



# Financial Report

with Supplemental Information

December 31, 2020

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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, 2020 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2020 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.

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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2021 on our consideration of Charter Township of Shelby's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charter Township of Shelby's internal control over financial reporting and compliance.



June 23, 2021

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, 2020.

**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 \$71,762,167 at the close of the most recent fiscal year.

**The Township's Net Position**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets</b>						
Current and other assets	\$ 82,435,118	\$ 77,375,935	\$ 60,103,777	\$ 56,802,262	\$ 142,538,895	\$ 134,178,197
Capital assets	73,426,704	67,889,219	119,130,578	120,017,803	192,557,282	187,907,022
Total assets	155,861,822	145,265,154	179,234,355	176,820,065	335,096,177	322,085,219
<b>Deferred Outflows of Resources</b>	3,076,250	5,017,389	276,319	339,744	3,352,569	5,357,133
<b>Liabilities</b>						
Current liabilities	6,245,077	4,897,676	5,841,689	8,133,516	12,086,766	13,031,192
Noncurrent liabilities	25,627,380	35,910,794	26,355,173	27,983,890	51,982,553	63,894,684
Total liabilities	31,872,457	40,808,470	32,196,862	36,117,406	64,069,319	76,925,876
<b>Deferred Inflows of Resources</b>	55,303,448	46,203,263	1,531,102	966,847	56,834,550	47,170,110
<b>Net Position</b>						
Net investment in capital assets	73,048,960	67,385,559	99,158,546	99,259,744	172,207,506	166,645,303
Restricted	14,691,010	14,815,231	-	-	14,691,010	14,815,231
Unrestricted	(15,977,803)	(18,929,980)	46,624,164	40,815,812	30,646,361	21,885,832
Total net position	<b>\$ 71,762,167</b>	<b>\$ 63,270,810</b>	<b>\$ 145,782,710</b>	<b>\$ 140,075,556</b>	<b>\$ 217,544,877</b>	<b>\$ 203,346,366</b>

The Township's combined net position increased by \$14.2 million from a year ago, from \$203.3 million to \$217.5 million.

# Charter Township of Shelby

## Management's Discussion and Analysis (Continued)

A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$8.5 million in net position, or 13.4 percent, during 2020. 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 \$5.5 million. Several projects that were begun in previous years were completed in 2020, such as the new township activities center and an addition to the police station. Work was also started on the new township library, which is set to be completed in 2022. Two new Pumper trucks were purchased in the fire department. The Township also continued the large-scale road improvement program in conjunction with the Macomb County Department of Roads to overhaul several of the main roads throughout the Township. The remainder of the increase in net position is due to an increase of pension-related assets net of liabilities of \$3.3 million and a decrease in other postemployment benefit-related (OPEB) liabilities net of assets of \$5.1 million. Unrestricted net position (the portion of net position available to finance day-to-day operations and future growth of the Township) increased by \$2.9 million, or 15.6 percent, to \$(16) million. An increase was also seen in net investment in capital assets of \$5.6 million relating to the building projects described earlier. Restricted net position decreased by approximately \$124,000 due primarily to a decrease in net position restricted for police and fire operations.

The Township's business-type activities net position increased by \$5.7 million, or 4.1 percent, to \$145.8 million. Restricted assets increased by \$5.2 million as new construction commenced on the next segment of improvements to the Oakland-Macomb Interceptor Drain. This was offset by a \$4.6 million increase in bonds payable for those improvements. This project provides for improvements at the Northeast Sewage Pumping Station and the Northeast Interceptor-East Arm sanitary sewer. A \$6 million decrease in provision for claims as settlement payments were issued and a \$1.2 million decrease in accounts payable due to timing of payments accounted for the decrease in cash of approximately \$2.3 million.

The following table shows the changes in net position for the year ended December 31, 2020 and the prior year:

### The Township's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 8,957,100	\$ 11,042,982	\$ 32,776,874	\$ 27,582,769	\$ 41,733,974	\$ 38,625,751
Operating grants and contributions	1,908,711	853,582	178,979	1,007,106	2,087,690	1,860,688
Capital grants and contributions	179,366	197,895	2,796,779	6,627,712	2,976,145	6,825,607
General revenue:						
Property taxes	32,450,754	30,856,174	-	-	32,450,754	30,856,174
Intergovernmental	7,048,861	7,120,972	-	-	7,048,861	7,120,972
Investment earnings	510,467	1,345,663	511,299	867,219	1,021,766	2,212,882
Other revenue	1,891,134	2,399,881	-	-	1,891,134	2,399,881
Total revenue	52,946,393	53,817,149	36,263,931	36,084,806	89,210,324	89,901,955
<b>Expenses</b>						
General government	7,890,775	7,736,102	-	-	7,890,775	7,736,102
District court	2,525,876	2,910,614	-	-	2,525,876	2,910,614
Public safety	26,423,596	30,860,414	-	-	26,423,596	30,860,414
Public works	2,654,155	2,486,613	-	-	2,654,155	2,486,613
Recreation and culture	4,361,122	4,761,544	-	-	4,361,122	4,761,544
Debt service	299,360	318,998	-	-	299,360	318,998
Water and sewer	-	-	30,856,929	36,801,372	30,856,929	36,801,372
Total expenses	44,154,884	49,074,285	30,856,929	36,801,372	75,011,813	85,875,657
Transfers	(300,152)	-	300,152	-	-	-
<b>Change in Net Position</b>	8,491,357	4,742,864	5,707,154	(716,566)	14,198,511	4,026,298
<b>Net Position - Beginning of year</b>	63,270,810	58,527,946	140,075,556	140,792,122	203,346,366	199,320,068
<b>Net Position - End of year</b>	<b>\$ 71,762,167</b>	<b>\$ 63,270,810</b>	<b>\$ 145,782,710</b>	<b>\$ 140,075,556</b>	<b>\$ 217,544,877</b>	<b>\$ 203,346,366</b>

#### **Governmental Activities**

The Township's total governmental revenue decreased by approximately \$0.9 million, or 1.6 percent, from last year. Both charges for services and interest income saw large decreases (\$2.1 and \$0.8 million, respectively) as the COVID-19 pandemic and related shutdown created a sharp decrease in demand for services, and an unstable economy forced a reduction in interest rates. These large decreases were partly offset by increases in grant-related revenue of over \$1 million and property taxes of \$1.6 million. Assistance from the federal government through CARES Act funding helped cushion the impact of COVID-19, and property values continued to rise along with new development in the Township. The remaining revenue categories all saw decreases, with other revenue being the largest with a decrease of 21.2 percent year over year. This decrease returns this category to 2018 levels after a large increase in 2019 mainly attributed to a one-time adjustment related to the implementation of GASB 84.

Total governmental expenses decreased by approximately \$4.9 million in 2020, or 10 percent. Most of this decrease was due to a \$4.4 million reduction in public safety expenses. An \$800,000 increase in operating expenses was more than offset by a \$5.2 million decrease in expenses related to OPEB and pension liability. The increase in operating expenses was mainly due to increased employee costs, as wage and benefit costs increased and additional police officers and firefighters were hired to serve the Township and its citizens. Expenses related to OPEB and pension decreased as favorable investment returns in 2020 decreased OPEB and pension liability and expenses. The remaining \$500,000 decrease is a result of the relatively small increases and decreases seen in the other expense categories.

#### **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 2020, the Township's business-type activities revenue increased by \$0.2 million, or 0.5 percent, to \$36.3 million. A \$5.2 million increase in charges for services was the result of a significant increase in seasonal water sales. However, the increase was offset by decreases in state grant revenue, capital contributions, capital charges, and interest income.

The business-type expenses for 2020 decreased by \$5.9 million, or 16.2 percent, to \$30.9 million. This decrease was mainly attributable to the \$6 million provision for claims that was recorded in 2019. In addition, an increase in water charges of \$1.7 million due to increased seasonal water usage was mostly offset by a decrease in state grant expenses of \$1.2 million as the majority of the grant work was completed in 2019.

#### **The Township's Funds**

The presentation of the Township's major funds follows 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 2020 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 2020 and acceleration of multiyear capital projects. The General Fund experienced a \$2.5 million, or 13.5 percent, decrease in revenue from 2019. COVID-19 had a major impact on General Fund revenue in 2020 as mandated shutdowns and lower interest rates due to an unstable economy significantly lowered all revenue categories except for property taxes. Fines and forfeitures was the hardest hit category with a decrease of over \$1 million (39.1 percent) year over year. With the district court closed to the public for most of the year and road traffic significantly reduced, revenue decreased to a level not seen this century. Licenses and permits decreased by \$560,000 (26.6 percent) due to no building activity for almost three months from April through June and a slow recovery to normal levels as COVID-19 restrictions hampered construction projects. As mentioned earlier, the decrease in other revenue was more of a return to normal levels as 2019 included a one-time adjustment of approximately \$500,000 due to the implementation of GASB 84. Charges for services decreased by \$330,000, as demand for building rentals and recreation programs was reduced due to COVID-19. Finally, investment income decreased by \$310,000 due to factors previously mentioned.

The General Fund ended the year with an unfavorable revenue budget variance of \$21,900, as various categories came in slightly higher or slightly lower than expected.

In 2020, the Township experienced an \$8,100 decrease in expenditures, or less than 1 percent. An increase in general government expenditures of \$385,000 was more than offset by a decrease in recreation and culture of \$320,000 and capital outlay of \$110,000. The increase in general government expenses was mainly attributable to the increase in election expenses as a result of increased costs from COVID-19 adjustments, as well as the presidential primary and election. The remaining general government departmental expenses were flat. The decrease in recreation and culture mirrors the decrease in revenue for charges for services as a reduced demand for rentals and recreation programs resulted in decreased expenses related to those programs. Capital outlay decreased as items scheduled to be purchased were either eliminated or delayed as a result of the pandemic.

The General Fund ended the year with a favorable expenditure budget variance of \$906,322. All township departments finished the year at or under budget, with personnel costs, operating supplies, and capital outlay being the largest contributors to the favorable variance.

Looking at other financing sources/uses, there was a small decrease of \$35,000 in transfers out. A total of \$3.8 million was transferred to capital projects funds to finance various capital expenditures, including the second portion of the \$8 million in township costs for the major road improvement plan that began in 2019. The \$180,000 increase in transfers to capital projects funds was offset by a \$90,000 decrease in transfers to the Police Fund as there was a significant decrease in motor carrier fines collected as a result of the pandemic and a \$55,000 decrease in transfers for district court costs. Transfers in, while increasing from 2019 to 2020, consisted of only one transfer from a capital projects fund that was done in order to close out the activity in that fund.

When comparing the 2020 original General Fund budget with the 2020 amended budget, the amended budget decreased revenue by approximately \$2.4 million. Large decreases were required in charges for services, fines and forfeitures, licenses and permits, and investment income. The decreases were necessary as a result of the revenue challenges previously discussed. On the expenditure side, the amended budget decreased expenditures by approximately \$435,000. The majority of the decrease was seen in recreation and culture, which decreased by \$400,000 due to reduced costs from the cancellation of programs and decreased demand as a result of COVID-19.



#### ***Capital Assets and Debt Administration***

At the end of 2020, the Township's governmental and business-type activities combined had approximately \$316 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 \$23.6 and \$21.9 million for 2020 and 2019, respectively. The increase is due to the continued major road improvements that were begun in 2019 and will continue into 2021. The business-type activities' infrastructure for 2020 and 2019 (including construction in progress), net of depreciation, is \$115.7 million and \$116.5 million, respectively. Additionally, the value of buildings and improvements for the governmental activities, net of depreciation, is \$26.2 million and \$20.4 million for 2020 and 2019, respectively. In 2020, two multimillion dollar projects in the new activity center and police department expansion were placed into service. The business-type activities' buildings and improvements, net of depreciation, are \$2.6 million for 2020 and 2019. See Note 4 for additional information.

The majority of the debt reported in these financial statements is related to the construction of the above-mentioned 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 and an installment agreement from 2019 that was used to purchase police equipment. The pension debt is scheduled to be paid through 2027 and has approximately \$5.4 million outstanding as of the end of 2020.

#### ***Economic Factors and Next Year's Budgets and Rates***

The Charter Township of Shelby will maintain the same property tax millage rate for 2021 that applied in 2020 (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 2020, property taxes made up approximately 61.3 percent of the Township's governmental funds' overall revenue. The Township continues to see added growth, as the ad valorem taxable value experienced an increase of approximately \$213 million, or 6 percent, between the 2019 and 2020 assessment years. State-shared revenue represented approximately 12.9 percent of the Township's governmental funds' overall 2020 revenue. In preparing the 2021 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 continues to weather the unexpected consequences of COVID-19, it is anticipated that several revenue numbers will need a negative adjustment in 2021 as various revenue sources (particularly district court fines and recreation programs) were still seeing reduced revenue at the start of 2021. With additional money becoming available as a result of federal stimulus, it is the Township's hope that some of the negative effects from 2020 and early 2021 will be able to be offset with federal dollars. While some revenue decreases may only be short term, others may be impacted 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 health care costs and projected and contractual wage increases, as well as an increase in staffing especially in public safety, personnel costs will experience an increase in 2021. The Township Board aggressively pursues a permanent solution to health care 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. It is anticipated that many of the cost reductions seen in 2020 due to shutdowns and reduced demand for recreation programs will be eliminated as more recreation programs are offered and the economy and activity slowly returns to pre-pandemic levels.

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. 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 2020, the Township completed construction of a new activity center, continued the major road improvement plan begun in 2019, continued construction of a new Township library, and completed construction on the police department expansion. In 2021, the Township should complete the road improvement plan and finish the library in early 2022. Money for these projects has been set aside in past years and will 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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments	\$ 65,616,298	\$ 28,211,527	\$ 93,827,825	\$ 158,655
Receivables:				
Property taxes receivable	15,813,512	-	15,813,512	55,816
Special assessments receivable	-	6,140,141	6,140,141	-
Customers	-	8,205,970	8,205,970	-
Accrued interest	70,972	60,910	131,882	-
Other receivables	1,120,852	-	1,120,852	-
Allowance for doubtful accounts	(330,250)	-	(330,250)	(90)
Due from other governmental units	2,335,281	77,449	2,412,730	-
Internal balances	(10,377,261)	10,377,261	-	-
Inventory	-	256,691	256,691	-
Prepaid expenses and other assets	1,424,847	53,474	1,478,321	85
Restricted assets (Note 9)	-	5,657,570	5,657,570	-
Net pension asset (Note 11)	6,760,867	-	6,760,867	-
Net OPEB asset (Note 12)	-	1,062,784	1,062,784	-
Capital assets: (Note 4)				
Assets not subject to depreciation	16,422,649	8,761,112	25,183,761	-
Assets subject to depreciation - Net	57,004,055	110,369,466	167,373,521	-
<b>Total assets</b>	<b>155,861,822</b>	<b>179,234,355</b>	<b>335,096,177</b>	<b>214,466</b>
<b>Deferred Outflows of Resources</b> (Note 6)	<b>3,076,250</b>	<b>276,319</b>	<b>3,352,569</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	2,421,500	3,417,365	5,838,865	-
Refundable deposits, bonds, etc.	1,338,554	10,698	1,349,252	-
Accrued liabilities and other	1,958,726	423,596	2,382,322	-
Unearned revenue (Note 7)	526,297	1,990,030	2,516,327	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 8)	250,185	10,109	260,294	-
Provision for property tax refunds	4,253	-	4,253	7,679
Current portion of long-term debt (Note 8)	820,915	1,000,956	1,821,871	-
Due in more than one year:				
Compensated absences (Note 8)	903,145	99,628	1,002,773	-
Unearned revenue (Note 7)	-	603,518	603,518	-
Net OPEB liability (Note 12)	18,692,053	-	18,692,053	-
Long-term debt - Net of current portion (Note 8)	4,956,829	24,640,962	29,597,791	-
<b>Total liabilities</b>	<b>31,872,457</b>	<b>32,196,862</b>	<b>64,069,319</b>	<b>7,679</b>
<b>Deferred Inflows of Resources</b> (Note 6)	<b>55,303,448</b>	<b>1,531,102</b>	<b>56,834,550</b>	<b>77,943</b>
<b>Net Position</b>				
Net investment in capital assets	73,048,960	99,158,546	172,207,506	-
Restricted:				
Police and fire operations	14,549,547	-	14,549,547	-
Community development	15,013	-	15,013	-
Street lighting	115,300	-	115,300	-
Grants	11,150	-	11,150	-
Unrestricted	(15,977,803)	46,624,164	30,646,361	128,844
<b>Total net position</b>	<b>\$ 71,762,167</b>	<b>\$ 145,782,710</b>	<b>\$ 217,544,877</b>	<b>\$ 128,844</b>

# 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	\$ 7,890,775	\$ 2,994,442	\$ 524,832	\$ 36,815
District court	2,525,876	1,522,955	264,295	2,622
Public safety	26,423,596	3,849,222	755,730	8,807
Public works	2,654,155	285,831	53,981	88,901
Recreation and culture	4,361,122	304,650	309,873	42,221
Interest on long-term debt	299,360	-	-	-
Total governmental activities	44,154,884	8,957,100	1,908,711	179,366
Business-type activities - Water and Sewer	30,856,929	32,776,874	178,979	2,796,779
Total primary government	<b>\$ 75,011,813</b>	<b>\$ 41,733,974</b>	<b>\$ 2,087,690</b>	<b>\$ 2,976,145</b>
Component units - Downtown Development Authority	<b>\$ 9,061</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Unrestricted investment income				
Cable franchise fees				
Other miscellaneous income				
Total general revenue				
Transfers				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

## Statement of Activities

Year Ended December 31, 2020

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (4,334,686)	\$ -	\$ (4,334,686)	\$ -
(736,004)	-	(736,004)	-
(21,809,837)	-	(21,809,837)	-
(2,225,442)	-	(2,225,442)	-
(3,704,378)	-	(3,704,378)	-
(299,360)	-	(299,360)	-
(33,109,707)	-	(33,109,707)	-
-	4,895,703	4,895,703	-
(33,109,707)	4,895,703	(28,214,004)	-
-	-	-	(9,061)
32,450,754	-	32,450,754	56,889
7,048,861	-	7,048,861	-
510,467	511,299	1,021,766	440
1,425,799	-	1,425,799	-
465,335	-	465,335	-
41,901,216	511,299	42,412,515	57,329
(300,152)	300,152	-	-
8,491,357	5,707,154	14,198,511	48,268
63,270,810	140,075,556	203,346,366	80,576
<b>\$ 71,762,167</b>	<b>\$ 145,782,710</b>	<b>\$ 217,544,877</b>	<b>\$ 128,844</b>

# Charter Township of Shelby

	General Fund	Fire Fund	Police Fund
<b>Assets</b>			
Cash and investments	\$ 7,634,766	\$ 20,334,925	\$ 20,964,529
Receivables:			
Property taxes receivable	1,956,222	6,098,663	7,758,627
Accrued interest	70,972	-	-
Other receivables	566,096	409,842	131,283
Allowance for doubtful accounts	(19,328)	(225,656)	(85,266)
Due from other governmental units	1,650,224	203,982	352,892
Due from other funds (Note 5)	93,194	-	-
Prepaid expenses and other assets	81,880	41,556	52,938
	<u>\$ 12,034,026</u>	<u>\$ 26,863,312</u>	<u>\$ 29,175,003</u>
Total assets			
<b>Liabilities</b>			
Accounts payable	\$ 456,727	\$ 148,250	\$ 182,349
Due to other funds (Note 5)	-	20	2,509
Advances from other funds (Note 5)	-	4,980,000	5,395,000
Refundable deposits, bonds, etc.	1,338,554	-	-
Accrued liabilities and other	565,113	706,547	605,555
Unearned revenue (Note 7)	5,523	-	-
Provision for property tax refunds	457	1,640	2,156
	<u>2,366,374</u>	<u>5,836,457</u>	<u>6,187,569</u>
Total liabilities			
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	530,031	113,415	210,101
Property taxes levied for the following year	4,241,779	13,208,747	16,805,505
	<u>4,771,810</u>	<u>13,322,162</u>	<u>17,015,606</u>
Total deferred inflows of resources			
Total liabilities and deferred inflows of resources	7,138,184	19,158,619	23,203,175
<b>Fund Balances</b>			
Nonspendable - Prepays	81,880	41,556	52,938
Restricted:			
Police and fire	-	7,663,137	5,918,890
Grants	-	-	-
Street lighting	-	-	-
Community development	-	-	-
Assigned:			
Capital projects	-	-	-
Historical committee	1,549	-	-
Recycling committee	3,088	-	-
Library	174,656	-	-
Special recreation donations	15,446	-	-
Veterans	7,871	-	-
Unassigned	4,611,352	-	-
	<u>4,895,842</u>	<u>7,704,693</u>	<u>5,971,828</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,034,026</u>	<u>\$ 26,863,312</u>	<u>\$ 29,175,003</u>

Governmental Funds  
Balance Sheet

December 31, 2020

Public Improvement Fund	Nonmajor Funds	Total Governmental Funds
\$ 15,478,961	\$ 1,203,117	\$ 65,616,298
-	-	15,813,512
-	-	70,972
-	13,631	1,120,852
-	-	(330,250)
23,854	104,329	2,335,281
-	-	93,194
<u>1,213,417</u>	<u>35,056</u>	<u>1,424,847</u>
<b><u>\$ 16,716,232</u></b>	<b><u>\$ 1,356,133</u></b>	<b><u>\$ 86,144,706</u></b>
\$ 1,572,165	\$ 62,009	\$ 2,421,500
-	92,926	95,455
-	-	10,375,000
-	-	1,338,554
-	398	1,877,613
-	520,774	526,297
-	-	4,253
<u>1,572,165</u>	<u>676,107</u>	<u>16,638,672</u>
23,854	22,732	900,133
-	-	34,256,031
<u>23,854</u>	<u>22,732</u>	<u>35,156,164</u>
1,596,019	698,839	51,794,836
1,213,417	35,056	1,424,847
676,645	503,507	14,762,179
-	11,150	11,150
-	112,683	112,683
-	15,013	15,013
13,230,151	-	13,230,151
-	-	1,549
-	-	3,088
-	-	174,656
-	-	15,446
-	-	7,871
-	(20,115)	4,591,237
<u>15,120,213</u>	<u>657,294</u>	<u>34,349,870</u>
<b><u>\$ 16,716,232</u></b>	<b><u>\$ 1,356,133</u></b>	<b><u>\$ 86,144,706</u></b>

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

**December 31, 2020**

<b>Fund Balances Reported in Governmental Funds</b>	\$ 34,349,870
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	73,426,704
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	900,133
Other liabilities that do not present a claim on current financial resources are not reportable as fund liabilities	(36,926)
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(5,777,744)
Accrued interest is not due and payable in the current period and is not reported in the funds	(44,187)
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	(1,153,330)
Pension benefits	(1,231,715)
Retiree health care benefits	<u>(28,670,638)</u>
Total employee fringe benefits not reported as fund liabilities	<u>(31,055,683)</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 71,762,167</u></u></b>



# Charter Township of Shelby

	General Fund	Fire Fund	Police Fund
<b>Revenue</b>			
Property taxes	\$ 3,496,816	\$ 12,504,650	\$ 16,439,152
Intergovernmental:			
Federal grants	70,808	159,322	101,549
State sources	7,155,393	100,259	230,211
Charges for services:			
Charges to other funds	1,145,350	-	-
Charges for services to external parties	565,206	3,294,404	548,590
Fines and forfeitures	1,604,049	-	-
Licenses and permits:			
Cable franchise fees	1,483,606	-	-
Other licenses and permits	1,533,665	-	-
Investment income	246,097	88,153	91,481
Other revenue	297,358	5,671	287,116
<b>Total revenue</b>	<b>17,598,348</b>	<b>16,152,459</b>	<b>17,698,099</b>
<b>Expenditures</b>			
Current services:			
General government	8,836,189	-	-
District court	2,591,477	-	-
Public safety	-	14,977,537	15,832,147
Public works	548,557	-	-
Recreation and culture	3,788,410	-	-
Capital outlay	275,413	160,987	563,048
Debt service	-	472,541	526,231
<b>Total expenditures</b>	<b>16,040,046</b>	<b>15,611,065</b>	<b>16,921,426</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>1,558,302</b>	<b>541,394</b>	<b>776,673</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	131,535	6,500	6,091
Transfers out	(4,447,584)	(459,270)	(185,020)
Sale of capital assets	4,335	2,837	52,185
<b>Total other financing (uses) sources</b>	<b>(4,311,714)</b>	<b>(449,933)</b>	<b>(126,744)</b>
<b>Net Change in Fund Balances</b>	<b>(2,753,412)</b>	<b>91,461</b>	<b>649,929</b>
<b>Fund Balances - Beginning of year</b>	<b>7,649,254</b>	<b>7,613,232</b>	<b>5,321,899</b>
<b>Fund Balances - End of year</b>	<b>\$ 4,895,842</b>	<b>\$ 7,704,693</b>	<b>\$ 5,971,828</b>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2020

Public Improvement Fund	Nonmajor Funds	Total Governmental Funds
\$ -	\$ -	\$ 32,440,618
-	74,948	406,627
53,981	276,959	7,816,803
-	-	1,145,350
-	265,789	4,673,989
-	6,228	1,610,277
-	-	1,483,606
-	-	1,533,665
80,216	4,148	510,095
40,000	14	630,159
174,197	628,086	52,251,189
28,978	-	8,865,167
-	135,802	2,727,279
-	167,310	30,976,994
510,685	360,712	1,419,954
-	2,000	3,790,410
8,921,379	137	9,920,964
111,604	-	1,110,376
9,572,646	665,961	58,811,144
(9,398,449)	(37,875)	(6,559,955)
5,079,283	-	5,223,409
(431,687)	-	(5,523,561)
-	-	59,357
4,647,596	-	(240,795)
(4,750,853)	(37,875)	(6,800,750)
19,871,066	695,169	41,150,620
<b>\$ 15,120,213</b>	<b>\$ 657,294</b>	<b>\$ 34,349,870</b>

# 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, 2020**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ (6,800,750)</b>
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	5,537,485
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	692,940
Other liabilities do not present a claim on current financial resources and are not reported as fund liabilities	1,759
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	805,916
Interest expense is recognized in the government-wide statements as it accrues	5,100
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>8,248,907</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 8,491,357</u></u></b>

# Charter Township of Shelby

## Proprietary Fund Statement of Net Position

December 31, 2020

	<u>Water and Sewer</u>
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 28,211,527
Receivables:	
Special assessments	822,514
Customers	8,205,970
Accrued interest	60,910
Due from other governmental units	77,449
Due from other funds (Note 5)	2,529
Inventory	256,691
Prepaid expenses and other assets	53,474
	<hr/>
Total current assets	37,691,064
Noncurrent assets:	
Restricted assets	5,657,570
Advances to other funds (Note 5)	10,375,000
Special assessment receivables	5,317,627
Net OPEB asset (Note 12)	1,062,784
Capital assets: (Note 4)	
Assets not subject to depreciation	8,761,112
Assets subject to depreciation - Net	110,369,466
	<hr/>
Total noncurrent assets	141,543,559
	<hr/>
Total assets	179,234,623
<b>Deferred Outflows of Resources</b> (Note 6)	276,319
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	3,417,365
Due to other funds	268
Refundable deposits, bonds, etc.	10,698
Accrued liabilities and other	423,596
Unearned revenue (Note 7)	1,990,030
Compensated absences (Note 8)	10,109
Current portion of long-term debt (Note 8)	1,000,956
	<hr/>
Total current liabilities	6,853,022
Noncurrent liabilities:	
Compensated absences (Note 8)	99,628
Unearned revenue (Note 7)	603,518
Long-term debt - Net of current portion (Note 8)	24,640,962
	<hr/>
Total noncurrent liabilities	25,344,108
	<hr/>
Total liabilities	32,197,130
<b>Deferred Inflows of Resources</b> (Note 6)	1,531,102
<b>Net Position</b>	
Net investment in capital assets	99,158,546
Unrestricted	46,624,164
	<hr/>
Total net position	<b><u>\$ 145,782,710</u></b>

# Charter Township of Shelby

## Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Position

Year Ended December 31, 2020

	<u>Water and Sewer</u>
<b>Operating Revenue</b>	
Sale of water	\$ 17,457,101
Sewage disposal charges	12,191,064
Other sales to customers	2,714,907
Other miscellaneous revenue	282,509
Charges to other funds	<u>131,293</u>
Total operating revenue	32,776,874
<b>Operating Expenses</b>	
Cost of water	15,419,658
Cost of sewage treatment	6,604,855
Other operating and maintenance costs	3,874,528
Depreciation	<u>4,231,445</u>
Total operating expenses	<u>30,130,486</u>
<b>Operating Income</b>	2,646,388
<b>Nonoperating Revenue (Expense)</b>	
Investment income	511,299
Interest expense	(726,443)
State and federal grants	<u>178,979</u>
Total nonoperating expense	<u>(36,165)</u>
<b>Income - Before capital contributions</b>	2,610,223
<b>Capital Contributions</b>	
Special assessments	655,683
Lines donated by developers	1,041,154
Other capital contributions	<u>1,099,942</u>
Total capital contributions	2,796,779
<b>Transfers In</b>	<u>300,152</u>
<b>Change in Net Position</b>	5,707,154
<b>Net Position - Beginning of year</b>	<u>140,075,556</u>
<b>Net Position - End of year</b>	<u><u>\$ 145,782,710</u></u>

# Charter Township of Shelby

## Proprietary Fund Statement of Cash Flows

Year Ended December 31, 2020

	<u>Water and Sewer</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 30,703,745
Receipts from interfund services and reimbursements	(171,472)
Payments to suppliers	(25,785,495)
Payments to employees and fringes	(1,698,016)
Claims paid	<u>(6,000,000)</u>
Net cash used in operating activities	(2,951,238)
<b>Cash Flows from Noncapital Financing Activities</b>	
Operating grants and subsidies	475,008
Transfers from other funds	300,152
Repayments of loans made to other funds	<u>475,000</u>
Net cash provided by noncapital financing activities	1,250,160
<b>Cash Flows from Capital and Related Financing Activities</b>	
Special assessment collections	1,549,001
Benefit fees	1,099,942
Purchase of capital assets	(1,644,847)
Principal and interest paid on capital debt	<u>(1,929,716)</u>
Net cash used in capital and related financing activities	(925,620)
<b>Cash Flows from Investing Activities</b>	
Interest received on investments	364,095
Purchases of investment securities	(19,938,091)
Proceeds from sale and maturities of investment securities	<u>28,078,047</u>
Net cash provided by investing activities	<u>8,504,051</u>
<b>Net Increase in Cash</b>	5,877,353
<b>Cash - Beginning of year</b>	<u>17,080,636</u>
<b>Cash - End of year</b>	<b><u>\$ 22,957,989</u></b>
<b>Classification of Cash</b>	
Cash and investments	\$ 28,211,527
Less amounts classified as investments	<u>(5,253,538)</u>
Total cash	<b><u>\$ 22,957,989</u></b>

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

**Year Ended December 31, 2020**

	Water and Sewer
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>	
Operating income	\$ 2,646,388
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	4,231,445
Changes in assets and liabilities:	
Receivables	(1,941,754)
Due to and from other funds	34,693
Inventories	(32,312)
Prepaid and other assets	7,860
Net OPEB asset	(800,765)
Accounts payable	(1,213,935)
Estimated claims liability	(6,000,000)
Deferrals related to OPEB	524,027
Accrued and other liabilities	(406,885)
Total adjustments	(5,597,626)
Net cash provided by operating activities	<b>\$ (2,951,238)</b>

**Significant Noncash Transactions** - During the year ended December 31, 2020, developers constructed water and sewer lines with an estimated value of \$1,041,154 and donated them to the Township's Water and Sewer Fund. In addition, on behalf of the Township, Oakland County, Michigan issued long-term debt for sewer improvements totaling \$4,931,189. Also, on behalf of the Township, Macomb County, Michigan issued refunding bonds totaling \$1,427,833, which refunded the 2010 Clintondale Pump Station Bonds.

**Fiduciary Funds  
Statement of Fiduciary Net Position**

**December 31, 2020**

	Pension and Other Employee Benefit Trust Funds	Custodial Funds	Total Fiduciary Funds
<b>Assets</b>			
Cash and investments	\$ 18,663	\$ 10,417,591	\$ 10,436,254
Investments:			
Short-term funds	4,447,744	-	4,447,744
Stocks	55,272,729	-	55,272,729
Collective index and mutual funds - Fixed income	33,553,618	-	33,553,618
Collective index and mutual funds - Equity	51,417,797	-	51,417,797
Limited partnerships	48,924,315	-	48,924,315
Other investments	90,233	-	90,233
Receivables - Accrued interest	168,369	-	168,369
Prepaid expenses and other assets	3,625	-	3,625
	193,897,093	10,417,591	204,314,684
<b>Liabilities</b>			
Accounts payable	108,321	-	108,321
Due to other governmental units	-	10,342,637	10,342,637
Accrued liabilities and other	336,230	-	336,230
	444,551	10,342,637	10,787,188
<b>Net Position</b>			
Restricted:			
Pension	129,502,804	-	129,502,804
Postemployment benefits other than pension Organizations	63,949,738	-	63,949,738
	-	74,954	74,954
	\$ 193,452,542	\$ 74,954	\$ 193,527,496



**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**

**Year Ended December 31, 2020**

	Pension and Other Employee Benefit Trust Funds	Custodial Funds	Total Fiduciary Funds
<b>Additions</b>			
Investment income (loss):			
Interest and dividends	\$ 3,676,036	\$ -	\$ 3,676,036
Net realized and unrealized gain on investments	19,368,401	-	19,368,401
Investment-related expenses	(1,288,415)	-	(1,288,415)
Net investment income	21,756,022	-	21,756,022
Contributions:			
Employer contributions	7,617,735	-	7,617,735
Employee contributions	523,227	-	523,227
Total contributions	8,140,962	-	8,140,962
Property tax collections	-	95,130,813	95,130,813
District court collections	-	751,299	751,299
Other additions	-	3,784	3,784
Total additions	29,896,984	95,885,896	125,782,880
<b>Deductions</b>			
Benefit payments	9,026,023	-	9,026,023
Administrative expenses	46,098	-	46,098
Property tax disbursements	-	95,130,813	95,130,813
District court disbursements	-	751,299	751,299
Other deductions	-	306	306
Total deductions	9,072,121	95,882,418	104,954,539
<b>Net Increase in Fiduciary Net Position</b>	20,824,863	3,478	20,828,341
<b>Net Position - Beginning of year</b>	172,627,679	71,476	172,699,155
<b>Net Position - End of year</b>	<b>\$ 193,452,542</b>	<b>\$ 74,954</b>	<b>\$ 193,527,496</b>

**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**

*Police and Fire Pension Trust Fund*

The Police and Fire 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), as 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 health care-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 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 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 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 \$30.1 million of the assets held by the Shelby Township Police and Fire Pension Plan System and approximately \$18.8 million of the assets held by the Shelby Township Other Post Employment Benefit Trust at December 31, 2020 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 and/or balance sheet 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 benefit on bond refunding		✓
Deferred pension costs (or cost reductions)	✓	✓
Deferred OPEB costs (or cost reductions)	✓	✓
Property taxes levied for the following year		✓

**Note 1 - Significant Accounting Policies (Continued)**

**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.

**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.

December 31, 2020

**Note 1 - Significant Accounting Policies (Continued)**

**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.

The 2019 taxable valuation of the Township totaled approximately \$3.5 billion (a portion of which is abated). Ad valorem taxes were levied as follows:

Purpose	Millage Rate	Revenue
General operating	1.0000	\$ 3,500,000
Police protection	4.1941	14,700,000
Fire operating	3.1058	10,900,000
Police and fire pension	1.0000	3,500,000
Total		<u>\$ 32,600,000</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 health care 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.



December 31, 2020

**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 is 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.

**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 ended 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.

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.

December 31, 2020

**Note 1 - Significant Accounting Policies (Continued)**

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*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government 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. 93, *Replacement of Interbank Offered Rates*. With the London Interbank Offered Rate (LIBOR) expecting to cease existence in its current form at the end of 2021, this statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) in hedging derivative instruments and leases. The removal of LIBOR as an appropriate benchmark interest rate for a hedging derivative instrument is effective for the Township's financial statements for the December 31, 2022 fiscal year. All other requirements of the statement are effective for the Township's financial statements for the December 31, 2021 fiscal year. Lease modification requirements are effective one year later.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments, deferred inflows of resources, and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets, and when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange of exchange-like transaction. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2023.

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2023.

December 31, 2020

**Note 1 - Significant Accounting Policies (Continued)**

In June 2020, the Governmental Accounting Standards Board issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 should be considered a pension plan or an other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the Township's financial statements for the year ending December 31, 2022.

**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, 2020		\$ (1,508,387)
Current year permit revenue		1,345,332
Related expenses:		
Direct costs	\$ 1,538,600	
Estimated indirect costs	347,836	<u>1,886,436</u>
Current year deficit		<u>(541,104)</u>
Cumulative shortfall December 31, 2020		<u><u>\$ (2,049,491)</u></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 no 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.

December 31, 2020

**Note 3 - Deposits and Investments (Continued)**

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 \$55,927,444 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.

**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
<b>Primary Government</b>		
Bank investment pool	\$ 2,382,033	365 days
Commercial paper	<u>5,405,252</u>	125 days
Total	<u>\$ 7,787,285</u>	
Investment	Carrying Value	Weighted- average Maturity
<b>Fiduciary Funds</b>		
Short-term investments (pension trust)	\$ 2,865,317	53 days
Short-term investments (OPEB trust)	1,582,427	24 days
Fixed Income Collective Index Fund (pension trust)	23,640,865	3.23 days
Fixed Income Collective Index Fund (OPEB trust)	<u>9,912,753</u>	3.85 days
Total	<u>\$ 38,001,362</u>	

December 31, 2020

**Note 3 - Deposits and Investments (Continued)**

**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
<b>Primary Government</b>		
Bank investment pool	\$ 2,382,033	Not rated
Commercial paper	<u>5,405,252</u>	A1
Total	<u>\$ 7,787,285</u>	

Investment	Carrying Value	Rating	Rating Organization
<b>Fiduciary Funds</b>			
Short-term investments (Pension Trust)	\$ 2,865,317	AA1/AA2	S&P
Short-term investments (OPEB Trust)	1,582,427	A1/AA1/AA2	S&P
Fixed Income Collective Index Fund (pension trust)	23,640,865	AA1/AA2	S&P
Fixed Income Collective Index Fund (OPEB trust)	<u>9,912,753</u>	AA1/AA2	S&P
Total	<u>\$ 38,001,362</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, 2020, 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 where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Township’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

December 31, 2020

**Note 3 - Deposits and Investments (Continued)**

The Township has the following recurring fair value measurements as of December 31, 2020:

	Assets Measured at Carrying Value on a Recurring Basis at December 31, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2020
Debt securities - Collective index and mutual funds - Fixed income	\$ 33,553,617	\$ -	\$ -	\$ 33,553,617
Equity securities:				
Stocks	54,696,963	-	-	54,696,963
Real estate investment trusts	665,999	-	-	665,999
Collective index and mutual funds - Equity	<u>38,431,214</u>	<u>12,986,583</u>	<u>-</u>	<u>51,417,797</u>
Total equity securities	93,794,176	12,986,583	-	106,780,759
Limited partnerships:				
Limited partnerships	-	-	2,596,183	2,596,183
Real estate investment trusts	-	-	2,783,359	2,783,359
Private equity	-	-	1,075,548	1,075,548
Total limited partnerships	<u>-</u>	<u>-</u>	<u>6,455,090</u>	<u>6,455,090</u>
Total	<u>\$ 127,347,793</u>	<u>\$ 12,986,583</u>	<u>\$ 6,455,090</u>	146,789,466
Investments measured at NAV:				
Real estate funds (limited partnership)				13,690,604
Private equity (limited partnership)				4,809,802
Commingled funds (limited partnership)				<u>23,968,818</u>
Total investments measured at NAV				<u>42,469,224</u>
Total assets				<u>\$ 189,258,690</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 equity collective index funds at December 31, 2020 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.

The fair value of limited partnerships, real estate, and private equity at December 31, 2020 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.

**Note 3 - Deposits and Investments (Continued)**

*Investments in Entities that Calculate Net Asset Value per Share*

The Township holds shares or interests in investment companies where 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, 2020, 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	\$ 10,591,887	\$ 4,843,942	Fully restricted	None
Real estate funds	3,098,717	-	Quarterly	60 days
Private equity	4,809,802	644,398	Fully restricted	None
Commingled funds	20,085,605	-	Monthly	5 days
Commingled funds	3,883,213	-	Monthly	60 days
Total	<u>\$ 42,469,224</u>	<u>\$ 5,488,340</u>		

Real estate funds: This type includes six 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 the 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. A total of 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. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the plan’s ownership interest in partners’ capital. 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, 2020

**Note 4 - Capital Assets**

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

**Governmental Activities**

	Balance January 1, 2020	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2020
Capital assets not being depreciated:					
Land	\$ 11,538,480	\$ -	\$ -	\$ -	\$ 11,538,480
Construction in progress	7,569,757	(6,633,820)	3,982,410	(34,178)	4,884,169
Subtotal	19,108,237	(6,633,820)	3,982,410	(34,178)	16,422,649
Capital assets being depreciated:					
Infrastructure	42,381,185	30,000	3,253,518	-	45,664,703
Buildings and improvements	28,099,326	6,274,015	113,462	-	34,486,803
Machinery and equipment	9,608,163	329,805	384,967	-	10,322,935
Vehicles	8,648,579	-	1,839,917	(410,792)	10,077,704
Library books	2,000,000	-	-	-	2,000,000
Subtotal	90,737,253	6,633,820	5,591,864	(410,792)	102,552,145
Accumulated depreciation:					
Infrastructure	20,510,633	-	1,563,135	-	22,073,768
Buildings and improvements	7,682,468	-	638,078	-	8,320,546
Machinery and equipment	6,057,323	-	828,114	-	6,885,437
Vehicles	6,705,847	-	888,866	(326,374)	7,268,339
Library books	1,000,000	-	-	-	1,000,000
Subtotal	41,956,271	-	3,918,193	(326,374)	45,548,090
Net capital assets being depreciated	48,780,982	6,633,820	1,673,671	(84,418)	57,004,055
Net governmental activities capital assets	\$ 67,889,219	\$ -	\$ 5,656,081	\$ (118,596)	\$ 73,426,704



December 31, 2020

**Note 4 - Capital Assets (Continued)**

***Business-type Activities***

	Balance January 1, 2020	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2020
Capital assets not being depreciated:					
Land	\$ 205,441	\$ -	\$ -	\$ -	\$ 205,441
Construction in progress	10,575,507	(3,689,966)	1,701,660	(31,530)	8,555,671
Subtotal	10,780,948	(3,689,966)	1,701,660	(31,530)	8,761,112
Capital assets being depreciated:					
Water systems	48,260,794	3,389,683	924,595	-	52,575,072
Sewer systems	128,414,892	300,283	663,952	-	129,379,127
Buildings and improvements	4,156,076	-	33,763	-	4,189,839
Furniture and equipment	1,363,987	-	-	-	1,363,987
Vehicles	734,485	-	51,780	-	786,265
Subtotal	182,930,234	3,689,966	1,674,090	-	188,294,290
Accumulated depreciation:					
Water systems	22,258,947	-	1,226,499	-	23,485,446
Sewer systems	48,521,178	-	2,781,850	-	51,303,028
Buildings and improvements	1,512,348	-	83,052	-	1,595,400
Furniture and equipment	777,582	-	89,103	-	866,685
Vehicles	623,324	-	50,941	-	674,265
Subtotal	73,693,379	-	4,231,445	-	77,924,824
Net capital assets being depreciated	109,236,855	3,689,966	(2,557,355)	-	110,369,466
Net business-type activities capital assets	<u>\$ 120,017,803</u>	<u>\$ -</u>	<u>\$ (855,695)</u>	<u>\$ (31,530)</u>	<u>\$ 119,130,578</u>

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

Governmental activities:	
General government	\$ 602,572
Public safety	1,603,028
Public works	1,126,670
Recreation and culture	458,014
41A District Court	127,909
Total governmental activities	<u>\$ 3,918,193</u>
Business-type activities - Water and sewer	\$ 4,231,445

December 31, 2020

**Note 4 - Capital Assets (Continued)**

**Construction Commitments**

The Township has active construction projects at year end. Two 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	\$ 3,716,525	\$ 5,468,488
Special Assessment Sewer District #34	6,461,814	74,757
Total	<u>\$ 10,178,339</u>	<u>\$ 5,543,245</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	Fire Fund	\$ 20
	Police Fund	2,509
	Total Water and Sewer Fund	2,529
General Fund	Community Block Grant	92,926
	Water and Sewer Fund	268
	Total General Fund	93,194
	Total	<u>\$ 95,723</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	\$ 4,980,000
	Police Fund	5,395,000
	Total	<u>\$ 10,375,000</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, 2020

**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	\$ 6,091
	Public Improvement Fund	4,441,493
	Total General Fund	4,447,584
Police Fund	Public Improvement Fund	178,520
	Fire Fund	6,500
	Total Police Fund	185,020
Fire Fund	Public Improvement Fund	459,270
Public Improvement Fund	General Fund	131,535
	Water and Sewer Fund	300,152
	Total Public Improvement Fund	431,687
	Total	<u>\$ 5,523,561</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 transfers from the Public Improvement Fund to the General Fund and Water and Sewer Fund were done as closing transfers to return money originally transferred from those funds.

**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)	\$ -	\$ 108,487
Deferred pension costs (Note 11)	2,042,775	-
Deferred OPEB costs (Note 12)	1,033,475	167,832
Total deferred outflows	<u>\$ 3,076,250</u>	<u>\$ 276,319</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	Component Unit
Property taxes levied for the next fiscal year	\$ 34,256,031	\$ -	\$ 77,943
Deferred pension cost reductions (Note 11)	10,035,357	-	-
Deferred OPEB cost reductions (Note 12)	11,012,060	1,434,931	-
Deferred benefit on bond refunding being amortized (Note 8)	-	96,171	-
Total deferred inflows	<u>\$ 55,303,448</u>	<u>\$ 1,531,102</u>	<u>\$ 77,943</u>

December 31, 2020

**Note 7 - Unearned Revenue**

At December 31, 2020, the various components of unearned revenue were as follows:

	Governmental Funds	Water and Sewer
Michigan Indigent Defense Commission	\$ 520,774	\$ -
Miscellaneous revenue received in advance of service	5,523	-
Developer payments for future engineering services	-	924,915
Special assessment project in progress	-	1,065,115
Developer redeemable certificates for future capital charges	-	603,518
<b>Total</b>	<b>\$ 526,297</b>	<b>\$ 2,593,548</b>

**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, 2020 are as follows:

**Governmental Activities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings	\$ 503,660	\$ -	\$ (125,916)	\$ 377,744	\$ 125,915
Other debt - General obligations	6,080,000	-	(680,000)	5,400,000	695,000
Total bonds and contracts payable	6,583,660	-	(805,916)	5,777,744	820,915
Compensated absences	979,152	322,524	(148,346)	1,153,330	250,185
Total governmental activities long-term debt	<u>\$ 7,562,812</u>	<u>\$ 322,524</u>	<u>\$ (954,262)</u>	<u>\$ 6,931,074</u>	<u>\$ 1,071,100</u>

**Business-type Activities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings:					
State revolving fund loan	\$ 83,150	\$ -	\$ (5,000)	\$ 78,150	\$ 5,000
County contractual obligations	18,910,433	6,610,876	(3,088,434)	22,432,875	995,956
Total direct borrowings principal outstanding	18,993,583	6,610,876	(3,093,434)	22,511,025	1,000,956
Unamortized bond premiums	2,300,423	996,693	(166,223)	3,130,893	-
Total bonds and contracts payable	21,294,006	7,607,569	(3,259,657)	25,641,918	1,000,956
Compensated absences	86,366	36,269	(12,898)	109,737	10,109
Total business-type activities long-term debt	<u>\$ 21,380,372</u>	<u>\$ 7,643,838</u>	<u>\$ (3,272,555)</u>	<u>\$ 25,751,655</u>	<u>\$ 1,011,065</u>

December 31, 2020

**Note 8 - Long-term Debt (Continued)**

Purpose	Amount of Issue	Interest Rates	Principal Maturity Ranges	Outstanding
<b>Governmental Activities</b>				
Installment Purchase Agreement Maturing through 2023	\$503,660	0.00%	\$125,915	\$ 377,744
Pension Obligation Bonds Series 2014A Maturing through 2027	\$9,300,000	2.00% - 3.60%	\$695,000 - \$860,000	<u>5,400,000</u>
Total governmental activities				<u>\$ 5,777,744</u>
<b>Business-type Activities</b>				
2009 State Revolving Fund (SRF) Clean Water - Project 5343-01 Maturing through 2029	\$128,150	2.50%	\$5,000 - \$10,000	\$ 78,150
2010 OMID Series 2010A (SRF) Maturing through 2031	\$1,242,274	2.50%	\$60,742- \$77,892	759,149
2010 N. Gratiot Drainage Assessment Maturing through 2035	\$73,021	1.00% - 6.35%	\$2,647 - \$4,197	50,273
2014 OMID Drain Bonds, Series 2014A Maturing through 2034	\$476,441	2.00% - 3.125%	\$21,073 - \$31,280	359,553
2015 MID SRF 5624-01 Maturing through 2035	\$355,314	2.50%	\$15,469 - \$20,304	210,040
2015 N. Gratiot Drainage Assessment Maturing through 2033	\$597,225	3.50% - 5.00%	\$34,273 - \$40,600	479,994
2017 MID Drain and Refunding Bonds, Series 2017A (New Money Portion) Maturing through 2035	\$7,029,457	3.45% - 5.50%	\$148,169 - \$396,614	5,611,957
2017 MID Drain and Refunding Bonds, Series 2017A (Refunding Portion) Maturing through 2042	\$10,318,982	3.45% - 5.50%	\$357,261 - \$702,680	7,691,980
2019 OMID Drain Bonds, Series 2019 Maturing through 2025	\$799,681	1.55%	\$73,746 - \$158,246	460,911
2019 OMID Drain Bonds and Refunding Bonds, Series 2019 Maturing through 2030	\$214,861	1.85%	\$16,913 - \$23,821	201,760
2020 MID Drain and Refunding Bonds, Series 2020 Maturing through 2031	\$1,427,833	1.55%	\$97,131 - \$173,449	1,427,833
2020 OMID Drain Bonds, Series 2020 Maturing through 2040	\$4,931,189	2.00% - 5.00%	\$84,032 - \$346,041	4,931,189
2020 MID SRF 5629-03 Maturing through 2040	\$248,236	2.00%	\$120,354- \$122,831	<u>248,236</u>
Total business-type activities				<u>\$ 22,511,025</u>

The Township had deferred outflows of \$108,487 related to deferred charges on bond refundings at December 31, 2020. The Township had deferred inflows of \$96,171 related to deferred benefit on bond refundings at December 31, 2020.

**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, 2020

**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					Business-type Activities		
	Direct Borrowings		Other Debt		Total	Direct Borrowings		Total
	Principal	Interest	Principal	Interest		Principal	Interest	
2021	\$ 125,915	\$ -	\$ 695,000	\$ 176,748	\$ 997,663	\$ 1,000,956	\$ 912,449	\$ 1,913,405
2022	125,915	-	720,000	155,898	1,001,813	987,974	898,125	1,886,099
2023	125,914	-	740,000	134,298	1,000,212	1,153,239	852,941	2,006,180
2024	-	-	765,000	111,728	876,728	1,201,125	805,576	2,006,701
2025	-	-	795,000	86,865	881,865	1,130,808	755,956	1,886,764
2026-2030	-	-	1,685,000	90,795	1,775,795	6,400,632	2,921,105	9,321,737
Thereafter	-	-	-	-	-	10,636,291	1,920,124	12,556,415
<b>Total</b>	<b>\$ 377,744</b>	<b>\$ -</b>	<b>\$ 5,400,000</b>	<b>\$ 756,332</b>	<b>\$ 6,534,076</b>	<b>\$ 22,511,025</b>	<b>\$ 9,066,276</b>	<b>\$ 31,577,301</b>

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) of the interest payable on the bonds. During 2020, OMID issued bonds for the structural rehabilitation of the Oakland-Macomb Interceptor Drain and necessary ancillary wastewater facilities. Also in 2020, MID refunded the 2010 Clintondale Pump Station 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 (refunded in 2020)	30,800,000	2,849,191
MID SRF 5624-01	2,927,439	283,037
MID Series 2017A (new money and refunded portion)	126,425,000	14,723,536
MID Series 2020 (Clintondale Pump Station refunding bonds)	15,435,000	1,427,833
MID SRF 5659-03	2,505,992	248,236
<b>Total</b>	<b>\$ 195,058,431</b>	<b>\$ 19,604,854</b>

**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
2020	57,215,000	4,931,189
<b>Total</b>	<b>\$ 100,241,000</b>	<b>\$ 7,664,459</b>

December 31, 2020

**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, 2020, there is still \$1,200,000 of bonds outstanding that is considered defeased.

**Note 9 - Restricted Assets**

At December 31, 2020, restricted assets are composed of the following:

	Business-type Activities
Total assets held at Macomb and Oakland County, Michigan (unspent bond proceeds)	\$ 5,657,570

The restricted assets consist of the Township's portion of unspent bond proceeds held at Oakland County, Michigan and Macomb County, Michigan for 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 health care 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	
	2020	2019
Unpaid claims - Beginning of year	\$ 895,171	\$ 813,790
Incurring claims, including claims incurred but not reported	4,079,119	4,527,535
Claim payments	(4,154,283)	(4,446,154)
Unpaid claims - End of year	\$ 820,007	\$ 895,171

**Note 11 - Pension Plan**

*Plan Description*

The Police and Fire Pension Board administers the Shelby Township Police and Fire 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).

December 31, 2020

**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 Police and Fire 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.

Starting January 1, 2020 Command Officers hired prior to April 1, 2014 are allowed to opt out of the Shelby Township Police and Fire Pension System to instead participate in the Township's defined contribution plan for general employees. If a participant decides to opt out, credited service accruals are frozen, but average compensation will continue to accrue.

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms:

	Shelby Township Police and Fire Pension System
Date of member count	December 31, 2020
Inactive plan members or beneficiaries currently receiving benefits	124
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>96</u>
Total employees covered by the plan	<u><u>223</u></u>

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, 2020, the active employee contribution rate was 5 percent of annual pay. The Township contributed the actuarial required contribution of \$2,301,925, plus an advance contribution to the Shelby Township Police and Fire Pension System of \$350,903.



December 31, 2020

**Note 11 - Pension Plan (Continued)**

**Net Pension Liability (Asset)**

The Township has chosen to use December 31, 2020 as its measurement date for the net pension asset. The December 31, 2020 fiscal year end reported net pension asset was determined using a measure of the total pension liability and the pension net position as of the December 31, 2020 measurement date. The December 31, 2020 measurement date total pension liability was determined by an actuarial valuation performed as of December 31, 2020.

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

Changes in Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
<b>Balance at January 1, 2020</b>	\$ 119,391,473	\$ 118,010,226	\$ 1,381,247
Changes for the year:			
Service cost	1,889,293	-	1,889,293
Interest	8,847,431	-	8,847,431
Differences between expected and actual experience	(449,096)	-	(449,096)
Changes in assumptions	(307,129)	-	(307,129)
Contributions - Employer	-	2,652,828	(2,652,828)
Contributions - Employee	-	523,227	(523,227)
Net investment income	-	14,992,656	(14,992,656)
Benefit payments, including refunds	(6,630,035)	(6,630,035)	-
Administrative expenses	-	(46,098)	46,098
<b>Net changes</b>	<b>3,350,464</b>	<b>11,492,578</b>	<b>(8,142,114)</b>
<b>Balance at December 31, 2020</b>	<b>\$ 122,741,937</b>	<b>\$ 129,502,804</b>	<b>\$ (6,760,867)</b>

The plan's fiduciary net position represents 105.51 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, 2020, the Township recognized pension expense of \$(640,616).

At December 31, 2020, 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	\$ 880,239	\$ (395,202)
Changes in assumptions	1,162,536	(328,129)
Net difference between projected and actual earnings on pension plan investments	-	(9,312,026)
<b>Total</b>	<b>\$ 2,042,775</b>	<b>\$ (10,035,357)</b>

**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
2021	\$ (2,381,781)
2022	(444,542)
2023	(3,911,631)
2024	(1,254,628)
Total	<u>\$ (7,992,582)</u>

**Actuarial Assumptions**

The total pension liability in the December 31, 2020 actuarial valuation was determined using an inflation assumption of 2.5 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-2020 Projection Scale (see changes disclosed below).

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50 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, 2020 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 %	6.00 %
Global fixed income	22.00	1.70
International equity	25.00	4.90
Private equity	6.00	9.50
Private credit	5.00	5.10
Hedge funds	3.00	4.50
Real estate	6.00	5.90
Cash or cash equivalents	2.00	0.90

**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, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.85 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 (Asset) to Changes in the Discount Rate**

The following presents the net pension asset 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 Police and Fire Pension System	\$ 7,311,092	\$ (6,760,867)	\$ (18,588,846)

**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 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 table used to measure funding liability has been updated from the Pub-2010 Public Safety mortality table projected using fully generational improvements based on the Society of Actuaries' MP-2019 Projection Scale to Pub-2010 Public Safety mortality table projected using fully generational improvements based on the Society of Actuaries' MP-2020 Projection Scale. This change resulted in a decrease 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.

December 31, 2020

**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, 2020 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 69,147,917	\$ 69,147,917
Employee reserve	9,033,677	9,033,677
Employer reserve	-	51,321,210
	<u>\$ 78,181,594</u>	<u>\$ 129,502,804</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 health care, 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 health care 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 health care and life insurance benefits. Employees hired on or after September 1, 2010 are eligible for life insurance benefits only.

**December 31, 2020**

**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 health care 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 health care 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 health care 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 health care 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 health care 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 health care 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 health care 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 health care 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 health care 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 health care 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, 2020
Inactive plan members or beneficiaries currently receiving benefits	208
Active plan members	187
	<hr/>
Total plan members	395
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December 31, 2020

**Note 12 - Other Postemployment Benefit Plan (Continued)**

**Contributions**

Retiree health care 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 \$4,964,907 into a prefunded retiree health care fund, which is reported in these financial statements as a pension and other employee benefit trust fund type. The breakdown of the approximately \$5.0 million contributed to the OPEB trust in 2020 is as follows: \$2,663,240 to prefund estimated 2020 retiree health care costs and \$2,301,667 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, 2020 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, 2020 measurement date. The December 31, 2020 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2019, which used update procedures to roll forward the estimated liability to December 31, 2020.

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
<b>Balance at January 01, 2020</b>	\$ 82,701,240	\$ 54,617,453	\$ 28,083,787
Changes for the year:			
Service cost	1,223,200	-	1,223,200
Interest	5,584,035	-	5,584,035
Differences between expected and actual experience	(5,533,480)	-	(5,533,480)
Contributions - Employer	-	4,964,907	(4,964,907)
Net investment income	-	7,124,021	(7,124,021)
Benefit payments, including refunds	(2,395,988)	(2,395,988)	-
Administrative expenses	-	(360,655)	360,655
Net changes	(1,122,233)	9,332,285	(10,454,518)
<b>Balance at December 31, 2019</b>	<u>\$ 81,579,007</u>	<u>\$ 63,949,738</u>	<u>\$ 17,629,269</u>

The plan's fiduciary net position represents 78.39 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, 2020 and the cumulative contributions to the OPEB trust as of December 31, 2020. At December 31, 2020, the governmental activities reported a net OPEB liability of \$18,692,053, and the business-type activities reported a net OPEB asset of \$1,062,784.

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

For the year ended December 31, 2020, the Township recognized OPEB expense of \$(441,471).

December 31, 2020

**Note 12 - Other Postemployment Benefit Plan (Continued)**

At December 31, 2020, 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	\$ 959,536	\$ (8,261,379)
Changes in assumptions	241,771	-
Net difference between projected and actual earnings on OPEB plan investments	-	(4,185,612)
Total	<u>\$ 1,201,307</u>	<u>\$ (12,446,991)</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
2021	\$ (3,848,154)
2022	(3,848,153)
2023	(2,876,815)
2024	(672,562)
Total	<u>\$ (11,245,684)</u>

**Actuarial Assumptions**

The total OPEB liability in the December 31, 2020 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 health care cost trend rate of 7.5 percent, 4.75 percent, and 3.75 percent for medical, dental, and vision benefits, respectively. The health care 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.

**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, 2023.

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, 2020

**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, 2020 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	32.00 %	4.90 %
Domestic small-/mid-cap equity	16.00	5.40
International equity	15.00	5.32
Domestic bonds	19.00	1.40
Emerging markets equity	5.00	6.26
Real estate	9.00	4.43
Private debt	4.00	5.69

**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, 2020, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 12.07 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	\$ 30,028,018	\$ 17,629,269	\$ 7,617,933



December 31, 2020

**Note 12 - Other Postemployment Benefit Plan (Continued)**

**Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate**

The following presents the net OPEB liability of the Township, calculated using the health care cost trend rate of 7.50 percent, 4.75 percent, and 3.75 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 health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.5%, 3.75%, 2.75%)	Current Health Care Cost Trend Rate (7.5%, 4.75%, 3.75%)	1 Percentage Point Increase (8.5%, 5.75%, 4.75%)
Net OPEB liability of the Charter Township of Shelby Other Post Employment Benefit Plan	\$ 6,535,804	\$ 17,629,269	\$ 31,518,117

**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 are recognized as expense when due and payable in accordance with the benefit terms.

**Note 13 - Pension and Other Employee Benefit Trust Funds**

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

	Police and Fire Retirement Systems Trust Fund	Retiree Health Care	Total
<b>Statement of Net Position</b>			
Cash and investments	\$ 129,648,432	\$ 64,076,667	\$ 193,725,099
Other assets	113,830	58,164	171,994
Liabilities	(259,458)	(185,093)	(444,551)
Net position	<u>\$ 129,502,804</u>	<u>\$ 63,949,738</u>	<u>\$ 193,452,542</u>
<b>Statement of Changes in Net Position</b>			
Investment income	\$ 14,992,656	\$ 6,763,366	\$ 21,756,022
Contributions	3,176,055	4,964,907	8,140,962
Benefit payments	(6,630,035)	(2,395,988)	(9,026,023)
Other deductions	(46,098)	-	(46,098)
Net change in net position	<u>\$ 11,492,578</u>	<u>\$ 9,332,285</u>	<u>\$ 20,824,863</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 Police and Fire 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, 2020, the Township made contributions of \$1,180,821, and the plan members contributed \$623,958 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 2020, 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
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 Township permission prior to expiration of the tax abatement. The amount of tax foregone as a result of these abatements in 2020 was \$437,525.

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## Required Supplemental Information

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# Charter Township of Shelby

## Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 3,524,505	\$ 3,496,272	\$ 3,496,816	\$ 544
Intergovernmental	7,136,006	7,270,780	7,226,201	(44,579)
Charges for services	2,188,589	1,745,147	1,707,356	(37,791)
Fines and forfeitures	2,650,000	1,684,425	1,604,049	(80,376)
Licenses and permits	2,149,526	1,437,200	1,533,665	96,465
Investment income	535,500	216,600	246,097	29,497
Other revenue	333,475	283,018	297,358	14,340
<b>Total revenue</b>	<b>18,517,601</b>	<b>16,133,442</b>	<b>16,111,542</b>	<b>(21,900)</b>
<b>Expenditures</b>				
Current services:				
General government	9,352,929	9,292,847	8,836,189	456,658
Public works	463,693	554,893	548,557	6,336
Recreation and culture	3,618,315	3,216,532	2,933,556	282,976
Capital outlay	294,609	230,951	70,599	160,352
<b>Total expenditures</b>	<b>13,729,546</b>	<b>13,295,223</b>	<b>12,388,901</b>	<b>906,322</b>
<b>Excess of Revenue Over Expenditures</b>	<b>4,788,055</b>	<b>2,838,219</b>	<b>3,722,641</b>	<b>884,422</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	500	131,805	131,535	(270)
Transfers out	(6,497,520)	(6,550,414)	(6,388,055)	162,359
Sale of capital assets	-	4,335	4,335	-
<b>Total other financing uses</b>	<b>(6,497,020)</b>	<b>(6,414,274)</b>	<b>(6,252,185)</b>	<b>162,089</b>
<b>Net Change in Fund Balance</b>	<b>(1,708,965)</b>	<b>(3,576,055)</b>	<b>(2,529,544)</b>	<b>1,046,511</b>
<b>Fund Balance - Beginning of year</b>	<b>7,425,387</b>	<b>7,425,387</b>	<b>7,425,387</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 5,716,422</b>	<b>\$ 3,849,332</b>	<b>\$ 4,895,843</b>	<b>\$ 1,046,511</b>

## Charter Township of Shelby

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

**Year Ended December 31, 2020**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 12,602,863	\$ 12,502,569	\$ 12,504,650	\$ 2,081
Intergovernmental	103,105	390,083	259,581	(130,502)
Charges for services	2,798,800	3,166,222	3,294,404	128,182
Investment income	201,100	95,800	88,153	(7,647)
Other revenue	3,500	500	5,671	5,171
Total revenue	15,709,368	16,155,174	16,152,459	(2,715)
<b>Expenditures</b>				
Current services - Public safety	15,055,704	15,389,460	14,977,537	411,923
Capital outlay	137,350	164,900	160,987	3,913
Debt service	472,541	472,541	472,541	-
Total expenditures	15,665,595	16,026,901	15,611,065	415,836
<b>Excess of Revenue Over Expenditures</b>	43,773	128,273	541,394	413,121
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	6,500	6,500	-
Transfers out	(757,910)	(459,270)	(459,270)	-
Sale of capital assets	10,000	5,000	2,837	(2,163)
Total other financing uses	(747,910)	(447,770)	(449,933)	(2,163)
<b>Net Change in Fund Balance</b>	(704,137)	(319,497)	91,461	410,958
<b>Fund Balance - Beginning of year</b>	7,613,232	7,613,232	7,613,232	-
<b>Fund Balance - End of year</b>	<u>\$ 6,909,095</u>	<u>\$ 7,293,735</u>	<u>\$ 7,704,693</u>	<u>\$ 410,958</u>

## Charter Township of Shelby

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

**Year Ended December 31, 2020**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 16,567,294	\$ 16,436,146	\$ 16,439,152	\$ 3,006
Intergovernmental	219,436	522,545	331,760	(190,785)
Charges for services	643,404	560,723	548,590	(12,133)
Investment income	163,600	92,500	91,481	(1,019)
Other revenue	152,500	200,322	287,116	86,794
Total revenue	17,746,234	17,812,236	17,698,099	(114,137)
<b>Expenditures</b>				
Current services - Public safety	15,966,306	16,225,559	15,832,147	393,412
Capital outlay	600,850	536,509	563,048	(26,539)
Debt service	526,234	526,231	526,231	-
Total expenditures	17,093,390	17,288,299	16,921,426	366,873
<b>Excess of Revenue Over Expenditures</b>	652,844	523,937	776,673	252,736
<b>Other Financing Sources (Uses)</b>				
Transfers in	50,000	10,000	6,091	(3,909)
Transfers out	(200,800)	(185,020)	(185,020)	-
Sale of capital assets	20,000	50,000	52,185	2,185
Total other financing uses	(130,800)	(125,020)	(126,744)	(1,724)
<b>Net Change in Fund Balance</b>	522,044	398,917	649,929	251,012
<b>Fund Balance - Beginning of year</b>	5,321,899	5,321,899	5,321,899	-
<b>Fund Balance - End of year</b>	<b>\$ 5,843,943</b>	<b>\$ 5,720,816</b>	<b>\$ 5,971,828</b>	<b>\$ 251,012</b>

# Charter Township of Shelby

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

	<b>Last Seven Fiscal Years</b>						
	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>							
Service cost	\$ 1,889,293	\$ 1,796,478	\$ 1,898,375	\$ 1,892,677	\$ 1,909,981	\$ 1,909,981	\$ 2,244,535
Interest	8,847,431	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	(449,096)	1,154,399	1,123,624	(479,021)	132,801	621,041	2,622,717
Changes in assumptions	(307,129)	2,325,073	(181,898)	(135,422)	(304,910)	1,921,395	-
Benefit payments, including refunds	(6,630,035)	(6,421,868)	(6,211,818)	(6,375,484)	(5,908,456)	(5,542,845)	(5,213,225)
<b>Net Change in Total Pension Liability</b>	<b>3,350,464</b>	<b>7,164,984</b>	<b>4,669,719</b>	<b>2,671,979</b>	<b>3,365,076</b>	<b>6,008,319</b>	<b>6,595,719</b>
<b>Total Pension Liability - Beginning of year</b>	<b>119,391,473</b>	<b>112,226,489</b>	<b>107,556,770</b>	<b>104,884,791</b>	<b>101,519,715</b>	<b>95,511,396</b>	<b>88,915,677</b>
<b>Total Pension Liability - End of year</b>	<b>\$ 122,741,937</b>	<b>\$ 119,391,473</b>	<b>\$ 112,226,489</b>	<b>\$ 107,556,770</b>	<b>\$ 104,884,791</b>	<b>\$ 101,519,715</b>	<b>\$ 95,511,396</b>
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ 2,652,828	\$ 1,765,929	\$ 1,944,693	\$ 1,971,756	\$ 1,826,359	\$ 1,841,300	\$ 27,671,584
Contributions - Member	523,227	519,910	518,053	525,566	531,588	536,954	593,046
Net investment income (loss)	14,992,656	20,738,528	(6,039,273)	17,304,401	7,994,188	(117,265)	4,900,289
Administrative expenses	(46,098)	(80,948)	(53,998)	(39,752)	(39,382)	(29,671)	(40,613)
Benefit payments, including refunds	(6,630,035)	(6,421,868)	(6,211,818)	(6,375,484)	(5,908,456)	(5,542,845)	(5,213,225)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>11,492,578</b>	<b>16,521,551</b>	<b>(9,842,343)</b>	<b>13,386,487</b>	<b>4,404,297</b>	<b>(3,311,527)</b>	<b>27,911,081</b>
<b>Plan Fiduciary Net Position - Beginning of year</b>	<b>118,010,226</b>	<b>101,488,675</b>	<b>111,331,018</b>	<b>97,944,531</b>	<b>93,540,234</b>	<b>96,851,761</b>	<b>68,940,680</b>
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 129,502,804</b>	<b>\$ 118,010,226</b>	<b>\$ 101,488,675</b>	<b>\$ 111,331,018</b>	<b>\$ 97,944,531</b>	<b>\$ 93,540,234</b>	<b>\$ 96,851,761</b>
<b>Township's Net Pension (Asset) Liability - Ending</b>	<b>\$ (6,760,867)</b>	<b>\$ 1,381,247</b>	<b>\$ 10,737,814</b>	<b>\$ (3,774,248)</b>	<b>\$ 6,940,260</b>	<b>\$ 7,979,481</b>	<b>\$ (1,340,365)</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	105.51 %	98.84 %	90.43 %	103.51 %	93.38 %	92.14 %	101.40 %
<b>Covered Payroll</b>	\$ 10,328,060	\$ 10,176,936	\$ 9,888,486	\$ 10,158,694	\$ 10,180,063	\$ 10,326,125	\$ 10,780,667
<b>Township's Net Pension (Asset) Liability as a Percentage of Covered Payroll</b>	(65.46)%	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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 2,301,925	\$ 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
Contributions in relation to the actuarially determined contribution	2,652,828	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
<b>Contribution Excess</b>	<b>\$ 350,903</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,627,804</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Payroll</b>	<b>\$ 10,328,060</b>	<b>\$ 10,176,936</b>	<b>\$ 9,888,486</b>	<b>\$ 10,158,694</b>	<b>\$ 10,180,063</b>	<b>\$ 10,326,125</b>	<b>\$ 10,780,667</b>	<b>\$ 10,962,530</b>	<b>\$ 10,940,963</b>	<b>\$ 11,259,348</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>25.69 %</b>	<b>17.35 %</b>	<b>19.67 %</b>	<b>19.41 %</b>	<b>17.94 %</b>	<b>17.83 %</b>	<b>256.68 %</b>	<b>37.38 %</b>	<b>41.66 %</b>	<b>43.85 %</b>

#### 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	8-year closed level dollar amortization of unfunded actuarial liability
Remaining amortization period	8 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	7.5 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 2018 Trustees' Report.



**Charter Township of Shelby**

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

**Last Seven Fiscal Years  
Years Ended December 31**

	<u>2020</u>	<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	12.85 %	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 Four Fiscal Years			
	2020	2019	2018	2017
<b>Total OPEB Liability</b>				
Service cost	\$ 1,223,200	\$ 1,324,049	\$ 1,277,181	\$ 1,495,309
Interest	5,584,035	5,183,329	5,585,818	6,317,058
Differences between expected and actual experience	(5,533,480)	1,599,226	(10,278,171)	(8,527,386)
Changes in assumptions	-	402,952	-	(7,311,609)
Benefit payments, including refunds	<u>(2,395,988)</u>	<u>(2,548,638)</u>	<u>(2,597,960)</u>	<u>(2,579,187)</u>
<b>Net Change in Total OPEB Liability</b>	(1,122,233)	5,960,918	(6,013,132)	(10,605,815)
<b>Total OPEB Liability - Beginning of year</b>	<u>82,701,240</u>	<u>76,740,322</u>	<u>82,753,454</u>	<u>93,359,269</u>
<b>Total OPEB Liability - End of year</b>	<b><u>\$ 81,579,007</u></b>	<b><u>\$ 82,701,240</u></b>	<b><u>\$ 76,740,322</u></b>	<b><u>\$ 82,753,454</u></b>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 4,964,907	\$ 5,158,256	\$ 8,379,343	\$ 9,927,224
Net investment income (loss)	7,124,021	9,102,620	(2,807,834)	4,095,976
Administrative expenses	(360,655)	(350,804)	-	-
Benefit payments, including refunds	<u>(2,395,988)</u>	<u>(2,548,638)</u>	<u>(2,597,960)</u>	<u>(2,579,187)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	9,332,285	11,361,434	2,973,549	11,444,013
<b>Plan Fiduciary Net Position - Beginning of year</b>	<u>54,617,453</u>	<u>43,256,019</u>	<u>40,282,470</u>	<u>28,838,457</u>
<b>Plan Fiduciary Net Position - End of year</b>	<b><u>\$ 63,949,738</u></b>	<b><u>\$ 54,617,453</u></b>	<b><u>\$ 43,256,019</u></b>	<b><u>\$ 40,282,470</u></b>
<b>Net OPEB Liability - Ending</b>	<b><u>\$ 17,629,269</u></b>	<b><u>\$ 28,083,787</u></b>	<b><u>\$ 33,484,303</u></b>	<b><u>\$ 42,470,984</u></b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	78.39 %	66.04 %	56.37 %	48.68 %
<b>Covered-employee Payroll</b>	\$ 14,271,967	\$ 13,756,113	\$ 14,269,367	\$ 13,753,607
<b>Net OPEB Liability as a Percentage of Covered-employee Payroll</b>	123.52 %	204.15 %	234.66 %	308.80 %

# Charter Township of Shelby

## Required Supplemental Information Schedule of OPEB Contributions

### Last Ten Fiscal Years Years Ended December 31

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 3,239,304	\$ 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
Contributions in relation to the actuarially determined contribution	4,964,907	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
<b>Contribution Excess (Deficiency)</b>	<b>\$ 1,725,603</b>	<b>\$ 1,505,244</b>	<b>\$ 4,251,391</b>	<b>\$ 5,438,860</b>	<b>\$ (672,318)</b>	<b>\$ (1,173,828)</b>	<b>\$ (2,246,327)</b>	<b>\$ (662,884)</b>	<b>\$ (1,354,294)</b>	<b>\$ 9,561,285</b>
<b>Covered-employee Payroll</b>	\$ 14,271,967	\$ 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
<b>Contributions as a Percentage of Covered-employee Payroll</b>	34.79 %	37.50 %	58.72 %	72.18 %	37.01 %	31.60 %	24.23 %	27.30 %	23.03 %	95.66 %

#### 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	22 years
Asset valuation method	Market value
Inflation	2.50 percent
Health care cost trend rates	3.0 to 7.5 percent depending on the year and type of cost
Salary increase	0.00 to 7.20 percent
Investment rate of return	6.75%
Retirement age	Varies depending on employee's years of service
Mortality	SOA Pub-2010 Mortality tables

## Charter Township of Shelby

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### Required Supplemental Information Schedule of OPEB Investment Returns

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#### Last Four Fiscal Years Years Ended December 31

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return - Net of investment expense	12.07 %	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 (Uses) Sources</u>
Amounts per operating statement	\$ 17,598,348	\$ 16,040,046	\$ (4,311,714)
41st District Court	-	(2,595,151)	(2,595,151)
Community relations	(1,486,806)	(1,055,994)	654,680
	<u>\$ 16,111,542</u>	<u>\$ 12,388,901</u>	<u>\$ (6,252,185)</u>
Amounts per budget statement			

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>
Police Fund - Capital outlay	\$ 536,509	\$ 563,048	\$ (26,539)

***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
- 2020: Pub-2010 Public Safety table projected using fully generational improvements based on the Society of Actuaries MP-2020 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.

## Charter Township of Shelby

### Notes to Required Supplemental Information (Continued)

December 31, 2020

2018

The fire chief's definition of average final compensation was revised to be the average of the 3 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.

2020

Starting January 1, 2020, command officers hired prior to April 1, 2014 are allowed to opt out of the Shelby Township Police and Fire Retirement System to instead participate in the Township's defined contribution plan for general employees. If a participant decides to opt out, credited service accruals are frozen, but average compensation will continue to accrue.

#### **OPEB Information**

##### **Changes in Assumptions**

The mortality tables have been updated biannually:

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

Health care 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.

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## Other Supplemental Information

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# Charter Township of Shelby

	Special Revenue Funds					
	Emergency Response	Street Lighting	Building Authority	Michigan Justice Training Grant	Community Block Grant	Federal Forfeiture
<b>Assets</b>						
Cash and investments	\$ 208,937	\$ 143,885	\$ 15,013	\$ 11,950	\$ -	\$ 283,684
Receivables:						
Other receivables	-	13,631	-	-	-	-
Due from other governmental units	6,648	2,617	-	-	95,064	-
Prepaid expenses	20,815	-	-	-	-	14,241
<b>Total assets</b>	<b>\$ 236,400</b>	<b>\$ 160,133</b>	<b>\$ 15,013</b>	<b>\$ 11,950</b>	<b>\$ 95,064</b>	<b>\$ 297,925</b>
<b>Liabilities</b>						
Accounts payable	\$ 2,258	\$ 44,833	\$ -	\$ 800	\$ 2,138	\$ 243
Due to other funds	-	-	-	-	92,926	-
Accrued liabilities and other	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
<b>Total liabilities</b>	<b>2,258</b>	<b>44,833</b>	<b>-</b>	<b>800</b>	<b>95,064</b>	<b>243</b>
<b>Deferred Inflows of Resources -</b>						
Unavailable revenue	-	2,617	-	-	20,115	-
<b>Total liabilities and deferred inflows of resources</b>	<b>2,258</b>	<b>47,450</b>	<b>-</b>	<b>800</b>	<b>115,179</b>	<b>243</b>
<b>Fund Balances</b>						
Nonspendable	20,815	-	-	-	-	14,241
Restricted:						
Police and fire	213,327	-	-	-	-	283,441
Grants	-	-	-	11,150	-	-
Street lighting	-	112,683	-	-	-	-
Community development	-	-	15,013	-	-	-
Unassigned	-	-	-	-	(20,115)	-
<b>Total fund balances</b>	<b>234,142</b>	<b>112,683</b>	<b>15,013</b>	<b>11,150</b>	<b>(20,115)</b>	<b>297,682</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 236,400</b>	<b>\$ 160,133</b>	<b>\$ 15,013</b>	<b>\$ 11,950</b>	<b>\$ 95,064</b>	<b>\$ 297,925</b>



Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

December 31, 2020

Special Revenue Funds		Capital Project Fund	
Drug Forfeiture	Michigan Indigent Defense Commission	Equipment Replacement	Total
\$ 6,739	\$ 532,909	\$ -	\$ 1,203,117
-	-	-	13,631
-	-	-	104,329
-	-	-	35,056
<b>\$ 6,739</b>	<b>\$ 532,909</b>	<b>\$ -</b>	<b>\$ 1,356,133</b>
\$ -	\$ 11,737	\$ -	\$ 62,009
-	-	-	92,926
-	398	-	398
-	520,774	-	520,774
-	532,909	-	676,107
-	-	-	22,732
-	532,909	-	698,839
-	-	-	35,056
6,739	-	-	503,507
-	-	-	11,150
-	-	-	112,683
-	-	-	15,013
-	-	-	(20,115)
6,739	-	-	657,294
<b>\$ 6,739</b>	<b>\$ 532,909</b>	<b>\$ -</b>	<b>\$ 1,356,133</b>

# Charter Township of Shelby

	Special Revenue Funds					
	Emergency Response	Street Lighting	Building Authority	Michigan Justice Training Grant	Community Block Grant	Federal Forfeiture
<b>Revenue</b>						
Intergovernmental:						
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ 74,948	\$ -
State sources	133,834	-	-	8,946	-	-
Charges for services	-	265,789	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Investment income	660	178	-	-	-	1,678
Other revenue	-	14	-	-	-	-
<b>Total revenue</b>	<b>134,494</b>	<b>265,981</b>	<b>-</b>	<b>8,946</b>	<b>74,948</b>	<b>1,678</b>
<b>Expenditures</b>						
Current services:						
District court	-	-	-	-	-	-
Public safety	40,719	-	-	3,310	-	83,300
Public works	-	267,649	-	-	93,063	-
Recreation and culture	-	-	-	-	2,000	-
Capital outlay	-	-	-	-	-	-
<b>Total expenditures</b>	<b>40,719</b>	<b>267,649</b>	<b>-</b>	<b>3,310</b>	<b>95,063</b>	<b>83,300</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>93,775</b>	<b>(1,668)</b>	<b>-</b>	<b>5,636</b>	<b>(20,115)</b>	<b>(81,622)</b>
<b>Net Change in Fund Balances</b>	<b>93,775</b>	<b>(1,668)</b>	<b>-</b>	<b>5,636</b>	<b>(20,115)</b>	<b>(81,622)</b>
<b>Fund Balances - Beginning of year</b>	<b>140,367</b>	<b>114,351</b>	<b>15,013</b>	<b>5,514</b>	<b>-</b>	<b>379,304</b>
<b>Fund Balances - End of year</b>	<b>\$ 234,142</b>	<b>\$ 112,683</b>	<b>\$ 15,013</b>	<b>\$ 11,150</b>	<b>\$ (20,115)</b>	<b>\$ 297,682</b>

Other Supplemental Information

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

**Year Ended December 31, 2020**

Special Revenue Funds		Capital Project Fund	
Drug Forfeiture	Michigan Indigent Defense Commission	Equipment Replacement	Total
\$ -	\$ -	\$ -	\$ 74,948
-	134,179	-	276,959
-	-	-	265,789
6,228	-	-	6,228
9	1,623	-	4,148
-	-	-	14
6,237	135,802	-	628,086
-	135,802	-	135,802
39,981	-	-	167,310
-	-	-	360,712
-	-	-	2,000
-	120	17	137
39,981	135,922	17	665,961
(33,744)	(120)	(17)	(37,875)
(33,744)	(120)	(17)	(37,875)
40,483	120	17	695,169
<b>\$ 6,739</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 657,294</b>

Other Supplemental Information  
Combining Statement of Fiduciary Net Position  
Fiduciary Funds

December 31, 2020

	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
<b>Assets</b>							
Cash and investments	\$ 18,663	\$ -	\$ 18,663	\$ 74,954	\$ 10,231,456	\$ 111,181	\$ 10,417,591
Investments:							
Short-term funds	2,865,317	1,582,427	4,447,744	-	-	-	-
Stocks	48,607,429	6,665,300	55,272,729	-	-	-	-
Collective index and mutual funds - Fixed income	23,640,865	9,912,753	33,553,618	-	-	-	-
Collective index and mutual funds - Equity	24,313,525	27,104,272	51,417,797	-	-	-	-
Limited partnerships	30,112,400	18,811,915	48,924,315	-	-	-	-
Other investments	90,233	-	90,233	-	-	-	-
Receivables - Accrued interest	110,205	58,164	168,369	-	-	-	-
Prepaid expenses and other assets	3,625	-	3,625	-	-	-	-
Total assets	129,762,262	64,134,831	193,897,093	74,954	10,231,456	111,181	10,417,591
<b>Liabilities</b>							
Accounts payable	93,204	15,117	108,321	-	-	-	-
Due to other governmental units	-	-	-	-	10,231,456	111,181	10,342,637
Accrued liabilities and other	166,254	169,976	336,230	-	-	-	-
Total liabilities	259,458	185,093	444,551	-	10,231,456	111,181	10,342,637
<b>Net Position</b>							
Restricted:							
Pension	129,502,804	-	129,502,804	-	-	-	-
Postemployment benefits other than pension	-	63,949,738	63,949,738	-	-	-	-
Organizations	-	-	-	74,954	-	-	74,954
Total net position	<u>\$ 129,502,804</u>	<u>\$ 63,949,738</u>	<u>\$ 193,452,542</u>	<u>\$ 74,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,954</u>

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

Year Ended December 31, 2020

	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
<b>Additions</b>							
Investment income (loss):							
Interest and dividends	\$ 2,313,961	\$ 1,362,075	\$ 3,676,036	\$ -	\$ -	\$ -	\$ -
Net realized and unrealized gain on investments	13,606,455	5,761,946	19,368,401	-	-	-	-
Investment-related expenses	(927,760)	(360,655)	(1,288,415)	-	-	-	-
Net investment income	14,992,656	6,763,366	21,756,022	-	-	-	-
Contributions:							
Employer contributions	2,652,828	4,964,907	7,617,735	-	-	-	-
Employee contributions	523,227	-	523,227	-	-	-	-
Total contributions	3,176,055	4,964,907	8,140,962	-	-	-	-
Property tax collections	-	-	-	-	95,130,813	-	95,130,813
District court collections	-	-	-	-	-	751,299	751,299
Other additions	-	-	-	3,784	-	-	3,784
Total additions	18,168,711	11,728,273	29,896,984	3,784	95,130,813	751,299	95,885,896
<b>Deductions</b>							
Benefit payments	6,630,035	2,395,988	9,026,023	-	-	-	-
Administrative expenses	46,098	-	46,098	-	-	-	-
Property tax distributions	-	-	-	-	95,130,813	-	95,130,813
District court disbursements	-	-	-	-	-	751,299	751,299
Other deductions	-	-	-	306	-	-	306
Total deductions	6,676,133	2,395,988	9,072,121	306	95,130,813	751,299	95,882,418
<b>Net Increase in Fiduciary Net Position</b>	11,492,578	9,332,285	20,824,863	3,478	-	-	3,478
<b>Net Position - Beginning of year</b>	118,010,226	54,617,453	172,627,679	71,476	-	-	71,476
<b>Net Position - End of year</b>	<b>\$ 129,502,804</b>	<b>\$ 63,949,738</b>	<b>\$ 193,452,542</b>	<b>\$ 74,954</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 74,954</b>