



Shelby Township

**Financial Report with Supplemental Information
December 31, 2021**

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Shelby

Opinions

We have audited the 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 Charter Township of Shelby (the "Township") as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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 Township as of December 31, 2021 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Trustees
Charter Township of Shelby

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The 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. Such 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. The 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.



June 22, 2022

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, 2021.

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 \$232,128,499 at the close of the most recent fiscal year.

The Township's Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 88,721,078	\$ 82,435,118	\$ 54,676,445	\$ 60,103,777	\$ 143,397,523	\$ 142,538,895
Capital assets	77,835,512	73,426,704	128,046,294	119,130,578	205,881,806	192,557,282
Total assets	166,556,590	155,861,822	182,722,739	179,234,355	349,279,329	335,096,177
Deferred Outflows of Resources	7,248,181	3,076,250	194,815	276,319	7,442,996	3,352,569
Liabilities						
Current liabilities	10,028,220	6,245,077	9,302,667	5,841,689	19,330,887	12,086,766
Noncurrent liabilities	16,977,559	25,627,380	25,097,085	26,355,173	42,074,644	51,982,553
Total liabilities	27,005,779	31,872,457	34,399,752	32,196,862	61,405,531	64,069,319
Deferred Inflows of Resources	61,550,110	55,303,448	1,638,185	1,531,102	63,188,295	56,834,550
Net Position						
Net investment in capital assets	77,583,684	73,048,960	107,771,773	99,158,546	185,355,457	172,207,506
Restricted	15,076,735	14,691,010	-	-	15,076,735	14,691,010
Unrestricted	(7,411,537)	(15,977,803)	39,107,844	46,624,164	31,696,307	30,646,361
Total net position	\$ 85,248,882	\$ 71,762,167	\$ 146,879,617	\$ 145,782,710	\$ 232,128,499	\$ 217,544,877

The Township's combined net position increased by \$14.6 million from a year ago, from \$217.5 million to \$232.1 million.

Governmental Activities

A review of the governmental activities shows an increase of approximately \$13.5 million (18.8 percent) in net position during 2021. The amount of available cash and investments increased by \$2.6 million. The Township received almost \$4.2 million in cash from the federal government in June 2021, representing 50 percent of the Township's allocation of the State and Local Fiscal Recovery Fund. The money remained unspent at the end of the year (reflected in an increase in unearned revenue of \$4.2 million) as the Township Board evaluates options to improve the Township; analyzes the continuing flow of new information from the federal government regarding how the money can be spent; and weighs input received from residents, employees, and other units of local government. The Township continued what has been done the past several years and invested heavily in infrastructure, as seen by an increase in capital assets of \$4.4 million. Work continued on the new township library, which is set to be completed in June 2022, and construction also began on a new outdoor pavilion at the activity center. An all-inclusive playground was installed at River Bends Park with the help of the Shelby Township Lions Club, and the Township's 911 dispatch center received a software and hardware upgrade. The Township also continued the focus on road improvements as several major and local road improvements were started or completed in 2021. Additionally, a few pieces of land were purchased along Van Dyke to create a more centralized campus. Most of the remaining increase in net position is due to an increase in pension related assets net of liabilities of \$3.1 million and a decrease in other postemployment benefit-related (OPEB) liabilities net of assets of \$6.5 million, as the Township Board continues to maintain the funded status of the pension system and reduce the liability relating to retiree health care. Unrestricted net position (the portion of net position available to finance day-to-day operations and future growth of the Township) increased by \$8.6 million (53.6 percent) to \$(7.4) million. An increase was also seen in net investment in capital assets of \$4.5 million, relating to the building projects described earlier. Restricted net position increased by \$385,000 due primarily to an increase in net position restricted for police and fire operations.

Business-type Activities

The Township's business-type activities net position increased by \$1.1 million (0.8 percent), to \$146.9 million. Restricted assets decreased by \$1.6 million as construction progressed on the next segment of improvements to the Oakland-Macomb Interceptor Drain. There was a \$1 million decrease in special assessment receivables due to ongoing collections in the sewer district. Accounts payable increased by \$3.6 million relating to materials and construction costs of the water reservoir and pumping facility. In addition, there was a \$1.2 million decrease in bonds payable as bonds continue to be paid down in accordance with maturity schedules. Continued investment in capital assets contributed to a \$2.1 million decrease in cash.

The Township's business-type activities net investment in capital assets increased by \$8.6 million (8.7 percent) to \$107.8 million. This increase was due to ongoing construction of the water reservoir and pumping facility. The 3 million-gallon water storage tank is located on 24 Mile Road near the M-53 Expressway. This facility will allow the Township to store enough water to mitigate future surges in peak water demand. This initial investment of \$14 million is being funded from the existing water infrastructure improvement funds. It is anticipated that savings in wholesale water costs from GLWA will result in a payback on the initial investment within six years. The project was ongoing in 2021 and was completed and placed in service in May 2022. Along with the pumping facility, the Township is investing in a supervisory control and data acquisition (SCADA) system. This SCADA system will gather and analyze automated data in real time from remote locations. As the centralized system collects and processes data, it will notify system operators so they can provide an optimal response to system conditions.

Charter Township of Shelby

Management's Discussion and Analysis (Continued)

The following table shows the changes in net position for the year ended December 31, 2021 and the prior year:

The Township's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue						
Program revenue:						
Charges for services	\$ 11,123,026	\$ 8,957,100	\$ 29,059,433	\$ 32,776,874	\$ 40,182,459	\$ 41,733,974
Operating grants and contributions	976,305	1,908,711	-	178,979	976,305	2,087,690
Capital grants and contributions	230,814	179,366	2,619,672	2,796,779	2,850,486	2,976,145
General revenue:						
Property taxes	34,332,648	32,450,754	-	-	34,332,648	32,450,754
Intergovernmental	8,771,381	7,048,861	-	-	8,771,381	7,048,861
Investment earnings	83,055	510,467	311,693	511,299	394,748	1,021,766
Other revenue	1,793,623	1,891,134	48,638	-	1,842,261	1,891,134
Total revenue	57,310,852	52,946,393	32,039,436	36,263,931	89,350,288	89,210,324
Expenses						
General government	7,133,860	7,890,775	-	-	7,133,860	7,890,775
District court	2,297,653	2,525,876	-	-	2,297,653	2,525,876
Public safety	26,293,255	26,423,596	-	-	26,293,255	26,423,596
Public works	2,980,183	2,654,155	-	-	2,980,183	2,654,155
Recreation and culture	4,845,089	4,361,122	-	-	4,845,089	4,361,122
Debt service	274,097	299,360	-	-	274,097	299,360
Water and sewer	-	-	30,942,529	30,856,929	30,942,529	30,856,929
Total expenses	43,824,137	44,154,884	30,942,529	30,856,929	74,766,666	75,011,813
Transfers	-	(300,152)	-	300,152	-	-
Change in Net Position	13,486,715	8,491,357	1,096,907	5,707,154	14,583,622	14,198,511
Net Position - Beginning of year	71,762,167	63,270,810	145,782,710	140,075,556	217,544,877	203,346,366
Net Position - End of year	\$ 85,248,882	\$ 71,762,167	\$ 146,879,617	\$ 145,782,710	\$ 232,128,499	\$ 217,544,877

Governmental Activities

The Township's total governmental revenue increased by approximately \$4.4 million (8.2 percent) from last year. Charges for services increased by \$2.2 million, rebounding to pre-pandemic levels as restrictions on activity were eased, causing building and recreational activity to come in at or near normal levels. State-shared revenue increased by over \$1.7 million, as a jump in consumer spending combined with a one-time retroactive payment as a result of an increase in the Township's population. Grant revenue was down \$900,000 after federal and state COVID-19-related aid created a large increase in 2020. Another decrease was seen in interest income, dropping over \$400,000 (83.7 percent). This decrease, when combined with the decrease from 2019 to 2020, results in a change of over \$1.2 million less in interest income from 2019 to 2021. These decreases were offset by an increase in property tax revenue of \$1.9 million.

Total governmental expenses were fairly stable from 2020 to 2021, decreasing by approximately \$330,000 (0.75 percent). Small increases in public works and recreation and culture were more than offset by decreases in general government, 41A court expenses, and public safety. The increase in public works is a result of the Township focusing on creating better walkability throughout the Township with the installation and maintenance of sidewalks. Recreation and culture increased to more normal levels after 2020 saw a major reduction in recreation programs offered due to COVID-19. Decreases in the other expense categories were realized mainly due to an increase in operating expenses of \$600,000 and pension expenses of \$100,000 being offset by a decrease in expenses related to OPEB of \$1.8 million. The increase in operating expenses was mainly due to increased employee costs as wage and benefit costs increased. Expenses related to OPEB decreased as favorable investment returns in 2021 decreased OPEB liability and expenses.

Business-type Activities

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

During 2021, the Township's business-type activities revenue decreased by \$4.2 million (11.7 percent) to \$32 million. A \$3.7 million decrease in charges for services was the result of a significant decrease in seasonal water sales. There were also decreases in grant revenue, capital contributions, and interest income.

The business-type expenses for 2021 increased slightly by \$86,000 (0.3 percent), to \$30.9 million. A decrease in water charges (due to a reduction in seasonal water sales) and a decrease in sewer main repair were offset by increases in personnel and OPEB costs. There was also an increase in tap supplies and expenses, as there is continued development in the Township.

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 and acceleration of multiyear capital projects. The General Fund experienced a \$3.8 million (23.8 percent) increase in revenue from 2020. Increases were seen in almost every category. Licenses and permits were near record levels, as building activity returned to normal and several large projects were initiated. Fines and forfeitures increased over \$400,000 but are still lower than pre-pandemic levels due to a reduced case volume. Property taxes increased by \$760,000 as taxable values continue to increase and new construction provides added growth. Intergovernmental revenue and charges for services also saw increases for reasons mentioned previously. The only revenue categories to see a decrease from 2020 to 2021 were investment income and other revenue. Investment income in the General Fund was at the lowest level this century, as very low interest rates continue to drive this revenue source lower. Other revenue decreased just over \$50,000, as the Township did not receive election reimbursements in 2021.

The General Fund ended the year with a favorable revenue budget variance of \$622,241, as most categories came in higher than expected. The largest variance was in intergovernmental revenue as state-shared revenue came in higher than estimates previously provided by the State of Michigan.

In 2021, the Township experienced a \$425,000 increase in expenditures (3.4 percent). A decrease in general government expenditures was mostly offset by an increase in capital outlay. The decrease in general government expenses was mainly attributable to no General Fund money being contributed to the OPEB Trust in 2021. Contributions were no longer necessary as the General Fund was shown as being more than 100 percent funded in the 2020 OPEB actuarial valuation. Capital outlay increased, as the Township spent over \$1 million in 2021 purchasing three parcels of property to create a more centralized campus. Public works and recreation and culture expenditures both increased. The public works increase was due to the Township focusing on maintaining those sidewalks currently in place throughout the Township. Recreation and culture expenditures increased due to increased demand for services as previously mentioned.

The General Fund ended the year with a favorable expenditure budget variance of \$915,140. 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, net transfers out decreased by over \$800,000. Transfers to the Capital Improvement Fund decreased to more normal levels after large increases in 2019 and 2020 were needed to fund a major road improvement plan. This decrease was partially offset by a transfer to the Campus Infrastructure Fund to provide the remaining funding necessary to complete the Township's new library. There were no transfers in during 2021.

When comparing the 2021 original General Fund budget with the 2021 amended budget, the amended budget increased revenue by approximately \$1.4 million. Large increases were required in intergovernmental revenue and licenses and permits as state-shared revenue and federal grants were higher than expected and building permit and sidewalk repair activity increased. On the expenditure side, the amended budget decreased expenditures by approximately \$35,000. Increases in capital outlay and public works were offset by decreases in general government and recreation and culture. The changes were necessary for reasons similar to the changes from 2020 to 2021 described earlier.

Transfers out increased by \$1.3 million, as changes in projected capital projects and additional costs to complete the new township library required a need for additional transfers.

Capital Assets and Debt Administration

At the end of 2021, the Township's governmental and business-type activities combined had approximately \$332 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 \$22.7 and \$23.6 million for 2021 and 2020, respectively. The business-type activities' infrastructure for 2021 and 2020 (including construction in progress), net of depreciation, is \$124.5 million and \$115.7 million, respectively. The increase is mainly due to the ongoing construction of the water reservoir and pumping facility mentioned previously. Additionally, the value of buildings and improvements for the governmental activities, net of depreciation, is \$25.5 million and \$26.2 million for 2021 and 2020, respectively. The business-type activities' buildings and improvements, net of depreciation, are \$2.5 million and \$2.6 million for 2021 and 2020, respectively. See Note 4 for additional information.

The majority of the debt reported in these financial statements is related to the construction of the abovementioned infrastructure and is reported as a liability on the statement of net position (see Note 8 for additional information). The only debt not related to infrastructure relates to pension obligation bonds issued in 2014 to help fund the Township's Police and Fire Pension System 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 \$4.7 million outstanding as of the end of 2021.

Economic Factors and Next Year's Budgets and Rates

The Charter Township of Shelby will maintain the same property tax millage rate for 2022 that applied in 2021 (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 2021, property taxes made up approximately 59.9 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 \$153 million (4.1 percent) between the 2020 and 2021 assessment years. State-shared revenue represented approximately 13.7 percent of the Township's governmental funds' overall 2021 revenue. In preparing the 2022 budget, it was assumed that there would be a slight decrease in state-shared revenue based upon the State of Michigan's projections. It is anticipated that many of the revenue categories will maintain their 2021 levels, while other categories, such as recreation and culture and fines and forfeitures, will continue to increase as activity continues to climb towards pre-COVID-19 levels. Federal grant revenue should also be significantly higher, as the Township secured a SAFER grant to fund additional firefighter hires, and grant revenue should also be recorded as the Township spends some of the money received relating to the State and Local Fiscal Recovery Fund.

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. Due to projected rising health care costs and contractual wage increases and an increase in staffing (primarily in public safety), personnel costs are budgeted to experience an increase in 2022. The Township Board aggressively pursues a permanent solution to retiree health care liability 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 expected that other township costs will also rise, as issues with inflation throughout the United States are driving up the costs of many of those items purchased to provide Township services.

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. 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 2021, the Township and the Macomb County Department of Roads primarily completed a multiyear major road reconstruction project on many of the Township's major roads. The Township also began work on a water reservoir and pumping facility that should assist in maintaining stable water rates and improve service for township residents for years to come. In 2022, the Township should complete the new water reservoir and open the new township library. The focus will then shift to what will need to be done for the community relations department and the former community center building along Van Dyke, south of the Township's main campus. A campus master plan is also in the works that will help guide the current and future boards in making decisions to provide new and improved services and amenities to township residents and business owners. Money for these and future 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, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 68,212,422	\$ 26,108,449	\$ 94,320,871	\$ 195,886
Receivables:				
Property taxes receivable	16,314,410	-	16,314,410	51,583
Special assessments receivable	-	5,194,415	5,194,415	-
Customers	-	7,839,795	7,839,795	-
Accrued interest	6,452	26,729	33,181	-
Other receivables	1,244,981	-	1,244,981	-
Allowance for doubtful accounts	(375,614)	-	(375,614)	-
Due from other governmental units	2,559,472	3,972	2,563,444	-
Internal balances	(9,904,097)	9,904,097	-	-
Inventory	-	291,058	291,058	-
Prepaid expenses and other assets	1,322,141	132,808	1,454,949	36
Restricted assets (Note 9)	-	4,088,553	4,088,553	-
Net pension asset (Note 11)	9,340,911	-	9,340,911	-
Net OPEB asset (Note 12)	-	1,086,569	1,086,569	-
Capital assets: (Note 4)				
Assets not subject to depreciation	22,902,047	20,487,535	43,389,582	-
Assets subject to depreciation - Net	54,933,465	107,558,759	162,492,224	30,925
Total assets	166,556,590	182,722,739	349,279,329	278,430
Deferred Outflows of Resources (Note 6)	7,248,181	194,815	7,442,996	-
Liabilities				
Accounts payable	2,077,625	7,064,268	9,141,893	8,327
Refundable deposits, bonds, etc.	1,371,247	10,698	1,381,945	-
Accrued liabilities and other	1,902,348	377,444	2,279,792	-
Unearned revenue (Note 7)	4,677,000	1,850,257	6,527,257	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 8)	146,290	15,442	161,732	-
Provision for property tax refunds	25,616	-	25,616	23,670
Current portion of long-term debt (Note 8)	845,915	979,590	1,825,505	-
Due in more than one year:				
Compensated absences (Note 8)	910,310	106,208	1,016,518	-
Unearned revenue (Note 7)	-	598,068	598,068	-
Net OPEB liability (Note 12)	10,938,515	-	10,938,515	-
Long-term debt - Net of current portion (Note 8)	4,110,913	23,397,777	27,508,690	-
Total liabilities	27,005,779	34,399,752	61,405,531	31,997
Deferred Inflows of Resources (Note 6)	61,550,110	1,638,185	63,188,295	78,110
Net Position				
Net investment in capital assets	77,583,684	107,771,773	185,355,457	30,925
Restricted:				
Police and fire operations	14,939,234	-	14,939,234	-
Community development	15,013	-	15,013	-
Street lighting	119,416	-	119,416	-
Grants	3,072	-	3,072	-
Unrestricted	(7,411,537)	39,107,844	31,696,307	137,398
Total net position	\$ 85,248,882	\$ 146,879,617	\$ 232,128,499	\$ 168,323

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	\$ 7,133,860	\$ 4,142,835	\$ 209,483	\$ -
District court	2,297,653	1,965,722	208,124	-
Public safety	26,293,255	4,133,533	263,158	15,762
Public works	2,980,183	292,120	66,144	80,726
Recreation and culture	4,845,089	588,816	229,396	134,326
Interest on long-term debt	274,097	-	-	-
Total governmental activities	43,824,137	11,123,026	976,305	230,814
Business-type activities - Water and Sewer	30,942,529	29,059,433	-	2,619,672
Total primary government	\$ 74,766,666	\$ 40,182,459	\$ 976,305	\$ 2,850,486
Component units - Downtown Development Authority	\$ 255,738	\$ -	\$ 150,000	\$ -
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Unrestricted investment income				
Cable franchise fees				
Gain on sale of capital assets				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended December 31, 2021

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (2,781,542)	\$ -	\$ (2,781,542)	\$ -
(123,807)	-	(123,807)	-
(21,880,802)	-	(21,880,802)	-
(2,541,193)	-	(2,541,193)	-
(3,892,551)	-	(3,892,551)	-
(274,097)	-	(274,097)	-
(31,493,992)	-	(31,493,992)	-
-	736,576	736,576	-
(31,493,992)	736,576	(30,757,416)	-
-	-	-	(105,738)
34,332,648	-	34,332,648	145,031
8,771,381	-	8,771,381	-
83,055	311,693	394,748	186
1,408,536	-	1,408,536	-
44,212	48,638	92,850	-
340,875	-	340,875	-
44,980,707	360,331	45,341,038	145,217
13,486,715	1,096,907	14,583,622	39,479
71,762,167	145,782,710	217,544,877	128,844
\$ 85,248,882	\$ 146,879,617	\$ 232,128,499	\$ 168,323

Charter Township of Shelby

	General Fund	Fire Fund	Police Fund
Assets			
Cash and investments	\$ 9,264,220	\$ 19,584,048	\$ 21,813,163
Receivables:			
Property taxes receivable	2,018,382	6,291,851	8,004,177
Accrued interest	6,452	-	-
Other receivables	502,623	581,618	141,982
Allowance for doubtful accounts	(18,484)	(278,488)	(78,642)
Due from other governmental units	2,018,934	112,323	143,805
Due from other funds (Note 5)	110,489	-	-
Prepaid expenses and other assets	149,449	65,488	83,513
	<u>\$ 14,052,065</u>	<u>\$ 26,356,840</u>	<u>\$ 30,107,998</u>
Total assets			
Liabilities			
Accounts payable	\$ 403,785	\$ 126,926	\$ 150,362
Due to other funds (Note 5)	2,865	851	381
Advances from other funds (Note 5)	-	4,752,000	5,148,000
Refundable deposits, bonds, etc.	1,371,247	-	-
Accrued liabilities and other	558,460	657,299	612,227
Unearned revenue (Note 7)	5,291	-	-
Provision for property tax refunds	3,006	9,987	12,623
	<u>2,344,654</u>	<u>5,547,063</u>	<u>5,923,593</u>
Total liabilities			
Deferred Inflows of Resources			
Unavailable revenue	708,387	21,803	73,718
Property taxes levied for the following year	4,412,896	13,743,775	17,486,203
	<u>5,121,283</u>	<u>13,765,578</u>	<u>17,559,921</u>
Total deferred inflows of resources			
Total liabilities and deferred inflows of resources	7,465,937	19,312,641	23,483,514
Fund Balances			
Nonspendable - Prepays	149,449	65,488	83,513
Restricted:			
Police and fire	-	6,978,711	6,540,971
Grants	-	-	-
Street lighting	-	-	-
Community development	-	-	-
Assigned:			
Capital projects	-	-	-
Historical committee	2,252	-	-
Recycling committee	1,781	-	-
Library	110,881	-	-
Special recreation donations	18,955	-	-
Veterans	11,377	-	-
Unassigned	6,291,433	-	-
	<u>6,586,128</u>	<u>7,044,199</u>	<u>6,624,484</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,052,065</u>	<u>\$ 26,356,840</u>	<u>\$ 30,107,998</u>

Governmental Funds
Balance Sheet

December 31, 2021

Public Improvement Fund	Nonmajor Funds	Total Governmental Funds
\$ 12,575,178	\$ 4,975,813	\$ 68,212,422
-	-	16,314,410
-	-	6,452
10,090	8,668	1,244,981
-	-	(375,614)
-	284,410	2,559,472
-	-	110,489
988,823	34,868	1,322,141
\$ 13,574,091	\$ 5,303,759	\$ 89,394,753
\$ 1,332,763	\$ 63,789	\$ 2,077,625
-	110,489	114,586
-	-	9,900,000
-	-	1,371,247
-	221	1,828,207
45,750	4,625,959	4,677,000
-	-	25,616
1,378,513	4,800,458	19,994,281
10,090	6,271	820,269
-	-	35,642,874
10,090	6,271	36,463,143
1,388,603	4,806,729	56,457,424
988,823	34,868	1,322,141
1,374,160	330,932	15,224,774
-	3,072	3,072
-	116,386	116,386
-	15,013	15,013
9,822,505	-	9,822,505
-	-	2,252
-	-	1,781
-	-	110,881
-	-	18,955
-	-	11,377
-	(3,241)	6,288,192
12,185,488	497,030	32,937,329
\$ 13,574,091	\$ 5,303,759	\$ 89,394,753

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

December 31, 2021

Fund Balances Reported in Governmental Funds	\$ 32,937,329
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	77,835,512
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	820,269
Other liabilities that do not present a claim on current financial resources are not reportable as fund liabilities	(35,167)
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(4,956,828)
Accrued interest is not due and payable in the current period and is not reported in the funds	(38,974)
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	(1,056,600)
Pension benefits	1,887,625
Retiree health care benefits	(22,144,284)
Total employee fringe benefits not reported as fund liabilities	<u>(21,313,259)</u>
Net Position of Governmental Activities	<u><u>\$ 85,248,882</u></u>

Charter Township of Shelby

	General Fund	Fire Fund	Police Fund
Revenue			
Property taxes	\$ 4,259,576	\$ 13,240,055	\$ 16,845,644
Intergovernmental:			
Federal grants	519,433	142,916	188,494
State sources	8,214,273	100,591	236,934
Charges for services:			
Charges to other funds	1,122,992	-	-
Charges for services to external parties	1,099,504	3,332,098	570,335
Fines and forfeitures	2,032,990	-	-
Licenses and permits:			
Cable franchise fees	1,408,536	-	-
Other licenses and permits	2,469,269	-	-
Investment income	36,679	16,516	17,525
Other revenue	243,572	14,872	114,348
Total revenue	<u>21,406,824</u>	<u>16,847,048</u>	<u>17,973,280</u>
Expenditures			
Current services:			
General government	7,558,610	-	-
District court	2,613,314	-	-
Public safety	-	16,069,834	15,984,867
Public works	673,584	-	-
Recreation and culture	4,166,303	-	-
Capital outlay	1,323,884	171,417	781,545
Debt service	-	467,669	632,557
Total expenditures	<u>16,335,695</u>	<u>16,708,920</u>	<u>17,398,969</u>
Excess of Revenue Over (Under) Expenditures	5,071,129	138,128	574,311
Other Financing Sources (Uses)			
Transfers in	-	-	16,999
Transfers out	(3,380,843)	(830,622)	(64,031)
Sale of capital assets	-	32,000	125,377
Total other financing (uses) sources	<u>(3,380,843)</u>	<u>(798,622)</u>	<u>78,345</u>
Net Change in Fund Balances	1,690,286	(660,494)	652,656
Fund Balances - Beginning of year	<u>4,895,842</u>	<u>7,704,693</u>	<u>5,971,828</u>
Fund Balances - End of year	<u><u>\$ 6,586,128</u></u>	<u><u>\$ 7,044,199</u></u>	<u><u>\$ 6,624,484</u></u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2021

Public Improvement Fund	Nonmajor Funds	Total Governmental Funds
\$ -	\$ -	\$ 34,345,275
-	127,113	977,956
66,144	303,997	8,921,939
-	-	1,122,992
-	272,412	5,274,349
-	226,321	2,259,311
-	-	1,408,536
-	-	2,469,269
11,976	1,043	83,739
130,406	12	503,210
208,526	930,898	57,366,576
29,023	-	7,587,633
-	162,871	2,776,185
-	351,267	32,405,968
495,642	373,466	1,542,692
-	5,658	4,171,961
6,877,083	197,900	9,351,829
-	-	1,100,226
7,401,748	1,091,162	58,936,494
(7,193,222)	(160,264)	(1,569,918)
4,258,497	-	4,275,496
-	-	(4,275,496)
-	-	157,377
4,258,497	-	157,377
(2,934,725)	(160,264)	(1,412,541)
15,120,213	657,294	34,349,870
\$ 12,185,488	\$ 497,030	\$ 32,937,329

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, 2021

Net Change in Fund Balances Reported in Governmental Funds	\$ (1,412,541)
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	4,408,808
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	(79,864)
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)	820,916
Interest expense is recognized in the government-wide statements as it accrues	5,213
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	9,742,424
Change in Net Position of Governmental Activities	<u><u>\$ 13,486,715</u></u>

Charter Township of Shelby

Proprietary Fund Statement of Net Position

December 31, 2021

	<u>Water and Sewer</u>
Assets	
Current assets:	
Cash and investments	\$ 26,108,449
Receivables:	
Special assessments	865,785
Customers	7,839,795
Accrued interest	26,729
Due from other governmental units	3,972
Due from other funds (Note 5)	4,097
Inventory	291,058
Prepaid expenses and other assets	132,808
	<hr/>
Total current assets	35,272,693
Noncurrent assets:	
Restricted assets (Note 9)	4,088,553
Advances to other funds (Note 5)	9,900,000
Special assessment receivables	4,328,630
Net OPEB asset (Note 12)	1,086,569
Capital assets: (Note 4)	
Assets not subject to depreciation	20,487,535
Assets subject to depreciation - Net	107,558,759
	<hr/>
Total noncurrent assets	147,450,046
	<hr/>
Total assets	182,722,739
Deferred Outflows of Resources (Note 6)	194,815
Liabilities	
Current liabilities:	
Accounts payable	7,064,268
Refundable deposits, bonds, etc.	10,698
Accrued liabilities and other	377,444
Unearned revenue (Note 7)	1,850,257
Compensated absences (Note 8)	15,442
Current portion of long-term debt (Note 8)	979,590
	<hr/>
Total current liabilities	10,297,699
Noncurrent liabilities:	
Compensated absences (Note 8)	106,208
Unearned revenue (Note 7)	598,068
Long-term debt - Net of current portion (Note 8)	23,397,777
	<hr/>
Total noncurrent liabilities	24,102,053
	<hr/>
Total liabilities	34,399,752
Deferred Inflows of Resources (Note 6)	1,638,185
Net Position	
Net investment in capital assets	107,771,773
Unrestricted	39,107,844
	<hr/>
Total net position	\$ 146,879,617

Charter Township of Shelby

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

Year Ended December 31, 2021

	<u>Water and Sewer</u>
Operating Revenue	
Sale of water	\$ 14,978,392
Sewage disposal charges	11,239,367
Other sales to customers	2,565,923
Other miscellaneous revenue	172,926
Charges to other funds	<u>102,825</u>
Total operating revenue	29,059,433
Operating Expenses	
Cost of water	14,974,044
Cost of sewage treatment	6,652,869
Other operating and maintenance costs	4,245,895
Depreciation	<u>4,343,992</u>
Total operating expenses	<u>30,216,800</u>
Operating Loss	(1,157,367)
Nonoperating Revenue (Expense)	
Investment income	311,693
Interest expense	(725,729)
Gain on sale of assets	<u>48,638</u>
Total nonoperating expense	<u>(365,398)</u>
Loss - Before capital contributions	(1,522,765)
Capital Contributions	
Special assessments	87,862
Lines donated by developers	1,159,392
Other capital contributions	<u>1,372,418</u>
Total capital contributions	<u>2,619,672</u>
Change in Net Position	1,096,907
Net Position - Beginning of year	<u>145,782,710</u>
Net Position - End of year	<u><u>\$ 146,879,617</u></u>

Charter Township of Shelby

Proprietary Fund Statement of Cash Flows

Year Ended December 31, 2021

	<u>Water and Sewer</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 29,334,179
Payments for interfund services and reimbursements	(169,536)
Payments to suppliers	(20,140,814)
Payments to employees and fringes	<u>(1,850,255)</u>
Net cash provided by operating activities	7,173,574
Cash Flows from Noncapital Financing Activities	
Operating grants	63,079
Repayments of loans made to other funds	<u>475,000</u>
Net cash provided by noncapital financing activities	538,079
Cash Flows from Capital and Related Financing Activities	
Special assessment collections	1,110,128
Benefit fees	1,366,968
Proceeds from sale of capital assets	58,204
Purchase of capital assets	(10,501,729)
Principal and interest paid on capital debt	<u>(1,999,311)</u>
Net cash used in capital and related financing activities	(9,965,740)
Cash Flows from Investing Activities	
Interest received on investments	151,009
Purchases of investment securities	(23,167,416)
Proceeds from sale and maturities of investment securities	<u>23,123,264</u>
Net cash provided by investing activities	<u>106,857</u>
Net Decrease in Cash	(2,147,230)
Cash - Beginning of year	<u>22,957,989</u>
Cash - End of year	<u>\$ 20,810,759</u>
Classification of Cash	
Cash and investments	\$ 26,108,449
Less amounts classified as investments	<u>(5,297,690)</u>
Total cash	<u>\$ 20,810,759</u>

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

Year Ended December 31, 2021

	Water and Sewer
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (1,157,367)
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	4,343,992
Changes in assets and liabilities:	
Receivables	366,176
Due to and from other funds	(1,836)
Inventories	(34,367)
Prepaid and other assets	(79,334)
Net OPEB asset	(23,785)
Accounts payable	3,646,903
Deferrals related to OPEB	190,564
Accrued and other liabilities	(77,372)
Total adjustments	8,330,941
Net cash provided by operating activities	\$ 7,173,574

Significant Noncash Transactions - During the year ended December 31, 2021, developers constructed water and sewer lines with an estimated value of \$1,159,392 and donated them to the Township's Water and Sewer Fund. In addition, on behalf of the Township, Oakland County and Macomb County, Michigan spent \$2,096,849 of bond proceeds (previously reported as a restricted asset) on sewer improvements during the year ended December 31, 2021.

**Fiduciary Funds
Statement of Fiduciary Net Position**

December 31, 2021

	Pension and Other Employee Benefit Trust Funds	Custodial Funds	Total Fiduciary Funds
Assets			
Cash and investments	\$ 2,250,060	\$ 10,417,204	\$ 12,667,264
Investments:			
Short-term funds	8,583,384	-	8,583,384
Stocks	58,603,060	-	58,603,060
Collective index and mutual funds - Fixed income	37,408,247	-	37,408,247
Collective index and mutual funds - Equity	60,875,109	-	60,875,109
Limited partnerships	52,548,528	-	52,548,528
Receivables - Accrued interest:			
Property taxes receivable	-	13,147,067	13,147,067
Accrued interest	294,356	-	294,356
Prepaid expenses and other assets	3,640	-	3,640
Total assets	220,566,384	23,564,271	244,130,655
Liabilities			
Accounts payable	110,298	1,975	112,273
Due to other governmental units	-	10,335,621	10,335,621
Accrued liabilities and other	1,643,263	-	1,643,263
Total liabilities	1,753,561	10,337,596	12,091,157
Deferred Inflows of Resources - Property taxes levied for the following year	-	13,147,067	13,147,067
Net Position			
Restricted:			
Pension	143,423,831	-	143,423,831
Postemployment benefits other than pension Organizations	75,388,992	-	75,388,992
	-	79,608	79,608
Total net position	\$ 218,812,823	\$ 79,608	\$ 218,892,431

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2021

	Pension and Other Employee Benefit Trust Funds	Custodial Funds	Total Fiduciary Funds
Additions			
Investment income (loss):			
Interest and dividends	\$ 4,098,375	\$ -	\$ 4,098,375
Net realized and unrealized gain on investments	26,718,696	-	26,718,696
Investment costs	(1,987,131)	-	(1,987,131)
Net investment income	28,829,940	-	28,829,940
Contributions:			
Employer contributions	6,713,445	-	6,713,445
Employee contributions	481,135	-	481,135
Total contributions	7,194,580	-	7,194,580
Property tax collections for other governments	-	97,649,063	97,649,063
District court collections	-	964,160	964,160
Other additions	-	14,340	14,340
Total additions	36,024,520	98,627,563	134,652,083
Deductions			
Benefit payments	10,256,672	-	10,256,672
Refunds of contributions	350,057	-	350,057
Administrative expenses	57,510	-	57,510
Property tax disbursements	-	97,649,063	97,649,063
District court disbursements	-	964,160	964,160
Other deductions	-	9,686	9,686
Total deductions	10,664,239	98,622,909	109,287,148
Net Increase in Fiduciary Net Position	25,360,281	4,654	25,364,935
Net Position - Beginning of year	193,452,542	74,954	193,527,496
Net Position - End of year	\$ 218,812,823	\$ 79,608	\$ 218,892,431

December 31, 2021

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.

December 31, 2021

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.

December 31, 2021

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.

December 31, 2021

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 \$32.1 million of the assets held by the Shelby Township Police and Fire Pension Plan System and approximately \$20.4 million of the assets held by the Shelby Township Other Post Employment Benefit Trust at December 31, 2021 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.

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.

December 31, 2021

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		✓

December 31, 2021

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 exist only 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, 2021

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 2020 taxable valuation of the Township totaled approximately \$3.7 billion (a portion of which is abated). Ad valorem taxes were levied as follows:

Purpose	Millage Rate	Revenue
General operating	1.1517	\$ 4,300,000
Police protection	4.0424	15,000,000
Fire operating	3.1058	11,500,000
Police and fire pension	1.0000	3,700,000
Total		<u>\$ 34,500,000</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, 2021

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 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.

December 31, 2021

Note 1 - Significant Accounting Policies (Continued)

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.

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 or 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.

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.

December 31, 2021

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, 2021		\$	(2,049,491)
Current year permit revenue			2,148,974
Related expenses:			
Direct costs	\$	1,511,391	
Estimated indirect costs		357,616	1,869,007
			<u>279,967</u>
Current year surplus			<u>279,967</u>
Cumulative shortfall December 31, 2021		\$	<u>(1,769,524)</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.

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 \$74,777,260 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

December 31, 2021

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk

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

At year end, the Township had the following investments:

Investment	Carrying Value	Weighted- average Maturity
Primary Government		
Bank investment pool	\$ 836,859	365 days
Commercial paper	<u>7,405,230</u>	120 days
Total	<u>\$ 8,242,089</u>	

Investment	Carrying Value	Weighted- average Maturity
Fiduciary Funds		
Short-term investments (pension trust)	\$ 7,527,478	N/A
Short-term investments (OPEB trust)	1,055,906	44 days
Fixed Income Collective Index Fund (pension trust)	23,566,292	3.17 days
Fixed Income Collective Index Fund (OPEB trust)	<u>13,841,955</u>	4.48 days
Total	<u>\$ 45,991,631</u>	

Credit Risk

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

Investment	Carrying Value	Rating
Primary Government		
Bank investment pool	\$ 836,859	Not rated
Commercial paper	<u>7,405,230</u>	A1+
Total	<u>\$ 8,242,089</u>	

Investment	Carrying Value	Rating	Rating Organization
Fiduciary Funds			
Short-term investments (pension trust)	\$ 7,527,478	AA1/AA2	S&P
Short-term investments (OPEB trust)	1,055,906	A1/AA1/AA2	S&P
Fixed Income Collective Index Fund (pension trust)	23,566,292	AA1/AA2	S&P
Fixed Income Collective Index Fund (OPEB trust)	<u>13,841,955</u>	AA1/AA2	S&P
Total	<u>\$ 45,991,631</u>		

December 31, 2021

Note 3 - Deposits and Investments (Continued)

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, 2021, 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 Vanguard S&P 500 ETF Fund, Fidelity 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.

December 31, 2021

Note 3 - Deposits and Investments (Continued)

The Township has the following recurring fair value measurements as of December 31, 2021:

	Assets Measured at Carrying Value on a Recurring Basis at December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2021
Debt securities - Collective index and mutual funds - Fixed income	\$ 37,408,247	\$ -	\$ -	\$ 37,408,247
Equity securities:				
Stocks	57,589,875	-	-	57,589,875
Real estate investment trusts	1,013,185	-	-	1,013,185
Collective index and mutual funds - Equity	60,875,109	-	-	60,875,109
Total equity securities	119,478,169	-	-	119,478,169
Limited partnerships:				
Limited partnerships	-	-	2,556,584	2,556,584
Real estate	-	-	1,706,167	1,706,167
Private equity	-	-	2,455,951	2,455,951
Total limited partnerships	-	-	6,718,702	6,718,702
Total	\$ 156,886,416	\$ -	\$ 6,718,702	163,605,118
Investments measured at NAV:				
Real estate funds (limited partnership)				13,302,905
Private equity (limited partnership)				5,779,935
Commingled funds (limited partnership)				26,746,986
Total investments measured at NAV				45,829,826
Total assets				\$ 209,434,944

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 limited partnerships, real estate, and private equity at December 31, 2021 was determined primarily based on Level 3 inputs. The Township estimates the fair value of these investments using audited financial statements of the limited partnership that hold them.

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

Investments in Entities that Calculate Net Asset Value per Share

The Township holds shares or interests in investment companies 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.

December 31, 2021

Note 3 - Deposits and Investments (Continued)

At December 31, 2021, 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	\$ 9,507,463	\$ 1,431,683	Fully restricted	None
Real estate funds	3,795,442	-	Quarterly	60 days
Private equity	5,779,935	185,271	Fully restricted	None
Commingled funds	22,627,206	-	Monthly	5 days
Commingled funds	4,119,780	-	Monthly	60 days
Total	\$ 45,829,826	\$ 1,616,954		

Real estate funds: This type includes seven real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this type have been determined using 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, 2021

Note 4 - Capital Assets

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

Governmental Activities

	Balance January 1, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2021
Capital assets not being depreciated:					
Land	\$ 11,538,480	\$ -	\$ 1,070,000	\$ -	\$ 12,608,480
Construction in progress	4,884,169	(276,326)	5,685,724	-	10,293,567
Subtotal	16,422,649	(276,326)	6,755,724	-	22,902,047
Capital assets being depreciated:					
Infrastructure	45,664,703	-	1,026,382	(1,770,213)	44,920,872
Buildings and improvements	34,486,803	44,508	149,155	(480,211)	34,200,255
Machinery and equipment	10,322,935	-	116,718	(2,118,021)	8,321,632
Vehicles	10,077,704	231,818	878,137	(898,999)	10,288,660
Library books	2,000,000	-	-	-	2,000,000
Subtotal	102,552,145	276,326	2,170,392	(5,267,444)	99,731,419
Accumulated depreciation:					
Infrastructure	22,073,768	-	1,705,353	(1,587,189)	22,191,932
Buildings and improvements	8,320,546	-	676,667	(279,173)	8,718,040
Machinery and equipment	6,885,437	-	791,662	(2,034,762)	5,642,337
Vehicles	7,268,339	-	814,013	(836,707)	7,245,645
Library books	1,000,000	-	-	-	1,000,000
Subtotal	45,548,090	-	3,987,695	(4,737,831)	44,797,954
Net capital assets being depreciated	57,004,055	276,326	(1,817,303)	(529,613)	54,933,465
Net governmental activities capital assets	\$ 73,426,704	\$ -	\$ 4,938,421	\$ (529,613)	\$ 77,835,512

December 31, 2021

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance January 1, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2021
Capital assets not being depreciated:					
Land	\$ 205,441	\$ -	\$ 224,000	\$ -	\$ 429,441
Construction in progress	8,555,671	(452,393)	11,954,816	-	20,058,094
Subtotal	8,761,112	(452,393)	12,178,816	-	20,487,535
Capital assets being depreciated:					
Water systems	52,575,072	452,393	829,954	(712,978)	53,144,441
Sewer systems	129,379,127	-	113,415	-	129,492,542
Buildings and improvements	4,189,839	-	-	-	4,189,839
Furniture and equipment	1,363,987	-	82,072	-	1,446,059
Vehicles	786,265	-	65,017	(199,292)	651,990
Subtotal	188,294,290	452,393	1,090,458	(912,270)	188,924,871
Accumulated depreciation:					
Water systems	23,485,446	-	1,329,413	(712,978)	24,101,881
Sewer systems	51,303,028	-	2,799,058	-	54,102,086
Buildings and improvements	1,595,400	-	83,894	-	1,679,294
Furniture and equipment	866,685	-	78,284	-	944,969
Vehicles	674,265	-	53,343	(189,726)	537,882
Subtotal	77,924,824	-	4,343,992	(902,704)	81,366,112
Net capital assets being depreciated	110,369,466	452,393	(3,253,534)	(9,566)	107,558,759
Net business-type activities capital assets	<u>\$ 119,130,578</u>	<u>\$ -</u>	<u>\$ 8,925,282</u>	<u>\$ (9,566)</u>	<u>\$ 128,046,294</u>

Capital asset activity for the Township's component unit for the year ended December 31, 2021 was as follows:

Component Unit

	Balance January 1, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2021
Capital assets being depreciated:	\$ -	\$ -	\$ 30,925	\$ -	\$ 30,925

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

Governmental activities:	
General government	\$ 598,972
Public safety	1,543,047
Public works	1,272,141
Recreation and culture	445,626
41A District Court	127,909
Total governmental activities	<u>\$ 3,987,695</u>
Business-type activities - Water and sewer	\$ 4,343,992

December 31, 2021

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	\$ 8,629,266	\$ 643,697
Water reservoir and pumping facility	6,986,660	2,840,285
Total	<u>\$ 15,615,926</u>	<u>\$ 3,483,982</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	\$ 851
	Police Fund	381
	General Fund	2,865
	Total Water and Sewer Fund	4,097
General Fund	Community Block Grant	110,489
	Total	<u>\$ 114,586</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	\$ 4,752,000
	Police Fund	5,148,000
	Total	<u>\$ 9,900,000</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.

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	\$ 16,999
	Public Improvement Fund	3,363,844
	Total General Fund	3,380,843
Police Fund Fire Fund	Public Improvement Fund	64,031
	Public Improvement Fund	830,622
Total	Total	<u>\$ 4,275,496</u>

December 31, 2021

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

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.

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)	\$ -	\$ 101,005
Deferred pension costs (Note 11)	6,298,304	-
Deferred OPEB costs (Note 12)	949,877	93,810
Total deferred outflows	\$ 7,248,181	\$ 194,815

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	\$ 35,642,874	\$ -	\$ 78,110
Deferred pension cost reductions (Note 11)	13,751,590	-	-
Deferred OPEB cost reductions (Note 12)	12,155,646	1,551,473	-
Deferred benefit on bond refunding being amortized (Note 8)	-	86,712	-
Total deferred inflows	\$ 61,550,110	\$ 1,638,185	\$ 78,110

Note 7 - Unearned Revenue

At December 31, 2021, the various components of unearned revenue were as follows:

	Governmental Funds	Water and Sewer
Michigan Indigent Defense Commission	\$ 438,917	\$ -
American Rescue Plan	4,187,042	-
Miscellaneous revenue received in advance of service	5,291	-
Developer payments for future engineering services	-	873,660
Special assessment project in progress	-	976,597
Sidewalk payments for future sidewalk construction	45,750	-
Developer redeemable certificates for future capital charges	-	598,068
Total	\$ 4,677,000	\$ 2,448,325

December 31, 2021

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, 2021 are as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings	\$ 377,744	\$ -	\$ (125,916)	\$ 251,828	\$ 125,915
Other debt - General obligations	5,400,000	-	(695,000)	4,705,000	720,000
Total bonds and contracts payable	5,777,744	-	(820,916)	4,956,828	845,915
Compensated absences	1,153,330	153,455	(250,185)	1,056,600	146,290
Total governmental activities long-term debt	\$ 6,931,074	\$ 153,455	\$ (1,071,101)	\$ 6,013,428	\$ 992,205

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings:					
State revolving fund loan	\$ 78,150	\$ -	\$ (78,150)	\$ -	\$ -
County contractual obligations	22,432,875	-	(993,055)	21,439,820	979,590
Total direct borrowings principal outstanding	22,511,025	-	(1,071,205)	21,439,820	979,590
Unamortized bond premiums	3,130,893	-	(193,346)	2,937,547	-
Total bonds and contracts payable	25,641,918	-	(1,264,551)	24,377,367	979,590
Compensated absences	109,737	22,022	(10,109)	121,650	15,442
Total business-type activities long-term debt	\$ 25,751,655	\$ 22,022	\$ (1,274,660)	\$ 24,499,017	\$ 995,032

December 31, 2021

Note 8 - Long-term Debt (Continued)

Purpose	Amount of Issue	Interest Rates	Principal Maturity Ranges	Outstanding
Governmental Activities				
Installment Purchase Agreement Maturing through 2023	\$503,660	0.00%	\$125,915	\$ 251,828
Pension Obligation Bonds Series 2014A Maturing through 2027	\$9,300,000	2.00% - 3.60%	\$720,000 - \$860,000	4,705,000
Total governmental activities				<u>\$ 4,956,828</u>
Business-type Activities				
2010 OMID Series 2010A (SRF) Maturing through 2031	\$1,242,274	2.50%	\$65,171 - \$77,892	\$ 698,406
2010 N. Gratiot Drainage Assessment Maturing through 2035	\$73,021	1.00% - 6.35%	\$2,733 - \$4,197	47,626
2014 OMID Drain Bonds, Series 2014A Maturing through 2034	\$476,441	2.00% - 3.125%	\$21,731 - \$31,280	338,480
2015 MID SRF 5624-01 Maturing through 2035	\$355,314	2.50%	\$12,569 - \$20,304	197,471
2015 N. Gratiot Drainage Assessment Maturing through 2033	\$597,225	3.50% - 5.00%	\$34,273 - \$40,600	445,721
2017 MID Drain and Refunding Bonds, Series 2017A (New Money Portion) Maturing through 2035	\$7,029,457	3.45% - 5.50%	\$155,652 - \$396,614	5,463,789
2017 MID Drain and Refunding Bonds, Series 2017A (Refunding Portion) Maturing through 2042	\$10,318,982	3.45% - 5.50%	\$375,026 - \$702,680	7,334,720
2019 OMID Drain Bonds, Series 2019 Maturing through 2025	\$799,681	1.55%	\$73,746 - \$158,246	302,665
2019 OMID Drain Bonds and Refunding Bonds, Series 2019 Maturing through 2030	\$214,861	1.85%	\$17,389 - \$23,821	184,847
2020 MID Drain and Refunding Bonds, Series 2020 Maturing through 2031	\$1,427,833	1.55%	\$104,069 - \$173,449	1,330,702
2020 OMID Drain Bonds, Series 2020 Maturing through 2040	\$4,931,189	2.00% - 5.00%	\$120,231 - \$346,041	4,847,157
2020 MID SRF 5629-03 Maturing through 2040	\$248,236	2.00%	\$120,354 - \$122,831	248,236
Total business-type activities				<u>\$ 21,439,820</u>

The Township had deferred outflows of \$101,005 related to deferred charges on bond refundings at December 31, 2021. The Township had deferred inflows of \$86,712 related to deferred benefit on bond refundings at December 31, 2021.

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, 2021

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		
	Principal	Interest	Principal	Interest		Principal	Interest	Total
2022	\$ 125,915	\$ -	\$ 720,000	\$ 155,898	\$ 1,001,813	\$ 979,590	\$ 891,439	\$ 1,871,029
2023	125,913	-	740,000	134,298	1,000,211	1,139,372	846,154	1,985,526
2024	-	-	765,000	111,728	876,728	1,187,741	797,665	1,985,406
2025	-	-	795,000	86,865	881,865	1,116,940	748,137	1,865,077
2026	-	-	825,000	59,835	884,835	1,154,914	697,265	1,852,179
2027-2031	-	-	860,000	30,960	890,960	6,618,018	2,601,355	9,219,373
Thereafter	-	-	-	-	-	9,243,245	1,531,687	10,774,932
Total	\$ 251,828	\$ -	\$ 4,705,000	\$ 579,584	\$ 5,536,412	\$ 21,439,820	\$ 8,113,702	\$ 29,553,522

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.

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
Total	\$ 195,058,431	\$ 19,604,854

Oakland-Macomb Interceptor Drainage District

	County Portion	Township Portion
2010A (SRF)	\$ 26,076,000	\$ 1,242,787
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
Total	\$ 100,241,000	\$ 7,664,959

December 31, 2021

Note 9 - Restricted Assets

At December 31, 2021, restricted assets are composed of the following:

	Business-type Activities
Total assets held at Oakland County, Michigan (unspent bond proceeds)	\$ 4,088,553

The restricted assets consist of the Township's portion of unspent bond proceeds held at Oakland 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	
	2021	2020
Unpaid claims - Beginning of year	\$ 820,007	\$ 895,171
Incurred claims, including claims incurred but not reported	4,947,918	4,079,119
Claim payments	(4,994,678)	(4,154,283)
Unpaid claims - End of year	\$ 773,247	\$ 820,007

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).

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.

December 31, 2021

Note 11 - Pension Plan (Continued)

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 on 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
	<u>December 31, 2021</u>
Date of member count	December 31, 2021
Inactive plan members or beneficiaries currently receiving benefits	139
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>82</u>
Total employees covered by the plan	<u><u>224</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, 2021, the active employee contribution rate was 5 percent of annual pay. The Township contributed the actuarial required contribution of \$2,562,785.

December 31, 2021

Note 11 - Pension Plan (Continued)

Net Pension Asset

The Township has chosen to use December 31, 2021 as its measurement date for the net pension asset. The December 31, 2021 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, 2021 measurement date. The December 31, 2021 measurement date total pension liability was determined by an actuarial valuation performed as of December 31, 2021.

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

Changes in Net Pension Asset	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Asset
Balance at January 1, 2021	\$ 122,741,937	\$ 129,502,804	\$ (6,760,867)
Changes for the year:			
Service cost	1,833,877	-	1,833,877
Interest	9,054,798	-	9,054,798
Differences between expected and actual experience	1,164,217	-	1,164,217
Changes in assumptions	6,978,438	-	6,978,438
Contributions - Employer	-	2,562,785	(2,562,785)
Contributions - Employee	-	481,135	(481,135)
Net investment income	-	18,624,964	(18,624,964)
Benefit payments, including refunds	(7,690,347)	(7,690,347)	-
Administrative expenses	-	(57,510)	57,510
Net changes	11,340,983	13,921,027	(2,580,044)
Balance at December 31, 2021	\$ 134,082,920	\$ 143,423,831	\$ (9,340,911)

The plan's fiduciary net position represents 106.97 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, 2021, the Township recognized pension expense of \$(556,554).

At December 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,064,744	\$ (149,699)
Changes in assumptions	5,233,560	(102,376)
Net difference between projected and actual earnings on pension plan investments	-	(13,499,515)
Total	\$ 6,298,304	\$ (13,751,590)

December 31, 2021

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
2022	\$ 451,946
2023	(3,015,143)
2024	(3,072,359)
2025	(1,817,730)
Total	<u>\$ (7,453,286)</u>

Actuarial Assumptions

The total pension liability in the December 31, 2021 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 7.00 percent, and the Pub-2010 Public Safety mortality table projected using fully generational improvements based on the Society of Actuaries' MP-2021 Projection Scale (see changes disclosed below).

Discount Rate

The discount rate used to measure the total pension liability was 7.00 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, 2021 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 %	6.14 %
Global fixed income	22.00	1.54
International equity	25.00	4.94
Private equity	6.00	10.44
Private credit	5.00	6.54
Hedge funds	3.00	4.34
Real estate	6.00	5.34
Cash or cash equivalents	2.00	0.74

December 31, 2021

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, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.66 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 Asset to Changes in the Discount Rate

The following presents the net pension asset of the Township, calculated using the discount rate of 7.00 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 (6.00%)	Current Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net pension liability (asset) of the Shelby Township Police and Fire Pension System	\$ 6,265,567	\$ (9,340,911)	\$ (22,540,274)

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-2020 Projection Scale to Pub-2010 Public Safety mortality table projected using fully generational improvements based on the Society of Actuaries' MP-2021 Projection Scale. This change resulted in a decrease in the liabilities and normal cost.

The long-term investment rate assumption has been changed from 7.50 percent to 7.00 percent for the current year valuation. This change resulted in an increase in the liabilities and normal cost.

Change in the amortization method to continue the closed amortization of the unfunded actuarial accrued liability as of December 31, 2020 with all future method changes, assumption changes, and experience gains and losses amortized over 10-year closed layers.

December 31, 2021

Note 11 - Pension Plan (Continued)

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.

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, 2021 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 83,767,827	\$ 83,767,827
Employee reserve	7,813,481	7,813,481
Employer reserve	-	51,842,523
	<u>\$ 91,581,308</u>	<u>\$ 143,423,831</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.

December 31, 2021

Note 12 - Other Postemployment Benefit Plan (Continued)

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.

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.

December 31, 2021

Note 12 - Other Postemployment Benefit Plan (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2021
Inactive plan members or beneficiaries currently receiving benefits	226
Active plan members	<u>174</u>
Total plan members	<u><u>400</u></u>

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 \$4,150,660 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 \$4.15 million contributed to the OPEB trust in 2021 is as follows: \$2,117,466 to prefund estimated 2021 retiree health care costs and \$2,033,194 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, 2021 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, 2021 measurement date. The December 31, 2021 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2021.

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at January 1, 2021	\$ 81,579,007	\$ 63,949,738	\$ 17,629,269
Changes for the year:			
Service cost	1,207,044	-	1,207,044
Interest	5,489,631	-	5,489,631
Differences between expected and actual experience	(442,115)	-	(442,115)
Changes in assumptions	323,753	-	323,753
Contributions - Employer	-	4,150,660	(4,150,660)
Net investment income	-	10,809,283	(10,809,283)
Benefit payments, including refunds	(2,916,382)	(2,916,382)	-
Administrative expenses	-	(604,307)	604,307
Net changes	<u>3,661,931</u>	<u>11,439,254</u>	<u>(7,777,323)</u>
Balance at December 31, 2021	<u><u>\$ 85,240,938</u></u>	<u><u>\$ 75,388,992</u></u>	<u><u>\$ 9,851,946</u></u>

The plan's fiduciary net position represents 88.44 percent of the total OPEB liability.

December 31, 2021

Note 12 - Other Postemployment Benefit Plan (Continued)

The Township allocates the net OPEB liability or asset between the governmental activities and the business-type activities based on the census data as of December 31, 2021 and the cumulative contributions to the OPEB trust as of December 31, 2021. At December 31, 2021, the governmental activities reported a net OPEB liability of \$10,938,515, and the business-type activities reported a net OPEB asset of \$1,086,569.

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

For the year ended December 31, 2021, the Township recognized OPEB expense of \$(2,208,915).

At December 31, 2021, 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	\$ 639,691	\$ (5,153,961)
Changes in assumptions	403,996	-
Net difference between projected and actual earnings on OPEB plan investments	-	(8,553,158)
Total	\$ 1,043,687	\$ (13,707,119)

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
2022	\$ (5,172,027)
2023	(4,200,689)
2024	(1,996,434)
2025	(1,294,282)
Total	\$ (12,663,432)

Actuarial Assumptions

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using an inflation assumption of 3.75 percent; assumed salary increases (including inflation) of 0 to 6.7 percent; an investment rate of return (net of investment expenses) of 6.75 percent; a health care cost trend rate of 7.50 percent, 4 percent, and 3 percent for medical, dental, and vision benefits, respectively (the medical cost trend rate decreases by 0.50 percent to an ultimate rate of 4.50 percent); and the SOA Pub-2010 Public Safety Headcount Weighted Mortality Table for public safety employees, SOA Pub-2010 General Headcount Weighted Mortality Table for all other actives and retirees, and SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table for surviving spouses. All three tables are fully generational using Scale MP-2021. These assumptions were applied to all periods included in the measurement.

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, 2022.

December 31, 2021

Note 12 - Other Postemployment Benefit Plan (Continued)

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.

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, 2021 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	26.00 %	4.42 %
Domestic small-/mid-cap equity	16.00	4.81
Developed international equity	15.00	4.91
Domestic bonds	20.00	1.00
Emerging markets equity	5.00	5.58
Real estate	9.00	7.42
Private equity	9.00	7.42

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, 2021, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 15.47 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	\$ 22,617,022	\$ 9,851,946	\$ (464,034)

December 31, 2021

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 percent, and 3 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%, 2%)	Current Health Care Cost Trend Rate (7.5%, 4%, 3%)	1 Percentage Point Increase (8.5%, 5%, 4%)
Net OPEB liability of the Charter Township of Shelby Other Post Employment Benefit Plan	\$ (767,678)	\$ 9,851,946	\$ 23,035,620

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.

Assumption Changes

Health care trend rates have been updated to an initial rate of 7.50 percent decreasing by 0.50 percent annually to an ultimate rate of 4.50 percent. Dental trend rates have been reset to 4.0 percent per year. Vision trend rates have been reset to 3.0 percent per year. The payroll growth assumption has been updated to follow the Michigan Employees Retirement System actuarial valuation assumption used in the December 30, 2020 actuarial valuation.

December 31, 2021

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
Statement of Net Position			
Cash and investments	\$ 143,720,675	\$ 76,547,713	\$ 220,268,388
Other assets	230,463	67,533	297,996
Liabilities	(527,307)	(1,226,254)	(1,753,561)
Net position	<u>\$ 143,423,831</u>	<u>\$ 75,388,992</u>	<u>\$ 218,812,823</u>
Statement of Changes in Net Position			
Investment income	\$ 18,624,964	\$ 10,204,976	\$ 28,829,940
Contributions	3,043,920	4,150,660	7,194,580
Benefit payments	(7,340,290)	(2,916,382)	(10,256,672)
Other deductions	(407,567)	-	(407,567)
Net change in net position	<u>\$ 13,921,027</u>	<u>\$ 11,439,254</u>	<u>\$ 25,360,281</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, 2021, the Township made contributions of \$1,304,491, and the plan members contributed \$682,521 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 2021, the Township recognized revenue related to this lease of \$225,000. The future minimum lease payments for these leases are as follows:

Years Ending	Percent of Gross Revenue	Minimum Rent
2022-2024	4.50	\$ 225,000
2025-2034	5.50	250,000
2035-2045	5.50	300,000
2046-2053	5.50	250,000

December 31, 2021

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 2021 was \$448,491.

Required Supplemental Information

Charter Township of Shelby

**Required Supplemental Information
Budgetary Comparison Schedule - General Fund**

Year Ended December 31, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 4,263,465	\$ 4,203,401	\$ 4,259,576	\$ 56,175
Intergovernmental	7,042,940	8,203,548	8,695,065	491,517
Charges for services	2,332,360	2,201,856	2,210,546	8,690
Fines and forfeitures	2,092,825	1,969,623	2,032,990	63,367
Licenses and permits	1,823,512	2,490,778	2,469,269	(21,509)
Investment income	162,400	36,100	36,679	579
Other revenue	238,575	220,150	243,572	23,422
Total revenue	17,956,077	19,325,456	19,947,697	622,241
Expenditures				
Current services:				
General government	9,264,317	8,054,075	7,558,610	495,465
Public works	469,425	737,525	673,584	63,941
Recreation and culture	3,749,801	3,477,973	3,299,619	178,354
Capital outlay	281,409	1,460,062	1,282,682	177,380
Total expenditures	13,764,952	13,729,635	12,814,495	915,140
Excess of Revenue Over Expenditures	4,191,125	5,595,821	7,133,202	1,537,381
Other Financing Sources (Uses)				
Transfers in	500	-	-	-
Transfers out	(4,168,060)	(5,465,843)	(5,442,917)	22,926
Total other financing uses	(4,167,560)	(5,465,843)	(5,442,917)	22,926
Net Change in Fund Balance	23,565	129,978	1,690,285	1,560,307
Fund Balance - Beginning of year	4,895,843	4,895,843	4,895,843	-
Fund Balance - End of year	<u>\$ 4,919,408</u>	<u>\$ 5,025,821</u>	<u>\$ 6,586,128</u>	<u>\$ 1,560,307</u>

Charter Township of Shelby

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

Year Ended December 31, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 13,259,235	\$ 13,065,716	\$ 13,240,055	\$ 174,339
Intergovernmental	81,437	257,566	243,507	(14,059)
Charges for services	2,799,800	2,791,800	3,332,098	540,298
Investment income	74,100	12,900	16,516	3,616
Other revenue	2,500	16,379	14,872	(1,507)
Total revenue	16,217,072	16,144,361	16,847,048	702,687
Expenditures				
Current services - Public safety	16,124,555	16,212,519	16,069,834	142,685
Capital outlay	203,350	196,350	171,417	24,933
Debt service	467,669	467,669	467,669	-
Total expenditures	16,795,574	16,876,538	16,708,920	167,618
Excess of Revenue (Under) Over Expenditures	(578,502)	(732,177)	138,128	870,305
Other Financing (Uses) Sources				
Transfers out	(459,270)	(830,622)	(830,622)	-
Sale of capital assets	15,000	32,000	32,000	-
Total other financing uses	(444,270)	(798,622)	(798,622)	-
Net Change in Fund Balance	(1,022,772)	(1,530,799)	(660,494)	870,305
Fund Balance - Beginning of year	7,704,693	7,704,693	7,704,693	-
Fund Balance - End of year	<u>\$ 6,681,921</u>	<u>\$ 6,173,894</u>	<u>\$ 7,044,199</u>	<u>\$ 870,305</u>

Charter Township of Shelby

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

Year Ended December 31, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 16,872,350	\$ 16,622,794	\$ 16,845,644	\$ 222,850
Intergovernmental	187,058	417,884	425,428	7,544
Charges for services	627,138	566,227	570,335	4,108
Investment income	69,400	13,400	17,525	4,125
Other revenue	164,500	141,000	114,348	(26,652)
Total revenue	17,920,446	17,761,305	17,973,280	211,975
Expenditures				
Current services - Public safety	17,010,429	16,354,989	15,984,867	370,122
Capital outlay	655,000	825,854	781,545	44,309
Debt service	632,556	632,558	632,557	1
Total expenditures	18,297,985	17,813,401	17,398,969	414,432
Excess of Revenue (Under) Over Expenditures	(377,539)	(52,096)	574,311	626,407
Other Financing Sources (Uses)				
Transfers in	20,000	11,500	16,999	5,499
Transfers out	(178,520)	(64,031)	(64,031)	-
Sale of capital assets	20,000	67,362	125,377	58,015
Total other financing (uses) sources	(138,520)	14,831	78,345	63,514
Net Change in Fund Balance	(516,059)	(37,265)	652,656	689,921
Fund Balance - Beginning of year	5,971,828	5,971,828	5,971,828	-
Fund Balance - End of year	<u><u>\$ 5,455,769</u></u>	<u><u>\$ 5,934,563</u></u>	<u><u>\$ 6,624,484</u></u>	<u><u>\$ 689,921</u></u>

Charter Township of Shelby

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

Last Eight Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 1,833,877	\$ 1,889,293	\$ 1,796,478	\$ 1,898,375	\$ 1,892,677	\$ 1,909,981	\$ 1,909,981	\$ 2,244,535
Interest	9,054,798	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	1,164,217	(449,096)	1,154,399	1,123,624	(479,021)	132,801	621,041	2,622,717
Changes in assumptions	6,978,438	(307,129)	2,325,073	(181,898)	(135,422)	(304,910)	1,921,395	-
Benefit payments, including refunds	(7,690,347)	(6,630,035)	(6,421,868)	(6,211,818)	(6,375,484)	(5,908,456)	(5,542,845)	(5,213,225)
Net Change in Total Pension Liability	11,340,983	3,350,464	7,164,984	4,669,719	2,671,979	3,365,076	6,008,319	6,595,719
Total Pension Liability - Beginning of year	122,741,937	119,391,473	112,226,489	107,556,770	104,884,791	101,519,715	95,511,396	88,915,677
Total Pension Liability - End of year	\$ 134,082,920	\$ 122,741,937	\$ 119,391,473	\$ 112,226,489	\$ 107,556,770	\$ 104,884,791	\$ 101,519,715	\$ 95,511,396
Plan Fiduciary Net Position								
Contributions - Employer	\$ 2,562,785	\$ 2,652,828	\$ 1,765,929	\$ 1,944,693	\$ 1,971,756	\$ 1,826,359	\$ 1,841,300	\$ 27,671,584
Contributions - Member	481,135	523,227	519,910	518,053	525,566	531,588	536,954	593,046
Net investment income (loss)	18,624,964	14,992,656	20,738,528	(6,039,273)	17,304,401	7,994,188	(117,265)	4,900,289
Administrative expenses	(57,510)	(46,098)	(80,948)	(53,998)	(39,752)	(39,382)	(29,671)	(40,613)
Benefit payments, including refunds	(7,690,347)	(6,630,035)	(6,421,868)	(6,211,818)	(6,375,484)	(5,908,456)	(5,542,845)	(5,213,225)
Net Change in Plan Fiduciary Net Position	13,921,027	11,492,578	16,521,551	(9,842,343)	13,386,487	4,404,297	(3,311,527)	27,911,081
Plan Fiduciary Net Position - Beginning of year	129,502,804	118,010,226	101,488,675	111,331,018	97,944,531	93,540,234	96,851,761	68,940,680
Plan Fiduciary Net Position - End of year	\$ 143,423,831	\$ 129,502,804	\$ 118,010,226	\$ 101,488,675	\$ 111,331,018	\$ 97,944,531	\$ 93,540,234	\$ 96,851,761
Township's Net Pension (Asset) Liability - Ending	\$ (9,340,911)	\$ (6,760,867)	\$ 1,381,247	\$ 10,737,814	\$ (3,774,248)	\$ 6,940,260	\$ 7,979,481	\$ (1,340,365)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	106.97 %	105.51 %	98.84 %	90.43 %	103.51 %	93.38 %	92.14 %	101.40 %
Covered Payroll	\$ 8,998,819	\$ 10,328,060	\$ 10,176,936	\$ 9,888,486	\$ 10,158,694	\$ 10,180,063	\$ 10,326,125	\$ 10,780,667
Township's Net Pension (Asset) Liability as a Percentage of Covered Payroll	(103.80)%	(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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 2,562,785	\$ 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
Contributions in relation to the actuarially determined contribution	2,562,785	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
Contribution Excess	\$ -	\$ 350,903	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,627,804	\$ -	\$ -
Covered Payroll	\$ 8,998,819	\$ 10,328,060	\$ 10,176,936	\$ 9,888,486	\$ 10,158,694	\$ 10,180,063	\$ 10,326,125	\$ 10,780,667	\$ 10,962,530	\$ 10,940,963
Contributions as a Percentage of Covered Payroll	28.48 %	25.69 %	17.35 %	19.67 %	19.41 %	17.94 %	17.83 %	256.68 %	37.38 %	41.66 %

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	7-year closed level dollar amortization of unfunded actuarial liability
Remaining amortization period	7 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	Pub-2010 Public Safety mortality table projected using fully generational improvements based on the Society of Actuaries' MP-2019 Projection Scale

Charter Township of Shelby

Required Supplemental Information Schedule of Pension Investment Returns

	Last Eight Fiscal Years							
	Years Ended December 31							
	<u>2021</u>	<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	14.66 %	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 Five Fiscal Years				
	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 1,207,044	\$ 1,223,200	\$ 1,324,049	\$ 1,277,181	\$ 1,495,309
Interest	5,489,631	5,584,035	5,183,329	5,585,818	6,317,058
Differences between expected and actual experience	(442,115)	(5,533,480)	1,599,226	(10,278,171)	(8,527,386)
Changes in assumptions	323,753	-	402,952	-	(7,311,609)
Benefit payments, including refunds	(2,916,382)	(2,395,988)	(2,548,638)	(2,597,960)	(2,579,187)
Net Change in Total OPEB Liability	3,661,931	(1,122,233)	5,960,918	(6,013,132)	(10,605,815)
Total OPEB Liability - Beginning of year	81,579,007	82,701,240	76,740,322	82,753,454	93,359,269
Total OPEB Liability - End of year	<u>\$ 85,240,938</u>	<u>\$ 81,579,007</u>	<u>\$ 82,701,240</u>	<u>\$ 76,740,322</u>	<u>\$ 82,753,454</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 4,150,660	\$ 4,964,907	\$ 5,158,256	\$ 8,379,343	\$ 9,927,224
Net investment income (loss)	10,809,283	7,124,021	9,102,620	(2,807,834)	4,095,976
Administrative expenses	(604,307)	(360,655)	(350,804)	-	-
Benefit payments, including refunds	(2,916,382)	(2,395,988)	(2,548,638)	(2,597,960)	(2,579,187)
Net Change in Plan Fiduciary Net Position	11,439,254	9,332,285	11,361,434	2,973,549	11,444,013
Plan Fiduciary Net Position - Beginning of year	63,949,738	54,617,453	43,256,019	40,282,470	28,838,457
Plan Fiduciary Net Position - End of year	<u>\$ 75,388,992</u>	<u>\$ 63,949,738</u>	<u>\$ 54,617,453</u>	<u>\$ 43,256,019</u>	<u>\$ 40,282,470</u>
Net OPEB Liability - Ending	<u>\$ 9,851,946</u>	<u>\$ 17,629,269</u>	<u>\$ 28,083,787</u>	<u>\$ 33,484,303</u>	<u>\$ 42,470,984</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	88.44 %	78.39 %	66.04 %	56.37 %	48.68 %
Covered-employee Payroll	\$ 13,089,616	\$ 14,271,967	\$ 13,756,113	\$ 14,269,367	\$ 13,753,607
Net OPEB Liability as a Percentage of Covered-employee Payroll	75.27 %	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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 2,540,377	\$ 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
Contributions in relation to the actuarially determined contribution	4,150,660	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
Contribution Excess (Deficiency)	\$ 1,610,283	\$ 1,725,603	\$ 1,505,244	\$ 4,251,391	\$ 5,438,860	\$ (672,318)	\$ (1,173,828)	\$ (2,246,327)	\$ (662,884)	\$ (1,354,294)
Covered-employee Payroll	\$ 13,089,616	\$ 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
Contributions as a Percentage of Covered-employee Payroll	31.71 %	34.79 %	37.50 %	58.72 %	72.18 %	37.01 %	31.60 %	24.23 %	27.30 %	23.03 %

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	21 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

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

**Last Five Fiscal Years
Years Ended December 31**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return - Net of investment expense	15.47 %	12.07 %	20.28 %	(5.87)%	15.11 %

December 31, 2021

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</u>
Amounts per operating statement	\$ 21,406,824	\$ 16,335,695	\$ (3,380,843)
41st District Court	-	(2,617,849)	(2,617,849)
Community relations	(1,459,127)	(903,351)	555,775
	<u>\$ 19,947,697</u>	<u>\$ 12,814,495</u>	<u>\$ (5,442,917)</u>

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
- 2021: Pub-2010 Public Safety table projected using fully generational improvements based on the Society of Actuaries MP-2021 projection scale

2015

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

2018

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

Charter Township of Shelby

Notes to Required Supplemental Information (Continued)

December 31, 2021

2020

Starting on 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.

2021

The long-term investment rate assumption was changed from 7.50 percent to 7.0 percent. Change in the amortization method to continue the closed amortization of the unfunded actuarial accrued liability as of December 31, 2020 with all future method changes, assumption changes, and experience gains and losses amortized over 10-year closed layers.

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

2021: 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-2021

- All other actives and retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021

- Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021

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. The payroll growth assumption has been updated to follow the Michigan Employee Retirement System actuarial valuation assumption used in the December 2018 actuarial valuation.

December 31, 2021

2021

Health care trend rates have been updated to an initial rate of 7.50 percent decreasing by 0.50 percent annually to an ultimate rate of 4.50 percent. Dental trend rates have been reset to 4.0 percent per year. Vision trend rates have been reset to 3.0 percent per year. The payroll growth assumption has been updated to follow the Michigan Employees Retirement System actuarial valuation assumption used in the December 30, 2020 actuarial valuation.

Other Supplemental Information

Charter Township of Shelby

	Special Revenue Funds				
	Emergency Response	American Rescue Plan	Street Lighting	Building Authority	Michigan Justice Training Grant
Assets					
Cash and investments	\$ 90,390	\$ 4,187,042	\$ 153,234	\$ 15,013	\$ 3,072
Receivables:					
Other receivables	-	-	8,243	-	-
Due from other governmental units	6,841	-	3,030	-	-
Prepaid expenses	21,715	-	-	-	-
Total assets	\$ 118,946	\$ 4,187,042	\$ 164,507	\$ 15,013	\$ 3,072
Liabilities					
Accounts payable	\$ 7,773	\$ -	\$ 45,091	\$ -	\$ -
Due to other funds	-	-	-	-	-
Accrued liabilities and other	221	-	-	-	-
Unearned revenue	-	4,187,042	-	-	-
Total liabilities	7,994	4,187,042	45,091	-	-
Deferred Inflows of Resources -					
Unavailable revenue	-	-	3,030	-	-
Total liabilities and deferred inflows of resources	7,994	4,187,042	48,121	-	-
Fund Balances					
Nonspendable	21,715	-	-	-	-
Restricted:					
Police and fire	89,237	-	-	-	-
Grants	-	-	-	-	3,072
Street lighting	-	-	116,386	-	-
Community development	-	-	-	15,013	-
Unassigned	-	-	-	-	-
Total fund balances	110,952	-	116,386	15,013	3,072
Total liabilities, deferred inflows of resources, and fund balances	\$ 118,946	\$ 4,187,042	\$ 164,507	\$ 15,013	\$ 3,072

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

December 31, 2021

Special Revenue Funds				
Community Block Grant	Federal Forfeiture	Drug Forfeiture	Michigan Indigent Defense Commission	Total
\$ -	\$ 53,958	\$ 23,262	\$ 449,842	\$ 4,975,813
-	425	-	-	8,668
110,489	154,050	10,000	-	284,410
-	13,153	-	-	34,868
\$ 110,489	\$ 221,586	\$ 33,262	\$ 449,842	\$ 5,303,759
\$ -	\$ -	\$ -	\$ 10,925	\$ 63,789
110,489	-	-	-	110,489
-	-	-	-	221
-	-	-	438,917	4,625,959
110,489	-	-	449,842	4,800,458
3,241	-	-	-	6,271
113,730	-	-	449,842	4,806,729
-	13,153	-	-	34,868
-	208,433	33,262	-	330,932
-	-	-	-	3,072
-	-	-	-	116,386
-	-	-	-	15,013
(3,241)	-	-	-	(3,241)
(3,241)	221,586	33,262	-	497,030
\$ 110,489	\$ 221,586	\$ 33,262	\$ 449,842	\$ 5,303,759

Charter Township of Shelby

	Special Revenue Funds						
	Emergency Response	American Rescue Plan	Street Lighting	Building Authority	Michigan Justice Training Grant	Community Block Grant	Federal Forfeiture
Revenue							
Intergovernmental:							
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,113	\$ -
State sources	132,725	-	-	-	8,872	-	-
Charges for services	-	-	272,412	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	197,805
Investment income	260	-	164	-	-	-	135
Other revenue	-	-	12	-	-	-	-
Total revenue	<u>132,985</u>	<u>-</u>	<u>272,588</u>	<u>-</u>	<u>8,872</u>	<u>127,113</u>	<u>197,940</u>
Expenditures							
Current services:							
District court	-	-	-	-	-	-	-
Public safety	256,175	-	-	-	16,950	-	76,136
Public works	-	-	268,885	-	-	104,581	-
Recreation and culture	-	-	-	-	-	5,658	-
Capital outlay	-	-	-	-	-	-	197,900
Total expenditures	<u>256,175</u>	<u>-</u>	<u>268,885</u>	<u>-</u>	<u>16,950</u>	<u>110,239</u>	<u>274,036</u>
Net Change in Fund Balances -							
Excess of revenue (under) over expenditures	(123,190)	-	3,703	-	(8,078)	16,874	(76,096)
Fund Balances - Beginning of year	<u>234,142</u>	<u>-</u>	<u>112,683</u>	<u>15,013</u>	<u>11,150</u>	<u>(20,115)</u>	<u>297,682</u>
Fund Balances - End of year	<u>\$ 110,952</u>	<u>\$ -</u>	<u>\$ 116,386</u>	<u>\$ 15,013</u>	<u>\$ 3,072</u>	<u>\$ (3,241)</u>	<u>\$ 221,586</u>

Other Supplemental Information

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

Nonmajor Governmental Funds

Year Ended December 31, 2021

Special Revenue Funds		
Drug Forfeiture	Michigan Indigent Defense Commission	Total
\$ -	\$ -	\$ 127,113
-	162,400	303,997
-	-	272,412
28,516	-	226,321
13	471	1,043
-	-	12
28,529	162,871	930,898
-	162,871	162,871
2,006	-	351,267
-	-	373,466
-	-	5,658
-	-	197,900
2,006	162,871	1,091,162
26,523	-	(160,264)
6,739	-	657,294
\$ 33,262	\$ -	\$ 497,030

Other Supplemental Information
Combining Statement of Fiduciary Net Position
Fiduciary Funds

December 31, 2021

	Pension and Other Postemployment Benefit Trust Funds			Custodial Funds			
	Police and Fire Retirement Systems Trust Fund	Retiree Health Care	Total	Custodial	Tax Collection	41st District Court	Total
Assets							
Cash and investments	\$ 2,250,060	\$ -	\$ 2,250,060	\$ 81,583	\$ 10,189,553	\$ 146,068	\$ 10,417,204
Investments:							
Short-term funds	7,527,478	1,055,906	8,583,384	-	-	-	-
Stocks	51,131,682	7,471,378	58,603,060	-	-	-	-
Collective index and mutual funds - Fixed income	23,566,292	13,841,955	37,408,247	-	-	-	-
Collective index and mutual funds - Equity	27,115,747	33,759,362	60,875,109	-	-	-	-
Limited partnerships	32,129,416	20,419,112	52,548,528	-	-	-	-
Receivables - Accrued interest	226,823	67,533	294,356	-	13,147,067	-	13,147,067
Prepaid expenses and other assets	3,640	-	3,640	-	-	-	-
Total assets	143,951,138	76,615,246	220,566,384	81,583	23,336,620	146,068	23,564,271
Liabilities							
Accounts payable	94,535	15,763	110,298	1,975	-	-	1,975
Due to other governmental units	-	-	-	-	10,189,553	146,068	10,335,621
Accrued liabilities and other	432,772	1,210,491	1,643,263	-	-	-	-
Property taxes levied for the following year	-	-	-	-	13,147,067	-	13,147,067
Total liabilities	527,307	1,226,254	1,753,561	1,975	23,336,620	146,068	23,484,663
Net Position							
Restricted:							
Pension	143,423,831	-	143,423,831	-	-	-	-
Postemployment benefits other than pension	-	75,388,992	75,388,992	-	-	-	-
Organizations	-	-	-	79,608	-	-	79,608
Total net position	\$ 143,423,831	\$ 75,388,992	\$ 218,812,823	\$ 79,608	\$ -	\$ -	\$ 79,608

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

Year Ended December 31, 2021

	Pension and Other Postemployment Benefit Trust Funds			Custodial Funds			
	Police and Fire Retirement Systems Trust Fund	Retiree Health Care	Total	Custodial	Tax Collection	41st District Court	Total
Additions							
Investment income (loss):							
Interest and dividends	\$ 2,514,338	\$ 1,584,037	\$ 4,098,375	\$ -	\$ -	\$ -	\$ -
Net realized and unrealized gain on investments	17,493,450	9,225,246	26,718,696	-	-	-	-
Investment costs	(1,382,824)	(604,307)	(1,987,131)	-	-	-	-
Net investment income	18,624,964	10,204,976	28,829,940	-	-	-	-
Contributions:							
Employer contributions	2,562,785	4,150,660	6,713,445	-	-	-	-
Employee contributions	481,135	-	481,135	-	-	-	-
Total contributions	3,043,920	4,150,660	7,194,580	-	-	-	-
Property tax collections for other governments	-	-	-	-	97,649,063	-	97,649,063
District court collections	-	-	-	-	-	964,160	964,160
Other additions	-	-	-	14,340	-	-	14,340
Total additions	21,668,884	14,355,636	36,024,520	14,340	97,649,063	964,160	98,627,563
Deductions							
Benefit payments	7,340,290	2,916,382	10,256,672	-	-	-	-
Refunds of contributions	350,057	-	350,057	-	-	-	-
Administrative expenses	57,510	-	57,510	-	-	-	-
Property tax distributions	-	-	-	-	97,649,063	-	97,649,063
District court disbursements	-	-	-	-	-	964,160	964,160
Other deductions	-	-	-	9,686	-	-	9,686
Total deductions	7,747,857	2,916,382	10,664,239	9,686	97,649,063	964,160	98,622,909
Net Increase in Fiduciary Net Position	13,921,027	11,439,254	25,360,281	4,654	-	-	4,654
Net Position - Beginning of year	129,502,804	63,949,738	193,452,542	74,954	-	-	74,954
Net Position - End of year	\$ 143,423,831	\$ 75,388,992	\$ 218,812,823	\$ 79,608	\$ -	\$ -	\$ 79,608