



Financial Report

with Supplemental Information

December 31, 2019

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Shelby

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Shelby (the "Township") as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Charter Township of Shelby'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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Shelby as of December 31, 2019 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, during the year ended December 31, 2019, the Township adopted new accounting pronouncement called Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, which provides guidance on the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

To the Board of Trustees
Charter Township of Shelby

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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 Shelby's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

June 17, 2020

As management of the Charter Township of Shelby (the "Township"), we offer readers this narrative overview and analysis of the financial activities for the year ended December 31, 2019.

Using This Annual Report

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

The fund financial statements present a short-term view; they tell the reader how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Township, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$63,270,810 at the close of the most recent fiscal year.

The Township's Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 78,757,182	\$ 80,558,911	\$ 56,802,262	\$ 59,758,765	\$ 135,559,444	\$ 140,317,676
Capital assets	67,889,219	59,587,668	120,017,803	115,060,490	187,907,022	174,648,158
Total assets	146,646,401	140,146,579	176,820,065	174,819,255	323,466,466	314,965,834
Deferred Outflows of Resources	5,017,389	12,098,726	339,744	459,391	5,357,133	12,558,117
Liabilities						
Current liabilities	4,897,676	3,107,370	8,133,516	11,487,427	13,031,192	14,594,797
Noncurrent liabilities	37,292,041	51,726,876	27,983,890	22,197,399	65,275,931	73,924,275
Total liabilities	42,189,717	54,834,246	36,117,406	33,684,826	78,307,123	88,519,072
Deferred Inflows of Resources	46,203,263	38,883,113	966,847	801,698	47,170,110	39,684,811
Net Position						
Net investment in capital assets	67,385,559	59,587,668	99,259,744	94,511,530	166,645,303	154,099,198
Restricted	14,815,231	15,042,322	262,019	675,524	15,077,250	15,717,846
Unrestricted	(18,929,980)	(16,102,044)	40,553,793	45,605,068	21,623,813	29,503,024
Total net position	\$ 63,270,810	\$ 58,527,946	\$ 140,075,556	\$ 140,792,122	\$ 203,346,366	\$ 199,320,068

The Township's combined net position increased by \$4 million from a year ago, from \$199.3 million to \$203.3 million.

A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$4.7 million in net position, or 8.1 percent, during 2019. This increase is a result of a few different factors. The amount of available cash and investments decreased by \$4.2 million, as the Township continued the trend of investing heavily in infrastructure. This resulted in an increase in capital assets of \$8.3 million. Several projects that were begun in previous years were either at or near completion at the end of 2019, such as the new district court building, an additional fire station, a new township activities center, and an addition to the police station. The Township also began a two-year road improvement program in conjunction with the Macomb County Department of Roads to overhaul several of the main roads throughout the Township and began construction on a new library. The remainder of the increase in net position is due to an increase of pension related liabilities net of assets of \$1.2 million being more than offset by a decrease in other postemployment benefit-related (OPEB) liabilities net of assets of \$2.9 million. Unrestricted net position (the portion of net position available to finance day-to-day operations and future growth of the Township) decreased by \$2.8 million, or 17.6 percent, to \$(18.9) million. Restricted net position also decreased by \$227,000 primarily due to a decrease in net position restricted for police and fire operations. These decreases were more than offset by an increase in net investment in capital assets of \$7.8 million relating to the building projects described earlier.

The Township's business-type activities net position decreased by \$0.7 million, or 0.5 percent, to \$140.1 million. This decrease is due to several different factors. Total assets increased by \$2 million, as a \$5 million increase in capital assets was offset by a decrease in cash and receivables of \$3 million. The increase in capital assets was for continued construction on SAD 34S and a remote meter change-out program that was funded by a mixture of cash and capital contributions. The decrease in receivables is mainly attributed to the continued collection of the special assessment for SAD 34S. Total liabilities increased by \$2.4 million, as a decrease in accrued liabilities of \$2.3 million and a decrease in unearned revenue of \$2.1 million was offset by an increase in accounts payable and other claims of \$7 million. The decrease in accrued liabilities is mainly attributable to a recategorizing of liabilities as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 84 and the decrease in unearned revenue results from the continued construction and revenue recognition related to SAD 34S. The increase in accounts payable and other claims results from timing issues relating to payments and a possible claim relating to a contingent liability further described in the footnotes to the financial statements. Unrestricted net position decreased by \$5.1 million, or 11.1 percent, while net investment and restricted net position increased by \$4.3 million, or 4.5 percent.

Charter Township of Shelby

Management's Discussion and Analysis (Continued)

The following table shows the changes in net position for the year ended December 31, 2019 and the prior year:

The Township's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue						
Program revenue:						
Charges for services	\$ 11,042,982	\$ 10,455,531	\$ 27,582,769	\$ 28,172,845	\$ 38,625,751	\$ 38,628,376
Operating grants and contributions	853,582	783,317	1,007,106	251,853	1,860,688	1,035,170
Capital grants and contributions	197,895	125,825	6,627,712	7,496,064	6,825,607	7,621,889
General revenue:						
Property taxes	30,856,174	29,274,173	-	-	30,856,174	29,274,173
Intergovernmental	7,120,972	6,763,080	-	-	7,120,972	6,763,080
Interest	1,345,663	1,150,959	867,219	643,483	2,212,882	1,794,442
Other revenue	2,399,881	1,865,764	-	-	2,399,881	1,865,764
Total revenue	53,817,149	50,418,649	36,084,806	36,564,245	89,901,955	86,982,894
Expenses						
General government	7,736,102	9,966,542	-	-	7,736,102	9,966,542
District court	2,910,614	2,200,078	-	-	2,910,614	2,200,078
Public safety	30,860,414	27,437,947	-	-	30,860,414	27,437,947
Public works	2,486,613	2,024,610	-	-	2,486,613	2,024,610
Recreation and culture	4,761,544	4,268,986	-	-	4,761,544	4,268,986
Debt service	318,998	336,385	-	-	318,998	336,385
Water and sewer	-	-	36,801,372	29,932,765	36,801,372	29,932,765
Shelby Manor	-	-	-	406	-	406
Total expenses	49,074,285	46,234,548	36,801,372	29,933,171	85,875,657	76,167,719
Transfers	-	23,440	-	(205)	-	23,235
Change in Net Position	4,742,864	4,207,541	(716,566)	6,630,869	4,026,298	10,838,410
Net Position - Beginning of year	58,527,946	54,320,405	140,792,122	134,161,253	199,320,068	188,481,658
Net Position - End of year	\$ 63,270,810	\$ 58,527,946	\$ 140,075,556	\$ 140,792,122	\$ 203,346,366	\$ 199,320,068

Governmental Activities

The Township's total governmental revenue increased by approximately \$3.4 million, or 6.7 percent, from last year. A total of 47 percent of this increase is attributed to a \$1.6 million increase in property tax revenue, as property values continue to rise and new development occurs throughout the Township. The remaining revenue categories all saw increases, with charges for services and other revenue having the largest increases. The increase in other revenue is attributed mainly to a one-time adjustment related to the implementation of GASB 84.

Total governmental expenses increased by approximately \$2.8 million in 2019, or 6.1 percent. A \$2.2 million decrease in general government was more than offset by a \$3.4 million increase in public safety, as well as smaller increases in district court, public works, and recreation and culture. The decrease in general government is primarily related to a reduction in OPEB costs. The increase in public safety is due to a \$2 million increase in OPEB costs and a \$1.4 million increase in employee costs as the Township increased the number of active police officers and firefighters serving the Township and its citizens. Increases in district court and recreation and culture were due to additional costs to outfit and prepare new buildings for use. Public works increase was due to several large-scale sidewalk projects being completed in 2019.

Business-type Activities

The Township's business-type activities are recorded in the Water and Sewer Fund. The Water and Sewer Fund provides water, which is purchased from the Great Lakes Water Authority (GLWA) and sewer service to township residents and businesses. The sewer service is primarily provided by the GLWA. The Water and Sewer Fund also receives charges from the Oakland Macomb Interceptor District (OMID) and the Macomb County Interceptor Drain District (MIDD) for its share of the operations and maintenance costs of major facilities in which the Water and Sewer Fund has a beneficial interest.

During 2019, the Township's business-type activities revenue decreased by \$480,000, or 1.3 percent, to \$36.1 million. This decrease is primarily the result of a reduction in seasonal water sales. In addition, a decrease in capital grants and contributions due to a reduction in capital contributions from developers was offset by an increase in operating grant revenue received for a sanitary sewer cleaning and inspection program.

The business-type expenses for 2019 increased by \$6.9 million, or 23 percent, to \$36.8 million. This increase was mainly attributable to the \$6 million provision for claims mentioned above. In addition, there was an increase in grant-related expenses of \$1 million as the Township neared completion on the stormwater, asset-management, and wastewater (SAW) grant relating to the sanitary sewer cleaning and inspection program mentioned above.

The Township's Funds

The presentation of the Township's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The township board creates funds to help manage money for specific purposes, as well as to show accountability for certain activities. The Township's major funds for 2019 include the General Fund, Police Fund, Fire Fund, Public Improvement Fund, and Water and Sewer Fund.

General Fund Budgetary Highlights

Over the course of the year, the township board and administration monitor and amend the budget to take into account unanticipated events that occur during 2019 and acceleration of multiyear capital projects. The General Fund experienced a \$1.1 million, or 6.2 percent, increase in revenue from 2018. The most significant influences on revenue during 2019 were increases in other revenue of \$395,000 and state-shared revenue of \$350,000. As mentioned earlier, the increase in other revenue was attributed to a one-time adjustment of approximately \$500,000 due to the implementation of GASB 84. State-shared revenue continued the trend of yearly increases, as a strong economy allowed for increased revenue sharing from the State of Michigan. Other major changes were a \$190,000 increase in fines and forfeitures, as the opening of the new court created an additional revenue stream through probation and screening fees, and an increase of \$170,000 in property taxes, as property values continue to rise and are finally reaching prerecession levels.

The General Fund ended the year with a favorable revenue budget variance of \$211,464, mostly attributed to state-shared revenue coming in higher than expected.

In 2019, the Township experienced a \$770,000 increase in expenditures, or 6.6 percent. The majority of this increase can be attributed to a \$415,000 increase in general government expenditures, although public works and recreation and culture expenditures also increased significantly. The increase in general government is mostly due to an increase in personnel costs, as wage increases due to contract implementation and benefit costs rose slightly. The increase in public works is attributed to several items being recategorized as expenses from pass-through items as a result of the implementation of GASB 84. Recreation and culture saw an increase due to increased personnel costs and increased costs in maintenance and utilities due to additional township buildings. The majority of the Township's remaining expenses remained flat, as the township board continues to look for creative ways to reduce expenditures while still funding township infrastructure.

In addition to a decrease in expenditures, the Township also saw a \$4.3 million reduction, or 40.3 percent, in transfers out. While there was still a significant amount of money transferred out of the General Fund to various capital project funds for current and future capital expenditures, the number decreased significantly from 2018. It is anticipated that this number will continue to decrease in future years as many of the large scale projects undertaken by the Township over the past several years continue to be completed.

The General Fund ended the year with a favorable expenditure budget variance of \$473,887. All township departments finished the year at or under budget, with personnel costs, maintenance costs, and capital outlay being the largest contributors to the favorable variance.

Looking at other financing sources/uses, the Township saw a large decrease in transfers out of the General Fund and sale of capital assets. In 2018, over \$8.1 million was transferred out of the General Fund to fund various capital projects, such as the completion of the Gene Shepherd Park splash pad and monies necessary to fund the various buildings to be built on the municipal campus. In 2019, there was still a significant amount of money transferred out of the General Fund (\$6.4 million); however, this number was down by \$4.3 million, or 40.3 percent, from 2018. A total of \$3.6 million was transferred to various capital projects funds to finance various capital expenditures, including the first portion of a two-year and approximately \$8 million road improvement plan focusing on several major and residential roads throughout the Township. Sale of capital assets decreased from \$126,000 in 2018 to \$14,500 in 2019 as a large sale of township-owned property occurred in 2018. Transfers in, while increasing from 2018 to 2019, consisted of only one transfer from the Street Lighting Fund to offset a transfer from the General Fund in 2018 to cover additional startup costs in the Street Lighting Fund.

When comparing the 2019 original General Fund budget with the 2019 amended budget, the amended budget increased revenue by approximately \$1.3 million. Large increases were required in licenses and permits, investment income, and other revenue. The increases were due to a continually strengthening economy, township growth being larger than originally anticipated, continued increases in interest rates, and a one-time adjustment due to the implementation of GASB 84. On the expenditure side, the amended budget increased expenditures by approximately \$190,000. The majority of the increase was seen in public works, which increased by \$140,000 due to a recategorizing of expenses due to the implementation of GASB 84.

The largest budget changes can be seen in other financing sources/uses. Transfers out increased by almost \$2.6 million, as additional money was needed in various capital projects funds to cover the road project previously mentioned, as well as an increase in the cost to acquire the new grounds/maintenance building.

Capital Assets and Debt Administration

At the end of 2019, the Township's governmental and business-type activities combined had approximately \$303.6 million in historical cost invested in a wide range of capital assets, including land, buildings, fire equipment, computer equipment, water and sewer lines, library books, and township infrastructure, such as roads and bridges. The infrastructure represents a usage right to these assets. The value of the infrastructure assets for governmental activities, net of depreciation contained in this report, is \$21.9 and \$19.2 million for 2019 and 2018, respectively. This amount is expected to increase again in 2020 as the Township implements the two-year road funding plan begun in 2019. The business-type activities' infrastructure for 2019 and 2018 (including construction in progress), net of depreciation, is \$116.5 million and \$111.9 million, respectively. The large increase is mainly due to additional infrastructure from the Sanitary Sewer Special Assessment District 34S in Sections 1 and 2 and the R900 meter change-out program. Additionally, the value of buildings and improvements for the governmental activities, net of depreciation, is \$20.4 million and \$12.8 million for 2019 and 2018, respectively. In 2019, two multi-million dollar projects in the new district court building and the new Fire Station 4 were placed into service. The business-type activities' buildings and improvements, net of depreciation, are \$2.6 million for 2019 and \$2.7 million for 2018. See Note 4 for additional information.

The majority of the debt reported in these financial statements is related to the construction of the abovementioned infrastructure and is reported as a liability on the statement of net position (see Note 8 for additional information). The only debt not related to infrastructure relates to pension obligation bonds issued in 2014 to help fund the Township's Police and Fire Pension System. The debt is scheduled to be paid through 2027 and has approximately \$6.1 million outstanding as of the end of 2019.

Economic Factors and Next Year's Budgets and Rates

The Charter Township of Shelby will maintain the same property tax millage rate for 2020 that applied in 2019 (9.2999). Strong expenditure controls, growth in the Township's tax base, and the township board's philosophy of no new taxes have avoided millage rate increases. In 2019, property taxes made up approximately 57.2 percent of the Township's governmental funds' overall revenue. After going through the economic downturn, the Township continues to see added growth, as the ad valorem taxable value experienced an increase of approximately \$205 million, or 6.1 percent, between the 2018 and 2019 assessment years. State-shared revenue represented approximately 12.6 percent of the Township's governmental funds' overall 2019 revenue. In preparing the 2020 budget, it was assumed that there would be a slight increase in state-shared revenue based upon the State of Michigan's projections and continued increases in prior years. As the Township weathers the unexpected consequences of COVID-19, it is anticipated that several revenue numbers will need a negative adjustment as more information becomes available. State-shared revenue, district court fines, recreation program fees, and rental fees are just some of the areas of governmental revenue predicted to be negatively impacted. As of the date of these financial statements, just what that impact may be on township finances is yet to be determined. While some revenue decreases may only be short term, others, such as state-shared revenue, may impact revenue for several years.

On the expenditure side, the Township continues to control personnel costs through labor negotiations, with the goal of maintaining essential services and an efficient labor force. It is anticipated that, due to rising healthcare costs and projected and contractual wage increases, as well as an increase in staffing due to demand for services and a continued focus on public safety, personnel costs will experience an increase in 2020. The township board aggressively pursues a permanent solution to healthcare funding to spare future taxpayers the cost of funding present benefits and continues to set aside millions of dollars each year to reduce the liability. In 2020, it is anticipated that there will be several one-time increases due to the outbreak of COVID-19. With aid at both the federal and state level, it is hoped that the majority of these expenditures will be offset by this aid. While the Township continues to investigate and explore potential grants and federal aid available, the total cost and potential aid to offset those costs is unknown at this time. The township board will continue to evaluate those expenditures needed to address and contain additional health and safety concerns related to COVID-19.

In recent years, continued focus has been placed on improving township roads and providing more modern and efficient facilities for township employees and residents to conduct business in. The township board has made it a priority to create a more centralized campus with more amenities both on the township campus and in the various parks and bike paths throughout the Township. The board continues to focus on and weigh difficult choices between capital projects and staffing. With the onset of COVID-19 and a forecasted decrease in township revenue, it will be even more important to evaluate and prioritize capital expenditures. Using the Township's capital improvement plan as a guide, future capital costs will be evaluated, and money will continue to be set aside over several years (when possible) in order to smooth township capital costs and allow for more uniform budgeting. In 2019, the Township completed construction of a new Fire Station 4, repurposed the old Fire Station 4 as a new grounds/maintenance building, began a two-year major road improvement plan, began construction of a new Township library, and completed construction on the new district court building. In 2020, the Township should complete construction on the new activities center, the police department addition and storage building, and finish the road improvement plan begun in 2019. Money for these projects has been set aside in past years and will continue to be set aside as the township board continues to improve upon infrastructure without the need to incur additional debt. The Township will adjust expenses to mirror the revenue base, with a goal to maintain revenue in excess of or equal to expenditures unless the need arises to fund large capital projects.

Requests for Further Information

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we invite you to contact the Charter Township of Shelby finance department.

Charter Township of Shelby

Statement of Net Position

December 31, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 69,807,571	\$ 30,474,130	\$ 100,281,701	\$ 83,113
Receivables:				
Property taxes receivable	15,447,396	-	15,447,396	-
Special assessments receivable	-	7,428,257	7,428,257	-
Customers	-	6,505,735	6,505,735	-
Accrued interest	474,721	106,363	581,084	-
Other receivables	1,056,431	359,108	1,415,539	-
Allowance for doubtful accounts	(276,590)	-	(276,590)	-
Due from other governmental units	1,477,277	74,005	1,551,282	-
Internal balances	(10,886,954)	10,886,954	-	-
Inventory	-	224,379	224,379	-
Prepaid expenses and other assets	1,657,330	61,334	1,718,664	161
Restricted assets (Note 9)	-	419,978	419,978	-
Net OPEB asset (Note 12)	-	262,019	262,019	-
Capital assets: (Note 4)				
Assets not subject to depreciation	19,108,237	10,780,948	29,889,185	-
Assets subject to depreciation	48,780,982	109,236,855	158,017,837	-
Total assets	146,646,401	176,820,065	323,466,466	83,274
Deferred Outflows of Resources (Note 6)	5,017,389	339,744	5,357,133	-
Liabilities				
Accounts payable	1,728,945	4,631,301	6,360,246	2,698
Refundable deposits, bonds, etc.	1,358,506	10,698	1,369,204	-
Accrued liabilities and other	1,503,936	425,717	1,929,653	-
Unearned revenue (Note 7)	306,289	3,065,800	3,372,089	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 8)	148,346	12,898	161,244	-
Provision for claims (Note 17)	-	6,000,000	6,000,000	-
Provision for property tax refunds	2,176	-	2,176	-
Current portion of long-term debt (Note 8)	805,915	1,229,716	2,035,631	-
Due in more than one year:				
Compensated absences (Note 8)	830,806	73,468	904,274	-
Unearned revenue (Note 7)	-	603,518	603,518	-
Net pension liability (Note 11)	1,381,247	-	1,381,247	-
Net OPEB obligation (Note 12)	28,345,806	-	28,345,806	-
Long-term debt - Net of current portion (Note 8)	5,777,745	20,064,290	25,842,035	-
Total liabilities	42,189,717	36,117,406	78,307,123	2,698
Deferred Inflows of Resources (Note 6)	46,203,263	966,847	47,170,110	-
Net Position				
Net investment in capital assets	67,385,559	99,259,744	166,645,303	-
Restricted:				
Police and fire operations	14,676,712	-	14,676,712	-
Community development	15,013	-	15,013	-
Street lighting	117,872	-	117,872	-
Grants	5,634	-	5,634	-
OPEB	-	262,019	262,019	-
Unrestricted	(18,929,980)	40,553,793	21,623,813	80,576
Total net position	\$ 63,270,810	\$ 140,075,556	\$ 203,346,366	\$ 80,576

Charter Township of Shelby

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 7,736,102	\$ 3,554,006	\$ 274,996	\$ -
District court	2,910,614	2,534,181	155,629	-
Public safety	30,860,414	3,855,949	266,599	189,006
Public works	2,486,613	376,940	49,273	7,902
Recreation and culture	4,761,544	721,906	107,085	987
Debt service	318,998	-	-	-
Total governmental activities	49,074,285	11,042,982	853,582	197,895
Business-type activities - Water and Sewer	36,801,372	27,582,769	1,007,106	6,627,712
Total primary government	\$ 85,875,657	\$ 38,625,751	\$ 1,860,688	\$ 6,825,607
Component units - Downtown Development Authority	\$ 134,992	\$ -	\$ 105,600	\$ -

General revenue:
 Property taxes
 Unrestricted state-shared revenue
 Unrestricted investment income
 Cable franchise fees
 Gain on sale of capital assets
 Other miscellaneous income
 Total general revenue

Change in Net Position
Net Position - Beginning of year
Net Position - End of year

Statement of Activities

Year Ended December 31, 2019

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (3,907,100)	\$ -	\$ (3,907,100)	\$ -
(220,804)	-	(220,804)	-
(26,548,860)	-	(26,548,860)	-
(2,052,498)	-	(2,052,498)	-
(3,931,566)	-	(3,931,566)	-
(318,998)	-	(318,998)	-
(36,979,826)	-	(36,979,826)	-
-	(1,583,785)	(1,583,785)	-
(36,979,826)	(1,583,785)	(38,563,611)	-
-	-	-	(29,392)
30,856,174	-	30,856,174	-
7,120,972	-	7,120,972	-
1,345,663	867,219	2,212,882	1,618
1,453,356	-	1,453,356	-
15,486	-	15,486	-
931,039	-	931,039	-
41,722,690	867,219	42,589,909	1,618
4,742,864	(716,566)	4,026,298	(27,774)
58,527,946	140,792,122	199,320,068	108,350
<u>\$ 63,270,810</u>	<u>\$ 140,075,556</u>	<u>\$ 203,346,366</u>	<u>\$ 80,576</u>

Charter Township of Shelby

	General Fund	Fire Fund	Police Fund
Assets			
Cash and investments	\$ 9,418,755	\$ 19,679,743	\$ 20,173,374
Receivables:			
Property taxes receivable	1,661,305	5,957,354	7,828,737
Accrued interest	474,721	-	-
Other receivables	518,731	355,347	88,687
Allowance for doubtful accounts	(15,080)	(193,372)	(68,138)
Due from other governmental units	1,180,675	108,159	167,969
Due from other funds (Note 5)	2,000	-	-
Prepaid expenses and other assets	159,699	109,908	55,322
	<u>\$ 13,400,806</u>	<u>\$ 26,017,139</u>	<u>\$ 28,245,951</u>
Total assets			
Liabilities			
Accounts payable	\$ 346,499	\$ 109,919	\$ 176,429
Due to other funds (Note 5)	33,240	1,955	1,759
Advances from other funds (Note 5)	-	5,208,000	5,642,000
Refundable deposits, bonds, etc.	1,358,506	-	-
Accrued liabilities and other	403,112	508,182	504,475
Unearned revenue (Note 7)	-	-	-
Provision for property tax refunds	234	839	1,103
	<u>2,141,591</u>	<u>5,828,895</u>	<u>6,325,766</u>
Total liabilities			
Deferred Inflows of Resources			
Unavailable revenue	105,949	10,120	79,701
Property taxes levied for the following year	3,504,012	12,564,892	16,518,585
	<u>3,609,961</u>	<u>12,575,012</u>	<u>16,598,286</u>
Total deferred inflows of resources			
Total liabilities and deferred inflows of resources	5,751,552	18,403,907	22,924,052
Fund Balances			
Nonspendable - Prepays	159,699	109,908	55,322
Restricted:			
Police and fire	-	7,503,324	5,266,577
Grants	-	-	-
Street lighting	-	-	-
Community development	-	-	-
Assigned:			
Public improvement	-	-	-
Historical committee	1,454	-	-
Equipment replacement	-	-	-
Recycling committee	3,898	-	-
Library	164,145	-	-
Special recreation donations	13,225	-	-
Veterans	8,617	-	-
Unassigned	7,298,216	-	-
	<u>7,649,254</u>	<u>7,613,232</u>	<u>5,321,899</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,400,806</u>	<u>\$ 26,017,139</u>	<u>\$ 28,245,951</u>

Governmental Funds
Balance Sheet

December 31, 2019

Public Improvement Fund	Nonmajor Funds	Total Governmental Funds
\$ 19,599,371	\$ 936,328	\$ 69,807,571
-	-	15,447,396
-	-	474,721
-	93,666	1,056,431
-	-	(276,590)
7,902	12,572	1,477,277
-	-	2,000
1,308,649	23,752	1,657,330
\$ 20,915,922	\$ 1,066,318	\$ 89,646,136
\$ 1,036,954	\$ 59,144	\$ 1,728,945
-	2,000	38,954
-	-	10,850,000
-	-	1,358,506
-	195	1,415,964
-	306,289	306,289
-	-	2,176
1,036,954	367,628	15,700,834
7,902	3,521	207,193
-	-	32,587,489
7,902	3,521	32,794,682
1,044,856	371,149	48,495,516
1,308,649	23,752	1,657,330
1,682,472	536,522	14,988,895
-	5,514	5,514
-	114,351	114,351
-	15,013	15,013
16,879,945	-	16,879,945
-	-	1,454
-	17	17
-	-	3,898
-	-	164,145
-	-	13,225
-	-	8,617
-	-	7,298,216
19,871,066	695,169	41,150,620
\$ 20,915,922	\$ 1,066,318	\$ 89,646,136

Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position

December 31, 2019

Fund Balances Reported in Governmental Funds	\$ 41,150,620
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 are not reported in the funds	67,889,219
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	207,193
Other liabilities that do not present a claim on current financial resources are not reportable as fund liabilities	(38,685)
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(6,583,660)
Accrued interest is not due and payable in the current period and is not reported in the funds	(49,287)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(979,152)
Pension benefits	(4,525,160)
Retiree healthcare benefits	<u>(33,800,278)</u>
Total employee fringe benefits not reported as fund liabilities	<u>(39,304,590)</u>
Net Position of Governmental Activities	<u><u>\$ 63,270,810</u></u>

Charter Township of Shelby

	General Fund	Fire Fund	Police Fund
Revenue			
Property taxes	\$ 3,326,273	\$ 11,893,577	\$ 15,635,507
Intergovernmental:			
Federal grants	-	39,296	2,966
State sources	7,259,391	117,703	250,805
Charges for services:			
Charges to other funds	1,042,755	-	-
Charges for services to external parties	1,004,036	3,117,889	587,304
Fines and forfeitures	2,636,480	-	-
Licenses, permits, and fees:			
Cable franchise fees	1,395,548	-	-
Other licenses and permits	2,090,170	-	-
Investment income	555,861	248,145	239,606
Other revenue	732,454	5,412	217,381
Total revenue	20,042,968	15,422,022	16,933,569
Expenditures			
Current services:			
General government	8,450,285	-	-
District court	2,652,418	-	-
Public safety	-	14,467,056	14,634,571
Public works	512,041	-	-
Recreation and culture	4,029,496	-	-
Capital outlay	261,027	146,966	978,081
Debt service	-	473,915	513,408
Total expenditures	15,905,267	15,087,937	16,126,060
Excess of Revenue Over (Under) Expenditures	4,137,701	334,085	807,509
Other Financing Sources (Uses)			
Transfers in	45,445	864,800	96,549
Transfers out	(4,253,051)	(1,622,710)	(518,189)
Proceeds from installment purchase agreement	-	-	392,060
Sale of capital assets	14,515	-	24,150
Total other financing (uses) sources	(4,193,091)	(757,910)	(5,430)
Net Change in Fund Balances	(55,390)	(423,825)	802,079
Fund Balances - Beginning of year	7,704,644	8,037,057	4,519,820
Fund Balances - End of year	\$ 7,649,254	\$ 7,613,232	\$ 5,321,899

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2019

Public Improvement Fund	Nonmajor Funds	Total Governmental Funds
\$ -	\$ -	\$ 30,855,357
149,895	2,000	194,157
79,501	276,049	7,983,449
-	-	1,042,755
-	382,564	5,091,793
-	362,865	2,999,345
-	-	1,395,548
-	-	2,090,170
291,018	10,899	1,345,529
-	13	955,260
520,414	1,034,390	53,953,363
29,436	-	8,479,721
-	110,257	2,762,675
-	180,044	29,281,671
674,510	259,118	1,445,669
-	2,000	4,031,496
11,344,285	4,535	12,734,894
-	-	987,323
12,048,231	555,954	59,723,449
(11,527,817)	478,436	(5,770,086)
6,297,401	-	7,304,195
(864,800)	(45,445)	(7,304,195)
111,600	-	503,660
-	-	38,665
5,544,201	(45,445)	542,325
(5,983,616)	432,991	(5,227,761)
25,854,682	262,178	46,378,381
\$ 19,871,066	\$ 695,169	\$ 41,150,620

Charter Township of Shelby

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended December 31, 2019

Net Change in Fund Balances Reported in Governmental Funds	\$ (5,227,761)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation, and gains or losses on disposals are only reported in the governmental activities	8,301,551
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(154,293)
Other liabilities do not present a claim on current financial resources and are not reported as fund liabilities	1,759
Other liabilities do not present a claim on current financial resources and are not reported as fund liabilities	(503,660)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	665,000
Interest expense is recognized in the government-wide statements as it accrues	3,325
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	<u>1,656,943</u>
Change in Net Position of Governmental Activities	<u><u>\$ 4,742,864</u></u>

Charter Township of Shelby

Proprietary Funds Statement of Net Position

December 31, 2019

	<u>Water and Sewer</u>
Assets	
Current assets:	
Cash and investments	\$ 30,474,130
Receivables:	
Special assessments	924,275
Customers	6,505,735
Accrued interest	106,363
Other receivables	359,108
Due from other governmental units	74,005
Due from other funds (Note 5)	36,954
Inventory	224,379
Prepaid expenses and other assets	61,334
	<hr/>
Total current assets	38,766,283
Noncurrent assets:	
Restricted assets	419,978
Advances to other funds (Note 5)	10,850,000
Special assessment receivables	6,503,982
Net OPEB asset (Note 12)	262,019
Capital assets: (Note 4)	
Assets not subject to depreciation	10,780,948
Assets subject to depreciation	109,236,855
	<hr/>
Total noncurrent assets	138,053,782
	<hr/>
Total assets	176,820,065
Deferred Outflows of Resources	
Deferred charges on bond refunding	115,969
Deferred OPEB costs	223,775
	<hr/>
Total deferred outflows of resources	339,744
Liabilities	
Current liabilities:	
Accounts payable	4,631,301
Refundable deposits, bonds, etc.	10,698
Accrued liabilities and other	425,717
Unearned revenue (Note 7)	3,065,800
Compensated absences (Note 8)	12,898
Provision for claims	6,000,000
Current portion of long-term debt (Note 8)	1,229,716
	<hr/>
Total current liabilities	15,376,130
Noncurrent liabilities:	
Compensated absences (Note 8)	73,468
Unearned revenue (Note 7)	603,518
Long-term debt - Net of current portion (Note 8)	20,064,290
	<hr/>
Total noncurrent liabilities	20,741,276
	<hr/>
Total liabilities	36,117,406
Deferred Inflows of Resources - Deferred OPEB cost reductions	966,847
	<hr/>
Net Position	
Net investment in capital assets	99,259,744
Restricted - OPEB	262,019
Unrestricted	40,553,793
	<hr/>
Total net position	\$ 140,075,556
	<hr/> <hr/>

Charter Township of Shelby

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position

Year Ended December 31, 2019

	<u>Water and Sewer</u>
Operating Revenue	
Sale of water	\$ 14,199,092
Sewage disposal charges	10,550,851
Other sales to customers	2,648,017
Other miscellaneous revenue	83,116
Charges to other funds	<u>101,693</u>
Total operating revenue	27,582,769
Operating Expenses	
Cost of water	13,746,778
Cost of sewage treatment	6,588,076
Other operating and maintenance costs	11,689,526
Depreciation	<u>4,071,784</u>
Total operating expenses	<u>36,096,164</u>
Operating Loss	(8,513,395)
Nonoperating Revenue (Expense)	
Investment income	867,219
Interest expense	(705,208)
State grants	<u>1,007,106</u>
Total nonoperating revenue	<u>1,169,117</u>
Loss - Before capital contributions	(7,344,278)
Capital Contributions	
Special assessments	3,435,949
Lines donated by developers	1,680,026
Capital and lateral charges	<u>1,511,737</u>
Total capital contributions	<u>6,627,712</u>
Change in Net Position	(716,566)
Net Position - Beginning of year	<u>140,792,122</u>
Net Position - End of year	<u><u>\$ 140,075,556</u></u>

Charter Township of Shelby

Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2019

	<u>Water and Sewer</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 27,990,983
Receipts from interfund services and reimbursements	108,539
Payments to suppliers	(23,621,415)
Payments to employees and fringes	<u>(2,248,680)</u>
Net cash provided by operating activities	2,229,427
Cash Flows from Noncapital Financing Activities	
Operating grants and subsidies	880,922
Repayments of loans made to other funds	<u>450,000</u>
Net cash provided by noncapital financing activities	1,330,922
Cash Flows from Capital and Related Financing Activities	
Special assessment collections	1,379,949
Benefit fees	1,502,500
Purchase of capital assets	(6,334,529)
Principal and interest paid on capital debt	<u>(1,786,777)</u>
Net cash used in capital and related financing activities	(5,238,857)
Cash Flows from Investing Activities	
Interest received on investments	620,144
Purchases of investment securities	(25,092,973)
Proceeds from sale and maturities of investment securities	<u>22,481,561</u>
Net cash used in investing activities	<u>(1,991,268)</u>
Net Decrease in Cash	(3,669,776)
Cash - Beginning of year	<u>20,750,412</u>
Cash - End of year	<u>\$ 17,080,636</u>
Classification of Cash	
Cash and investments	\$ 30,474,130
Less amounts classified as investments	<u>(13,393,494)</u>
Total cash	<u>\$ 17,080,636</u>

**Proprietary Funds
Statement of Cash Flows (Continued)**

Year Ended December 31, 2019

	Water and Sewer
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (8,513,395)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	4,071,784
Changes in assets and liabilities:	
Receivables	509,907
Due to and from other funds	6,846
Inventories	(43,094)
Prepaid and other assets	(25,737)
Net OPEB asset	(416,409)
Accounts payable	1,252,323
Estimated claims liability	6,000,000
Deferrals related to OPEB	277,315
Accrued and other liabilities	(890,113)
Total adjustments	10,742,822
Net cash provided by operating activities	\$ 2,229,427

Significant Noncash Transactions - During the year ended December 31, 2019, developers constructed water and sewer lines with an estimated value of \$1,680,026 and donated them to the Township's Water and Sewer Fund. In addition, on behalf of the Township, Oakland County, Michigan performed construction on the Oakland Macomb Interceptor Drain, for which it incurred long-term debt of \$1,014,542.

**Fiduciary Funds
Statement of Fiduciary Net Position**

December 31, 2019

	<u>Pension and Other Employee Benefit Trust Funds</u>	<u>Custodial Funds</u>	<u>Total Fiduciary Funds</u>
Assets			
Cash and investments	\$ 18,531	\$ 9,028,208	\$ 9,046,739
Investments:			
Short-term funds	5,341,907	-	5,341,907
Stocks	47,808,195	-	47,808,195
Collective index and mutual funds - Fixed income	34,654,838	-	34,654,838
Collective index and mutual funds - Equity	44,900,569	-	44,900,569
Limited partnerships	40,086,728	-	40,086,728
Receivables:			
Accrued interest	174,870	-	174,870
Other receivables	-	11,557	11,557
Prepaid expenses and other assets	7,550	-	7,550
Total assets	172,993,188	9,039,765	182,032,953
Liabilities			
Accounts payable	96,551	-	96,551
Due to other governmental units	-	8,968,289	8,968,289
Accrued liabilities and other	268,958	-	268,958
Total liabilities	365,509	8,968,289	9,333,798
Net Position			
Restricted:			
Pension	118,010,226	-	118,010,226
Postemployment benefits other than pension	54,617,453	-	54,617,453
Organizations	-	71,476	71,476
Total net position	\$ 172,627,679	\$ 71,476	\$ 172,699,155

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2019

	Pension and Other Employee Benefit Trust Funds	Custodial Funds	Total Fiduciary Funds
Additions			
Investment income:			
Interest and dividends	\$ 4,073,581	\$ -	\$ 4,073,581
Net realized and unrealized gain on investments	26,737,587	-	26,737,587
Investment-related expenses	(1,320,824)	-	(1,320,824)
Net investment income	29,490,344	-	29,490,344
Contributions:			
Employer contributions	6,924,185	-	6,924,185
Employee contributions	519,910	-	519,910
Total contributions	7,444,095	-	7,444,095
Property tax collections	-	82,810,180	82,810,180
District court collections	-	1,334,212	1,334,212
Other additions	-	9,971	9,971
Total additions	36,934,439	84,154,363	121,088,802
Deductions			
Benefit payments	8,970,506	-	8,970,506
Administrative expenses	80,948	-	80,948
Property tax distributions	-	82,810,180	82,810,180
District court disbursements	-	1,334,212	1,334,212
Other deductions	-	1,824	1,824
Total deductions	9,051,454	84,146,216	93,197,670
Net Increase in Fiduciary Net Position	27,882,985	8,147	27,891,132
Net Position - Beginning of year - As restated (Note 1)	144,744,694	63,329	144,808,023
Net Position - End of year	\$ 172,627,679	\$ 71,476	\$ 172,699,155

Note 1 - Significant Accounting Policies

Reporting Entity

The Charter Township of Shelby (the "Township") was organized on November 20, 1978 under the provisions of Act 359, P.A. 1947, as amended (the "Charter Township Act"). The Township is governed by an elected seven-member board of trustees (the "board"). The Township provides the following services, as authorized by its charter: public safety (police and fire), highway and streets, sanitation, water and sewer, culture, recreation, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Blended component units are, in substance, part of the Township's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the Township. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township (see discussion below for description).

Blended Component Unit

The following component unit is reported as if it were part of the primary government in the financial statements:

Shelby Township Building Authority

The Shelby Township Building Authority is governed by a five-member board that is appointed by the Township's board of trustees. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its primary purpose is to provide certain facilities necessary for the operation of the Township's government and to finance and construct the Township's public buildings.

Discretely Presented Component Unit

Downtown Development Authority

The Shelby Township Downtown Development Authority (the "Authority") is governed by a board that is appointed by the Township's board of trustees. The Authority's budget is subject to approval of the board of trustees. The Authority does not issue its own financial statements.

Fiduciary Component Units

Fire and Police Pension Trust Fund

The Fire and Police Pension System is governed by a five-member pension board that includes two elected by plan members, two appointed by the Township, and the Township's treasurer. Although it is legally separate from the Township, it is reported as a fiduciary component unit because the Township appoints the voting majority to the pension board and the plan imposes a financial burden on the Township.

Retiree Health Care Trust Fund

The Charter Township of Shelby Other Post Employment Benefit Plan is governed by the Township's board of trustees. Although it is legally separate from the Township, it is reported as a fiduciary component unit because the township board oversees its operation and the plan imposes a financial burden on the Township.

Accounting and Reporting Principles

The Township follows accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Township.

Note 1 - Significant Accounting Policies (Continued)

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Township considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these along with a deferred inflow.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred regardless of the timing of related cash flows.

Note 1 - Significant Accounting Policies (Continued)

Fund Accounting

The Township accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types as follows:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, and capital project funds. The Township reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Fire Fund, which accounts for all activities of the Township's fire department, except for the purchase of equipment, and is financed primarily with a dedicated property tax millage
- The Police Fund, which accounts for all the activities of the Township's police department, except for the purchase of equipment, and is financed primarily with a dedicated property tax millage
- The Public Improvement Fund, which accounts for the activities of capital improvement projects. It is financed primarily through transfers from other funds.

Proprietary Funds

Proprietary funds include enterprise funds, which provide goods or services to users in exchange for charges or fees. The Township reports the following fund as a "major" enterprise fund:

- The Water and Sewer Fund provides water to customers and disposes of sanitary sewage in exchange for quarterly user charges.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include the following:

- The Police and Fire Retirement Systems and Retiree Health Care trust funds account for the activities of employee benefit plans, which accumulate resources for pension and other postemployment benefit payments to qualified retirees.
- The custodial funds account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, and other governments.

Interfund Activity

During the course of operations, the Township has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Note 1 - Significant Accounting Policies (Continued)

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Pooled investment income is generally allocated to each fund using a weighted-average of balance for the principal.

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation. The fair value of real estate is based on periodic appraisals, as well as the judgment of independent real estate advisors and management. Investments that do not have an established market value are reported at estimated fair value, as determined by the plan's management.

Approximately \$24.0 million of the assets held by the Shelby Township Police and Fire Pension Plan and approximately \$16.1 million of the assets held by the Shelby Township Other Post Employment Benefit Trust at December 31, 2019 are not publicly traded and, therefore, do not always have a readily determinable market value. Management's estimates of these values are based on information provided by investment managers, general partners, real estate advisors, and other means. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the values that would have been used had a ready market for these securities existed.

Inventories and Prepaid Items

Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Restricted assets of the enterprise funds include the Township's share of unspent bond proceeds held by Oakland County, Michigan and Macomb County, Michigan and amounts paid in advance by the Township to Oakland County, Michigan for drain projects.

Capital Assets

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., water lines, sewer systems, and amounts paid to the County Department of Roads for the intangible right to use the roads), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Note 1 - Significant Accounting Policies (Continued)

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

	Depreciable Life - Years
Infrastructure	20-35
Water and sewer lines	50
Buildings and improvements	20-50
Machinery and equipment	5-20
Vehicles	5
Furniture and fixtures	5-20
Library materials	8

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as other financing sources, as well as bond premiums and discounts. The General Fund, Police Fund, and Fire Fund are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

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

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

The Township reports the following deferred outflows of resources and deferred inflows of resources:

Description	Outflows	Inflows
Unavailable revenue (those not collected within the period of availability) - Reported only at the modified accrual level		✓
Deferred charge on bond refunding	✓	
Deferred pension costs (or cost reductions)	✓	✓
Deferred OPEB costs (or cost reductions)	✓	✓
Property taxes levied for the following year		✓

Net Position

Net position of the Township is classified in three components. Net investment in capital assets - net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is further classified as expendable and nonexpendable, where applicable. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Note 1 - Significant Accounting Policies (Continued)

Net Position Flow Assumption

The Township will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The Township will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to first apply unrestricted resources, except in the General Fund, where restricted resources are applied first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balances classification could be used, it is the Township's policy to spend the funds in this order:

- General Fund: Committed, assigned, and unassigned
- All other funds: Unassigned, assigned, and committed

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The board of trustees is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Township has, by resolution, authorized the director of finance to assign fund balance. The board of trustees may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential either to remove or revise a commitment.

Property Tax Revenue

Properties are assessed as of December 31. Property taxes are levied the following December 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed. Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred inflows in each respective fund at December 31.

December 31, 2019

Note 1 - Significant Accounting Policies (Continued)

The 2018 taxable valuation of the Township totaled approximately \$3.3 billion (a portion of which is abated). Ad valorem taxes were levied as follows:

Purpose	Millage Rate	Revenue
General operating	1.0000	\$ 3,310,000
Police protection	4.1941	13,920,000
Fire operating	3.1058	10,300,000
Police and fire pension	1.0000	<u>3,310,000</u>
Total		<u>\$ 30,840,000</u>

Pension

The Township offers a defined benefit pension plan to its eligible employees. The Township records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose 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 Police and Fire Retirement System and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. 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. The net pension liability has generally been liquidated from the funds from which the individual salaries are paid, which are the Police Fund and Fire Fund.

Other Postemployment Benefit Costs

The Township offers retiree healthcare benefits to eligible employees. The Township records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net OPEB liability has generally been liquidated from the funds from which the individual salaries are paid, which are the General Fund, Police Fund, Fire Fund, and Water and Sewer Fund.

Compensated Absences (Vacation and Sick Leave)

It is the Township's policy to permit employees to accumulate earned but unused sick, vacation, and personal pay benefits. Sick and personal pay is accrued for the estimated amount that the Township will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation (the General Fund, Fire Fund, Police Fund, and Water and Sewer Fund, primarily) are used to liquidate the obligations.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncement

During the current year, the Township adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, the following activities were previously reported within governmental or proprietary funds but now meet the definition of a fiduciary activity and, therefore, are now reported as such: certain activity held on behalf of an organization. The following activities were previously reported as fiduciary activities but no longer meet the definition of such; therefore, these activities are now reported within governmental or proprietary funds: deposits from customers, performance bonds, and other accrued liabilities. The effect of this new standard did not impact the beginning fund balance or net position in the governmental or proprietary funds. The effect of this new standard on the beginning net position in the fiduciary funds was \$63,329.

Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Township's financial statements for the year ending December 31, 2020. The GASB deferred the implementation of this standard, resulting in the new implementation date for the Township's year ending December 31, 2022.

Note 1 - Significant Accounting Policies (Continued)

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement were originally effective for the Township's financial statements for the December 31, 2020 fiscal year. The GASB deferred the implementation date of this new standard, resulting in a new required implementation date for the Township's fiscal year ending December 31, 2021.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt; provides a single method of reporting conduit debt obligations by issuers; and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The requirements of the standard will be applied retrospectively and are effective for the Township's financial statements for the December 31, 2021 fiscal year. The GASB deferred the implementation date of this new standard, resulting in a new required implementation date for the Township's fiscal year ending December 31, 2022.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, to address unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, governmental acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The Township does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which clarifies accounting and financial reporting for arrangements where a governmental entity contracts with an operator to provide public services by conveying control of the right to operate or use nonfinancial assets for a period of time in an exchange or exchange-like transaction. It also establishes the definitions of public-private and public-public partnerships and availability payment arrangements. The provisions of this statement are effective for the Township's financial statements for the December 31, 2023 fiscal year.

December 31, 2019

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

The Township oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees only be used for construction code costs, including an allocation of estimated overhead costs. As required under the provisions of the act, the Township adopted this accounting treatment effective January 1, 2000. A summary of the cumulative shortfall since January 1, 2000 is as follows:

Cumulative shortfall at January 1, 2019		\$ (1,521,660)
Current year permit revenue		1,914,119
Related expenses:		
Direct costs	\$ 1,580,211	
Estimated indirect costs	320,635	<u>1,900,846</u>
Current year surplus		<u>13,273</u>
Cumulative shortfall December 31, 2019		<u>\$ (1,508,387)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension trust and OPEB trust funds are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Township has designated 16 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments allowed by state statutory authority, as listed above. The Township's investments comply with all required laws and regulations.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$55,648,437 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits. As a result, 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.

December 31, 2019

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy restricts investment maturities to less than two years, unless the maturity is matched to a specific cash flow according to the policy. Commercial paper can only be purchased with a 270-day maturity.

At year end, the Township had the following investments:

Investment	Carrying Value	Weighted- average Maturity (days)
Primary Government		
Bank investment pool	\$ 1,716,153	365 days
U.S. government agency	1,969,026	68 days
Commercial paper	17,790,750	68 days
U.S. Treasury	<u>1,013,787</u>	114 days
Total	<u>\$ 22,489,716</u>	

Investment	Carrying Value	Weighted- average Maturity
Fiduciary Funds		
Short-term investments (pension trust)	\$ 3,371,742	53 days
Short-term investments (OPEB trust)	1,970,165	24 days
Fixed Income Collective Index Fund (pension trust)	25,166,104	3.45 years
Fixed Income Collective Index Fund (OPEB trust)	<u>9,488,734</u>	3.39 years
Total	<u>\$ 39,996,745</u>	

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating
Primary Government		
Bank investment pool	\$ 1,716,153	Not rated
U.S. government agency securities	1,969,026	AA+
Commercial paper	17,790,750	A1
U.S. Treasury	<u>1,013,787</u>	A1+ to AA+
Total	<u>\$ 22,489,716</u>	

December 31, 2019

Note 3 - Deposits and Investments (Continued)

Investment	Carrying Value	Rating	Rating Organization
Fiduciary Funds			
Fixed Income Collective Index Fund (pension trust)	\$ 25,166,104	AA1/AA2	S&P
Fixed Income Collective Index Fund (OPEB trust)	9,488,734	A1/AA1/AA2	S&P
Total	<u>\$ 34,654,838</u>		

Concentration of Credit Risk

The Township limits the amount the Township may invest in any one issuer to 50 percent of the Township's total portfolio. At December 31, 2019, there were no investments in a single issuer in excess of 50 percent of the Township's total portfolio. The Township's fiduciary funds are invested in the Comerica Large Cap Equity Index Fund, Vanguard 500 Index Fund, Baird Intermediate Bond Fund, and HGK Trinity Street International Equity Fund each of which exceeds 5 percent of the Township's fiduciary fund portfolio.

Fair Value Measurements

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

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

December 31, 2019

Note 3 - Deposits and Investments (Continued)

The Township has the following recurring fair value measurements as of December 31, 2019:

	Assets Measured at Carrying Value on a Recurring Basis at December 31, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Balance at December 31, 2019
Debt securities:				
U.S. Treasury securities	\$ 1,013,787	\$ -	\$ -	\$ 1,013,787
U.S. government agency Collective index and mutual funds - Fixed income	-	1,969,026	-	1,969,026
	<u>34,654,838</u>	<u>-</u>	<u>-</u>	<u>34,654,838</u>
Total debt securities	35,668,625	1,969,026	-	37,637,651
Equity securities:				
Stocks	47,197,813	-	-	47,197,813
Real estate investment trusts Collective index and mutual funds - Equity	610,382	-	-	610,382
	<u>30,040,367</u>	<u>14,860,202</u>	<u>-</u>	<u>44,900,569</u>
Total equity securities	77,848,562	14,860,202	-	92,708,764
Limited partnerships:				
Limited partnerships	-	-	2,077,971	2,077,971
Real estate investment trusts Private equity	-	-	910,863 84,406	910,863 84,406
	<u>-</u>	<u>-</u>	<u>3,073,240</u>	<u>3,073,240</u>
Total limited partnerships	-	-	3,073,240	3,073,240
Total	<u>\$ 113,517,187</u>	<u>\$ 16,829,228</u>	<u>\$ 3,073,240</u>	133,419,655
Investments measured at NAV:				
Real estate funds (limited partnership)				13,375,175
Private equity (limited partnership)				3,181,398
Commingled funds (limited partnership)				<u>20,456,915</u>
Total investments measured at NAV				<u>37,013,488</u>
Total assets				<u>\$ 170,433,143</u>

Debt and equity securities and mutual funds classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of U.S. government agency investments at December 31, 2019 was determined primarily based on Level 2 inputs. The Township estimates the fair value of these investments using interactive data, which uses other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

The fair value of collective index funds (fixed income and equity) at December 31, 2019 was determined primarily based on Level 2 inputs. The Township estimates the fair value of these investments using model-based valuation techniques for which all significant assumptions are observable in the market.

Note 3 - Deposits and Investments (Continued)

The fair value of limited partnerships, real estate, and private equity at December 31, 2019 was determined primarily based on Level 3 inputs. The Township estimates the fair value of these investments using audited financial statements of the limited partnership that hold them.

The valuation method for investments measured at net asset value per share (or its equivalent) is presented in the table below.

Investments in Entities that Calculate Net Asset Value per Share

The Township holds shares or interests in investment companies whereby the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At December 31, 2019, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Real estate funds	\$ 10,277,760	\$ 3,475,216	Fully restricted	None
Real estate funds	3,097,415	-	Quarterly	60 days
Private equity	3,181,398	2,197,728	Fully restricted	None
Commingled funds	17,641,810	-	Monthly	5 days
Commingled funds	2,815,105	-	Monthly	60 days
Total	<u>\$ 37,013,488</u>	<u>\$ 5,672,944</u>		

Real estate funds: This type includes seven real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this type have been determined using NAV per share (or its equivalent) of the Township’s ownership interest in partners’ capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 10 years. 100 percent of the total investment in this type is expected to be sold. However, the individual investments that will be sold have not yet been determined. The balance of the assets will be liquidated as underlying properties are sold or the investee fund’s management approves of the buyer before the sale of the investments can be completed.

Private equity funds: This type includes two private equity funds that invest primarily in pre-IPO equities, activist equity, and/or middle-market companies experiencing situational distress or some form of temporary dislocation in their business. The funds will be invested and illiquid for 5 to 10 years (subject to specific fund extensions); thereafter, the investments will be liquidated and capital distributed back to the retirement system.

Commingled funds: This type includes two commingled funds that invest in publicly traded international equity. All of the underlying securities within the commingled fund carry a Level 1 or Level 2 valuation.

December 31, 2019

Note 4 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

Governmental Activities

	Balance January 1, 2019	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2019
Capital assets not being depreciated:					
Land	\$ 11,538,480	\$ -	\$ -	\$ -	\$ 11,538,480
Construction in progress	9,923,269	(6,305,238)	3,951,726	-	7,569,757
Subtotal	21,461,749	(6,305,238)	3,951,726	-	19,108,237
Capital assets being depreciated:					
Infrastructure	38,282,466	63,357	4,035,362	-	42,381,185
Buildings and improvements	19,982,002	6,209,564	1,907,760	-	28,099,326
Machinery and equipment	8,353,993	32,317	1,254,235	(32,382)	9,608,163
Vehicles	8,187,834	-	666,453	(205,708)	8,648,579
Library books	2,000,000	-	-	-	2,000,000
Subtotal	76,806,295	6,305,238	7,863,810	(238,090)	90,737,253
Accumulated depreciation:					
Infrastructure	19,095,058	-	1,415,575	-	20,510,633
Buildings and improvements	7,194,068	-	488,400	-	7,682,468
Machinery and equipment	5,313,434	-	776,271	(32,382)	6,057,323
Vehicles	6,077,816	-	810,560	(182,529)	6,705,847
Library books	1,000,000	-	-	-	1,000,000
Subtotal	38,680,376	-	3,490,806	(214,911)	41,956,271
Net capital assets being depreciated	38,125,919	6,305,238	4,373,004	(23,179)	48,780,982
Net governmental activities capital assets	<u>\$ 59,587,668</u>	<u>\$ -</u>	<u>\$ 8,324,730</u>	<u>\$ (23,179)</u>	<u>\$ 67,889,219</u>

December 31, 2019

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance January 1, 2019	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2019
Capital assets not being depreciated:					
Land	\$ 205,441	\$ -	\$ -	\$ -	\$ 205,441
Construction in progress	4,884,748	-	5,690,759	-	10,575,507
Subtotal	5,090,189	-	5,690,759	-	10,780,948
Capital assets being depreciated:					
Water systems	47,244,905	-	1,354,955	(339,066)	48,260,794
Sewer systems	126,986,804	-	1,428,088	-	128,414,892
Buildings and improvements	4,156,076	-	-	-	4,156,076
Furniture and equipment	837,694	-	555,295	(29,002)	1,363,987
Vehicles	910,582	-	-	(176,097)	734,485
Subtotal	180,136,061	-	3,338,338	(544,165)	182,930,234
Accumulated depreciation:					
Water systems	21,476,885	-	1,121,128	(339,066)	22,258,947
Sewer systems	45,765,726	-	2,755,452	-	48,521,178
Buildings and improvements	1,430,140	-	82,208	-	1,512,348
Furniture and equipment	739,349	-	67,235	(29,002)	777,582
Vehicles	753,660	-	45,761	(176,097)	623,324
Subtotal	70,165,760	-	4,071,784	(544,165)	73,693,379
Net capital assets being depreciated	109,970,301	-	(733,446)	-	109,236,855
Net business-type activities capital assets	<u>\$ 115,060,490</u>	<u>\$ -</u>	<u>\$ 4,957,313</u>	<u>\$ -</u>	<u>\$ 120,017,803</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 656,465
Public safety	1,394,826
Public works	960,745
Recreation and culture	390,926
41A District Court	87,844
Total governmental activities	<u>\$ 3,490,806</u>
Business-type activities - Water and sewer	\$ 4,071,784

December 31, 2019

Note 4 - Capital Assets (Continued)

Construction Commitments

The Township has active construction projects at year end. Three of these are significant projects with construction costs in excess of \$1,000,000. At year end, the Township's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Library	\$ 278,058	\$ 8,881,942
Special Assessment Sewer District #34	5,958,364	578,207
Police Department Addition	1,938,378	28,340
Total	<u>\$ 8,174,800</u>	<u>\$ 9,488,489</u>

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Water and Sewer Fund	General Fund	\$ 33,240
	Fire Fund	1,955
	Police Fund	1,759
	Total Water and Sewer Fund	36,954
General Fund	Community Block Grant	2,000
	Total	<u>\$ 38,954</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The Township has made the following long-term advances between funds:

Fund Borrowed From	Fund Loaned To	Amount
Water and Sewer Fund	Fire Fund	\$ 5,208,000
	Police Fund	5,642,000
	Total	<u>\$ 10,850,000</u>

In 2014, the Water and Sewer Fund advanced \$13,000,000 in total to the Police Fund and Fire Fund, which was used to fund the pension obligation. The advance will be paid back through 2032 and bears interest payable annually at 1 percent.

December 31, 2019

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Police Fund	\$ 96,549
	Public Improvement Fund	4,156,502
	Total General Fund	4,253,051
Police Fund	Public Improvement Fund	518,189
Fire Fund	Public Improvement Fund	1,622,710
Public Improvement Fund	Fire Fund	864,800
Street Lighting Fund	General Fund	45,445
	Total	<u>\$ 7,304,195</u>

Transfers from the General Fund, Police Fund, and Fire Fund to the Public Improvement Fund will be used to fund future capital projects throughout the Township for equipment, buildings, and infrastructure. The transfer from the public improvement fund to the fire fund was made in connection with the sale of an old fire house to be repurposed as the new grounds and maintenance building.

Note 6 - Deferred Inflows/Outflows of Resources

At the end of the current fiscal year, the various components of deferred outflows of resources are as follows:

	Governmental Activities	Business-type Activities
Bond refunding loss being amortized (Note 8)	\$ -	\$ 115,969
Deferred pension costs (Note 11)	3,639,422	-
Deferred OPEB costs (Note 12)	1,377,967	223,775
Total deferred outflows	<u>\$ 5,017,389</u>	<u>\$ 339,744</u>

At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	Governmental Activities	Business-type Activities
Property taxes levied for the next fiscal year	\$ 32,587,489	\$ -
Deferred pension cost reductions (Note 11)	6,783,335	-
Deferred OPEB cost reductions (Note 12)	6,832,439	966,847
Total deferred inflows	<u>\$ 46,203,263</u>	<u>\$ 966,847</u>

December 31, 2019

Note 7 - Unearned Revenue

At December 31, 2019, the various components of unearned revenue were as follows:

	Governmental Funds	Water and Sewer
Michigan Indigent Defense Commission	\$ 306,289	\$ -
Developer payments for future engineering services	-	1,345,659
Special assessment project in progress	-	1,720,141
Developer redeemable certificates for future capital charges	-	603,518
Total	<u>\$ 306,289</u>	<u>\$ 3,669,318</u>

Note 8 - Long-term Debt

The Township issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the Township. General obligations outstanding at December 31, 2019 are as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings - Installment purchase agreements	\$ -	\$ 503,660	\$ -	\$ 503,660	\$ 125,915
Other debt - General obligations	6,745,000	-	(665,000)	6,080,000	680,000
Total bonds and contracts payable	6,745,000	503,660	(665,000)	6,583,660	805,915
Compensated absences	914,149	185,865	(120,862)	979,152	148,346
Total governmental activities long-term debt	<u>\$ 7,659,149</u>	<u>\$ 689,525</u>	<u>\$ (785,862)</u>	<u>\$ 7,562,812</u>	<u>\$ 954,261</u>

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings:					
State revolving fund loan	\$ 88,150	\$ -	\$ (5,000)	\$ 83,150	\$ 5,000
County contractual obligations	18,829,569	1,014,542	(933,678)	18,910,433	1,094,924
Total direct borrowings principal outstanding	18,917,719	1,014,542	(938,678)	18,993,583	1,099,924
Unamortized bond premiums	2,430,215	-	(129,792)	2,300,423	129,792
Total bonds and contracts payable	21,347,934	1,014,542	(1,068,470)	21,294,006	1,229,716
Compensated absences	82,320	13,199	(9,153)	86,366	12,898
Total business-type activities long-term debt	<u>\$ 21,430,254</u>	<u>\$ 1,027,741</u>	<u>\$ (1,077,623)</u>	<u>\$ 21,380,372</u>	<u>\$ 1,242,614</u>

December 31, 2019

Note 8 - Long-term Debt (Continued)

Purpose	Amount of Issue	Interest Rates	Principal Maturity Ranges	Outstanding
Governmental Activities				
Installment Purchase Agreement Maturing through 2023	\$503,660	0.00%	\$125,916	\$ 503,660
Pension Obligation Bonds Series 2014A Maturing through 2027	\$9,300,000	2.00% - 3.60%	\$680,000 - \$860,000	6,080,000
Total governmental activities				<u>\$ 6,583,660</u>
Business-type Activities				
2009 State Revolving Fund (SRF) Clean Water - Project 5343-01 Maturing through 2029	\$128,150	2.50%	\$5,000 - \$10,000	\$ 83,150
2010 Clintondale Pump Station Maturing through 2031	\$2,849,191	2.50% - 5.00%	\$138,759 - \$231,266	2,123,018
2010 OMID Series 2010A (SRF) Maturing through 2031	\$1,242,274	2.50%	\$59,312 - \$77,892	818,462
2010 N. Gratiot Drainage Assessment Maturing through 2035	\$73,021	1.00% - 6.35%	\$2,583 - \$4,197	52,856
2014 OMID Drain Bonds, Series 2014A Maturing through 2034	\$476,441	2.00% - 3.125%	\$20,743 - \$31,280	380,297
2015 MID SRF 5624-01 Maturing through 2035	\$355,314	2.50%	\$10,154 - \$20,304	221,892
2015 N. Gratiot Drainage Assessment Maturing through 2033	\$597,225	3.50% - 5.00%	\$34,097 - \$40,600	514,091
2017 MID Drain and Refunding Bonds, Series 2017A (New Money Portion) Maturing through 2035	\$7,029,457	3.45% - 5.50%	\$141,184 - \$396,614	5,753,142
2017 MID Drain and Refunding Bonds, Series 2017A (Refunding Portion) Maturing through 2042	\$10,318,982	3.45% - 5.50%	\$340,155 - \$702,680	8,032,133
2019 OMID Drain Bonds, Series 2019 Maturing through 2025	\$799,681	1.55%	\$73,746 - \$338,770	799,681
2019 OMID Drain Bonds and Refunding Bonds, Series 2019 Maturing through 2030	\$214,861	1.85%	\$13,101 - \$23,821	214,861
Total business-type activities				<u>\$ 18,993,583</u>

The Township had deferred outflows of \$115,969 related to deferred charges on bond refundings at December 31, 2019.

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund, Police Fund, Fire Fund, or other nonmajor fund from which the individual employee's salaries are paid.

December 31, 2019

Note 8 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending December 31	Governmental Activities				Total	Business-type Activities		
	Direct Borrowings		Other Debt			Direct Borrowings		
	Principal	Interest	Principal	Interest		Principal	Interest	Total
2020	\$ 125,915	\$ -	\$ 680,000	\$ 197,148	\$ 1,003,063	\$ 1,099,924	\$ 829,330	\$ 1,929,254
2021	125,915	-	695,000	176,748	997,663	958,552	790,993	1,749,545
2022	125,915	-	720,000	155,898	1,001,813	911,683	750,056	1,661,739
2023	125,915	-	740,000	134,298	1,000,213	952,843	708,640	1,661,483
2024	-	-	765,000	111,728	876,728	994,101	665,220	1,659,321
2025-2029	-	-	2,480,000	177,660	2,657,660	5,339,865	2,613,986	7,953,851
Thereafter	-	-	-	-	-	8,736,615	1,906,536	10,643,151
Total	\$ 503,660	\$ -	\$ 6,080,000	\$ 953,480	\$ 7,537,140	\$ 18,993,583	\$ 8,264,761	\$ 27,258,344

The Macomb Interceptor Drainage District (MID) and Oakland-Macomb Interceptor Drainage District (OMID) projects are construction and rehabilitation projects that began in 2010 and are ongoing. The MID issued county bonds that were used to acquire the MID Interceptor system and to assume amounts owed related to the Garfield Interceptor. Additional county bonds were issued to improve and repair the North Gratiot Interceptor and Clintondale Pump Station. These bonds were issued as Federally Taxable Recovery Zone Economic Development Bonds and are eligible to recover tax credit payments from the United States Treasury up to 45 percent (for the North Gratiot Bond and for the OMID Series 2010B Bond) of the interest payable on the bonds. During 2019, OMID issued bonds for the structural rehabilitation of the Oakland-Macomb Interceptor Drain and necessary ancillary wastewater facilities. Also in 2019, OMID refunded the OMID Series 2010B Bonds.

The total original amount of bonds issued and the Township's share are as follows:

Macomb Interceptor Drainage District

	County Portion	Township Portion
North Gratiot Interceptor 2010	\$ 16,965,000	\$ 73,021
Clintondale Pump Station	30,800,000	2,849,191
MID SRF 5624-01	2,890,019	279,419
MID Series 2017A (new money and refunded portion)	126,425,000	14,723,536
Total	\$ 177,080,019	\$ 17,925,167

Oakland-Macomb Interceptor Drainage District

	County Portion	Township Portion
2010A (SRF)	\$ 26,076,000	\$ 1,242,287
2014A	7,235,000	476,441
2019	5,205,000	799,681
2019 Refunding Bonds	4,510,000	214,861
Total	\$ 43,026,000	\$ 2,733,270

Note 8 - Long-term Debt (Continued)

Advance and Current Refunding

In prior years, the Township defeased certain bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At December 31, 2019, there is still \$1,450,000 of bonds outstanding that is considered defeased.

Note 9 - Restricted Assets

At December 31, 2019, restricted assets are composed of the following:

	Business-type Activities
Total assets held at Macomb and Oakland County, Michigan (unspent bond proceeds)	\$ 419,978

The restricted assets consist of prepayments made to Macomb and Oakland County, Michigan for the Township's portion of OMID Segment 4 and assets held at Macomb County, Michigan for the sewer improvements.

Note 10 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for all claims, except for medical benefits. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Township has an administrative services contract with Blue Cross Blue Shield of Michigan to provide third-party administration of employee and retiree healthcare claims with stop-loss coverage above certain limits.

The Township estimates the liability for health claims that have been incurred through the end of the fiscal year, including claims that have been reported and those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	Medical Claims	
	2019	2018
Unpaid claims - Beginning of year	\$ 813,790	\$ 780,857
Incurred claims, including claims incurred but not reported	4,527,535	3,899,978
Claim payments	(4,446,154)	(3,867,045)
Unpaid claims - End of year	\$ 895,171	\$ 813,790

Note 11 - Pension Plan

Plan Description

The Fire and Police Pension Board administers the Shelby Township Fire and Police Pension System - a single-employer defined benefit pension plan that provides pensions for all of the Township's permanent full-time firefighters hired prior to May 2, 2014 and all police officers hired prior to April 2, 2014. Benefit terms have been established by contractual agreements between the Township and the various employee union representation; amendments are subject to the same process.

The financial statements of the pension system are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Note 11 - Pension Plan (Continued)

Management of the plan is vested in the pension board, which consists of five members - two elected by plan members, two appointed by the Township, and the Township's treasurer, who serves as an ex officio member.

Benefits Provided

Shelby Township Fire and Police Pension System provides retirement, disability, and death benefits. Retirement benefits for the majority of plan members are calculated as 2.5 percent of the member's final three-year average final compensation times the member's years of service for the first 25 years of service. The percentage is reduced to 1 percent for years of service in excess of 25. Deferred retirement benefits are available for patrol officers with 8 years of continuous service and all other plan members after 10 years of continuous service. These benefits follow the same provisions as a service retirement but do not become payable until the date retirement would have been eligible had the member remained in employment. Plan members with 10 years of continuous service are eligible to retire at age 60, and plan members with 25 years of continuous service are eligible to retire regardless of age. All firefighter members are eligible for nonduty disability benefits after 5 years of service, and all police officer members are eligible after 10 years of service. All plan members are eligible for duty-related disability benefits upon hire. Disability retirement benefits vary based upon bargaining unit and date of hire. Duty death benefits equal the same amount paid by workers' compensation, and nonduty death benefits equal the member's actuarially reduced pension benefit.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	Shelby Township Fire and Police Pension System
	December 31, 2019
Date of member count	
Inactive plan members or beneficiaries currently receiving benefits	120
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	98
Total employees covered by the plan	222

During 2014, the pension plan was closed to new firefighters hired after May 1, 2014 and to police officers hired after April 1, 2014.

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The pension board hires an independent actuary for this purpose, and the Township annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees are required to make pension contributions based on union contracts and plan provisions, as well as the township charter, which may be amended by the board of trustees. The Township's required contribution is determined after consideration of the required contribution rate of employees. For the year ended December 31, 2019, the active employee contribution rate was 5 percent of annual pay. The Township's contribution was \$1,765,929, which was the actuarial required contribution.

December 31, 2019

Note 11 - Pension Plan (Continued)

Net Pension Liability

The Township has chosen to use December 31, 2019 as its measurement date for the net pension liability. The December 31, 2019 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2019 measurement date. The December 31, 2019 measurement date total pension liability was determined by an actuarial valuation performed as of December 31, 2019.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at January 1, 2019	\$ 112,226,489	\$ 101,488,675	\$ 10,737,814
Changes for the year:			
Service cost	1,796,478	-	1,796,478
Interest	8,310,902	-	8,310,902
Differences between expected and actual experience	1,154,399	-	1,154,399
Changes in assumptions	2,325,073	-	2,325,073
Contributions - Employer	-	1,765,929	(1,765,929)
Contributions - Employee	-	519,910	(519,910)
Net investment income	-	20,738,528	(20,738,528)
Benefit payments, including refunds	(6,421,868)	(6,421,868)	-
Administrative expenses	-	(80,948)	80,948
Net changes	7,164,984	16,521,551	(9,356,567)
Balance at December 31, 2019	\$ 119,391,473	\$ 118,010,226	\$ 1,381,247

The plan's fiduciary net position represents 98.84 percent of the total pension liability.

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

For the year ended December 31, 2019, the Township recognized pension expense of \$2,993,201.

At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,575,384	\$ (191,608)
Changes in assumptions	2,064,038	(246,754)
Net difference between projected and actual earnings on pension plan investments	-	(6,344,973)
Total	\$ 3,639,422	\$ (6,783,335)

Note 11 - Pension Plan (Continued)

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

Years Ending December 31	Amount
2020	\$ (673,996)
2021	(875,077)
2022	1,062,162
2023	(2,657,002)
Total	<u>\$ (3,143,913)</u>

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using an inflation assumption of 3.5 percent, assumed salary increases (including inflation) of 3.5 to 8.75 percent, an investment rate of return (net of investment expenses) of 7.5 percent, and the Pub-2010 Public Safety mortality table projected using fully generational improvements based on the Society of Actuaries' MP-2019 Projection Scale (see changes disclosed below).

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make 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.

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2019 measurement date for each major asset class included in the pension plan's target asset allocation are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	31.00 %	5.80 %
Global fixed income	22.00	1.80
International equity	25.00	5.80
Private equity	6.00	10.90
Private credit	5.00	3.80
Hedge funds	3.00	3.60
Real estate	6.00	6.00
Cash or cash equivalents	2.00	1.00

Note 11 - Pension Plan (Continued)

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 21.86 percent. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for changing amounts actually invested.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Township, calculated using the discount rate of 7.5 percent, as well as what the Township's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.5%)	Current Discount Rate (7.5%)	1 Percentage Point Increase (8.5%)
Net pension liability (asset) of the Shelby Township Fire and Police Pension System	\$ 15,392,696	\$ 1,381,247	\$ (10,363,602)

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund). For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position has been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Assumption Changes

The mortality table used to measure funding liability has been updated from the RP-2014 Blue Collar with 2018 Social Security Generational Improvement Scale from 2006 to Pub-2010 Public Safety mortality table projected using fully generational improvements based on the Society of Actuaries' MP-2019 Projection Scale. This change resulted in an increase in the liabilities and normal cost.

Pension Plan Reserves

In accordance with Act 345 of the State of Michigan, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

Note 11 - Pension Plan (Continued)

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee and credits interest annually at a rate of 2.0 percent. For any employee who terminates before vesting in the pension plan, his or her balance is returned to him or her upon request; for those who stay until retirement, the balance is transferred into the retiree reserve.

The employer reserve account is used to account for the residual net position balance in the pension plan after funding the above two reserves.

The balances of the reserve accounts at December 31, 2019 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 68,202,198	\$ 68,202,198
Employee reserve	8,572,953	8,572,953
Employer reserve	-	41,235,075
	<u>\$ 76,775,151</u>	<u>\$ 118,010,226</u>
Total		

Note 12 - Other Postemployment Benefit Plan

Plan Description

The Township provides OPEB for all employees who meet eligibility requirements, as described below. The benefits are provided through the Charter Township of Shelby Other Post Employment Benefit Plan, a single-employer defined benefit plan administered by the board of trustees.

The financial statements of the OPEB plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Management of the plan is vested in the Township's board of trustees.

Benefits Provided

The Charter Township of Shelby Other Post Employment Benefit Plan provides healthcare, dental, vision, prescription drug, and life insurance (where noted) benefits for retirees and their dependents. All benefits listed are paid in full (unless otherwise noted) by the Township until a covered person is eligible for Medicare coverage. Upon eligibility for Medicare coverage, the covered person must apply for Medicare, and the Township then supplies a complimentary coverage policy per the applicable bargaining unit.

The Township provides the above benefits to eligible employees meeting the following criteria:

General Employees - Employees hired on or before February 5, 2007 who retire having a minimum of 10 years of continuous full-time service and having attained an age of 55 or above, which, when combined with the number of years of service, is greater than or equal to 75, are eligible for healthcare and life insurance benefits. Employees hired between February 5, 2007 and September 1, 2010 who retire having a minimum of 15 years of continuous full-time service and having attained an age of 55 or above, which, when combined with the numbers of years of service, is greater than or equal to 75, are eligible for healthcare and life insurance benefits. Employees hired on or after September 1, 2010 are eligible for life insurance benefits only.

December 31, 2019

Note 12 - Other Postemployment Benefit Plan (Continued)

Supervisory/Department Heads - Employees hired on or before November 21, 2006 who retire having a minimum of 10 years of continuous full-time service and having attained an age of 55 or above, which, when combined with the number of years of service, is greater than or equal to 75, are eligible for healthcare and life insurance benefits. Employees hired between November 21, 2006 and September 1, 2010 who retire having a minimum of 15 years of continuous full-time service and having attained an age of 55 or above, which, when combined with the numbers of years of service, is greater than or equal to 75, are eligible for healthcare and life insurance benefits. Employees hired on or after September 1, 2010 are eligible for life insurance benefits only.

Patrol Officers - Employees hired on or before April 1, 2014 retiring after 25 years of service or under the provisions of Act 345 are eligible for healthcare benefits only. Employees hired after April 1, 2014 are not eligible for any retiree coverage.

Firefighters - Employees hired on or before August 18, 2010 retiring after 25 years of service or under the provisions of Act 345 are eligible for healthcare benefits only paid in full by the Township. Employees hired after August 18, 2010 retiring after 25 years of service or under the provisions of Act 345 are eligible for healthcare benefits, of which the Township is responsible for 50 percent of the premium costs for the retiree, and the retiree is responsible for all other costs relating to coverage.

Command Officers - Employees hired on or before February 16, 2016 retiring after 25 years of service or under the provisions of Act 345 are eligible for healthcare benefits only. Employees hired after February 16, 2016 are not eligible for any retiree coverage.

911 Dispatch - Employees hired on or before July 31, 2008 who retire having a minimum of 10 years of continuous full-time service and having attained an age of 55 or above, which, when combined with the number of years of service, is greater than or equal to 75, are eligible for healthcare benefits only paid in full by the Township. Employees hired between July 31, 2008 and January 2, 2011 who retire having a minimum of 15 years of continuous full-time service and having attained an age of 55 or above, which, when combined with the number of years of service, is greater than or equal to 75, are eligible for healthcare benefits only paid in full by the Township. Employees hired on or after January 2, 2011 who retire having a minimum of 15 years of continuous full-time service and having attained an age of 55 or above, which, when combined with the number of years of service, is greater than or equal to 75, are eligible for healthcare benefits only, of which the Township is responsible for 50 percent of the premium costs for the retiree, and the retiree is responsible for all other costs relating to coverage.

41A District Court - Employees hired on or before October 31, 2010 who retire having a minimum of 15 years of continuous full-time service and having attained an age of 55 or above, which, when combined with the number of years of service, is greater than or equal to 75, are eligible for healthcare and life insurance benefits. Employees hired after October 31, 2010 are eligible for life insurance benefits only.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2019
Inactive plan members or beneficiaries currently receiving benefits	205
Active plan members	<u>191</u>
Total plan members	<u><u>396</u></u>

Note 12 - Other Postemployment Benefit Plan (Continued)

Contributions

Retiree healthcare costs are paid by the Township out of the Charter Township of Shelby Other Post Employment Benefits Trust. The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment. In the current year, the Township contributed \$5,158,256 into a prefunded retiree healthcare fund, which is reported in these financial statements as a pension and other employee benefit trust fund type. The breakdown of the approximately \$5.2 million contributed to the OPEB trust in 2019 is as follows: \$2.6 million to prefund estimated 2019 retiree healthcare costs, \$154,000 as a one-time contribution from the Water and Sewer Fund, and \$2.4 million as the annual additional contribution made by the Township to reduce the unfunded liability. Employees are not required to contribute to the plan.

Net OPEB Liability

The Township has chosen to use the December 31 measurement date as its measurement date for the net OPEB liability. The December 31, 2019 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the December 31, 2019 measurement date. The December 31, 2019 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2019. The Township allocates the net OPEB liability (asset) between the governmental activities and the business-type activities, based on census data as of December 31, 2019 and contributions to the OPEB trust as of December 31, 2019.

Changes in the net OPEB liability during the measurement year were as follows:

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at January 1, 2019	\$ 76,740,322	\$ 43,256,019	\$ 33,484,303
Changes for the year:			
Service cost	1,324,049	-	1,324,049
Interest	5,183,329	-	5,183,329
Differences between expected and actual experience	1,599,226	-	1,599,226
Changes in assumptions	402,952	-	402,952
Contributions - Employer	-	5,158,256	(5,158,256)
Net investment income	-	9,102,620	(9,102,620)
Benefit payments, including refunds	(2,548,638)	(2,548,638)	-
Administrative expenses	-	(350,804)	350,804
Net changes	5,960,918	11,361,434	(5,400,516)
Balance at December 31, 2019	\$ 82,701,240	\$ 54,617,453	\$ 28,083,787

The plan's fiduciary net position represents 66.04 percent of the total OPEB liability.

The Township allocates the net OPEB liability (asset) between the governmental activities and the business-type activities based on the census data as of December 31, 2019 and the cumulative contributions to the OPEB trust as of December 31, 2019. At December 31, 2019, the governmental activities reported a net OPEB liability of \$28,345,806, and the business-type activities reported a net OPEB asset of \$262,019.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, the Township recognized OPEB expense of \$2,069,945.

December 31, 2019

Note 12 - Other Postemployment Benefit Plan (Continued)

At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,279,381	\$ (6,166,903)
Changes in assumptions	322,361	-
Net difference between projected and actual earnings on OPEB plan investments	-	(1,632,383)
Total	<u>\$ 1,601,742</u>	<u>\$ (7,799,286)</u>

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

Years Ending December 31	Amount
2020	\$ (1,792,220)
2021	(1,792,220)
2022	(1,792,220)
2023	(820,884)
Total	<u>\$ (6,197,544)</u>

Actuarial Assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using an inflation assumption of 3.75 percent; assumed salary increases (including inflation) of 0 to 7.2 percent; an investment rate of return (net of investment expenses) of 6.75 percent; and a healthcare cost trend rate of 8.0 percent, 5.0 percent, and 4.0 percent for medical, dental, and vision benefits, respectively. The healthcare cost trend rates decrease by 0.50 percent, 0.25 percent, and 0.25 percent to an ultimate rate of 4.50 percent, 4.00 percent, and 3.00 percent for medical, dental, and vision benefits, respectively, and use the SOA Pub-2010 Public Safety Headcount Weighted Mortality for public safety employees, SOA Pub-2010 General Headcount Weighted Mortality Table for all other actives and retirees, and SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table for surviving spouses. All three tables are fully generational using Scale MP-2019 (see changes disclosed below).

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that township contributions of \$2.15 million will be made annually and pay-as-you-go costs will be fully paid by the Township until at least the fiscal year ending December 31, 2026.

Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

December 31, 2019

Note 12 - Other Postemployment Benefit Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2019 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed below, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic large-cap equity	25.00 %	4.76 %
Domestic small-/mid-cap equity	15.00	5.25
International equity	20.00	5.41
Domestic bonds	20.00	2.01
International bonds	10.00	3.77
Real estate	10.00	4.53

Investment Policy

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the township board by a majority vote of its members. It is the policy of the township board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 20.28 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Township, calculated using the discount rate of 6.75 percent, as well as what the Township's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.75%)	Current Discount Rate (6.75%)	1 Percentage Point Increase (7.75%)
Net OPEB liability of the Charter Township of Shelby Other Post Employment Benefit Plan	\$ 40,783,054	\$ 28,083,787	\$ 17,840,163

Note 12 - Other Postemployment Benefit Plan (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the Township, calculated using the healthcare cost trend rate of 8.0 percent, 5.0 percent, and 4.0 percent for medical, dental, and vision, respectively, as well as what the Township's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (7.0%, 4.0%, 3.0%)	Current Healthcare Cost Trend Rate (8.0%, 5.0%, 4.0%)	1 Percentage Point Increase (9.0%, 6.0%, 5.0%)
Net OPEB liability of the Charter Township of Shelby Other Post Employment Benefit Plan	\$ 17,404,649	\$ 28,083,787	\$ 41,426,887

OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund). For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Assumption Changes

The mortality tables were updated from the RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 to the SOA Pub-2010 Public Safety Headcount Weighted Mortality Table for public safety employees, SOA Pub-2010 General Headcount Weighted Mortality Table for all other actives and retirees, and SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table for surviving spouses.

December 31, 2019

Note 13 - Pension and Other Employee Benefit Trust Funds

The following are condensed financial statements for the individual pension plans and postemployment healthcare plans:

	Police and Fire Retirement Systems Trust Fund	Retiree Health Care	Total
Statement of Net Position			
Cash and investments	\$ 118,027,582	\$ 54,783,186	\$ 172,810,768
Other assets	118,442	63,978	182,420
Liabilities	(135,798)	(229,711)	(365,509)
Net position	<u>\$ 118,010,226</u>	<u>\$ 54,617,453</u>	<u>\$ 172,627,679</u>
Statement of Changes in Net Position			
Investment income	\$ 20,738,528	\$ 8,751,816	\$ 29,490,344
Contributions	2,285,839	5,158,256	7,444,095
Benefit payments	(6,421,868)	(2,548,638)	(8,970,506)
Other deductions	(80,948)	-	(80,948)
Net change in net position	<u>\$ 16,521,551</u>	<u>\$ 11,361,434</u>	<u>\$ 27,882,985</u>

Note 14 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time employees, except those employees covered by the Shelby Township Fire and Police Pension System, through a defined contribution plan administered by Voya. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The benefits are provided under collective bargaining agreements. The collective bargaining agreements require a contribution of 10 and 5 percent from the Township and employees, respectively, of the employees' base salaries each month. An employee may elect to contribute additional voluntary amounts. The Township's contributions for each employee (plus investment income allocated to the employee's account) are fully vested after 60 months of continuous service. The Township's board of trustees and court employees are fully vested after 20 months of continuous service.

During the year ended December 31, 2019, the Township made contributions of \$1,095,394, and the plan members contributed \$572,438 to the plan.

Note 15 - Future Minimum Lease Revenue

Operating Leases

The Township leases a portion of its land to a private operator through 2053 for use as a golf course. During 2019, the Township recognized no revenue related to this lease. The future minimum lease payments for these leases are as follows:

Years Ending	Percent of Gross Revenue	Minimum Rent
2020	-	\$ -
2021-2024	4.5	225,000
2025-2034	5.5	250,000
2035-2045	5.5	300,000
2046-2053	5.5	250,000

Note 16 - Tax Abatements

The Township receives reduced property tax revenue as a result of the following tax abatements:

The Township currently has several businesses that are receiving an industrial facilities tax (IFT) exemption, which encourages local businesses to construct new industrial facilities or rehabilitate historical facilities. This exemption may apply to either real or personal property taxes. These tax abatements are authorized by Public Act 198 of 1974. In order to receive a tax abatement, a property owner or lessee must have a business that qualifies as a manufacturing operation and must have a new industrial facility that is defined within Act 198 as industrial property. An application must be completed and submitted to the Township and approval granted by the township board at a formal public hearing. Commitments are made by the taxpayer regarding the amount of investment and the number of jobs created as a result of the tax abatement. IFT abatements use a reduced (specific tax) millage rate of approximately 50 percent of the normal millage rate that is applied to a taxable value that is calculated in the same manner as all of the properties that are contained on the regular (ad valorem) assessment roll. Abated taxes may be recaptured by the Township if the taxpayer chooses to relocate without the Township's permission prior to expiration of the tax abatement. The amount of tax foregone as a result of these abatements in 2019 was \$381,254.

Note 17 - Contingent Liabilities

A lawsuit requesting class action certification was filed against the Township disputing certain water and sewer charges to customers. The Township has reported a \$6,000,000 contingent liability at December 31, 2019.

Note 18 - Subsequent Events

In March 2020, the U.S. and global economies reacted negatively in response to worldwide concerns due to the economic impacts of COVID-19. These trends, including a potential economic downturn, and any potential resulting direct and indirect negative impact to the Township cannot be determined but may have a material prospective impact to the Township's operations, and cash flows. The impact on the Township's future operating costs, revenue, and recovery from emergency funding, federal, state, or local, cannot be estimated. The Township does expect that there will be reductions in state shared-revenue from the State of Michigan, but the amount cannot be estimated. No impairments were recorded as of the balance sheet date, as no triggering events or changes in circumstances had occurred as of year end; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future.

Required Supplemental Information

Charter Township of Shelby

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 3,332,350	\$ 3,326,395	\$ 3,326,273	\$ (122)
Intergovernmental	6,901,513	6,994,037	7,259,391	265,354
Charges for services	2,047,695	2,075,084	2,035,321	(39,763)
Fines and forfeitures	2,598,310	2,609,556	2,636,480	26,924
Licenses, permits, and fees	1,692,614	2,015,026	2,090,170	75,144
Investment income	328,800	620,800	554,350	(66,450)
Other revenue	225,494	782,061	732,438	(49,623)
Total revenue	17,126,776	18,422,959	18,634,423	211,464
Expenditures				
Current services:				
General government	8,754,664	8,711,437	8,450,285	261,152
Public works	293,795	434,093	512,041	(77,948)
Recreation and culture	3,373,429	3,444,482	3,252,171	192,311
Capital outlay	256,896	280,876	182,504	98,372
Total expenditures	12,678,784	12,870,888	12,397,001	473,887
Excess of Revenue Over Expenditures	4,447,992	5,552,071	6,237,422	685,351
Other Financing Sources (Uses)				
Transfers in	46,445	45,715	45,715	-
Transfers out	(3,798,713)	(6,376,148)	(6,353,042)	23,106
Sale of capital assets	600	3,850	14,515	10,665
Total other financing uses	(3,751,668)	(6,326,583)	(6,292,812)	33,771
Net Change in Fund Balance	696,324	(774,512)	(55,390)	719,122
Fund Balance - Beginning of year	7,480,777	7,480,777	7,480,777	-
Fund Balance - End of year	\$ 8,177,101	\$ 6,706,265	\$ 7,425,387	\$ 719,122

Charter Township of Shelby

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Fund

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 11,913,687	\$ 11,894,806	\$ 11,893,577	\$ (1,229)
Intergovernmental	100,116	157,317	156,999	(318)
Charges for services	2,831,800	3,042,060	3,117,889	75,829
Investment income	168,800	233,100	248,145	15,045
Other revenue	4,000	6,000	5,412	(588)
Total revenue	15,018,403	15,333,283	15,422,022	88,739
Expenditures				
Current services - Public safety	13,958,808	14,502,794	14,467,056	35,738
Capital outlay	98,850	131,550	146,966	(15,416)
Debt service	473,915	473,915	473,915	-
Total expenditures	14,531,573	15,108,259	15,087,937	20,322
Excess of Revenue Over Expenditures	486,830	225,024	334,085	109,061
Other Financing Sources (Uses)				
Transfers in	950,000	864,800	864,800	-
Transfers out	(1,204,530)	(1,622,710)	(1,622,710)	-
Total other financing uses	(254,530)	(757,910)	(757,910)	-
Net Change in Fund Balance	232,300	(532,886)	(423,825)	109,061
Fund Balance - Beginning of year	8,037,057	8,037,057	8,037,057	-
Fund Balance - End of year	<u>\$ 8,269,357</u>	<u>\$ 7,504,171</u>	<u>\$ 7,613,232</u>	<u>\$ 109,061</u>

Charter Township of Shelby

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds (Continued) Police Fund

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 15,660,851	\$ 15,635,902	\$ 15,635,507	\$ (395)
Intergovernmental	240,607	262,028	253,771	(8,257)
Charges for services	633,288	599,482	587,304	(12,178)
Investment income	130,000	189,700	239,606	49,906
Other revenue	160,800	274,133	217,381	(56,752)
Total revenue	16,825,546	16,961,245	16,933,569	(27,676)
Expenditures				
Current services - Public safety	14,852,837	14,830,788	14,634,571	196,217
Capital outlay	531,000	1,081,327	978,081	103,246
Debt service	513,408	513,408	513,408	-
Total expenditures	15,897,245	16,425,523	16,126,060	299,463
Excess of Revenue Over Expenditures	928,301	535,722	807,509	271,787
Other Financing Sources (Uses)				
Transfers in	25,000	100,000	96,549	(3,451)
Transfers out	(19,011)	(542,401)	(518,189)	24,212
Proceeds from installment purchase agreement	-	392,060	392,060	-
Sale of capital assets	40,000	20,000	24,150	4,150
Total other financing sources (uses)	45,989	(30,341)	(5,430)	24,911
Net Change in Fund Balance	974,290	505,381	802,079	296,698
Fund Balance - Beginning of year	4,519,820	4,519,820	4,519,820	-
Fund Balance - End of year	\$ 5,494,110	\$ 5,025,201	\$ 5,321,899	\$ 296,698

Required Supplemental Information
 Schedule of Changes in the Net Pension Liability and Related Ratios
 Police and Fire Pension System

	Last Six Fiscal Years					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 1,796,478	\$ 1,898,375	\$ 1,892,677	\$ 1,909,981	\$ 1,909,981	\$ 2,244,535
Interest	8,310,902	7,976,193	7,769,229	7,535,660	7,098,747	6,948,342
Changes in benefit terms	-	65,243	-	-	-	(6,650)
Differences between expected and actual experience	1,154,399	1,123,624	(479,021)	132,801	621,041	2,622,717
Changes in assumptions	2,325,073	(181,898)	(135,422)	(304,910)	1,921,395	-
Benefit payments, including refunds	(6,421,868)	(6,211,818)	(6,375,484)	(5,908,456)	(5,542,845)	(5,213,225)
Net Change in Total Pension Liability	7,164,984	4,669,719	2,671,979	3,365,076	6,008,319	6,595,719
Total Pension Liability - Beginning of year	112,226,489	107,556,770	104,884,791	101,519,715	95,511,396	88,915,677
Total Pension Liability - End of year	\$ 119,391,473	\$ 112,226,489	\$ 107,556,770	\$ 104,884,791	\$ 101,519,715	\$ 95,511,396
Plan Fiduciary Net Position						
Contributions - Employer	\$ 1,765,929	\$ 1,944,693	\$ 1,971,756	\$ 1,826,359	\$ 1,841,300	\$ 27,671,584
Contributions - Member	519,910	518,053	525,566	531,588	536,954	593,046
Net investment income (loss)	20,738,528	(6,039,273)	17,304,401	7,994,188	(117,265)	4,900,289
Administrative expenses	(80,948)	(53,998)	(39,752)	(39,382)	(29,671)	(40,613)
Benefit payments, including refunds	(6,421,868)	(6,211,818)	(6,375,484)	(5,908,456)	(5,542,845)	(5,213,225)
Net Change in Plan Fiduciary Net Position	16,521,551	(9,842,343)	13,386,487	4,404,297	(3,311,527)	27,911,081
Plan Fiduciary Net Position - Beginning of year	101,488,675	111,331,018	97,944,531	93,540,234	96,851,761	68,940,680
Plan Fiduciary Net Position - End of year	\$ 118,010,226	\$ 101,488,675	\$ 111,331,018	\$ 97,944,531	\$ 93,540,234	\$ 96,851,761
Township's Net Pension Liability (Asset) - Ending	\$ 1,381,247	\$ 10,737,814	\$ (3,774,248)	\$ 6,940,260	\$ 7,979,481	\$ (1,340,365)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	98.84 %	90.43 %	103.51 %	93.38 %	92.14 %	101.40 %
Covered Payroll	\$ 10,176,936	\$ 9,888,486	\$ 10,158,694	\$ 10,180,063	\$ 10,326,125	\$ 10,780,667
Township's Net Pension Liability (Asset) as a Percentage of Covered Payroll	13.57 %	108.59 %	(37.15)%	68.18 %	77.27 %	(12.43)%

Charter Township of Shelby

Required Supplemental Information Schedule of Pension Contributions

Last Ten Fiscal Years Years Ended December 31

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 1,765,929	\$ 1,944,693	\$ 1,971,756	\$ 1,826,359	\$ 1,841,300	\$ 4,043,780	\$ 4,097,277	\$ 4,558,181	\$ 4,937,379	\$ 4,611,275
Contributions in relation to the actuarially determined contribution	1,765,929	1,944,693	1,971,756	1,826,359	1,841,300	27,671,584	4,097,277	4,558,181	4,937,379	4,612,070
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,627,804	\$ -	\$ -	\$ -	\$ 795
Covered Payroll	\$ 10,176,936	\$ 9,888,486	\$ 10,158,694	\$ 10,180,063	\$ 10,326,125	\$ 10,780,667	\$ 10,962,530	\$ 10,940,963	\$ 11,259,348	\$ 10,915,185
Contributions as a Percentage of Covered Payroll	17.35 %	19.67 %	19.41 %	17.94 %	17.83 %	256.68 %	37.38 %	41.66 %	43.85 %	42.25 %

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry age cost method percent of pay
Amortization method	9-year closed level dollar amortization of unfunded actuarial accrued liability
Remaining amortization period	9 years
Asset valuation method	25 percent write-up method
Inflation	3.50 percent
Salary increase	3.50 to 8.75 percent
Investment rate of return	7.50 percent
Mortality	RP-2014 Blue Collar mortality table with generational improvements projected beginning in 2006 based on the Social Security Administration's assumptions from the 2017 Trustees' Report

Charter Township of Shelby

Required Supplemental Information Schedule of Pension Investment Returns

	Last Six Fiscal Years					
	Years Ended December 31					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return - Net of investment expense	21.86 %	(4.84)%	18.90 %	8.70 %	0.10 %	7.00 %

Charter Township of Shelby

Required Supplemental Information Schedule of Changes in the Net OPEB Liability and Related Ratios

	Last Three Fiscal Years		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 1,324,049	\$ 1,277,181	\$ 1,495,309
Interest	5,183,329	5,585,818	6,317,058
Differences between expected and actual experience	1,599,226	(10,278,171)	(8,527,386)
Changes in assumptions	402,952	-	(7,311,609)
Benefit payments, including refunds	<u>(2,548,638)</u>	<u>(2,597,960)</u>	<u>(2,579,187)</u>
Net Change in Total OPEB Liability	5,960,918	(6,013,132)	(10,605,815)
Total OPEB Liability - Beginning of year	<u>76,740,322</u>	<u>82,753,454</u>	<u>93,359,269</u>
Total OPEB Liability - End of year	<u>\$ 82,701,240</u>	<u>\$ 76,740,322</u>	<u>\$ 82,753,454</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 5,158,256	\$ 8,379,343	\$ 9,927,224
Net investment income (loss)	9,102,620	(2,807,834)	4,095,976
Administrative expenses	(350,804)	-	-
Benefit payments, including refunds	<u>(2,548,638)</u>	<u>(2,597,960)</u>	<u>(2,579,187)</u>
Net Change in Plan Fiduciary Net Position	11,361,434	2,973,549	11,444,013
Plan Fiduciary Net Position - Beginning of year	<u>43,256,019</u>	<u>40,282,470</u>	<u>28,838,457</u>
Plan Fiduciary Net Position - End of year	<u>\$ 54,617,453</u>	<u>\$ 43,256,019</u>	<u>\$ 40,282,470</u>
Net OPEB Liability - Ending	<u>\$ 28,083,787</u>	<u>\$ 33,484,303</u>	<u>\$ 42,470,984</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	66.04 %	56.37 %	48.68 %
Covered Employee Payroll	\$ 13,756,113	\$ 14,269,367	\$ 13,753,607
Net OPEB Liability as a Percentage of Covered Employee Payroll	204.15 %	234.66 %	308.80 %

Required Supplemental Information
Schedule of OPEB Contributions

Last Ten Fiscal Years
Years Ended December 31

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 3,653,012	\$ 4,127,952	\$ 4,488,364	\$ 5,815,278	\$ 5,773,353	\$ 5,773,353	\$ 5,079,690	\$ 5,079,690	\$ 6,431,625	\$ 7,552,905
Contributions in relation to the actuarially determined contribution	5,158,256	8,379,343	9,927,224	5,142,960	4,599,525	3,527,026	4,416,806	3,725,396	15,992,910	1,595,651
Contribution Excess (Deficiency)	\$ 1,505,244	\$ 4,251,391	\$ 5,438,860	\$ (672,318)	\$ (1,173,828)	\$ (2,246,327)	\$ (662,884)	\$ (1,354,294)	\$ 9,561,285	\$ (5,957,254)
Covered Employee Payroll	\$ 13,756,113	\$ 14,269,367	\$ 13,753,607	\$ 13,897,076	\$ 14,554,860	\$ 14,554,860	\$ 16,179,279	\$ 16,179,279	\$ 16,719,112	\$ 16,431,686
Contributions as a Percentage of Covered Employee Payroll	37.50 %	58.72 %	72.18 %	37.01 %	31.60 %	24.23 %	27.30 %	23.03 %	95.66 %	9.71 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of salary
Remaining amortization period	23 years
Asset valuation method	Market value
Inflation	3.75 percent
Healthcare cost trend rates	3.0 to 8.0 percent depending on the year and type of cost
Salary increase	3.0 percent
Investment rate of return	6.75 percent
Retirement age	Varies depending on employee's years of service
Mortality	SOA Pub-2010 Mortality tables

Charter Township of Shelby

**Required Supplemental Information
Schedule of OPEB Investment Returns**

**Last Three Fiscal Years
Years Ended December 31**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return - Net of investment expense	20.28 %	(5.87)%	15.11 %

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level (i.e., the level at which expenditures may not legally exceed appropriations).

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

A reconciliation of the budgetary comparison schedules to the fund-based statement of revenue, expenditures, and changes in fund balances is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Other Financing Sources (Uses)</u>
Amounts per operating statement	\$ 20,042,968	\$ 15,905,267	\$ (4,193,091)
41st District Court	-	(2,652,436)	(2,652,436)
Community relations	(1,408,545)	(855,830)	552,715
Amounts per budget statement	<u>\$ 18,634,423</u>	<u>\$ 12,397,001</u>	<u>\$ (6,292,812)</u>

During the year, the Charter Township of Shelby incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Public works	\$ 434,093	\$ 512,041	\$ (77,948)
Fire Fund - Capital outlay	131,550	146,966	(15,416)

Pension Information

Changes in Assumptions

The mortality tables have been updated annually:

- 2015: RP-2014 Blue Collar with 2015 Social Security Generational Improvement scale from 2006 mortality rates
- 2016: RP-2014 Blue Collar with 2016 Social Security Generational Improvement scale from 2006 mortality rates
- 2017: RP-2014 Blue Collar with 2017 Social Security Generational Improvement scale from 2006 mortality rates
- 2018: RP-2014 Blue Collar with 2018 Social Security Generational Improvement scale from 2006 mortality rates
- 2019: Pub-2010 Public Safety table projected using fully generational improvements based on the Society of Actuaries MP-2019 projection scale

2015

- The base salary scale schedule has been changed to reflect a 3.50 percent salary increase beginning with the 2016 expected pay. In addition, the assumption to adjust the final average pay at retirement for Police Command members hired before 1995 and Police Patrol members has been reduced from 10.0 to 5.0 percent. The assumption to adjust the final average pay at retirement for Police Command members hired after 1995 has been reduced from 10.0 to 0.00 percent.

2018

- The Fire Chief's definition of Average Final Compensation was revised to be the average of the three highest years of annual compensation received during the 10 years of service immediately preceding retirement or termination. The definition in the previous contract was based on the 5 highest consecutive years of compensation during the 10 years of service immediately preceding retirement or termination.

OPEB Information

Changes in Assumptions

The mortality tables have been updated annually:

2017: Updated from SOA RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015 to the RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017

2019: Command, Fire, Patrol, Fire Chief, and Police Chief actives and retirees: SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2019

- All other actives and retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019

- Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019

2017

-The discount rate was increased from 6.5 percent to 6.75 percent.

-The actuarial cost method has been updated from projected unit credit with linear proration to decrement to entry age normal level percent of salary.

-The payroll growth assumption has also been updated to follow the Michigan Municipal Employees' Retirement System actuarial valuation assumption used in the December 31, 2015 actuarial valuation.

-Dental trend rates have been reset to an initial rate of 5.00 percent decreasing by 0.25 percent annually to an ultimate rate of 4.00 percent. Vision trend rates have been reset to an initial rate of 4.00 percent decreasing by 0.25 percent annually to an ultimate rate of 3.00 percent.

2019

-Healthcare trend rates have been updated to an initial rate of 8.0 percent decreasing by 0.5 percent annually to an ultimate rate of 4.5 percent. Dental trend rates have been reset to an initial rate of 5.0 percent decreasing by 0.25 percent annually to an ultimate rate of 4.0 percent. Vision trend rates have been reset to an initial rate of 4.0 percent decreasing by 0.25 percent annually to an ultimate rate of 3.0 percent.

Other Supplemental Information

Charter Township of Shelby

Special Revenue Funds						
	Emergency Response	Street Lighting	Building Authority	Michigan Justice Training Grant	Community Block Grant	Federal Forfeiture
Assets						
Cash and investments	\$ 113,607	\$ 66,004	\$ 15,013	\$ 5,514	\$ -	\$ 380,292
Receivables:						
Other receivables	-	93,666	-	-	-	-
Due from other governmental units	7,051	3,521	-	-	2,000	-
Prepaid expenses	20,118	-	-	-	-	1,872
Total assets	\$ 140,776	\$ 163,191	\$ 15,013	\$ 5,514	\$ 2,000	\$ 382,164
Liabilities						
Accounts payable	\$ 409	\$ 45,319	\$ -	\$ -	\$ -	\$ 2,860
Due to other funds	-	-	-	-	2,000	-
Accrued liabilities and other	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	409	45,319	-	-	2,000	2,860
Deferred Inflows of Resources -						
Unavailable revenue	-	3,521	-	-	-	-
Total liabilities and deferred inflows of resources	409	48,840	-	-	2,000	2,860
Fund Balances						
Nonspendable	20,118	-	-	-	-	1,872
Restricted:						
Police and fire	120,249	-	-	-	-	377,432
Grants	-	-	-	5,514	-	-
Street lighting	-	114,351	-	-	-	-
Community development	-	-	15,013	-	-	-
Assigned - Equipment replacement	-	-	-	-	-	-
Total fund balances	140,367	114,351	15,013	5,514	-	379,304
Total liabilities, deferred inflows of resources, and fund balances	\$ 140,776	\$ 163,191	\$ 15,013	\$ 5,514	\$ 2,000	\$ 382,164

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

December 31, 2019

Capital
Project Fund

Drug Forfeiture	Michigan Indigent Defense Commission	Equipment Replacement	Total
\$ 38,841	\$ 317,040	\$ 17	\$ 936,328
-	-	-	93,666
-	-	-	12,572
1,642	120	-	23,752
\$ 40,483	\$ 317,160	\$ 17	\$ 1,066,318
\$ -	\$ 10,556	\$ -	\$ 59,144
-	-	-	2,000
-	195	-	195
-	306,289	-	306,289
-	317,040	-	367,628
-	-	-	3,521
-	317,040	-	371,149
1,642	120	-	23,752
38,841	-	-	536,522
-	-	-	5,514
-	-	-	114,351
-	-	-	15,013
-	-	17	17
40,483	120	17	695,169
\$ 40,483	\$ 317,160	\$ 17	\$ 1,066,318

Charter Township of Shelby

	Special Revenue Funds					
	Emergency Response	Street Lighting	Building Authority	Michigan Justice Training Grant	Community Block Grant	Federal Forfeiture
Revenue						
Intergovernmental:						
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ 2,000	\$ -
State sources	155,016	-	-	11,128	-	-
Charges for services	-	382,564	-	-	-	-
Fines and forfeitures	-	-	-	-	-	350,608
Investment income	1,159	805	204	-	-	4,509
Other revenue	-	13	-	-	-	-
Total revenue	156,175	383,382	204	11,128	2,000	355,117
Expenditures						
Current services:						
District court	-	-	-	-	-	-
Public safety	84,808	-	-	11,985	-	67,745
Public works	-	259,118	-	-	-	-
Recreation and culture	-	-	-	-	2,000	-
Capital outlay	-	-	-	-	-	-
Total expenditures	84,808	259,118	-	11,985	2,000	67,745
Excess of Revenue Over (Under) Expenditures	71,367	124,264	204	(857)	-	287,372
Other Financing Uses - Transfers out	-	(45,445)	-	-	-	-
Net Change in Fund Balances	71,367	78,819	204	(857)	-	287,372
Fund Balances - Beginning of year	69,000	35,532	14,809	6,371	-	91,932
Fund Balances - End of year	\$ 140,367	\$ 114,351	\$ 15,013	\$ 5,514	\$ -	\$ 379,304

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund
Balances
Nonmajor Governmental Funds

Year Ended December 31, 2019

Capital Project Fund				
Drug Forfeiture	Michigan Indigent Defense Commission	Equipment Replacement	Total	
\$ -	\$ -	\$ -	\$ 2,000	
-	109,905	-	276,049	
-	-	-	382,564	
12,257	-	-	362,865	
29	4,193	-	10,899	
-	-	-	13	
12,286	114,098	-	1,034,390	
-	110,257	-	110,257	
15,506	-	-	180,044	
-	-	-	259,118	
-	-	-	2,000	
-	3,721	814	4,535	
15,506	113,978	814	555,954	
(3,220)	120	(814)	478,436	
-	-	-	(45,445)	
(3,220)	120	(814)	432,991	
43,703	-	831	262,178	
\$ 40,483	\$ 120	\$ 17	\$ 695,169	

Other Supplemental Information
Combining Statement of Fiduciary Net Position
Fiduciary Funds

December 31, 2019

	Pension and Other Postemployment Benefit Trust Funds			Custodial Funds			
	Police and Fire Retirement Systems Trust Fund	Retiree Health Care	Total	Custodial	Tax Collection	41st District Court	Total
Assets							
Cash and investments	\$ 18,531	\$ -	\$ 18,531	\$ 71,476	\$ 8,776,021	\$ 180,711	\$ 9,028,208
Investments:							
Short-term funds	3,371,742	1,970,165	5,341,907	-	-	-	-
Stocks	40,283,585	7,524,610	47,808,195	-	-	-	-
Collective index and mutual funds - Fixed income	25,166,104	9,488,734	34,654,838	-	-	-	-
Collective index and mutual funds - Equity	25,229,128	19,671,441	44,900,569	-	-	-	-
Limited partnerships	23,958,492	16,128,236	40,086,728	-	-	-	-
Receivables:							
Accrued interest	110,892	63,978	174,870	-	-	-	-
Other receivables	-	-	-	-	11,557	-	11,557
Prepaid expenses and other assets	7,550	-	7,550	-	-	-	-
Total assets	118,146,024	54,847,164	172,993,188	71,476	8,787,578	180,711	9,039,765
Liabilities							
Accounts payable	78,658	17,893	96,551	-	-	-	-
Due to other governmental units	-	-	-	-	8,787,578	180,711	8,968,289
Accrued liabilities and other	57,140	211,818	268,958	-	-	-	-
Total liabilities	135,798	229,711	365,509	-	8,787,578	180,711	8,968,289
Net Position							
Restricted:							
Pension	118,010,226	-	118,010,226	-	-	-	-
Postemployment benefits other than pension	-	54,617,453	54,617,453	-	-	-	-
Organizations	-	-	-	71,476	-	-	71,476
Total net position	\$ 118,010,226	\$ 54,617,453	\$ 172,627,679	\$ 71,476	\$ -	\$ -	\$ 71,476

Other Supplemental Information
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year Ended December 31, 2019

	Pension and Other Postemployment Benefit Trust Funds			Custodial Funds			
	Police and Fire Retirement Systems Trust Fund	Retiree Health Care	Total	Custodial	Tax Collection	41st District Court	Total
Additions							
Investment income:							
Interest and dividends	\$ 2,567,670	\$ 1,505,911	\$ 4,073,581	\$ -	\$ -	\$ -	\$ -
Net realized and unrealized gain on investments	19,140,878	7,596,709	26,737,587	-	-	-	-
Investment-related expenses	(970,020)	(350,804)	(1,320,824)	-	-	-	-
Net investment income	20,738,528	8,751,816	29,490,344	-	-	-	-
Contributions:							
Employer contributions	1,765,929	5,158,256	6,924,185	-	-	-	-
Employee contributions	519,910	-	519,910	-	-	-	-
Total contributions	2,285,839	5,158,256	7,444,095	-	-	-	-
Property tax collections	-	-	-	-	82,810,180	-	82,810,180
District court collections	-	-	-	-	-	1,334,212	1,334,212
Other additions	-	-	-	9,971	-	-	9,971
Total additions	23,024,367	13,910,072	36,934,439	9,971	82,810,180	1,334,212	84,154,363
Deductions							
Benefit payments	6,421,868	2,548,638	8,970,506	-	-	-	-
Administrative expenses	80,948	-	80,948	-	-	-	-
Property tax distributions	-	-	-	-	82,810,180	-	82,810,180
District court disbursements	-	-	-	-	-	1,334,212	1,334,212
Other deductions	-	-	-	1,824	-	-	1,824
Total deductions	6,502,816	2,548,638	9,051,454	1,824	82,810,180	1,334,212	84,146,216
Net Increase in Fiduciary Net Position	16,521,551	11,361,434	27,882,985	8,147	-	-	8,147
Net Position - Beginning of year - As restated (Note 1)	101,488,675	43,256,019	144,744,694	63,329	-	-	63,329
Net Position - End of year	\$ 118,010,226	\$ 54,617,453	\$ 172,627,679	\$ 71,476	\$ -	\$ -	\$ 71,476