expenditures	1,900,793	1,808,302	1,689,419	428,179	5,826,693
Excess of revenues over (under) expenditures	107,360	79,287	42,219	42,300	271,166
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets		2,770			2,770
Net changes in fund balances	107,360	82,057	42,219	42,300	273,936
FUND BALANCE, JANUARY 1, 2018	2,352,405	2,550,713	257,155	1,371,028	6,531,301
FUND BALANCE, DECEMBER 31, 2018	\$ 2,459,765	\$ 2,632,770	\$ 299,374	\$ 1,413,328	\$ 6,805,237

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, 2018**

Net change in fund balances - governmental funds \$ 273,936

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	\$ 174,604
Depreciation expense	(339,100)
Proceeds from sale of asset	(2,770)
Gain/(loss) on disposal of asset	<u>2,770</u>

Net change (164,496)

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 92,149

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

Accrued absences at December 31, 2017	532,174
Accrued absences at December 31, 2018	<u>(566,460)</u>

Net change (34,286)

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)	(771,001)
Differences in projected investments to actual	507,566
Change in assumptions and experience	<u>35,532</u>

Net change (227,903)

Change in net position \$ (60,600)

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, 2018**

CURRENT ASSETS		
Cash and investments	\$	1,365,680
Receivables:		
Due from other funds		160
Usage charges		669,462
Other		184,307
Inventory		34,147
Prepaid expenses		<u>42,807</u>
Total current assets		\$ 2,296,563
RESTRICTED ASSETS		
Cash and investments		4,030,832
PROPERTY, PLANT AND EQUIPMENT		
Capital assets not depreciated		381,666
Capital assets depreciated, net		<u>14,479,621</u>
Property, plant and equipment		<u>14,861,287</u>
Total assets		\$ <u>21,188,682</u>
CURRENT LIABILITIES		
Accounts payable	\$	199,353
Accrued sick and vacation		30,401
Due to other funds		14,091
Contract payable (from restricted assets)		335,640
Bonds payable (from restricted assets)		<u>125,708</u>
Total current liabilities		\$ 705,193
LONG-TERM OBLIGATIONS		
Contract payable (from restricted assets)		342,156
Bonds payable (from restricted assets)		<u>531,402</u>
Total long-term liabilities		<u>873,558</u>
Total liabilities		<u>1,578,751</u>
NET POSITION		
Invested in capital assets, net of related debt		13,526,381
Unrestricted		<u>6,083,550</u>
Total net position		\$ <u><u>19,609,931</u></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, 2018

OPERATING REVENUES	
Charges for services	\$ 4,747,460
Meter sales	12,377
	<hr/>
Total operating revenues	4,759,837
OPERATING EXPENSES	
Water and sewer purchases	2,857,115
Salaries	488,461
Taxable benefits	32,093
Payroll taxes	38,761
Insurance benefits	84,048
Pension expense	51,942
Repairs and maintenance - administration building	3,971
Computer services and supplies	13,277
Supplies	5,183
Utilities	5,204
Telecommunications	9,327
Leased equipment	8,211
Cleaning services	4,705
Lift and booster station expense	64,361
Maintenance facility expense	92,387
System repairs and maintenance	45,465
Professional fees	22,025
Employee expense	7,706
Meters and supplies	75,047
Fuel	9,656
Insurance and bonds	32,796
Depreciation	790,230
Postage	7,292
Printing and publishing	4,165
Membership and dues	8,984
Miscellaneous	917
	<hr/>
Total operating expenses	4,763,329
OPERATING (LOSS)	(3,492)
NON-OPERATING REVENUES AND (EXPENSES)	
Interest income - operations	57,441
Interest expense - debt	(43,590)
Agency fees - debt	(440)
Other income	3,196
Gain / (loss) on disposal of fixed assets	4,244
	<hr/>
Total non-operating revenues and (expenses)	20,851
Change in net position	17,359
NET POSITION, JANUARY 1, 2018	19,592,572
	<hr/>
NET POSITION, DECEMBER 31, 2018	\$ 19,609,931
	<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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from customers	\$ 4,894,043
Cash payments to employees for services	(554,085)
Cash payments to suppliers of goods and services	<u>(3,484,116)</u>
Net cash from operating activities	\$ 855,842
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on contract payable	(448,715)
Interest payments on debt	(43,590)
Debt fees	(440)
Acquisition of fixed assets	(221,367)
Other income	3,196
Proceeds from sale of fixed assets	<u>5,000</u>
Net cash (used in) capital and related financing activities	(705,916)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on cash and cash equivalents	<u>57,441</u>
Net increase in cash and cash equivalents	207,367
CASH AND CASH EQUIVALENTS, JANUARY 1, 2018	<u>5,189,145</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2018	<u><u>\$ 5,396,512</u></u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH FROM (USED IN) OPERATING ACTIVITIES:	
Operating income	\$ (3,492)
Adjustments to reconcile operating income to net cash from (used in) operating activities:	
Depreciation	790,230
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	134,206
(Increase) decrease in prepaid expenses	(3,789)
(Increase) decrease in inventory	25
Increase (decrease) in due to other funds	9,679
Increase (decrease) in accounts payable	(76,247)
Increase (decrease) in accrued compensated absences	<u>5,230</u>
Net cash from operating activities	<u><u>\$ 855,842</u></u>

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

CHARTER TOWNSHIP OF SUPERIOR
FIDUCIARY FUNDS
STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2018

ASSETS

Cash and investments	\$ 4,525,070
Due from other funds	26,721
Due from others	<u>5,424</u>
Total assets	<u>\$ 4,557,215</u>

LIABILITIES

Due to others	\$ 4,550,434
Due to other funds	<u>6,781</u>
Total liabilities	<u>\$ 4,557,215</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, 2018

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, 2018

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, 2018**

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 2017 levy was assessed at an adjusted taxable value of \$637,609,558. 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 2017:

General township operations	0.8098
Police	2.2246
Fire	<u>2.9661</u>
Total millage	<u><u>6.0005</u></u>

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018

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, 2018

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, 2018, the Township records deferred outflows of resources on the Statement of Net Position relating to differences in actuarial assumptions, differences in experience, and differences in investment expectations versus actual. In addition, the Township records deferred outflows of resources for contributions made subsequent to pension liability measurement date (if applicable) as of December 31, 2018:

Deferred Outflows of Resources	
Differences in investment expectations versus actual	\$ 393,792
Differences in experience	125,592
Differences in actuarial assumptions	<u>114,032</u>
Totals	<u><u>\$ 633,416</u></u>

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, 2018, 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. Property taxes levied in December 2018 will not be recognized as revenue until the year 2019. 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), investment expectations versus actual (if applicable), and contributions made subsequent to pension liability measurement date (if applicable) as of December 31, 2018:

Deferred Inflows of Resources	
Unavailable revenues	\$ 3,905,334
Differences in actuarial assumptions	
Differences in experience	
Differences in investment expectations versus actual	<u> </u>
Totals	<u><u>\$ 3,905,334</u></u>

CHARTER TOWNSHIP OF SUPERIOR

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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	\$ 2,650	Streetlights Fund	\$ 2,650	Loan for Streetlight project
General Fund	8,422	Utility Fund	8,422	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	183	Current Tax Fund	183	Start up funds
General Fund	5,000	Payroll Fund	5,000	Start up funds
Payroll Fund	1,222	Building Fund	1,222	Reimbursement between funds
Payroll Fund	911	Parks and Recreation Fund	911	Reimbursement between funds
Payroll Fund	5,669	Utility Fund	5,669	Reimbursement between funds
Payroll Fund	7,212	General Fund	7,212	Reimbursement between funds
Payroll Fund	11,707	Fire Fund	11,707	Reimbursement between funds
Utility Fund	<u>160</u>	General Fund	<u>160</u>	Reimbursement between funds
Total	<u>\$ 84,734</u>	Total	<u>\$ 84,734</u>	

The General Fund transferred \$270,253 to the Parks & Recreation Fund during the year. This transfer was eliminated in the GASB 54 consolidation of the General Fund and the Parks & Recreation Fund.

CHARTER TOWNSHIP OF SUPERIOR

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - GOVERNMENTAL AND PROPRIETARY CAPITAL ASSETS

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

	Balance 1/1/2018	Additions	Deletions	Reclassifications	Balance 12/31/2018
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	30,000		(1,020,773)	30,000
Total non-depreciable	2,752,011	30,000		(1,020,773)	1,761,238
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	57,627	16,628			74,255
Buildings					
General	1,944,648	7,849			1,952,497
Fire	2,474,066				2,474,066
Law	47,362				47,362
Parks	10500				10,500
Vehicles					
General				24,163	24,163
Fire	1,923,207		(450,000)	1,020,773	2,493,980
Building Department	24,163	34,806		(24,163)	34,806
Parks	90,651	24,198			114,849
Equipment					
General	112,493	12,879			125,372
Fire	294,888	9,014	(25,186)		278,716
Law	5,945				5,945
Building Department	7,330				7,330
Parks	226,535	39,230	(30,660)		235,105
Total depreciable	8,038,995	144,604	(505,846)	1,020,773	8,698,526
Total capital assets	10,791,006	174,604	(505,846)		10,459,764
Accumulated depreciation	(3,791,997)	(339,100)	505,846		(3,625,251)
Governmental Funds					
Capital Assets, Net	\$ 6,999,009	\$ (164,496)	\$	\$	6,834,513
Related long term debt outstanding at December 31, 2018					(492,890)
Capital assets, net related long term debt					\$ 6,341,623

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	\$ 71,861
Fire	239,415
Law	1,616
Building department	3,608
Parks	22,600
Total	\$ 339,100

CHARTER TOWNSHIP OF SUPERIOR

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - GOVERNMENTAL AND PROPRIETARY CAPITAL ASSETS (continued)

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

	Balance 1/1/2018	Additions	Deletions	Reclassifications	Balance 12/31/2018
Non-depreciable assets					
Land	\$ 210,463	\$	\$	\$	\$ 210,463
Construction in progress	123,953	221,367		(174,117)	171,203
Total non-depreciable assets	334,416	221,367		(174,117)	381,666
Depreciable assets					
Building	3,385,724				3,385,724
Utility system	19,740,360			174,117	19,914,477
Equipment and improvements	975,217		(34,115)		941,102
Office improvements	122,945				122,945
Office equipment	121,888		(7,569)		114,319
Vehicles	507,505				507,505
Metering program	169,482				169,482
Total depreciable	25,023,121		(41,684)	174,117	25,155,554
Total capital assets	25,357,537	221,367	(41,684)		25,537,220
Less accumulated depreciation	(9,926,631)	(790,230)	40,928		(10,675,933)
Business type activities					
Capital asset, net	\$ 15,430,906	\$ (568,863)	\$ (756)	\$	\$ 14,861,287

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

Cost	\$ 25,537,220
Accumulated depreciation	(10,675,933)
Related debt	(1,334,906)
Investment in capital assets, net of related debt	\$ 13,526,381

Construction in progress activity is described below:

Project	Project costs as of 1/1/2018	Costs incurred during 12/31/2018 fiscal year	Project completed and placed in service	Construction in progress remaining as of 12/31/2018	% Complete
Geddes Road station demolition	\$ 91,324	\$ 2,507	\$ (93,831)	\$	
Lucity integration project	11,397	3,370	(14,767)		
Water asset management plan	14,004	2,002		16,006	97.01%
MacArthur water main repairs	7,228	24,421	(31,649)		
New RTUs for SCADA system		33,870	(33,870)		
2019 MacArthur water main		64,548		64,548	5.87%
2019 Township computer server		8,567		8,567	29.54%
Fire hydrant replacement		64,282		64,282	49.45%
Harvest Lane sanitary sewer		17,800		17,800	4.45%
Totals	\$ 123,953	\$ 221,367	\$ (174,117)	\$ 171,203	

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The following summarizes changes in the Township's governmental activity's long-term debt for 2018:

<u>Description</u>	<u>Balance 1/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2018</u>	<u>Due Within One Year</u>
Accrued Compensated Absences	\$ 532,174	\$ 34,286	\$	\$ 566,460	\$ 566,460
2013 Refunding Bonds Fire	<u>585,039</u>	<u></u>	<u>(92,149)</u>	<u>492,890</u>	<u>94,292</u>
Totals	<u>\$ 1,117,213</u>	<u>\$ 34,286</u>	<u>\$ (92,149)</u>	<u>\$ 1,059,350</u>	<u>\$ 660,752</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, 2018**

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 1/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2018</u>	<u>Due Within One Year</u>
2010 Refunding Bonds Payable	\$ 1,003,660	\$	\$ (325,864)	\$ 677,796	\$ 335,640
2013 Refunding Bonds Utility Payable	<u>779,961</u>	<u></u>	<u>(122,851)</u>	<u>657,110</u>	<u>125,708</u>
Totals	<u>\$ 1,783,621</u>	<u>\$</u>	<u>\$ (448,715)</u>	<u>\$ 1,334,906</u>	<u>\$ 461,348</u>

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

<u>Year</u>	2013 Refund Bonds		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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	<u>103,892</u>	<u>102,863</u>	<u>1,029</u>
	<u>\$ 517,963</u>	<u>\$ 492,890</u>	<u>\$ 25,073</u>

CHARTER TOWNSHIP OF SUPERIOR

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The following is a schedule of future required principle and interest payments due from the Township'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>
2019	\$ 355,898	\$ 335,640	\$ 20,258
2020	352,848	342,156	10,692
	<u>\$ 708,746</u>	<u>\$ 677,796</u>	<u>\$ 30,950</u>

<u>Year</u>	2013 Refunding Bonds Utility		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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>\$ 690,537</u>	<u>\$ 657,110</u>	<u>\$ 33,427</u>

<u>Year</u>	Total Proprietary Long-Term Debt Utility		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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>\$ 1,399,283</u>	<u>\$ 1,334,906</u>	<u>\$ 64,377</u>

CHARTER TOWNSHIP OF SUPERIOR

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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>1/1/2018</u>	<u>12/31/2018</u>
Unrestricted - operations		
Cash and investments	\$ 1,604,806	\$ 1,365,680
Restricted		
Cash and investments	<u>3,584,339</u>	<u>4,030,832</u>
Total	<u>\$ 5,189,145</u>	<u>\$ 5,396,512</u>

The restricted cash and investments consist of the following:

Capital (construction, replacement, improvement)	\$ 3,011,739
Debt service	<u>1,019,093</u>
Total	<u>\$ 4,030,832</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, 2018

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 2018:

Total value January 1, 2018		\$ 827,087
Additions		
Employee contributions	\$ 15,339	
Employer contributions	30,679	
Net gain/(loss) for 2018	<u>(48,028)</u>	
Total additions		(2,010)
Withdrawals		<u>(263,228)</u>
Total value December 31, 2018		<u>\$ 561,849</u>
Covered payroll		<u>\$ 325,770</u>
Total payroll		<u>\$ 339,901</u>

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, 2018

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, 2017 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	8	5
Inactive employees entitled to but not yet receiving benefits	0	1
Active employees	16	9
	24	15

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, 2018 was 13.93% of eligible wages, with total contributions of \$135,417 for Division 01 and 16.59%, with total contributions of \$121,657 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, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of December 31, 2017.

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 8 - DEFINED BENEFIT PLAN (continued)

Actuarial assumptions

The total pension liability in the December 31, 2017 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 2017 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, 2018

NOTE 8 - DEFINED BENEFIT PLAN (continued)

Changes in Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> <u>(a)</u>	<u>Plan Fiduciary Net Position</u> <u>(b)</u>	<u>Net Pension Liability</u> <u>(a)-(b)</u>
Balance at 12/31/2017	\$ 7,573,400	\$ 5,440,714	\$ 2,132,686
Changes for the year			
Service Cost	204,939		204,939
Interest on Total Pension Liability	597,127		597,127
Changes in Benefits			
Difference between expected and actual experience	132,291		132,291
Changes in assumptions			
Employer Contributions		257,074	(257,074)
Employee Contributions		99,482	(99,482)
Net Investment Income		(213,390)	213,390
Benefit payments, including employee refunds	(423,572)	(423,572)	
Administrative expense		(10,555)	10,555
Other Changes	(30,745)		(30,745)
Net Changes	<u>480,040</u>	<u>(290,961)</u>	<u>771,001</u>
Balances as of 12/31/2018	<u>\$ 8,053,440</u>	<u>\$ 5,149,753</u>	<u>\$ 2,903,687</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.

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>7.00%</u>	<u>Rate</u> <u>8.00%</u>	<u>9.00%</u>
Net Pension Liability at 12/31/2018	\$ 2,903,687	\$ 2,903,687	\$ 2,903,687
Change in Net Pension Liability (NPL) from change in discount rate	946,321		(794,881)
Calculated NPL	<u>\$ 3,850,008</u>	<u>\$ 2,903,687</u>	<u>\$ 2,108,806</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, 2018

NOTE 8 - DEFINED BENEFIT PLAN (continued)

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

For the year ended December 31, 2018, the Township recognized pension expense of \$484,977. 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 investment expectations versus actual	\$ 393,792	\$
Differences in experience	125,592	
Differences in actuarial assumptions	114,032	
Totals	\$ 633,416	\$

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

Year Ended	Expense
2019	\$ 234,737
2020	145,879
2021	89,613
2022	141,141
2023	22,046
Total	\$ 633,416

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

	<u>Major Funds</u>			<u>Nonmajor Funds</u>				<u>Total</u>	
	<u>General and Parks Fund</u>	<u>Fire Fund</u>	<u>Law Fund</u>	<u>Legal Defense Fund</u>	<u>Streetlight Fund</u>	<u>Side Street Maintenance Fund</u>	<u>Hyundai SAD Fund</u>		<u>Building Fund</u>
Nonspendable for:									
Prepays	\$ 27,232	\$ 49,647	\$ 1,200	\$	\$	\$	\$	\$ 1,842	\$ 79,921
Restricted for:									
Fire protection									
General		1,500,648							1,500,648
Compensated absences		495,643							495,643
Truck replacement		1,096							1,096
Debt reserve		121,530							121,530
Building construction		464,206							464,206
Police protection			298,174						298,174
Public works					96,976	13,205	202,312		312,493
Legal defense				281,281					281,281
Committed for:									
Building reserve	383,157								383,157
Capital improvement	2,550								2,550
Compensated absences	49,986							20,831	70,817
Non-motorized trails	30,600								30,600
Ordinance enforcement								764,187	764,187
Right of Way	26,631								26,631
Assigned for Future Budget Deficit	30,000			5,000				27,694	62,694
Unassigned	1,909,609								1,909,609
Total designated	<u>\$ 2,459,765</u>	<u>\$ 2,632,770</u>	<u>\$ 299,374</u>	<u>\$ 286,281</u>	<u>\$ 96,976</u>	<u>\$ 13,205</u>	<u>\$ 202,312</u>	<u>\$ 814,554</u>	<u>\$ 6,805,237</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, 2018**

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, 2018, cash and investments consist of the following:

	Total	Cash	Investments
Deposits			
Checking accounts	\$ 9,670,877	\$ 9,670,877	\$
Money market accounts	5,464,210		5,464,210
Non-negotiable CDs	1,409,712		1,409,712
Total	\$ 16,544,799	\$ 9,670,877	\$ 6,873,922

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

Statement of Net Position:

Cash and investments \$ 11,841,338

Fiduciary Funds:

Cash and investments 4,525,070

Total cash and investments **\$ 16,366,408**

The carrying amount of cash and investments is stated at \$16,366,408 as of December 31, 2018. The difference between the carrying amounts and amounts mentioned above stem from cash on hand of \$900, outstanding checks of \$179,340, and outstanding deposits of \$49.

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018, deposits in banks totaled \$16,544,799 which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 1,400,579
Uninsured and uncollateralized	<u>15,144,220</u>
	<u>\$ 16,544,799</u>

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

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 2018, the Township contributed \$225 per non-union employee and \$225 per union employee per month to individual accounts, a total of \$69,500 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.

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, 2018.

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 2018, the Township paid for the cost of covering these retirees. During the fiscal year 2018, the net cost of health care benefits for the retirees was \$3,860, 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, 2018 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.

NOTE 14 - TAX ABATEMENTS

The Governmental Accounting Standards Board (GASB) approved GASB No. 77 "Tax Abatement Disclosures" relating to the required disclosure for tax abatement agreements. This standard requires the disclosure of a description of tax abatement agreements and the gross dollar amount of abated taxes relating to these agreements.

The Township has no tax abatement agreements as of December 31, 2018.

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018, follows:

	Utility System
Operating revenues	\$ 4,759,837
Depreciation	790,230
Operating (loss)	(3,492)
Non-operating revenues and (expenses) net	20,851
Changes in net position	17,359
Current assets	2,296,563
Current liabilities	705,193
Net working capital	1,591,370
Total assets	21,188,682
Total liabilities	1,578,751
Net position	19,609,931

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 20, 2019, the date the financial statements were available to be issued.

The Township was awarded a FEMA Assistance to Firefighters Grant (AFG) and has received the grant revenue and related equipment subsequent to fiscal year end. The grant was a regional grant awarding \$1,138,546 in grant proceeds (with a total cost of \$1,252,155) to nine area Fire Departments for various forms of equipment. The Township acted as the administrator of the grant, receiving the total revenue and securing and distributing the equipment. The Township's portion of the grant proceeds was \$91,648.

CHARTER TOWNSHIP OF SUPERIOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - UPCOMING GASB PRONOUNCEMENTS

In recent years, the Governmental Accounting Standards Board (GASB) issued the following pronouncements:

GASB 84 - FIDUCIARY ACTIVITIES

The Governmental Accounting Standards Board (GASB) issued GASB Standard No. 84, Fiduciary Activities to establish criteria for identifying fiduciary activities for all state and local governments. Activities meeting the criteria of a fiduciary activity should be presented in a separate statement of fiduciary net position and statement of changes in fiduciary net position and establishes four types of fiduciary funds: pension and other employee benefits trust funds, investment trust funds, private purpose trust funds and custodial funds.

The Township is currently assessing the impact that this Standard will have on the Township's financial statements, which will be required to be implemented for the statements for the year ended December 31, 2019.

GASB 87 - LEASES

The Governmental Accounting Standards Board (GASB) issued GASB Standard No. 87, Leases to improve the accounting and financial reporting of leases by governments. This standard requires the recognition of lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows and outflows of resources based on the payment provisions of the contract. This standard will require a lessee to recognize a lease liability and right-to-use lease asset and a lessor to recognize a lease receivable and a deferred inflow of resources.

The Township is currently assessing the impact that this Standard will have on the Township's financial statements, which will be required to be implemented for the statements for the year ended December 31, 2020.

GASB 89 - ACCOUNTING FOR INTEREST COST INCURRED BEFORE THE END OF A CONSTRUCTION PERIOD

The Governmental Accounting Standards Board (GASB) issued GASB Standard No. 89 to establish accounting requirements for interest costs that are incurred before the end of a construction period. This statement will require interest costs incurred before the end of a construction period to be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As such, the interest will no longer be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This standard should be applied prospectively.

The Township is currently assessing the impact that this Standard will have on the Township's financial statements, which will be required to be implemented for the statements for the year ended December 31, 2020.

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, 2018**

	<u>Budget Amount</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>with Final</u> <u>Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES				
Taxes	\$ 542,396	\$ 542,396	\$ 538,824	\$ (3,572)
State grants	1,102,292	1,107,792	1,168,970	61,178
Contributions from local units	10,000	10,000	16,230	6,230
Charges for services	11,100	11,100	11,763	663
Interest and rents	245,590	254,090	250,707	(3,383)
Other revenue	14,347	76,923	21,659	(55,264)
Total revenues	<u>1,925,725</u>	<u>2,002,301</u>	<u>2,008,153</u>	<u>5,852</u>
EXPENDITURES				
General government	1,147,231	1,179,381	1,128,239	51,142
Public safety	53,152	49,152	48,252	900
Public works	380,688	458,188	362,313	95,875
Community and economic development	22,630	32,130	31,034	1,096
Recreation and culture	338,088	347,088	330,955	16,133
Total expenditures	<u>1,941,789</u>	<u>2,065,939</u>	<u>1,900,793</u>	<u>165,146</u>
Excess of revenues over (under) expenditures	<u>(16,064)</u>	<u>(63,638)</u>	<u>107,360</u>	<u>170,998</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	<u>(61,174)</u>	<u>(5,000)</u>		<u>5,000</u>
Net change in fund balance	<u>(77,238)</u>	<u>(68,638)</u>	<u>107,360</u>	<u>175,998</u>
FUND BALANCE, JANUARY 1, 2018	<u>2,352,405</u>	<u>2,352,405</u>	<u>2,352,405</u>	
FUND BALANCE, DECEMBER 31, 2018	<u>\$ 2,275,167</u>	<u>\$ 2,283,767</u>	<u>\$ 2,459,765</u>	<u>\$ 175,998</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, 2018

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$ 1,852,318	\$ 1,852,318	\$ 1,845,826	\$ (6,492)
State grants	2,042	2,042	2,896	854
Charges for services	100	100	250	150
Interest and rents	2,700	25,700	27,614	1,914
Other revenue	10,700	17,700	11,003	(6,697)
Total revenues	<u>1,867,860</u>	<u>1,897,860</u>	<u>1,887,589</u>	<u>(10,271)</u>
EXPENDITURES				
Public safety	1,629,620	1,702,920	1,705,374	(2,454)
Debt service	113,707	113,707	102,928	10,779
Total expenditures	<u>1,743,327</u>	<u>1,816,627</u>	<u>1,808,302</u>	<u>8,325</u>
Excess of revenues over (under) expenditures	<u>124,533</u>	<u>81,233</u>	<u>79,287</u>	<u>(1,946)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(124,533)</u>	<u>(81,233)</u>	<u>2,770</u>	<u>84,003</u>
Net change in fund balance			<u>82,057</u>	<u>82,057</u>
FUND BALANCE, JANUARY 1, 2018	<u>2,550,713</u>	<u>2,550,713</u>	<u>2,550,713</u>	
FUND BALANCE, DECEMBER 31, 2018	<u>\$ 2,550,713</u>	<u>\$ 2,550,713</u>	<u>\$ 2,632,770</u>	<u>\$ 82,057</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, 2018

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$ 1,390,430	\$ 1,390,430	\$ 1,384,381	\$ (6,049)
State grants	1,532	1,532	2,172	640
Charges for services	302,985	302,985	306,563	3,578
Fines and forfeits	22,000	26,000	34,695	8,695
Interest and rents	3,000	4,000	3,795	(205)
Other revenue	600	600	32	(568)
Total revenues	<u>1,720,547</u>	<u>1,725,547</u>	<u>1,731,638</u>	<u>6,091</u>
EXPENDITURES				
Public safety	<u>1,756,566</u>	<u>1,706,766</u>	<u>1,689,419</u>	<u>17,347</u>
Excess of revenues over (under) expenditures	<u>(36,019)</u>	<u>18,781</u>	<u>42,219</u>	<u>23,438</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)		<u>(18,781)</u>		<u>18,781</u>
Net change in fund balance	<u>(36,019)</u>		<u>42,219</u>	<u>42,219</u>
FUND BALANCE, JANUARY 1, 2018	<u>257,155</u>	<u>257,155</u>	<u>257,155</u>	
FUND BALANCE, DECEMBER 31, 2018	<u>\$ 221,136</u>	<u>\$ 257,155</u>	<u>\$ 299,374</u>	<u>\$ 42,219</u>

CHARTER TOWNSHIP OF SUPERIOR

**REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Schedule of Employer Contributions

	For the Plan Year Ended <u>December 31, 2018</u>	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	\$ 257,074	\$ 243,677	\$ 208,778	\$ 187,940
Contributions in relation to the actuarial determined contribution	<u>257,074</u>	<u>243,677</u>	<u>208,778</u>	<u>187,940</u>
Contribution (deficiency) excess	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered employee payroll	<u>\$ 1,720,936</u>	<u>\$ 1,583,227</u>	<u>\$ 1,621,846</u>	<u>\$ 1,572,197</u>
Contributions as a percentage of covered payroll	<u>14.94%</u>	<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, 2018

	For the Plan Year Ended December 31, 2018	For the Plan Year Ended December 31, 2017	For the Plan Year Ended December 31, 2016	For the Plan Year Ended December 31, 2015
TOTAL PENSION LIABILITY				
Service Cost	\$ 204,939	\$ 187,817	\$ 185,852	\$ 171,059
Interest	597,127	574,515	531,168	505,344
Changes in benefit terms				
Differences between expected and actual experience	132,291	(60,111)	138,559	
Changes of assumptions			285,083	
Benefit payments, including refunds of employee contributions	(423,572)	(405,961)	(362,555)	(349,525)
Other changes	(30,745)	(13,371)	(14,343)	(14,745)
Net change in total pension liability	480,040	282,889	763,764	312,133
TOTAL PENSION LIABILITY - BEGINNING	7,573,400	7,290,511	6,526,747	6,214,614
TOTAL PENSION LIABILITY - ENDING	\$ 8,053,440	\$ 7,573,400	\$ 7,290,511	\$ 6,526,747
PLAN FIDUCIARY NET POSITION				
Contributions - employer	257,074	243,677	208,778	187,940
Contributions - employee	99,482	97,044	89,336	86,207
Net investment income	(213,390)	644,352	505,591	(68,734)
Benefit payments, including refunds of employee contributions	(423,572)	(405,961)	(362,555)	(349,525)
Administrative Expenses	(10,555)	(10,196)	(9,975)	(10,063)
Net change in plan fiduciary net position	(290,961)	568,916	431,175	(154,175)
PLAN FIDUCIARY NET POSITION, BEGINNING	5,440,714	4,871,798	4,440,623	4,594,798
PLAN FIDUCIARY NET POSITION, ENDING	\$ 5,149,753	\$ 5,440,714	\$ 4,871,798	\$ 4,440,623
NET PENSION LIABILITY (TOTAL PENSION LIABILITY - PLAN FIDUCIARY NET POSITION)	\$ 2,903,687	\$ 2,132,686	\$ 2,418,713	\$ 2,086,124
Plan fiduciary net position as a percentage of the total pension liability	63.94%	71.84%	66.82%	68.04%
Covered employee payroll	\$ 1,720,936	\$ 1,583,227	\$ 1,621,846	\$ 1,572,197
Net pension liability as a percentage of covered employee payroll	168.73%	134.71%	149.13%	132.69%

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, 2018

	<u>General Fund Pre GASB 54 Consolidation</u>	<u>Parks and Recreation Fund</u>	<u>Eliminations</u>	<u>Totals Restated General Fund</u>
ASSETS				
Cash and investments	\$ 1,475,147	\$ 522,082	\$	\$ 1,997,229
Receivables:				
Taxes	500,523			500,523
State shared revenue	399,385			399,385
Due from other funds	59,679		(1,826)	57,853
Other	53,197	82		53,279
Other current assets				
Prepaid expenditures	18,919	8,313		27,232
Total assets	<u>\$ 2,506,850</u>	<u>\$ 530,477</u>	<u>\$ (1,826)</u>	<u>\$ 3,035,501</u>
LIABILITIES				
Accounts payable	\$ 39,133	\$ 1,304	\$	\$ 40,437
Due to other funds	7,372	2,737	(1,826)	8,283
Total liabilities	<u>46,505</u>	<u>4,041</u>	<u>(1,826)</u>	<u>48,720</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	527,016			527,016
FUND BALANCES				
Nonspendable for prepaids	18,919	8,313		27,232
Committed:				
Building reserve		383,157		383,157
Capital improvement		2,550		2,550
Compensated absences	40,944	9,042		49,986
Non-motorized trails	30,600			30,600
Right of Way	26,631			26,631
Assigned for future budget deficit		30,000		30,000
Unassigned	1,816,235	93,374		1,909,609
Total fund balances	<u>1,933,329</u>	<u>526,436</u>		<u>2,459,765</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,506,850</u>	<u>\$ 530,477</u>	<u>\$ (1,826)</u>	<u>\$ 3,035,501</u>

CHARTER TOWNSHIP OF SUPERIOR

ALL NONMAJOR FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2018

	Legal Defense Fund	Streetlight Fund	Side Street Maintenance Fund	Hyundai SAD Fund	Building Fund	Totals
ASSETS						
Cash and investments	\$ 289,917	\$ 24,483	\$ 13,205	\$ 202,312	\$ 814,068	\$ 1,343,985
Receivables:						
Special assessments		81,714	22,620			104,334
Other current assets:						
Prepaid expenditures					1,842	1,842
Total assets	<u>\$ 289,917</u>	<u>\$ 106,197</u>	<u>\$ 35,825</u>	<u>\$ 202,312</u>	<u>\$ 815,910</u>	<u>\$ 1,450,161</u>
LIABILITIES						
Accounts payable	\$ 3,636	\$ 6,571	\$	\$	\$ 134	\$ 10,341
Due to other funds		2,650			1,222	3,872
Unearned revenue			22,620			22,620
Total liabilities	<u>3,636</u>	<u>9,221</u>	<u>22,620</u>		<u>1,356</u>	<u>36,833</u>
FUND BALANCE						
Nonspendable for:						
Prepays					1,842	1,842
Restricted for:						
Public works		96,976	13,205	202,312		312,493
Legal defense	281,281					281,281
Committed for:						
Compensated absences					20,831	20,831
Ordinance enforcement					764,187	764,187
Assigned for future budget deficit	5,000				27,694	32,694
Total fund equity	<u>286,281</u>	<u>96,976</u>	<u>13,205</u>	<u>202,312</u>	<u>814,554</u>	<u>1,413,328</u>
Total liabilities and fund equity	<u>\$ 289,917</u>	<u>\$ 106,197</u>	<u>\$ 35,825</u>	<u>\$ 202,312</u>	<u>\$ 815,910</u>	<u>\$ 1,450,161</u>

CHARTER TOWNSHIP OF SUPERIOR

ALL AGENCY FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2018

	Trust and Agency Fund	Current Tax Fund	Payroll Fund	Totals
ASSETS				
Cash and investments	\$ 456,806	\$ 4,049,282	\$ 18,982	\$ 4,525,070
Due from other funds			26,721	26,721
Due from others	5,424			5,424
Total assets	<u>\$ 462,230</u>	<u>\$ 4,049,282</u>	<u>\$ 45,703</u>	<u>\$ 4,557,215</u>
LIABILITIES				
Due to others	\$ 460,632	\$ 4,049,099	\$ 40,703	\$ 4,550,434
Due to other funds	1,598	183	5,000	6,781
Total liabilities	<u>\$ 462,230</u>	<u>\$ 4,049,282</u>	<u>\$ 45,703</u>	<u>\$ 4,557,215</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, 2018**

	<u>General Fund Pre GASB 54 Consolidation</u>	<u>Parks and Recreation Fund</u>	<u>Eliminations</u>	<u>Total Restated General Fund</u>
REVENUES				
Taxes	\$ 538,824	\$	\$	\$ 538,824
State grants	1,168,970			1,168,970
Contributions from local units	16,230			16,230
Charges for services	11,763			11,763
Interest and rents	242,998	7,709		250,707
Other revenue	19,922	1,737		21,659
Total revenues	<u>1,998,707</u>	<u>9,446</u>		<u>2,008,153</u>
EXPENDITURES				
General government	1,107,511			1,107,511
Public safety	48,252			48,252
Public works	362,313			362,313
Community and economic development	31,034			31,034
Recreation and culture		250,899		250,899
Capital outlay				
General government	20,728			20,728
Parks and recreation		80,056		80,056
Total expenditures	<u>1,569,838</u>	<u>330,955</u>		<u>1,900,793</u>
Excess of revenues over (under) expenditures	<u>428,869</u>	<u>(321,509)</u>		<u>107,360</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		272,079	(272,079)	
Transfers (out)	(272,079)		272,079	
Total other financing sources (uses)	<u>(272,079)</u>	<u>272,079</u>		
Net change in fund balance	156,790	(49,430)		107,360
FUND BALANCE, JANUARY 1, 2018	<u>1,774,713</u>	<u>577,692</u>		<u>2,352,405</u>
FUND BALANCE, DECEMBER 31, 2018	<u>\$ 1,931,503</u>	<u>\$ 528,262</u>	<u>\$</u>	<u>\$ 2,459,765</u>

CHARTER TOWNSHIP OF SUPERIOR
ALL NONMAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Legal Defense Fund	Streetlight Fund	Side Street Maintenance Fund	Hyundai Fund	Building Fund	Totals
REVENUES						
Taxes	\$ 64	\$	\$	\$	\$	\$ 64
Special assessments		81,714	22,646			104,360
Charges for services					363,784	363,784
Interest and rents				1,035	246	1,281
Other revenue	776				214	990
Total revenues	<u>840</u>	<u>81,714</u>	<u>22,646</u>	<u>1,035</u>	<u>364,244</u>	<u>470,479</u>
EXPENDITURES						
General government	7,714					7,714
Public works		76,948				76,948
Community and economic development			20,543		258,168	278,711
Capital outlay						
Housing and development					64,806	64,806
Total expenditures	<u>7,714</u>	<u>76,948</u>	<u>20,543</u>		<u>322,974</u>	<u>428,179</u>
Net change in fund balance	(6,874)	4,766	2,103	1,035	41,270	42,300
FUND BALANCE, JANUARY 1, 2018	<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>
FUND BALANCE, DECEMBER 31, 2018	<u>\$ 286,281</u>	<u>\$ 96,976</u>	<u>\$ 13,205</u>	<u>\$ 202,312</u>	<u>\$ 814,554</u>	<u>\$ 1,413,328</u>

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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Taxes			
Payment in lieu of taxes	\$ 1,800	\$ 893	\$ (907)
Trailer home fees	3,456	4,203	747
Property taxes	537,140	533,728	(3,412)
State grants			
State shared revenue	1,092,292	1,153,607	61,315
Personal property tax reimbursement	500	398	(102)
ROW fees	15,000	14,965	(35)
Contributions from local units			
CTAP grant	10,000	16,230	6,230
Charges for services			
Solid waste/recycling	3,900	4,563	663
Litter control	7,200	7,200	
Interest and rents			
Cable fees	194,820	206,826	12,006
Cell tower	50,000	31,078	(18,922)
Interest income	2,600	5,094	2,494
Other revenue			
Reimbursements and refunds	620	743	123
Planning department	10,000	8,075	(1,925)
Other income	64,776	11,104	(53,672)
Total revenues	<u>1,994,104</u>	<u>1,998,707</u>	<u>4,603</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, 2018**

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES			
General government			
Township board	12,000	9,725	2,275
Supervisor	94,498	95,658	(1,160)
Treasurer	156,687	159,091	(2,404)
Clerk	119,443	120,767	(1,324)
Assessing equalization	165,572	153,647	11,925
Elections	47,000	51,863	(4,863)
Building and grounds	89,081	74,576	14,505
Attorney	10,000	5,655	4,345
All other general government	485,100	457,257	27,843
Public safety			
Ordinance enforcement	49,152	48,252	900
Public works			
Infrastructure	356,116	260,764	95,352
Sanitation	15,700	14,678	1,022
Public transportation	86,372	86,871	(499)
Community and economic development			
Planning and zoning	32,130	31,034	1,096
Total expenditures	1,718,851	1,569,838	149,013
Excess of revenues over (under) expenditures	275,253	428,869	153,616
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(275,253)	(270,253)	5,000
Net change in fund balance		158,616	158,616
FUND BALANCE, JANUARY 1, 2018	1,774,713	1,774,713	
FUND BALANCE, DECEMBER 31, 2018	\$ 1,774,713	\$ 1,933,329	\$ 158,616

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, 2018**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
TOWNSHIP BOARD			
Salaries	\$ 12,000	\$ 9,725	\$ 2,275
SUPERVISOR			
Salaries	82,446	82,446	
Taxable benefits	12,002	12,997	(995)
Supplies	50	215	(165)
Total supervisor	<u>94,498</u>	<u>95,658</u>	<u>(1,160)</u>
TREASURER			
Salaries	74,490	74,490	
Other salaries	61,425	64,751	(3,326)
Training	500		500
Taxable benefits	15,172	15,099	73
Supplies	3,000	3,591	(591)
Printing and publishing	2,000	1,160	840
Memberships and dues	100		100
Total treasurer	<u>156,687</u>	<u>159,091</u>	<u>(2,404)</u>
CLERK			
Salary	74,490	74,490	
Other salaries	40,732	43,149	(2,417)
Taxable benefits	2,721	2,403	318
Supplies	1,500	725	775
Total clerk	<u>119,443</u>	<u>120,767</u>	<u>(1,324)</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, 2018**

	Budget	Actual	Variance Favorable (Unfavorable)
ASSESSING EQUALIZATION			
Salaries	143,272	131,499	11,773
Contract services	2,000	2,720	(720)
Training	1,500	672	828
Taxable benefits	15,550	15,456	94
Supplies	1,000	854	146
Telephone	500	988	(488)
Transportation	500	421	79
Meals and lodging	500	252	248
Memberships and dues	750	785	(35)
	165,572	153,647	11,925
ELECTIONS			
Salaries	33,000	39,888	(6,888)
Contracted services		102	(102)
Supplies and postage	10,500	8,321	2,179
Rent	3,500	3,552	(52)
	47,000	51,863	(4,863)
BUILDINGS AND GROUNDS			
Salaries	16,486	9,588	6,898
Contract services	2,500	19,164	(16,664)
Taxable benefits	495	1,775	(1,280)
Operating supplies	2,500	2,730	(230)
Transportation	100		100
Utilities	10,000	9,823	177
Repairs and maintenance	20,000	21,086	(1,086)
Expense allocation	(6,000)	(10,318)	4,318
Building improvements	43,000	20,728	22,272
	89,081	74,576	14,505
ATTORNEY			
Professional services	10,000	5,655	4,345

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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ALL OTHER GENERAL GOVERNMENT			
Administration salaries	19,189	21,029	(1,840)
Administration training	500		500
Administration taxable benefits	802	731	71
Administration office supplies	4,000	3,978	22
Administration postage	18,000	12,898	5,102
Cemetery upkeep	2,000	1,650	350
Professional services	39,100	51,362	(12,262)
Telephone	6,000	2,974	3,026
Insurance and bonds	12,000	12,278	(278)
Transportation	6,500	9,141	(2,641)
Printing and publishing	13,000	13,669	(669)
Repairs and maintenance	1,000	544	456
Expense allocation	(2,000)	(2,097)	97
Meals on Wheels	2,250	2,150	100
Equipment rental	2,500	4,770	(2,270)
Memberships and dues	14,000	12,393	1,607
Bank charges	500	517	(17)
Equipment	6,000	14,548	(8,548)
Miscellaneous	4,500	2,418	2,082
Accounting Salaries	76,924	76,174	750
Accounting taxable benefits	3,197	3,297	(100)
Accounting supplies	800	1,494	(694)
Accounting expense allocation	(18,000)	(21,179)	3,179
Unallocated FICA	53,412	53,546	(134)
Unallocated medical insurance	103,281	70,836	32,445
Unallocated dental insurance	10,496	7,201	3,295
Unallocated vision insurance	2,139	1,605	534
Unallocated life insurance	1,811	1,760	51
Unallocated HSA administration fees	400	102	298
Unallocated HCSP fees	22,320	22,080	240
Unallocated pension expense	78,479	75,388	3,091
Total all other general government	<u>485,100</u>	<u>457,257</u>	<u>27,843</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, 2018**

	Budget	Actual	Variance Favorable (Unfavorable)
ORDINANCE ENFORCEMENT			
Salaries	42,310	41,079	1,231
Contract services	500	250	250
Taxable benefits	1,742	1,775	(33)
Miscellaneous	4,600	5,148	(548)
Total ordinance enforcement	49,152	48,252	900
INFRASTRUCTURE			
Master plan revisions	4,100		4,100
Geddes Ridge drain maintenance	33,716	33,716	
Special projects	22,600	9,733	12,867
Miscellaneous	7,000	6,500	500
Salaries	2,500	2,396	104
Contract services	5,000	999	4,001
Supplies	200		200
Road maintenance	250,000	181,419	68,581
Non-motorized trails maintenance	2,500		2,500
Other maintenance	15,000	8,971	6,029
Streetlights		3,637	(3,637)
Drains	13,500	13,393	107
Total infrastructure	356,116	260,764	95,352
SANITATION			
Recycling	11,200	10,005	1,195
Garbage and yard waste tags	2,500	2,078	422
Dump usage collection	2,000	2,595	(595)
Total sanitation	15,700	14,678	1,022

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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
PUBLIC TRANSPORTATION			
A.A.T.A. contract	54,003	54,368	(365)
Demand response	19,869	20,003	(134)
New buses	<u>12,500</u>	<u>12,500</u>	
Total public transportation	<u>86,372</u>	<u>86,871</u>	<u>(499)</u>
PLANNING AND ZONING			
Salaries	19,380	19,266	114
Supplies	750	779	(29)
Professional services	10,000	8,787	1,213
Printing and publishing	<u>2,000</u>	<u>2,202</u>	<u>(202)</u>
Total planning and zoning	<u>32,130</u>	<u>31,034</u>	<u>1,096</u>
Total expenditures	<u>\$ 1,718,851</u>	<u>\$ 1,569,838</u>	<u>\$ 149,013</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ADMINISTRATION			
Salaries	\$ 47,651	\$ 46,992	\$ 659
Training	1,000	753	247
Taxable benefits		354	(354)
Supplies	600	519	81
Professional services	3,700	4,537	(837)
Telephone	1,200	667	533
Insurance and bonds	7,500	8,412	(912)
Transportation	1,000	912	88
Printing and publishing	500	78	422
Repairs and maintenance	500		500
Membership and dues	600	430	170
Bank fees	50	10	40
Small equipment	1,000	597	403
Miscellaneous		100	(100)
Total administration	<u>65,301</u>	<u>64,361</u>	<u>940</u>
RECREATION			
Salaries	11,744	10,965	779
Training	800		800
Supplies	5,000	4,899	101
Telephone	400	398	2
Miscellaneous	1,600	1,056	544
Total recreation	<u>19,544</u>	<u>17,318</u>	<u>2,226</u>
MAINTENANCE AND IMPROVEMENTS			
Salaries	107,162	108,583	(1,421)
Training	800		800
Taxable benefits	1,836	1,821	15
Supplies	5,000	3,114	1,886
Uniforms	1,000	340	660
Fuel and lubricants	5,000	4,293	707
Telephone	480	389	91
Utilities	900	543	357
Repair and Maintenance	13,900	13,897	3
Equipment	30,000	25,408	4,592
Total maintenance and improvements	<u>166,078</u>	<u>158,388</u>	<u>7,690</u>
GRANT PARK DEVELOPMENT	<u>70,000</u>	<u>65,067</u>	<u>4,933</u>
UNALLOCATED EXPENSES	<u>26,165</u>	<u>25,821</u>	<u>344</u>
Total expenditures	<u>\$ 347,088</u>	<u>\$ 330,955</u>	<u>\$ 16,133</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Charges for services	\$ 3,902,797	\$ 4,747,460	\$ 844,663
Interest income	15,000	57,441	42,441
Meter sales	25,000	12,377	(12,623)
Other	3,500	7,440	3,940
Total revenues	<u>3,946,297</u>	<u>4,824,718</u>	<u>878,421</u>
EXPENSES			
Water and sewer purchases	2,884,416	2,857,115	27,301
Salaries	461,779	488,461	(26,682)
Taxable benefits	27,446	32,093	(4,647)
Payroll taxes	37,426	38,761	(1,335)
Insurance benefits	82,814	84,048	(1,234)
Pension expense	49,694	51,942	(2,248)
Repairs and maintenance - administration building	10,000	3,971	6,029
Computer services and supplies	17,000	13,277	3,723
Supplies	6,000	5,183	817
Utilities	6,000	5,204	796
Telecommunications	6,500	9,327	(2,827)
Leased equipment	6,000	8,211	(2,211)
Cleaning services	2,500	4,705	(2,205)
Lift and booster station expense	39,900	64,361	(24,461)
Maintenance facility expense	91,000	92,387	(1,387)
System repairs and maintenance	38,000	45,465	(7,465)
Professional fees	25,200	22,025	3,175
Employee expense	8,400	7,706	694
Meters and supplies	40,000	75,047	(35,047)
Fuel	9,000	9,656	(656)
Insurance and bonds	33,000	32,796	204
Depreciation		790,230	(790,230)
Postage	5,000	7,292	(2,292)
Bank fees	50		50
Bad debt expense	3,400		3,400
Printing and publishing	3,000	4,165	(1,165)
Membership and dues	7,000	8,984	(1,984)
Miscellaneous	500	917	(417)
Bond interest expense		43,590	(43,590)
Agency fee		440	(440)
Total expenses	<u>3,901,025</u>	<u>4,807,359</u>	<u>(906,334)</u>
Change in net assets	<u>\$ 45,272</u>	<u>\$ 17,359</u>	<u>\$ (27,913)</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, 2018, 2017, 2016, 2015, 2014, 2013, AND 2012**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
REVENUES							
Charges for services	\$ 4,747,460	\$ 4,095,235	\$ 4,208,728	\$ 3,508,267	\$ 3,067,196	\$ 2,646,685	\$ 2,943,343
Meter sales	12,377	17,868	24,716	28,618	12,265	4,345	13,065
Total revenues	<u>4,759,837</u>	<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>
EXPENSES							
Water and sewer purchases	2,857,115	2,292,120	2,262,792	2,047,088	1,855,590	1,591,836	1,708,525
Salaries and wages	488,461	373,647	377,151	376,305	373,262	439,453	429,636
Taxable benefits	32,093	48,304	36,855	26,534	25,256	29,168	21,329
Payroll taxes	38,761	33,195	31,760	29,537	29,409	36,123	34,157
Insurance benefits	84,048	68,843	62,095	59,324	77,676	112,456	112,868
Pension	51,942	46,477	43,973	39,017	31,150	38,442	38,443
Repairs and maintenance	206,184	179,585	142,777	149,361	70,484	61,125	64,328
Computer expenses	13,277	5,000	9,414	10,941	16,183	10,483	14,981
Operating supplies and meters	89,886	138,778	69,731	48,577	33,646	35,896	37,528
Utilities	5,204	35,914	33,024	35,770	44,502	40,665	37,401
Telecommunications	9,327	7,457	13,385	11,952	9,098	8,539	11,292
Lease equipment	8,211	6,470	8,640	4,441	3,674	3,538	3,987
Office expenses	11,997	13,943	37,429	32,248	21,527	18,433	15,866
Professional services	22,025	19,570	12,852	46,515	34,452	46,719	22,212
Health savings expense	7,706	11,935	11,093	10,871	11,463	13,770	12,240
Insurance and bonds	32,796	30,440	30,391	28,223	24,552	25,864	25,752
Bad debt expense		3,272	3,224	5,541	3,173	3,136	5,994
Printing and publishing	4,165	4,801	2,312	3,430	3,186	4,210	3,808
Memberships and dues	8,984	8,061	7,638	6,765	4,372	9,628	5,950
Training and other employee expenses	917	5,779	3,717	3,980	3,189	5,288	5,463
Total expenses	<u>3,973,099</u>	<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>
Net revenues over expenses	<u>\$ 786,738</u>	<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>

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.



PFEFFER ▪ HANNIFORD ▪ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

May 20, 2019

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, 2018, 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. PERSONNEL MANUAL

Upon review of the Personnel Manual, dated May 18, 2013, we noted several items that need to be updated based on current policies/practices of the Township.

For example, we noted:

1. The Personnel Manual states the pension contributions 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.
2. Section 2.13 of the Personnel Manual indicates the costs and types of insurance (medical, dental, vision and life insurance) offered to employees that are outlined in Appendix A. However, all of the information in Appendix A is outdated and does not give actual costs and types.
3. Section 2.21 indicates longevity pay on the anniversary hire dates, but the percentages need to be updated for recent board approved amounts.
4. Section 3.02 of the manual discusses employment status and is difficult to understand.

The Township should review the manual and make the appropriate changes necessary to provide up to date information. Additionally, the Township should consider revising the language in Section 3.02 to make it easier to understand.

2. MICHIGAN'S NEW PAID MEDICAL LEAVE ACT

Michigan's Paid Medical Leave Act went into effect on March 26, 2019. The Act applies to a company that employs 50 or more individuals. All employees must be counted in determining whether the 50 employee threshold is met - including part-time and full-time employees and employees excluded from coverage under the Act.

The law specifies employees would accrue 1 hour of paid sick leave for every 35 hours worked, up to 40 hours per year. It allows the employer to limit the accrual to 1 hour per week. An employer is not required to allow an eligible employee to use more than 40 hours of paid sick leave in a single benefit year or to carry over more than 40 hours of time from one benefit year to another.

Employers may provide all 40 hours at the start of the benefit year to avoid carry-over and can pro-rate time for new employees.

An employer can opt to offer one bank of PTO and that bank can include paid vacation days, paid personal days, paid medical leave and/or paid time off. If you wish to combine paid medical leave with another PTO, the employee's time should accrue as required under the law (1 hour per 35 hours worked, up to 40 hours per year) and should be able to be used for medical and other reasons specified under the law.

We recommend that the Township review the provisions of the Act and make the necessary changes to the Sick Policy to be in compliance with the Act. We also recommend you update your employee handbook to specify how total paid time off meets the requirements of the Michigan Paid Medical Leave Act.

3. HYUNDAI FUND - ASSESSMENTS COMPLETED

This fund was used for collecting assessments and paying debt. The fund is no longer needed due to the completion of the debt and assessment collections. The fund holds a sizeable amount of money which was agreed to be used for future road repairs and maintenance. We recommend the money be transferred to the General Fund and restricted for the agreed upon usage. The Hyundai Fund can be closed after the money is transferred.

4. SAFEGUARDING OF THE TOWNSHIP'S DATA

The Township has the responsibility of safeguarding its data as well as maintaining the integrity of its information system. There is expanded risk of breaching the security of the Township's data by allowing others outside of the Township staff, such as an IT (information technology) vendor, full access to the Township's information system.

We recommend the Township Board request from its IT vendor a report explaining the controls the vendor has in place to give the Township assurance the risk of a breach of security (by unintended error or intentional misuse) is kept at a minimum. Some examples of controls which could be mentioned in that report are as follows:

- Does the vendor have confidentiality agreements with its employees?
- Does the vendor do background checks in the hiring of its employees?
- What type of training does the vendor provide in communicating to its employees proper ethical behavior?
- What oversight procedures are in place by the vendor's management?
- Has the vendor ever had a SOC (Service Organization Controls) report completed?
- Are there procedures in place the Township could follow to verify controls in place by the vendor?

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