



Shelby Township

**Financial Report with Supplemental Information
December 31, 2022**

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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, 2022 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, 2022 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.

Emphasis of Matters

As described in Note 1 to the financial statements, the aggregate remaining funds have investments valued at approximately \$51.0 million at year end that have fair values that are estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by fund managers. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, the Township adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*, as of and for the year ended December 31, 2022. This statement requires recognition of lease assets and liabilities for leases that meet certain criteria based on the provisions of the contract. Our opinion is not modified with respect to this matter.

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.

To the Board of Trustees
Charter Township of Shelby

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.

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 Supplementary 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Trustees
Charter Township of Shelby

Other Supplementary 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 supplementary 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moreau, PLLC

June 20, 2023

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, 2022.

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 \$241,922,451 at the close of the most recent fiscal year.

The Township's Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------|-------------------------|----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Assets | | | | | | |
| Current and other assets | \$ 95,948,541 | \$ 88,721,078 | \$ 48,917,900 | \$ 54,676,445 | \$ 144,866,441 | \$ 143,397,523 |
| Capital assets | 79,557,563 | 77,835,512 | 130,675,029 | 128,046,294 | 210,232,592 | 205,881,806 |
| Total assets | 175,506,104 | 166,556,590 | 179,592,929 | 182,722,739 | 355,099,033 | 349,279,329 |
| Deferred Outflows of Resources | 20,153,295 | 7,248,181 | 527,646 | 194,815 | 20,680,941 | 7,442,996 |
| Liabilities | | | | | | |
| Current liabilities | 12,862,429 | 10,028,220 | 5,707,403 | 9,302,667 | 18,569,832 | 19,330,887 |
| Noncurrent liabilities | 39,412,948 | 16,977,559 | 23,962,931 | 25,097,085 | 63,375,879 | 42,074,644 |
| Total liabilities | 52,275,377 | 27,005,779 | 29,670,334 | 34,399,752 | 81,945,711 | 61,405,531 |
| Deferred Inflows of Resources | 51,204,374 | 61,550,110 | 707,350 | 1,638,185 | 51,911,724 | 63,188,295 |
| Net Position | | | | | | |
| Net investment in capital assets | 79,414,607 | 77,583,684 | 110,596,951 | 107,771,773 | 190,011,558 | 185,355,457 |
| Restricted | 16,677,621 | 15,076,735 | - | - | 16,677,621 | 15,076,735 |
| Unrestricted | (3,912,580) | (7,411,537) | 39,145,940 | 39,107,844 | 35,233,360 | 31,696,307 |
| Total net position | \$ 92,179,648 | \$ 85,248,882 | \$ 149,742,891 | \$ 146,879,617 | \$ 241,922,539 | \$ 232,128,499 |

The Township's combined net position increased by \$9.8 million from a year ago, from \$232.1 million to \$241.9 million.

Governmental Activities

A review of the governmental activities shows an increase of approximately \$6.9 million (8.1 percent) in net position during 2022. The amount of available cash and investments decreased by \$4.5 million. The Township received almost \$4.2 million in cash from the federal government in June 2022, representing the remaining 50 percent of the Township's allocation of the State and Local Fiscal Recovery Fund. Most of the money received as part of this allocation remained unspent at the end of the year (reflected in an increase in unearned revenue of \$3.2 million). While the township board has begun the process of allocating this money to various projects, it has not incurred significant expenditures, as most are still in the beginning stages. Of the \$8.4 million received, approximately \$3.2 million was allocated, with \$1 million of that allocation spent at year end. The Township continues to evaluate options to improve the Township, weighing input received from residents, employees, and other units of local government as to how best spend the money. During 2022, the Township adopted GASB 87, which requires a method of accounting for leases. As a result of this new standard, receivable balances increased by \$7.9 million and deferred inflows increased by \$7.8 million. Receivables also saw a large increase due to the timing of collections, as property tax receivables increased by \$11.3 million. Capital assets increased \$1.7 million. Work was completed on the new township library and a new outdoor pavilion at the activity center. Land next to the activity center was purchased for use for possible future amenities, and work was begun on a new outdoor fitness facility for senior citizens. Continuing the focus on recreation, major renovations and a new fishing dock were nearly completed around Heritage Lake on the municipal campus. Over \$1.1 million of township money was spent on starting and completing several road projects in 2022. Most of the remaining increase in net position is due to an increase in pension-related liabilities net of assets of \$5.1 million being offset by a decrease in other postemployment benefit-related (OPEB) liabilities net of assets of \$5.7 million, as the township board continues to strive 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 \$3.5 million (47.2 percent) to \$(3.9) million. An increase was also seen in net investment in capital assets of \$1.8 million, relating to the projects described earlier. Restricted net position increased by \$1.6 million due to an increase in net position restricted for police and fire operations and opioid settlements.

Business-type Activities

The Township's business-type activities net position increased by \$2.9 million, or 2 percent, to \$149.7 million. Overall, there was a corresponding \$3.4 million decrease in cash and accounts payable, as final payments were made on materials and construction of the water reservoir and pumping facility. Restricted assets decreased by \$1 million, as construction progressed on the next segment of improvements to the Oakland-Macomb Interceptor Drain. A \$1.1 million decrease in unearned revenue was mostly offset by a \$1.0 million increase in accrued liabilities because of the completion of the Special Assessment District 34S sanitary sewer serving sections 1 and 2 of the Township. This project was completed in 2022 under budget, resulting in an accrued refund to be paid to the property owners of record in early 2023. In addition, there was a \$1.2 million decrease in bonds payable, as bonds continue to be paid down in accordance with maturity schedules.

The Township's business-type activities net investment in capital assets increased by \$2.8 million, or 2.6 percent, to \$110.6 million. This increase was due to the completion of the construction and installation of the water reservoir and pumping facility. This project was started in 2021 and was completed in 2022. The 3.5-million-gallon reservoir is now fully operational and is being utilized to offset peak demands primarily due to irrigation. As a result, the Township has begun to realize significant ongoing savings in wholesale water costs from the Great Lakes Water Authority (GLWA). These savings in GLWA wholesale costs will result in a payback on the initial investment within five years. This will allow the Township to stabilize water rates for the residents.

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, 2022 and the prior year:

The Township's Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenue | | | | | | |
| Program revenue: | | | | | | |
| Charges for services | \$ 11,477,236 | \$ 11,123,026 | \$ 30,766,323 | \$ 29,059,433 | \$ 42,243,559 | \$ 40,182,459 |
| Operating grants and contributions | 1,697,474 | 976,305 | - | - | 1,697,474 | 976,305 |
| Capital grants and contributions | 1,302,604 | 230,814 | 3,975,938 | 2,619,672 | 5,278,542 | 2,850,486 |
| General revenue: | | | | | | |
| Property taxes | 35,737,968 | 34,332,648 | - | - | 35,737,968 | 34,332,648 |
| Intergovernmental | 9,418,011 | 8,771,381 | - | - | 9,418,011 | 8,771,381 |
| Investment earnings | 673,135 | 83,055 | 429,257 | 311,693 | 1,102,392 | 394,748 |
| Other revenue | 2,825,132 | 1,793,623 | 5,485 | 48,638 | 2,830,617 | 1,842,261 |
| Total revenue | 63,131,560 | 57,310,852 | 35,177,003 | 32,039,436 | 98,308,563 | 89,350,288 |
| Expenses | | | | | | |
| General government | 8,177,784 | 7,133,860 | - | - | 8,177,784 | 7,133,860 |
| District court | 2,368,134 | 2,297,653 | - | - | 2,368,134 | 2,297,653 |
| Public safety | 36,247,415 | 26,293,255 | - | - | 36,247,415 | 26,293,255 |
| Public works | 3,100,640 | 2,980,183 | - | - | 3,100,640 | 2,980,183 |
| Recreation and culture | 6,058,508 | 4,845,089 | - | - | 6,058,508 | 4,845,089 |
| Debt service | 248,313 | 274,097 | - | - | 248,313 | 274,097 |
| Water and sewer | - | - | 32,313,729 | 30,942,529 | 32,313,729 | 30,942,529 |
| Total expenses | 56,200,794 | 43,824,137 | 32,313,729 | 30,942,529 | 88,514,523 | 74,766,666 |
| Change in Net Position | 6,930,766 | 13,486,715 | 2,863,274 | 1,096,907 | 9,794,040 | 14,583,622 |
| Net Position - Beginning of year | 85,248,882 | 71,762,167 | 146,879,617 | 145,782,710 | 232,128,499 | 217,544,877 |
| Net Position - End of year | \$ 92,179,648 | \$ 85,248,882 | \$ 149,742,891 | \$ 146,879,617 | \$ 241,922,539 | \$ 232,128,499 |

Governmental Activities

The Township's total governmental revenue increased by approximately \$5.8 million (10.2 percent) from last year. Charges for services increased by approximately \$350,000 as activity levels relating to building and recreational activity remained relatively flat when compared to 2021. State-shared revenue increased by over \$650,000 as the Township continues to see allotted increases each year. Grant revenue increased almost \$1.8 million as the Township recognized almost \$1 million in State and Local Fiscal Recovery Fund revenue and began to receive reimbursement for the hiring of additional firefighters under a SAFER grant award. A steady rise in interest rates during 2022 allowed for a very large increase in interest income, increasing almost \$500,000. An increase of \$1 million in other revenue, mainly due to settlement proceeds from opioid litigation, and \$1.4 million in property taxes rounds out the list of increases, as all categories of governmental activities revenue saw increases in 2022.

Total governmental expenses saw a sizable increase in 2022, increasing \$12.4 million (28.2 percent). Public safety saw the largest change, increasing by almost \$10 million (37.9 percent). While some of the increase can be attributed to the Township hiring four additional police officers and seven additional firefighters in 2022, over \$8 million of the increase is attributable to an increase in pension and OPEB expense. Poor investment returns in 2022 resulted in additional expense having to be realized in both plans. Recreation and culture also saw a large increase, going up over \$1.2 million (25 percent) in 2022. With COVID-19 restrictions completely lifted and the opening of the new library, the Township was able to offer a wider variety of programs and events during 2022. General government increased by \$1 million, as additional expenses were incurred due to the increase in the number of elections required in 2022 and additional expenses in the building department. A sharp rise in inflation over all types of expenditures and contractual increases in employee wages and benefits accounted for the remaining increases in the previously mentioned categories, as well as the increases in court and public works 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 also is the primary provider of sewer service. The Water and Sewer Fund also receives charges from the Oakland-Macomb Interceptor District (OMID) and the Macomb County Interceptor Drain District (MIDD) for its share of the operations and maintenance costs of major facilities in which the Water and Sewer Fund has a beneficial interest.

During 2022, the Township's business-type activities revenue increased by \$3.1 million, or 9.8 percent, to \$35.2 million. This increase is attributed to a \$1.7 million increase in charges for services due to an increase in seasonal water sales and an increase of \$1.4 million in capital contributions related to the ongoing Macomb Interceptor Segment 5 and Segment 6 sewer rehabilitations.

The business-type expenses for 2022 increased by \$1.4 million, or 4.4 percent, to \$32.3 million. There was an \$800,000 increase in charges due to the increase in seasonal water sales. In addition, there was a \$300,000 increase in depreciation expense as construction in progress projects were placed in service in 2022. Utilities increased \$100,000 as the water storage facility became fully operational. There was a \$300,000 increase in engineering and tap installations as development continued in the Township. Lastly, there was a \$300,000 increase in salaries and benefits and a \$400,000 decrease in the OPEB annual cost.

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 2022 include the General Fund, Police Fund, Fire Fund, American Rescue Plan 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 \$2.4 million (12 percent) increase in revenue from 2021. Increases were seen in almost every category. Due to the Township's adoption of GASB 87, a slight change was made in reporting in 2022. Rental income, which had previously been included in charges for services, is now included as part of investment income. The effect of this change reduced charges for services and increased investment income by \$533,223. Absent this change, charges for services would have realized a 9.7 percent increase (mostly due to increases in usage of recreation and senior programs), and investment income still would have realized a large increase of over 700 percent. Intergovernmental revenue saw the largest increase from a dollar amount standpoint, increasing almost \$1.4 million (15.8) percent. Almost half of the increase was due to a retroactive payment due the Township due to census adjustments from the 2020 census, with the remaining increase representing current year increases passed on by the State of Michigan. Licenses and permits saw an increase as building activity was maintained at high levels and an adjustment was made to the permit fee structure. Property taxes increased \$170,000 as taxable values continue to increase and new construction provides added growth. Other revenue increased just under \$280,000, with most of the increase due to a reimbursement of election expenses from the State of Michigan and a private donation to fund the Township's 2022 fireworks display. The only revenue category to truly see a decrease from 2021 to 2022 was fines and forfeitures, as traffic fines continue to lag pre-pandemic levels and the ability to assess fines is limited at the state level.

The General Fund ended the year with a favorable revenue budget variance of \$568,212, 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 2022, the Township experienced a \$695,000 increase in expenditures (5.4 percent). A large decrease in capital outlay expenditure was offset by increases in the remaining categories. Capital outlay in 2021 was higher than most years, as the Township had several large, one-time expenditures for the purchase of property around the municipal campus. In addition, 2022 saw a return to more normal levels of capital outlay. General government increased \$775,000, mainly due to an increase in election and building department expenses mentioned previously. Public works increased by \$176,000 (26.2 percent) mostly due to the Township's conversion to LED streetlights. Recreation and culture also had a sizable increase compared to 2021, increasing almost \$800,000. This can be attributed to increased usage of recreation and senior programs, the offering of additional programs and events, and the cost of the Township's annual fireworks display being shifted to the General Fund.

The General Fund ended the year with a favorable expenditure budget variance of \$925,874. All township departments finished the year at or under budget, with personnel costs, sidewalk maintenance program costs, and capital outlay being the largest contributors to the favorable variance.

Looking at other financing sources/uses, net transfers out increased by over \$1.75 million. In late 2022, the township board of trustees updated a previous resolution capping General Fund fund balance at 40 percent of current year expenditures with the excess amount to be transferred to the Campus Infrastructure Fund for future township building and infrastructure needs. As a result of this change, the Township ended up transferring over \$3 million to this fund. This increase was slightly offset by a decrease in transfers to the Capital Improvement Fund, as several projects originally budgeted to be paid for out of this fund were reallocated to be paid for using State and Local Fiscal Recovery Fund money. The money listed in sale of capital assets represents insurance reimbursement for a vehicle that was totaled during the year. There were no transfers in during 2022.

The General Fund ended the year with an unfavorable other financing sources/uses budget variance of \$(1,263,421). This is a result of General Fund performance being better than expected overall, resulting in a larger transfer to the Campus Infrastructure Fund than was originally budgeted due to the board resolution capping General Fund fund balance at 40 percent of current year expenditures.

When comparing the 2022 original General Fund budget with the 2022 amended budget, the amended budget increased revenue by approximately \$2.8 million. Large increases were required in intergovernmental revenue and licenses and permits as state-shared revenue was higher than expected and building permit and sidewalk repair activity increased. On the expenditure side, the amended budget increased expenditures by approximately \$840,000. Most of the increase was seen in amendments to public works and recreation and culture. These increases can be attributed to an increase in sidewalk repair activity and the street lighting conversion for public works and increased program usage and offerings for recreation and culture.

Capital Assets and Debt Administration

At the end of 2022, the Township's governmental and business-type activities combined had approximately \$344 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 \$22.1 million and \$22.7 million for 2022 and 2021, respectively. The business-type activities' infrastructure for 2022 and 2021 (including construction in progress), net of depreciation, is \$116.5 million and \$124.5 million, respectively. The decrease is mainly due to the completion of the water reservoir and pumping facility and being reclassified from construction in progress to buildings and improvements. Additionally, the value of buildings and improvements for the governmental activities, net of depreciation, is \$35.6 million and \$25.5 million for 2022 and 2021, respectively. The increase is due to the completion of the township library in 2022, with most of the costs being reclassified from construction in progress. The business-type activities' buildings and improvements, net of depreciation, are \$11.3 million and \$2.5 million for 2022 and 2021, respectively. The increase is due to the water reservoir and pumping facility mentioned previously. See Note 4 for additional information.

Charter Township of Shelby

Management's Discussion and Analysis (Continued)

Most of the debt reported in these financial statements is related to the construction of the above-mentioned infrastructure and is reported as a liability on the statement of net position (see Note 8 for additional information). The only debt not related to infrastructure relates to pension obligation bonds issued in 2014 to help fund the Township's Police and Fire Pension System and an installment agreement from 2022 that was used to purchase police equipment. The pension debt is scheduled to be paid through 2027 and has approximately \$4 million outstanding as of the end of 2022.

Economic Factors and Next Year's Budgets and Rates

The Charter Township of Shelby will maintain the same property tax millage rate for 2023 that has applied for the prior 17 years (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 2022, property taxes made up approximately 57.5 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 \$243 million (6.2 percent) between the 2021 and 2022 assessment years. State-shared revenue represented approximately 15.5 percent of the Township's governmental funds' overall 2022 revenue. In preparing the 2023 budget, it was assumed that there would be a slight decrease in state-shared revenue base as 2022 numbers included a one-time retroactive payment due to the 2020 census adjustment. It is anticipated that most revenue will maintain the 2021 levels. Federal grant revenue should also be significantly higher as the Township will have a full year of reimbursement from the SAFER grant to fund additional firefighter hires, and grant revenue should also be recorded as the Township spends more 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, personnel costs are budgeted to experience an increase in 2023. 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. Capital outlay expenditures are also expected to rise as the Township seeks to allocate and spend grant money received from the federal government as part of the State and Local Fiscal Recovery Fund.

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) to smooth township capital costs and allow for more uniform budgeting. In 2022, the Township began work on a wellness center addition to the police department to allow employees to become more equipped and better trained to respond to township emergencies. Improvements were also begun around Heritage Lake, and federal grant money was allocated for new fire department vehicles. In 2023, the Township should complete the wellness center and continue to focus on 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. The board will review the township campus master plan and evaluate a building needs study that is in the process of being conducted to form a path forward to provide adequate facilities for township residents to conduct business in and provide new and improved services and amenities to township residents and business owners. Money for these and future projects will continue to be set aside 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, 2022

| | Primary Government | | | Component Unit |
|--|-------------------------|--------------------------|-----------------------|-------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and investments | \$ 63,733,825 | \$ 22,685,586 | \$ 86,419,411 | \$ 304,156 |
| Receivables: | | | | |
| Property taxes receivable | 27,617,389 | - | 27,617,389 | 112,430 |
| Special assessments receivable | - | 4,331,939 | 4,331,939 | - |
| Customers | - | 8,690,516 | 8,690,516 | - |
| Accrued interest | 159,696 | 56,577 | 216,273 | - |
| Leases receivable | 7,924,761 | - | 7,924,761 | - |
| Other receivables | 2,356,084 | - | 2,356,084 | - |
| Allowance for doubtful accounts | (407,231) | - | (407,231) | (8) |
| Due from other governmental units | 2,722,211 | 6,111 | 2,728,322 | - |
| Internal balances | (9,430,524) | 9,430,524 | - | - |
| Inventory | - | 398,660 | 398,660 | - |
| Prepaid expenses and other assets | 1,272,330 | 156,313 | 1,428,643 | 40 |
| Restricted assets (Note 10) | - | 3,110,078 | 3,110,078 | - |
| Net OPEB asset (Note 13) | - | 51,596 | 51,596 | - |
| Capital assets: (Note 4) | | | | |
| Assets not subject to depreciation | 14,220,374 | 5,024,303 | 19,244,677 | 55,000 |
| Assets subject to depreciation - Net | 65,337,189 | 125,650,726 | 190,987,915 | 27,832 |
| Total assets | 175,506,104 | 179,592,929 | 355,099,033 | 499,450 |
| Deferred Outflows of Resources (Note 6) | 20,153,295 | 527,646 | 20,680,941 | - |
| Liabilities | | | | |
| Accounts payable | 1,592,982 | 3,618,535 | 5,211,517 | 30,573 |
| Refundable deposits, bonds, etc. | 1,652,986 | 10,698 | 1,663,684 | - |
| Accrued liabilities and other | 1,791,095 | 1,340,589 | 3,131,684 | - |
| Unearned revenue (Note 7) | 7,825,366 | 737,581 | 8,562,947 | - |
| Noncurrent liabilities: | | | | |
| Due within one year: | | | | |
| Compensated absences (Note 8) | 174,731 | 26,709 | 201,440 | - |
| Provision for property tax refunds | 28,461 | - | 28,461 | 23,737 |
| Current portion of long-term debt (Note 8) | 788,589 | 1,139,372 | 1,927,961 | - |
| Due in more than one year: | | | | |
| Compensated absences (Note 8) | 858,031 | 133,727 | 991,758 | - |
| Unearned revenue (Note 7) | - | 598,068 | 598,068 | - |
| Net pension liability (Note 12) | 18,407,577 | - | 18,407,577 | - |
| Net OPEB liability (Note 13) | 15,764,791 | - | 15,764,791 | - |
| Long-term debt - Net of current portion (Note 8) | 3,390,768 | 22,065,055 | 25,455,823 | - |
| Total liabilities | 52,275,377 | 29,670,334 | 81,945,711 | 54,310 |
| Deferred Inflows of Resources (Note 6) | 51,204,374 | 707,350 | 51,911,724 | 138,764 |
| Net Position | | | | |
| Net investment in capital assets | 79,414,607 | 110,596,951 | 190,011,558 | 82,832 |
| Restricted: | | | | |
| Capital projects | 6,119 | - | 6,119 | - |
| Police and fire operations | 15,667,083 | - | 15,667,083 | - |
| Community development | 15,153 | - | 15,153 | - |
| Street lighting | 114,928 | - | 114,928 | - |
| Grants | 4,308 | - | 4,308 | - |
| Opioid settlement | 870,030 | - | 870,030 | - |
| Unrestricted | (3,912,580) | 39,145,940 | 35,233,360 | 223,544 |
| Total net position | \$ 92,179,648 | \$ 149,742,891 | \$ 241,922,539 | \$ 306,376 |

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 | \$ 8,177,784 | \$ 4,424,608 | \$ 207,265 | \$ 13,139 |
| District court | 2,368,134 | 1,903,983 | 167,148 | - |
| Public safety | 36,247,415 | 4,104,081 | 754,128 | 106,445 |
| Public works | 3,100,640 | 293,993 | 82,197 | 147,406 |
| Recreation and culture | 6,058,508 | 750,571 | 486,736 | 1,035,614 |
| Interest on long-term debt | 248,313 | - | - | - |
| Total governmental activities | 56,200,794 | 11,477,236 | 1,697,474 | 1,302,604 |
| Business-type activities - Water and Sewer | 32,313,729 | 30,766,323 | - | 3,975,938 |
| Total primary government | \$ 88,514,523 | \$ 42,243,559 | \$ 1,697,474 | \$ 5,278,542 |
| Component units - Downtown Development Authority | \$ 52,831 | \$ - | \$ 5,000 | \$ - |

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, 2022

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|-----------------------------|-----------------------|-------------------|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Unit |
| \$ (3,532,772) | \$ - | \$ (3,532,772) | \$ - |
| (297,003) | - | (297,003) | - |
| (31,282,761) | - | (31,282,761) | - |
| (2,577,044) | - | (2,577,044) | - |
| (3,785,587) | - | (3,785,587) | - |
| (248,313) | - | (248,313) | - |
| (41,723,480) | - | (41,723,480) | - |
| - | 2,428,532 | 2,428,532 | - |
| (41,723,480) | 2,428,532 | (39,294,948) | - |
| - | - | - | (47,831) |
| 35,737,968 | - | 35,737,968 | 183,758 |
| 9,418,011 | - | 9,418,011 | - |
| 673,135 | 429,257 | 1,102,392 | 2,126 |
| 1,358,952 | - | 1,358,952 | - |
| 198,461 | 5,485 | 203,946 | - |
| 1,267,719 | - | 1,267,719 | - |
| 48,654,246 | 434,742 | 49,088,988 | 185,884 |
| 6,930,766 | 2,863,274 | 9,794,040 | 138,053 |
| 85,248,882 | 146,879,617 | 232,128,499 | 168,323 |
| \$ 92,179,648 | \$ 149,742,891 | \$ 241,922,539 | \$ 306,376 |

Charter Township of Shelby

Governmental Funds Balance Sheet

December 31, 2022

| | General Fund | Fire Fund | Police Fund | American Rescue Plan Fund | Nonmajor Funds | Total Governmental Funds |
|--|----------------------|----------------------|----------------------|---------------------------------|----------------------|--------------------------------|
| Assets | | | | | | |
| Cash and investments | \$ 9,439,555 | \$ 15,570,615 | \$ 17,180,343 | \$ 7,655,144 | \$ 13,888,168 | \$ 63,733,825 |
| Receivables: | | | | | | |
| Property taxes receivable | 3,417,426 | 10,650,507 | 13,549,456 | - | - | 27,617,389 |
| Accrued interest | 159,696 | - | - | - | - | 159,696 |
| Leases receivable | 7,924,761 | - | - | - | - | 7,924,761 |
| Other receivables | 616,242 | 639,188 | 193,680 | - | 906,974 | 2,356,084 |
| Allowance for doubtful accounts | (21,899) | (293,665) | (91,667) | - | - | (407,231) |
| Due from other governmental units | 1,692,081 | 299,735 | 152,293 | - | 578,102 | 2,722,211 |
| Due from other funds (Note 5) | 166,117 | - | - | - | - | 166,117 |
| Prepaid expenses and other assets | 197,741 | 73,053 | 162,536 | 54,797 | 784,203 | 1,272,330 |
| Total assets | \$ 23,591,720 | \$ 26,939,433 | \$ 31,146,641 | \$ 7,709,941 | \$ 16,157,447 | \$ 105,545,182 |
| Liabilities | | | | | | |
| Accounts payable | \$ 381,395 | \$ 157,149 | \$ 196,195 | \$ 280,461 | \$ 577,782 | \$ 1,592,982 |
| Due to other funds (Note 5) | 3,172 | 1,929 | 423 | - | 166,117 | 171,641 |
| Advances from other funds (Note 5) | - | 4,524,000 | 4,901,000 | - | - | 9,425,000 |
| Refundable deposits, bonds, etc. | 1,652,986 | - | - | - | - | 1,652,986 |
| Accrued liabilities and other | 528,233 | 617,354 | 578,121 | - | 405 | 1,724,113 |
| Unearned revenue (Note 7) | 2,634 | - | - | 7,374,683 | 448,049 | 7,825,366 |
| Provision for property tax refunds | 3,291 | 10,974 | 14,196 | - | - | 28,461 |
| Total liabilities | 2,571,711 | 5,311,406 | 5,689,935 | 7,655,144 | 1,192,353 | 22,420,549 |
| Deferred Inflows of Resources | | | | | | |
| Unavailable revenue | 247,017 | 146,236 | 126,429 | - | 1,152,883 | 1,672,565 |
| Property taxes levied for the following year | 4,685,907 | 14,596,947 | 18,571,141 | - | - | 37,853,995 |
| Leases | 7,805,408 | - | - | - | - | 7,805,408 |
| Total deferred inflows of resources | 12,738,332 | 14,743,183 | 18,697,570 | - | 1,152,883 | 47,331,968 |
| Total liabilities and deferred inflows of resources | 15,310,043 | 20,054,589 | 24,387,505 | 7,655,144 | 2,345,236 | 69,752,517 |
| Fund Balances | | | | | | |
| Nonspendable - Prepays | 197,741 | 73,053 | 162,536 | 54,797 | 784,203 | 1,272,330 |
| Restricted: | | | | | | |
| Police and fire | - | 6,811,791 | 6,596,600 | - | 1,918,262 | 15,326,653 |
| Grants | - | - | - | - | 4,308 | 4,308 |
| Street lighting | - | - | - | - | 110,648 | 110,648 |
| Community development | - | - | - | - | 15,153 | 15,153 |
| Assigned: | | | | | | |
| Capital projects | - | - | - | - | 11,022,560 | 11,022,560 |
| Historical committee | 2,934 | - | - | - | - | 2,934 |
| Nature Center | 9,322 | - | - | - | - | 9,322 |
| Recycling committee | 1,985 | - | - | - | - | 1,985 |
| Library | 17,522 | - | - | - | - | 17,522 |
| Special recreation donations | 22,330 | - | - | - | - | 22,330 |
| Veterans | 12,149 | - | - | - | - | 12,149 |
| Unassigned | 8,017,694 | - | - | - | (42,923) | 7,974,771 |
| Total fund balances | 8,281,677 | 6,884,844 | 6,759,136 | 54,797 | 13,812,211 | 35,792,665 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 23,591,720 | \$ 26,939,433 | \$ 31,146,641 | \$ 7,709,941 | \$ 16,157,447 | \$ 105,545,182 |

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

December 31, 2022

| | |
|--|------------------------------------|
| Fund Balances Reported in Governmental Funds | \$ 35,792,665 |
| 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 | 79,557,563 |
| 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 | 1,672,565 |
| Other liabilities that do not present a claim on current financial resources are not reportable as fund liabilities | (33,408) |
| Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds | (4,179,357) |
| Accrued interest is not due and payable in the current period and is not reported in the funds | (33,574) |
| 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 | (1,032,762) |
| Pension benefits | (3,193,975) |
| Retiree health care benefits | <u>(16,370,069)</u> |
| Total employee fringe benefits not reported as fund liabilities | <u>(20,596,806)</u> |
| Net Position of Governmental Activities | <u><u>\$ 92,179,648</u></u> |

Charter Township of Shelby

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2022

| | General Fund | Fire Fund | Police Fund | American Rescue Plan Fund | Nonmajor Funds | Total Governmental Funds |
|--|--------------|---------------|---------------|---------------------------------|-------------------|--------------------------------|
| Revenue | | | | | | |
| Property taxes | \$ 4,432,387 | \$ 13,776,894 | \$ 17,528,687 | \$ - | \$ - | \$ 35,737,968 |
| Intergovernmental: | | | | | | |
| Federal grants | 18,416 | 81,021 | 11,370 | 999,401 | 170,495 | 1,280,703 |
| State sources | 10,050,001 | 122,484 | 270,081 | - | 409,121 | 10,851,687 |
| Charges for services: | | | | | | |
| Charges to other funds | 1,158,704 | - | - | - | - | 1,158,704 |
| Charges for services to external parties | 736,608 | 3,234,522 | 637,264 | - | 273,417 | 4,881,811 |
| Fines and forfeitures | 1,971,328 | - | - | - | 230,632 | 2,201,960 |
| Licenses and permits: | | | | | | |
| Cable franchise fees | 1,358,952 | - | - | - | - | 1,358,952 |
| Other licenses and permits | 2,630,712 | - | - | - | - | 2,630,712 |
| Investment income: | | | | | | |
| Investment earnings | 296,777 | 138,536 | 152,082 | - | 85,740 | 673,135 |
| Rental income | 533,223 | - | - | - | - | 533,223 |
| Other revenue | 522,277 | 8,818 | 151,260 | - | 124,719 | 807,074 |
| Total revenue | 23,709,385 | 17,362,275 | 18,750,744 | 999,401 | 1,294,124 | 62,115,929 |
| Expenditures | | | | | | |
| Current services: | | | | | | |
| General government | 8,331,884 | - | - | - | 29,131 | 8,361,015 |
| District court | 2,630,862 | - | - | - | 111,644 | 2,742,506 |
| Public safety | - | 16,323,705 | 17,273,976 | - | 130,731 | 33,728,412 |
| Public works | 850,009 | - | - | - | 954,476 | 1,804,485 |
| Recreation and culture | 5,095,644 | - | - | - | 58,631 | 5,154,275 |
| Capital outlay | 289,411 | 104,457 | 552,655 | 944,604 | 4,890,320 | 6,781,447 |
| Debt service: | | | | | | |
| Principal | - | 345,600 | 500,316 | - | 125,915 | 971,831 |
| Interest and fiscal charges | - | 121,781 | 131,929 | - | - | 253,710 |
| Total expenditures | 17,197,810 | 16,895,543 | 18,458,876 | 944,604 | 6,300,848 | 59,797,681 |
| Excess of Revenue Over (Under) Expenditures | 6,511,575 | 466,732 | 291,868 | 54,797 | (5,006,724) | 2,318,248 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | - | - | 9,683 | - | 5,805,591 | 5,815,274 |
| Transfers out | (4,869,157) | (671,677) | (274,440) | - | - | (5,815,274) |
| New debt issued | - | - | - | - | 194,357 | 194,357 |
| Sale of capital assets | 53,131 | 45,590 | 107,541 | - | 136,469 | 342,731 |
| Total other financing (uses) sources | (4,816,026) | (626,087) | (157,216) | - | 6,136,417 | 537,088 |
| Net Change in Fund Balances | 1,695,549 | (159,355) | 134,652 | 54,797 | 1,129,693 | 2,855,336 |
| Fund Balances - Beginning of year | 6,586,128 | 7,044,199 | 6,624,484 | - | 12,682,518 | 32,937,329 |
| Fund Balances - End of year | \$ 8,281,677 | \$ 6,884,844 | \$ 6,759,136 | \$ 54,797 | \$ 13,812,211 | \$ 35,792,665 |

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, 2022

| | |
|--|-----------------------------------|
| Net Change in Fund Balances Reported in Governmental Funds | \$ 2,855,336 |
| 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 | 1,722,051 |
| 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 | 852,296 |
| Other liabilities do not present a claim on current financial resources and are not reported as fund liabilities | 1,759 |
| Issuing debt provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position | (194,357) |
| Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt) | 971,828 |
| Interest expense is recognized in the government-wide statements as it accrues | 5,400 |
| 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 | 716,453 |
| Change in Net Position of Governmental Activities | <u><u>\$ 6,930,766</u></u> |

Charter Township of Shelby

Proprietary Fund Statement of Net Position

December 31, 2022

| | <u>Water and Sewer</u> |
|--|------------------------------|
| Assets | |
| Current assets: | |
| Cash and investments | \$ 22,685,586 |
| Receivables: | |
| Special assessments | 737,126 |
| Customers | 8,690,516 |
| Accrued interest | 56,577 |
| Due from other governmental units | 6,111 |
| Due from other funds (Note 5) | 5,524 |
| Inventory | 398,660 |
| Prepaid expenses and other assets | 156,313 |
| | <hr/> |
| Total current assets | 32,736,413 |
| Noncurrent assets: | |
| Restricted assets (Note 10) | 3,110,078 |
| Advances to other funds (Note 5) | 9,425,000 |
| Special assessment receivables | 3,594,813 |
| Net OPEB asset (Note 13) | 51,596 |
| Capital assets: (Note 4) | |
| Assets not subject to depreciation | 5,024,303 |
| Assets subject to depreciation - Net | 125,650,726 |
| | <hr/> |
| Total noncurrent assets | 146,856,516 |
| | <hr/> |
| Total assets | 179,592,929 |
| Deferred Outflows of Resources (Note 6) | 527,646 |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | 3,618,535 |
| Refundable deposits, bonds, etc. | 10,698 |
| Accrued liabilities and other | 1,340,589 |
| Unearned revenue (Note 7) | 737,581 |
| Compensated absences (Note 8) | 26,709 |
| Current portion of long-term debt (Note 8) | 1,139,372 |
| | <hr/> |
| Total current liabilities | 6,873,484 |
| Noncurrent liabilities: | |
| Compensated absences (Note 8) | 133,727 |
| Unearned revenue (Note 7) | 598,068 |
| Long-term debt - Net of current portion (Note 8) | 22,065,055 |
| | <hr/> |
| Total noncurrent liabilities | 22,796,850 |
| | <hr/> |
| Total liabilities | 29,670,334 |
| Deferred Inflows of Resources (Note 6) | 707,350 |
| | <hr/> |
| Net Position | |
| Net investment in capital assets | 110,596,951 |
| Unrestricted | 39,145,940 |
| | <hr/> |
| Total net position | <u>\$ 149,742,891</u> |

Charter Township of Shelby

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

Year Ended December 31, 2022

| | <u>Water and Sewer</u> |
|--|------------------------------|
| Operating Revenue | |
| Sale of water | \$ 15,990,564 |
| Sewage disposal charges | 11,616,407 |
| Other sales to customers | 2,928,022 |
| Other miscellaneous revenue | 141,508 |
| Charges to other funds | <u>89,822</u> |
| Total operating revenue | 30,766,323 |
| Operating Expenses | |
| Cost of water | 15,574,579 |
| Cost of sewage treatment | 6,877,800 |
| Other operating and maintenance costs | 4,560,726 |
| Depreciation | <u>4,619,184</u> |
| Total operating expenses | <u>31,632,289</u> |
| Operating Loss | (865,966) |
| Nonoperating Revenue (Expense) | |
| Investment income | 429,257 |
| Interest expense | (681,440) |
| Gain on sale of assets | <u>5,485</u> |
| Total nonoperating expense | <u>(246,698)</u> |
| Loss - Before capital contributions | (1,112,664) |
| Capital Contributions | |
| Special assessments | 5,296 |
| Lines donated by developers | 2,657,425 |
| Other capital contributions | <u>1,313,217</u> |
| Total capital contributions | <u>3,975,938</u> |
| Change in Net Position | 2,863,274 |
| Net Position - Beginning of year | <u>146,879,617</u> |
| Net Position - End of year | <u><u>\$ 149,742,891</u></u> |

Charter Township of Shelby

Proprietary Fund Statement of Cash Flows

Year Ended December 31, 2022

| | <u>Water and Sewer</u> |
|---|-----------------------------|
| Cash Flows from Operating Activities | |
| Receipts from customers | \$ 30,722,737 |
| Payments for interfund services and reimbursements | (130,590) |
| Payments to suppliers | (28,482,901) |
| Payments to employees and fringes | <u>(2,141,498)</u> |
| Net cash used in operating activities | (32,252) |
| Cash Flows provided by Noncapital Financing Activities - Repayments of loans made to other funds | 475,000 |
| Cash Flows from Capital and Related Financing Activities | |
| Special assessment collections | 23,998 |
| Benefit fees | 1,313,217 |
| Proceeds from sale of capital assets | 5,485 |
| Purchase of capital assets | (3,596,107) |
| Principal and interest paid on capital debt | <u>(1,862,893)</u> |
| Net cash used in capital and related financing activities | (4,116,300) |
| Cash Flows from Investing Activities | |
| Interest received on investments | 250,690 |
| Purchases of investment securities | (25,706,311) |
| Proceeds from sale and maturities of investment securities | <u>25,692,737</u> |
| Net cash provided by investing activities | <u>237,116</u> |
| Net Decrease in Cash | (3,436,436) |
| Cash - Beginning of year | <u>20,810,759</u> |
| Cash - End of year | <u>\$ 17,374,323</u> |
| Classification of Cash | |
| Cash and investments | \$ 22,685,586 |
| Less amounts classified as investments | <u>(5,311,263)</u> |
| Total cash | <u>\$ 17,374,323</u> |

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

Year Ended December 31, 2022

| | <u>Water and Sewer</u> |
|--|----------------------------|
| Reconciliation of Operating Loss to Net Cash from Operating Activities | |
| Operating loss | \$ (865,966) |
| Adjustments to reconcile operating income to net cash from operating activities: | |
| Depreciation | 4,619,184 |
| Changes in assets and liabilities: | |
| Receivables | (852,875) |
| Due to and from other funds | (1,427) |
| Inventories | (107,602) |
| Prepaid and other assets | (23,505) |
| Net OPEB asset | 1,034,973 |
| Accounts payable | (3,445,733) |
| Deferrals related to OPEB | (1,261,688) |
| Accrued and other liabilities | 872,387 |
| Total adjustments | <u>833,714</u> |
| Net cash used in operating activities | <u><u>\$ (32,252)</u></u> |

Significant Noncash Transactions - During the year ended December 31, 2022, developers constructed water and sewer lines with an estimated value of \$2,657,425 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 \$978,475 of bond proceeds (previously reported as a restricted asset) on sewer improvements during the year ended December 31, 2022.

**Fiduciary Funds
Statement of Fiduciary Net Position**

December 31, 2022

| | Pension and Other Employee Benefit Trust Funds | Custodial Funds | Total Fiduciary Funds |
|---|---|-----------------|--------------------------|
| Assets | | | |
| Cash and investments | \$ 14,194 | \$ 7,147,935 | \$ 7,162,129 |
| Investments: | | | |
| Short-term funds | 4,692,147 | - | 4,692,147 |
| Stocks | 45,906,949 | - | 45,906,949 |
| Collective index and mutual funds - Fixed income | 37,234,291 | - | 37,234,291 |
| Collective index and mutual funds - Equity | 49,544,526 | - | 49,544,526 |
| Limited partnerships | 51,015,302 | - | 51,015,302 |
| Receivables - Accrued interest: | | | |
| Property taxes receivable | - | 17,766,714 | 17,766,714 |
| Accrued interest | 168,598 | - | 168,598 |
| Prepaid expenses and other assets | 3,560 | - | 3,560 |
| Total assets | 188,579,567 | 24,914,649 | 213,494,216 |
| Liabilities | | | |
| Accounts payable | 90,883 | 714 | 91,597 |
| Due to other governmental units | - | 7,069,363 | 7,069,363 |
| Accrued liabilities and other | 2,107,439 | - | 2,107,439 |
| Total liabilities | 2,198,322 | 7,070,077 | 9,268,399 |
| Deferred Inflows of Resources - Property taxes levied for the following year | - | 17,766,714 | 17,766,714 |
| Net Position | | | |
| Restricted: | | | |
| Pension | 119,623,544 | - | 119,623,544 |
| Postemployment benefits other than pension | 66,757,701 | - | 66,757,701 |
| Organizations | - | 77,858 | 77,858 |
| Total net position | \$ 186,381,245 | \$ 77,858 | \$ 186,459,103 |

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2022

| | Pension and Other Employee Benefit Trust Funds | Custodial Funds | Total Fiduciary Funds |
|---|---|------------------|--------------------------|
| Additions | | | |
| Investment income (loss): | | | |
| Interest and dividends | \$ 5,229,607 | \$ - | \$ 5,229,607 |
| Net realized and unrealized loss on investments | (31,636,284) | - | (31,636,284) |
| Investment costs | (1,406,280) | - | (1,406,280) |
| Net investment loss | (27,812,957) | - | (27,812,957) |
| Contributions: | | | |
| Employer contributions | 6,539,915 | - | 6,539,915 |
| Employee contributions | 442,148 | - | 442,148 |
| Total contributions | 6,982,063 | - | 6,982,063 |
| Property tax collections for other governments | - | 100,128,840 | 100,128,840 |
| District court collections | - | 852,277 | 852,277 |
| Other additions | - | 11,214 | 11,214 |
| Total additions | (20,830,894) | 100,992,331 | 80,161,437 |
| Deductions | | | |
| Benefit payments | 11,412,338 | - | 11,412,338 |
| Refunds of contributions | 117,293 | - | 117,293 |
| Administrative expenses | 71,053 | - | 71,053 |
| Property tax disbursements | - | 100,128,840 | 100,128,840 |
| District court disbursements | - | 852,277 | 852,277 |
| Other deductions | - | 12,964 | 12,964 |
| Total deductions | 11,600,684 | 100,994,081 | 112,594,765 |
| Net Decrease in Fiduciary Net Position | (32,431,578) | (1,750) | (32,433,328) |
| Net Position - Beginning of year | 218,812,823 | 79,608 | 218,892,431 |
| Net Position - End of year | \$ 186,381,245 | \$ 77,858 | \$ 186,459,103 |

Note 1 - Significant Accounting Policies

Reporting Entity

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

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

Blended Component Unit

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

Shelby Township Building Authority

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

Discretely Presented Component Unit

Downtown Development Authority

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

Fiduciary Component Units

Police and Fire Pension Trust Fund

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

Retiree Health Care Trust Fund

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

Accounting and Reporting Principles

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

Note 1 - Significant Accounting Policies (Continued)

Report Presentation

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

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

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

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

Basis of Accounting

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

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

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

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

Note 1 - Significant Accounting Policies (Continued)

Fund Accounting

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

Governmental Funds

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Fire Fund accounts for all activities of the Township's fire department, except for the purchase of equipment, and is financed primarily with a dedicated property tax millage.
- The Police Fund accounts for all the activities of the Township's police department, except for the purchase of equipment, and is financed primarily with a dedicated property tax millage.
- The American Rescue Plan Fund accounts for the financial resources received under the American Rescue Plan Act.

Proprietary Funds

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

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

Fiduciary Funds

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

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

Interfund Activity

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

Note 1 - Significant Accounting Policies (Continued)

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

Specific Balances and Transactions

Cash and Investments

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

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

Approximately \$32.5 million of the assets held by the Shelby Township Police and Fire Pension System and approximately \$18.5 million of the assets held by the Shelby Township Other Post Employment Benefit Trust at December 31, 2022 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.

Note 1 - Significant Accounting Policies (Continued)

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

| Description | Depreciable Life - Years |
|----------------------------|-----------------------------|
| Roads and sidewalks | 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:

| | 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 | | ✓ |
| Deferred lease revenue | ✓ | |

Net Position

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

Note 1 - Significant Accounting Policies (Continued)

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

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

Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Township has, by resolution, authorized the director of finance to assign fund balance. The board of trustees may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally 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.

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.

Note 1 - Significant Accounting Policies (Continued)

Properties are assessed as of December 31 and the related property taxes become a lien and are billed on December 1 of the following year. These tax collections are forwarded to the Township as collected by the assessing municipalities through March 1, at which time they are considered delinquent and added to county tax rolls. Any delinquent taxes collected by the county are remitted to the Township by June 30. All property tax receivables are shown net of an allowance for uncollectible amounts.

The 2021 taxable valuation of the Township totaled approximately \$3.9 billion (a portion of which is abated). Ad valorem taxes were levied as follows:

| Description | Millage Rate | Revenue |
|-------------------------|--------------|----------------------|
| General operating | 1.1517 \$ | 4,400,000 |
| Police protection | 4.0424 | 15,600,000 |
| Fire operating | 3.1058 | 12,000,000 |
| Police and fire pension | 1.0000 | 3,900,000 |
| Total | | <u>\$ 35,900,000</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.

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.

Leases

The Township is a lessor for noncancelable leases of cell towers and land. The Township recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the Township initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Township determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- The Township uses the actual rate charged to lessees as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Township monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Upcoming Accounting Pronouncements

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.

Note 1 - Significant Accounting Policies (Continued)

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 April 2022, the Governmental Accounting Standards Board issued Statement No. 99, *Omnibus 2022*, which establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements, the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP), nonmonetary transactions, pledges of future revenue, the focus of government-wide financial statements, and terminology. The standard has various effective dates. The Township does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2024.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2024.

Adoption of New Accounting Pronouncement

During the current year, the Township adopted GASB Statement No. 87, *Leases*. As a result, the General Fund and governmental activities now include receivables for the present value of payments expected to be received and deferred inflows of resources that will be recognized as revenue over the term of the lease. Lease activity is further described in Note 9.

December 31, 2022

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

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

| | | |
|---|--------------|------------------------------|
| Cumulative shortfall at January 1, 2022 | | \$ (1,769,524) |
| Current year permit revenue | | 2,285,513 |
| Related expenses: | | |
| Direct costs | \$ 1,721,282 | |
| Estimated indirect costs | 349,408 | <u>2,070,690</u> |
| Current year surplus | | <u>214,823</u> |
| Cumulative shortfall December 31, 2022 | | <u><u>\$ (1,554,701)</u></u> |

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

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

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

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 \$77,332,743 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.

December 31, 2022

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 subject to interest rate risk:

| Investment | Carrying Value | Weighted- average Maturity |
|---------------------------|---------------------|-------------------------------|
| Primary Government | | |
| Bank investment pool | \$ 1,307,643 | 365 days |
| Commercial paper | 4,094,928 | 92 days |
| U.S. Treasury | <u>2,255,793</u> | 97 days |
| Total | <u>\$ 7,658,364</u> | |

| Investment | Carrying Value | Weighted- average Maturity |
|--|----------------------|-------------------------------|
| Fiduciary Funds | | |
| Short-term investments (pension trust) | \$ 3,474,200 | N/A |
| Short-term investments (OPEB trust) | 1,217,945 | 6 days |
| Fixed Income Collective Index Fund (pension trust) | 24,570,352 | 3.43 days |
| Fixed Income Collective Index Fund (OPEB trust) | <u>12,663,939</u> | 5.25 days |
| Total | <u>\$ 41,926,436</u> | |

Credit Risk

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

| Investment | Carrying Value | Rating |
|---------------------------|---------------------|------------|
| Primary Government | | |
| Bank investment pool | \$ 1,307,643 | Not Rated |
| Commercial paper | 4,094,928 | A1+ |
| U.S. Treasury | <u>2,255,793</u> | A1+ to AA+ |
| Total | <u>\$ 7,658,364</u> | |

| Investment | Carrying Value | Rating | Rating Organization |
|--|----------------------|------------|------------------------|
| Fiduciary Funds | | | |
| Short-term investments (pension trust) | \$ 3,474,200 | AA1/AA2 | S&P |
| Short-term investments (OPEB trust) | 1,217,945 | A1/AA1/AA2 | S&P |
| Fixed Income Collective Index Fund (pension trust) | 24,570,352 | AA1/AA2 | S&P |
| Fixed Income Collective Index Fund (OPEB trust) | <u>12,663,939</u> | AA1/AA2 | S&P |
| Total | <u>\$ 41,926,436</u> | | |

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, 2022, 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.

The Township has the following recurring fair value measurements as of December 31, 2022:

| | Assets Measured at Carrying Value on a Recurring Basis at December 31, 2022 | | | |
|---|--|--|--|------------------------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at December 31, 2022 |
| Debt securities - Collective index and mutual funds - Fixed income | \$ 32,956,783 | \$ 4,277,508 | \$ - | \$ 37,234,291 |
| Equity securities: | | | | |
| Stocks | 44,919,060 | - | - | 44,919,060 |
| Real estate investment trusts | 987,889 | - | - | 987,889 |
| Collective index and mutual funds - Equity | 49,544,526 | - | - | 49,544,526 |
| Total equity securities | 95,451,475 | - | - | 95,451,475 |
| Total | \$ 128,408,258 | \$ 4,277,508 | \$ - | 132,685,766 |
| Investments measured at NAV: | | | | |
| Real estate funds (limited partnership) | | | | 14,224,737 |
| Private equity (limited partnership) | | | | 8,031,482 |
| Commingled funds (limited partnership) | | | | 23,527,142 |
| Limited partnerships | | | | 5,231,941 |
| Total investments measured at NAV | | | | 51,015,302 |
| Total assets | | | | \$ 183,701,068 |

Note 3 - Deposits and Investments (Continued)

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 debt securities classified in Level 2 represents money invested in an Act 40 Interval Fund that is valued at prices quoted daily by investment managers that value the debt the fund is currently holding at that time.

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.

At December 31, 2022, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

| | Carrying Value | Unfunded Commitments | Redemption Frequency, if Eligible | Redemption Notice Period |
|----------------------|----------------------|----------------------|-----------------------------------|--------------------------|
| Real estate funds | \$ 10,191,143 | \$ 1,585,223 | Fully restricted | None |
| Real estate funds | 4,033,594 | 2,000,000 | Quarterly | 95 days |
| Private equity | 8,031,482 | 1,483,962 | Fully restricted | None |
| Limited partnerships | 5,231,941 | 3,512,875 | Fully restricted | None |
| Commingled funds | 20,185,087 | - | Monthly | 5 days |
| Commingled funds | 3,342,055 | - | Monthly | 60 days |
| Total | <u>\$ 51,015,302</u> | <u>\$ 8,582,060</u> | | |

Real estate funds: This type includes 10 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. One fund representing 28 percent of the real estate total value offers quarterly redemptions. The remaining funds will distribute capital 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 three 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.

Limited partnerships: This type includes two limited partnerships that typically invests globally in assets such as telecommunications, energy transportation, power and utilities, water and waste, airports, bridges, railroads, toll roads, ports, and asset leasing. The goal of the limited partnership investments is to invest in real assets that produce income to the investor and capital appreciation over the fund’s life. The funds will be invested and illiquid for 12 to 15 years (subject to specific fund extensions); thereafter, the investments will be liquidated and capital distributed back to the retirement system.

December 31, 2022

Note 3 - Deposits and Investments (Continued)

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.

Note 4 - Capital Assets

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

Governmental Activities

| | Balance January 1, 2022 | Reclassifications | Additions | Disposals and Adjustments | Balance December 31, 2022 |
|--|-------------------------------|-------------------|--------------|------------------------------|---------------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 12,608,480 | \$ - | \$ 265,000 | \$ - | \$ 12,873,480 |
| Construction in progress | 10,293,567 | (10,119,391) | 1,172,928 | (210) | 1,346,894 |
| Subtotal | 22,902,047 | (10,119,391) | 1,437,928 | (210) | 14,220,374 |
| Capital assets being depreciated: | | | | | |
| Infrastructure | 44,920,872 | - | 1,120,364 | - | 46,041,236 |
| Buildings and improvements | 34,200,255 | 9,810,511 | 1,028,873 | - | 45,039,639 |
| Machinery and equipment | 8,321,632 | 293,880 | 1,505,409 | (403,199) | 9,717,722 |
| Vehicles | 10,288,660 | 15,000 | 955,578 | (615,389) | 10,643,849 |
| Library books | 2,000,000 | - | - | - | 2,000,000 |
| Subtotal | 99,731,419 | 10,119,391 | 4,610,224 | (1,018,588) | 113,442,446 |
| Accumulated depreciation: | | | | | |
| Infrastructure | 22,191,932 | - | 1,721,747 | - | 23,913,679 |
| Buildings and improvements | 8,718,040 | - | 735,937 | - | 9,453,977 |
| Machinery and equipment | 5,642,337 | - | 766,451 | (292,308) | 6,116,480 |
| Vehicles | 7,245,645 | - | 917,566 | (542,090) | 7,621,121 |
| Library books | 1,000,000 | - | - | - | 1,000,000 |
| Subtotal | 44,797,954 | - | 4,141,701 | (834,398) | 48,105,257 |
| Net capital assets being depreciated | 54,933,465 | 10,119,391 | 468,523 | (184,190) | 65,337,189 |
| Net governmental activities capital assets | \$ 77,835,512 | \$ - | \$ 1,906,451 | \$ (184,400) | \$ 79,557,563 |

December 31, 2022

Note 4 - Capital Assets (Continued)

Business-type Activities

| | Balance January 1, 2022 | Reclassifications | Additions | Disposals and Adjustments | Balance December 31, 2022 |
|---|-------------------------------|-------------------|---------------------|------------------------------|---------------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 429,441 | \$ - | \$ - | \$ - | \$ 429,441 |
| Construction in progress | 20,058,094 | (20,787,896) | 5,324,664 | - | 4,594,862 |
| Subtotal | 20,487,535 | (20,787,896) | 5,324,664 | - | 5,024,303 |
| Capital assets being depreciated: | | | | | |
| Water systems | 53,144,441 | 2,102,172 | 1,368,757 | - | 56,615,370 |
| Sewer systems | 129,492,542 | 7,874,391 | 425,927 | - | 137,792,860 |
| Buildings and improvements | 4,189,839 | 9,010,050 | - | - | 13,199,889 |
| Furniture and equipment | 1,446,059 | 1,801,283 | - | - | 3,247,342 |
| Vehicles | 651,990 | - | 128,571 | (23,774) | 756,787 |
| Subtotal | 188,924,871 | 20,787,896 | 1,923,255 | (23,774) | 211,612,248 |
| Accumulated depreciation: | | | | | |
| Water systems | 24,101,881 | - | 1,374,110 | - | 25,475,991 |
| Sewer systems | 54,102,086 | - | 2,883,192 | - | 56,985,278 |
| Buildings and improvements | 1,679,294 | - | 173,996 | - | 1,853,290 |
| Furniture and equipment | 944,969 | - | 134,237 | - | 1,079,206 |
| Vehicles | 537,882 | - | 53,649 | (23,774) | 567,757 |
| Subtotal | 81,366,112 | - | 4,619,184 | (23,774) | 85,961,522 |
| Net capital assets being depreciated | 107,558,759 | 20,787,896 | (2,695,929) | - | 125,650,726 |
| Net business-type activities capital assets | <u>\$ 128,046,294</u> | <u>\$ -</u> | <u>\$ 2,628,735</u> | <u>\$ -</u> | <u>\$ 130,675,029</u> |

Capital asset activity for the Township's component unit for the year ended December 31, 2022 was as follows:

Component Unit

| | Balance January 1, 2022 | Reclassifications | Additions | Disposals and Adjustments | Balance December 31, 2022 |
|--------------------------------------|-------------------------------|-------------------|-----------|------------------------------|---------------------------------|
| Capital assets not being depreciated | \$ - | \$ - | \$ 55,000 | \$ - | \$ 55,000 |
| Capital assets being depreciated | 30,925 | - | - | - | 30,925 |
| Accumulated depreciation | - | - | 3,093 | - | 3,093 |

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

| | |
|-------------------------------|---------------------|
| Governmental activities: | |
| General government | \$ 568,358 |
| Public safety | 1,520,205 |
| Public works | 1,305,300 |
| Recreation and culture | 623,003 |
| 41A District Court | 124,835 |
| Total governmental activities | <u>\$ 4,141,701</u> |

December 31, 2022

Note 4 - Capital Assets (Continued)

| | |
|--|--------------|
| Business-type activities - Water and sewer | \$ 4,619,184 |
| Component unit activities | \$ 3,093 |

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 | \$ 1,929 |
| | General Fund | 3,172 |
| | Police Fund | 423 |
| | Total Water and Sewer Fund | 5,524 |
| General Fund | Community Block Grant Fund | 166,117 |
| | Total | <u>\$ 171,641</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 | \$ 4,524,000 |
| | Police Fund | 4,901,000 |
| | Total | <u>\$ 9,425,000</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 | \$ 9,683 |
| | Public Improvement Fund | 4,859,474 |
| | Total General Fund | 4,869,157 |
| Police Fund Fire Fund | Public Improvement Fund | 274,440 |
| | Public Improvement Fund | 671,677 |
| | Total | <u>\$ 5,815,274</u> |

Transfers from the General Fund, Police Fund, and Fire Fund to the Public Improvement Fund will be used to fund future capital projects throughout the Township for equipment, buildings, and infrastructure.

December 31, 2022

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) | \$ - | \$ 93,523 |
| Deferred pension costs (Note 12) | 15,213,602 | - |
| Deferred OPEB costs (Note 13) | 4,939,693 | 434,123 |
| Total deferred outflows | <u>\$ 20,153,295</u> | <u>\$ 527,646</u> |

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

| | Governmental Activities | Business-type Activities | Component Unit |
|---|----------------------------|-----------------------------|-------------------|
| Property taxes levied for the next fiscal year | \$ 37,853,995 | \$ - | \$ 138,764 |
| Deferred OPEB cost reductions (Note 13) | 5,544,971 | 630,098 | - |
| Deferred inflows from leases (Note 9) | 7,805,408 | - | - |
| Deferred benefit on bond refunding being amortized (Note 8) | - | 77,252 | - |
| Total deferred inflows | <u>\$ 51,204,374</u> | <u>\$ 707,350</u> | <u>\$ 138,764</u> |

Note 7 - Unearned Revenue

At December 31, 2022, the various components of unearned revenue were as follows:

| | Governmental Funds | Water and Sewer |
|--|-----------------------|---------------------|
| Michigan Indigent Defense Commission | \$ 402,299 | \$ - |
| American Rescue Plan | 7,374,683 | - |
| Developer payments for future engineering services | - | 737,581 |
| Sidewalk payments for future sidewalk construction | 48,384 | - |
| Developer redeemable certificates for future capital charges | - | 598,068 |
| Total | <u>\$ 7,825,366</u> | <u>\$ 1,335,649</u> |

December 31, 2022

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, 2022 are as follows:

Governmental Activities

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|--|-------------------|------------|----------------|----------------|---------------------|
| Bonds and contracts payable: | | | | | |
| Direct borrowings | \$ 251,828 | \$ 194,357 | \$ (251,828) | \$ 194,357 | \$ 48,589 |
| Other debt - General obligations | 4,705,000 | - | (720,000) | 3,985,000 | 740,000 |
| Total bonds and contracts payable | 4,956,828 | 194,357 | (971,828) | 4,179,357 | 788,589 |
| Compensated absences | 1,056,600 | 122,452 | (146,290) | 1,032,762 | 174,731 |
| Total governmental activities long-term debt | \$ 6,013,428 | \$ 316,809 | \$ (1,118,118) | \$ 5,212,119 | \$ 963,320 |

Business-type Activities

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|--|-------------------|-----------|----------------|----------------|---------------------|
| Bonds and contracts payable: | | | | | |
| Direct borrowings - County contractual obligations | \$ 21,439,820 | \$ - | \$ (979,590) | \$ 20,460,230 | \$ 1,139,372 |
| Unamortized bond premiums | 2,937,547 | - | (193,350) | 2,744,197 | - |
| Total bonds and contracts payable | 24,377,367 | - | (1,172,940) | 23,204,427 | 1,139,372 |
| Compensated absences | 121,650 | 54,228 | (15,442) | 160,436 | 26,709 |
| Total business-type activities long-term debt | \$ 24,499,017 | \$ 54,228 | \$ (1,188,382) | \$ 23,364,863 | \$ 1,166,081 |

December 31, 2022

Note 8 - Long-term Debt (Continued)

| Purpose | Amount of Issue | Interest Rates | Principal Maturity Ranges | Outstanding |
|--|-----------------|----------------|---------------------------|----------------------|
| Governmental Activities | | | | |
| Installment Purchase Agreement Maturing through 2026 | \$194,357 | 0.00% | \$48,589 | \$ 194,357 |
| Pension Obligation Bonds Series 2014A Maturing through 2027 | \$9,300,000 | 2.00% - 3.60% | \$720,000 - \$860,000 | 3,985,000 |
| Total governmental activities | | | | <u>\$ 4,179,357</u> |
| Business-type Activities | | | | |
| 2010 OMID Series 2010A (SRF) Maturing through 2031 | \$1,242,274 | 2.50% | \$65,171 - \$77,892 | \$ 636,235 |
| 2010 N. Gratiot Drainage Assessment Maturing through 2035 | \$73,021 | 1.00% - 6.35% | \$2,733 - \$4,197 | 44,893 |
| 2014 OMID Drain Bonds, Series 2014A Maturing through 2034 | \$476,441 | 2.00% - 3.125% | \$21,731 - \$31,280 | 316,749 |
| 2015 MID SRF 5624-01 Maturing through 2035 | \$283,037 | 2.50% | \$12,569 - \$15,705 | 184,902 |
| 2015 N. Gratiot Drainage Assessment Maturing through 2033 | \$597,225 | 3.50% - 5.00% | \$34,273 - \$40,600 | 411,449 |
| 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 | 5,308,136 |
| 2017 MID Drain and Refunding Bonds, Series 2017A (Refunding Portion) Maturing through 2042 | \$10,318,982 | 3.45% - 5.50% | \$375,026 - \$702,680 | 6,959,695 |
| 2019 OMID Drain Bonds, Series 2019 Maturing through 2025 | \$799,681 | 1.55% | \$73,746 - \$158,246 | 228,919 |
| 2019 OMID Drain Bonds and Refunding Bonds, Series 2019 Maturing through 2030 | \$214,861 | 1.85% | \$17,389 - \$23,821 | 167,458 |
| 2020 MID Drain and Refunding Bonds, Series 2020 Maturing through 2031 | \$1,427,833 | 1.55% | \$104,069 - \$173,449 | 1,226,632 |
| 2020 OMID Drain Bonds, Series 2020 Maturing through 2040 | \$4,931,189 | 2.00% - 5.00% | \$120,231 - \$346,041 | 4,726,926 |
| 2020 MID SRF 5629-03 Maturing through 2040 | \$248,236 | 2.00% | \$120,354 - \$122,831 | 248,236 |
| Total business-type activities | | | | <u>\$ 20,460,230</u> |

The Township had deferred outflows of \$93,523 related to deferred charges on bond refundings at December 31, 2022. The Township had deferred inflows of \$77,252 related to deferred benefit on bond refundings at December 31, 2022.

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, 2022

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 |
| 2023 | \$ 48,589 | \$ - | \$ 740,000 | \$ 134,298 | \$ 922,887 | \$ 1,139,372 | \$ 846,154 | \$ 1,985,526 |
| 2024 | 48,589 | - | 765,000 | 111,728 | 925,317 | 1,187,741 | 797,665 | 1,985,406 |
| 2025 | 48,589 | - | 795,000 | 86,865 | 930,454 | 1,116,940 | 748,137 | 1,865,077 |
| 2026 | 48,590 | - | 825,000 | 59,835 | 933,425 | 1,154,914 | 697,265 | 1,852,179 |
| 2027 | - | - | 860,000 | 30,960 | 890,960 | 1,203,922 | 641,843 | 1,845,765 |
| 2028-2032 | - | - | - | - | - | 6,649,000 | 2,291,467 | 8,940,467 |
| Thereafter | - | - | - | - | - | 8,008,341 | 1,199,732 | 9,208,073 |
| Total | \$ 194,357 | \$ - | \$ 3,985,000 | \$ 423,686 | \$ 4,603,043 | \$ 20,460,230 | \$ 7,222,263 | \$ 27,682,493 |

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 |
|--|-----------------------|----------------------|
| MID North Gratiot Interceptor 2010 | \$ 16,965,000 | \$ 73,021 |
| MID North Gratiot Interceptor 2015 | 15,990,000 | 597,225 |
| 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 | \$ 180,248,431 | \$ 17,352,888 |

Oakland-Macomb Interceptor Drainage District

| | County Portion | Township Portion |
|----------------------|-----------------------|---------------------|
| 2010A (SRF) | \$ 26,076,000 | \$ 1,242,274 |
| 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 | \$ 7,664,446 |

December 31, 2022

Note 9 - Leases

The Township leases certain assets to various third parties. The assets leased include cellular towers and land. Payments are generally fixed monthly rates.

During the year ended December 31, 2022, the Township recognized the following related to its lessor agreements:

| | |
|---------------------------------------|------------|
| Lease revenue | \$ 360,240 |
| Interest income related to its leases | 131,620 |

Note 10 - Restricted Assets

At December 31, 2022, restricted assets are composed of the following:

| | |
|---|-------------------------------------|
| | <u>Business-type Activities</u> |
| Total assets held at Oakland County, Michigan (unspent bond proceeds) | <u>\$ 3,110,078</u> |

The restricted assets consist of the Township's portion of unspent bond proceeds held at Oakland County, Michigan for sewer improvements.

Note 11 - 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:

| | | |
|---|-----------------------|--------------------|
| | <u>Medical Claims</u> | |
| | <u>2022</u> | <u>2021</u> |
| Unpaid claims - Beginning of year | \$ 773,247 | \$ 820,007 |
| Incurred claims, including claims incurred but not reported | 5,435,252 | 4,947,918 |
| Claim payments | <u>(5,372,883)</u> | <u>(4,994,678)</u> |
| Unpaid claims - End of year | <u>\$ 835,616</u> | <u>\$ 773,247</u> |

Note 12 - 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).

Note 12 - Pension Plan (Continued)

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

Benefits Provided

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

Starting 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:

| | <u>Shelby Township Police and Fire Pension System</u> |
|---|---|
| Date of member count | December 31, 2022 |
| Inactive plan members or beneficiaries currently receiving benefits | 148 |
| Inactive plan members entitled to but not yet receiving benefits | 4 |
| Active plan members | <u>71</u> |
| Total employees covered by the plan | <u><u>223</u></u> |

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

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The pension board hires an independent actuary for this purpose, and the Township annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees are required to make pension contributions based on union contracts and plan provisions, as well as the township charter, which may be amended by the board of trustees. The Township's required contribution is determined after consideration of the required contribution rate of employees. For the year ended December 31, 2022, the active employee contribution rate was 5 percent of annual pay. The Township contributed the actuarial required contribution of \$1,447,092, plus an advance contribution to the Shelby Township Police and Fire Pension System of \$948,540.

December 31, 2022

Note 12 - Pension Plan (Continued)

Net Pension Liability

The Township has chosen to use December 31, 2022 as its measurement date for the net pension liability. The December 31, 2022 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2022 measurement date. The December 31, 2022 measurement date total pension liability was determined by an actuarial valuation performed as of December 31, 2022.

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

| Changes in Net Pension (Asset) Liability | Increase (Decrease) | | |
|--|-------------------------|-----------------------|-------------------------------|
| | Total Pension Liability | Plan Net Position | Net Pension (Asset) Liability |
| Balance at January 1, 2022 | \$ 134,082,920 | \$ 143,423,831 | \$ (9,340,911) |
| Changes for the year: | | | |
| Service cost | 1,851,066 | - | 1,851,066 |
| Interest | 9,229,646 | - | 9,229,646 |
| Differences between expected and actual experience | 1,031,283 | - | 1,031,283 |
| Contributions - Employer | - | 2,395,632 | (2,395,632) |
| Contributions - Employee | - | 442,148 | (442,148) |
| Net investment loss | - | (18,403,220) | 18,403,220 |
| Benefit payments, including refunds | (8,163,794) | (8,163,794) | - |
| Administrative expenses | - | (71,053) | 71,053 |
| Net changes | 3,948,201 | (23,800,287) | 27,748,488 |
| Balance at December 31, 2022 | <u>\$ 138,031,121</u> | <u>\$ 119,623,544</u> | <u>\$ 18,407,577</u> |

The plan's fiduciary net position represents 86.66 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, 2022, the Township recognized pension expense of \$7,477,233.

At December 31, 2022, 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 | \$ 903,714 | \$ - |
| Changes in assumptions | 2,326,146 | - |
| Net difference between projected and actual earnings on pension plan investments | 11,983,742 | - |
| Total | <u>\$ 15,213,602</u> | <u>\$ -</u> |

Note 12 - 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 |
|-----------------------------|----------------------|
| 2023 | \$ 3,151,297 |
| 2024 | 2,578,439 |
| 2025 | 3,833,068 |
| 2026 | 5,650,798 |
| Total | <u>\$ 15,213,602</u> |

Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using an inflation assumption of 2.3 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 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, 2022 measurement date for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|--------------------------|-------------------|--|
| Domestic equity | 30.00 % | 6.10 % |
| Global fixed income | 20.00 | 1.50 |
| International equity | 20.00 | 4.90 |
| Private equity | 7.00 | 10.40 |
| Private credit | 9.00 | 6.50 |
| Hedge funds | 5.00 | 4.30 |
| Real estate | 7.00 | 5.30 |
| Cash or cash equivalents | 2.00 | 0.70 |

Note 12 - 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, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (12.95) percent. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for changing amounts actually invested.

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

The following presents the net pension liability of the Township, calculated using the discount rate of 7 percent, as well as what the Township's net pension 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 (6.00%) | Current Discount Rate (7.00%) | 1 Percentage Point Increase (8.00%) |
|---|---|-------------------------------------|---|
| Net pension liability of the Shelby Township Police and Fire Pension System | \$ 34,323,259 | \$ 18,407,577 | \$ 5,085,607 |

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.

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.

December 31, 2022

Note 12 - Pension Plan (Continued)

The balances of the reserve accounts at December 31, 2022 are as follows:

| | Required Reserve | Amount Funded |
|------------------|----------------------|-----------------------|
| Retiree reserve | \$ 91,133,749 | \$ 91,133,749 |
| Employee reserve | 7,068,130 | 7,068,130 |
| Employer reserve | - | 21,421,665 |
| Total | <u>\$ 98,201,879</u> | <u>\$ 119,623,544</u> |

Note 13 - Other Postemployment Benefit Plan

Plan Description

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

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

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

Benefits Provided

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

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

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

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.

Note 13 - Other Postemployment Benefit Plan (Continued)

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

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

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

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

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

| Date of member count | December 31, 2022 |
|---|-------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 238 |
| Active plan members | <u>173</u> |
| Total plan members | <u><u>411</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 \$4,144,283 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 2022 is as follows: \$2,272,870 to prefund estimated 2022 retiree health care costs and \$1,871,413 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, 2022 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, 2022 measurement date. The December 31, 2021 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2021, which used update procedures to roll forward the estimated liability to December 31, 2022.

December 31, 2022

Note 13 - Other Postemployment Benefit Plan (Continued)

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, 2022 | \$ 85,240,938 | \$ 75,388,992 | \$ 9,851,946 |
| Changes for the year: | | | |
| Service cost | 983,437 | - | 983,437 |
| Interest | 5,706,548 | - | 5,706,548 |
| Differences between expected and actual experience | (6,094,190) | - | (6,094,190) |
| Contributions - Employer | - | 4,144,283 | (4,144,283) |
| Net investment loss | - | (8,975,614) | 8,975,614 |
| Benefit payments, including refunds | (3,365,837) | (3,365,837) | - |
| Administrative expenses | - | (434,123) | 434,123 |
| Net changes | (2,770,042) | (8,631,291) | 5,861,249 |
| Balance at December 31, 2022 | <u>\$ 82,470,896</u> | <u>\$ 66,757,701</u> | <u>\$ 15,713,195</u> |

The plan's fiduciary net position represents 80.95 percent of the total OPEB liability.

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, 2022 and the cumulative contributions to the OPEB trust as of December 31, 2022. At December 31, 2022, the governmental activities reported a net OPEB liability of \$15,764,791, and the business-type activities reported a net OPEB asset of \$51,596.

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

For the year ended December 31, 2022, the Township recognized OPEB recovery of \$(1,856,647).

At December 31, 2022, 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 | \$ 319,846 | \$ (6,175,069) |
| Changes in assumptions | 242,468 | - |
| Net difference between projected and actual earnings on OPEB plan investments | 4,811,502 | - |
| Total | <u>\$ 5,373,816</u> | <u>\$ (6,175,069)</u> |

Note 13 - Other Postemployment Benefit Plan (Continued)

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 |
|-----------------------------|---------------------|
| 2023 | \$ (2,909,039) |
| 2024 | (704,784) |
| 2025 | (2,630) |
| 2026 | 2,815,200 |
| Total | <u>\$ (801,253)</u> |

Actuarial Assumptions

The total OPEB liability in the December 31, 2022 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 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, 2023.

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

December 31, 2022

Note 13 - Other Postemployment Benefit Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2022 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 % | 4.07 % |
| Domestic small-/mid-cap equity | 16.00 | 4.52 |
| Developed international equity | 15.00 | 4.61 |
| Domestic bonds | 20.00 | 1.02 |
| Emerging markets equity | 5.00 | 5.42 |
| Real estate | 9.00 | 7.37 |
| Private equity | 9.00 | 7.37 |

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, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (12.15) 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 | \$ 27,501,318 | \$ 15,713,195 | \$ 6,139,528 |

Note 13 - 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 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%, 3%, 2%) | Current Health Care Cost Trend Rate (7%, 4%, 3%) | 1 Percentage Point Increase (8%, 5%, 4%) |
|--|--|---|--|
| Net OPEB liability of the Charter Township of Shelby Other Post Employment Benefit Plan | \$ 5,748,278 | \$ 15,713,195 | \$ 28,069,781 |

OPEB Plan Fiduciary Net Position

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

Note 14 - 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 | \$ 120,073,287 | \$ 68,334,122 | \$ 188,407,409 |
| Other assets | 135,409 | 36,749 | 172,158 |
| Liabilities | (585,152) | (1,613,170) | (2,198,322) |
| Net position | <u>\$ 119,623,544</u> | <u>\$ 66,757,701</u> | <u>\$ 186,381,245</u> |
| Statement of Changes in Net Position | | | |
| Investment loss | \$ (18,403,220) | \$ (9,409,737) | \$ (27,812,957) |
| Contributions | 2,837,780 | 4,144,283 | 6,982,063 |
| Benefit payments | (8,046,501) | (3,365,837) | (11,412,338) |
| Other deductions | (188,346) | - | (188,346) |
| Net change in net position | <u>\$ (23,800,287)</u> | <u>\$ (8,631,291)</u> | <u>\$ (32,431,578)</u> |

December 31, 2022

Note 15 - 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 10-11 percent 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, 2022, the Township made contributions of \$1,561,742, and the plan members contributed \$824,368 to the plan.

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 2022 was \$453,941.

Required Supplementary Information

Charter Township of Shelby

Required Supplementary Information Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2022

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|--|---------------------|---------------------|---------------------|------------------------------|
| Revenue | | | | |
| Property taxes | \$ 4,431,204 | \$ 4,426,601 | \$ 4,432,387 | \$ 5,786 |
| Intergovernmental | 7,523,654 | 9,570,947 | 10,068,417 | 497,470 |
| Charges for services | 1,850,957 | 1,868,711 | 1,891,512 | 22,801 |
| Fines and forfeitures | 2,383,000 | 2,023,608 | 1,971,328 | (52,280) |
| Licenses and permits | 1,965,253 | 2,675,775 | 2,630,712 | (45,063) |
| Investment income | 595,470 | 698,984 | 830,000 | 131,016 |
| Other revenue | 199,400 | 513,780 | 522,262 | 8,482 |
| Total revenue | 18,948,938 | 21,778,406 | 22,346,618 | 568,212 |
| Expenditures | | | | |
| Current services: | | | | |
| General government | 8,686,760 | 8,756,638 | 8,331,884 | 424,754 |
| Public works | 598,422 | 989,246 | 850,009 | 139,237 |
| Recreation and culture | 3,955,735 | 4,323,849 | 4,089,191 | 234,658 |
| Capital outlay | 354,344 | 363,191 | 235,966 | 127,225 |
| Total expenditures | 13,595,261 | 14,432,924 | 13,507,050 | 925,874 |
| Excess of Revenue Over Expenditures | 5,353,677 | 7,345,482 | 8,839,568 | 1,494,086 |
| Other Financing (Uses) Sources | | | | |
| Transfers out | (5,570,415) | (5,936,098) | (7,197,150) | (1,261,052) |
| Sale of capital assets | 4,000 | 55,500 | 53,131 | (2,369) |
| Total other financing uses | (5,566,415) | (5,880,598) | (7,144,019) | (1,263,421) |
| Net Change in Fund Balance | (212,738) | 1,464,884 | 1,695,549 | 230,665 |
| Fund Balance - Beginning of year | 6,586,128 | 6,586,128 | 6,586,128 | - |
| Fund Balance - End of year | \$ 6,373,390 | \$ 8,051,012 | \$ 8,281,677 | \$ 230,665 |

Charter Township of Shelby

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

Year Ended December 31, 2022

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|--|---------------------|---------------------|---------------------|------------------------------|
| Revenue | | | | |
| Property taxes | \$ 13,774,476 | \$ 13,760,826 | \$ 13,776,894 | \$ 16,068 |
| Intergovernmental | 730,257 | 329,700 | 203,505 | (126,195) |
| Charges for services | 2,984,512 | 3,355,250 | 3,234,522 | (120,728) |
| Investment income | 12,900 | 67,700 | 138,536 | 70,836 |
| Other revenue | 3,500 | 4,020 | 8,818 | 4,798 |
| Total revenue | 17,505,645 | 17,517,496 | 17,362,275 | (155,221) |
| Expenditures | | | | |
| Current services - Public safety | 16,723,306 | 16,832,076 | 16,323,705 | 508,371 |
| Capital outlay | 220,848 | 275,966 | 104,457 | 171,509 |
| Debt service | 467,381 | 467,381 | 467,381 | - |
| Total expenditures | 17,411,535 | 17,575,423 | 16,895,543 | 679,880 |
| Excess of Revenue Over (Under) Expenditures | 94,110 | (57,927) | 466,732 | 524,659 |
| Other Financing (Uses) Sources | | | | |
| Transfers out | (805,622) | (671,677) | (671,677) | - |
| Sale of capital assets | - | 45,590 | 45,590 | - |
| Total other financing uses | (805,622) | (626,087) | (626,087) | - |
| Net Change in Fund Balance | (711,512) | (684,014) | (159,355) | 524,659 |
| Fund Balance - Beginning of year | 7,044,199 | 7,044,199 | 7,044,199 | - |
| Fund Balance - End of year | <u>\$ 6,332,687</u> | <u>\$ 6,360,185</u> | <u>\$ 6,884,844</u> | <u>\$ 524,659</u> |

Charter Township of Shelby

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

Year Ended December 31, 2022

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|--|----------------------------|----------------------------|----------------------------|------------------------------|
| Revenue | | | | |
| Property taxes | \$ 17,524,670 | \$ 17,507,673 | \$ 17,528,687 | \$ 21,014 |
| Intergovernmental | 206,426 | 237,243 | 281,451 | 44,208 |
| Charges for services | 600,689 | 629,213 | 637,264 | 8,051 |
| Investment income | 13,400 | 71,800 | 152,082 | 80,282 |
| Other revenue | 127,000 | 160,500 | 151,260 | (9,240) |
| Total revenue | 18,472,185 | 18,606,429 | 18,750,744 | 144,315 |
| Expenditures | | | | |
| Current services - Public safety | 16,993,963 | 17,619,285 | 17,273,976 | 345,309 |
| Capital outlay | 562,000 | 606,301 | 552,655 | 53,646 |
| Debt service | 632,245 | 632,246 | 632,245 | 1 |
| Total expenditures | 18,188,208 | 18,857,832 | 18,458,876 | 398,956 |
| Excess of Revenue Over (Under) Expenditures | 283,977 | (251,403) | 291,868 | 543,271 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 5,000 | 7,000 | 9,683 | 2,683 |
| Transfers out | (64,031) | (274,440) | (274,440) | - |
| Sale of capital assets | 25,000 | 22,505 | 107,541 | 85,036 |
| Total other financing uses | (34,031) | (244,935) | (157,216) | 87,719 |
| Net Change in Fund Balance | 249,946 | (496,338) | 134,652 | 630,990 |
| Fund Balance - Beginning of year | 6,624,484 | 6,624,484 | 6,624,484 | - |
| Fund Balance - End of year | <u><u>\$ 6,874,430</u></u> | <u><u>\$ 6,128,146</u></u> | <u><u>\$ 6,759,136</u></u> | <u><u>\$ 630,990</u></u> |

Charter Township of Shelby

Required Supplementary Information
Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)
American Rescue Plan Fund

Year Ended December 31, 2022

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance with Amended Budget</u> |
|---|------------------------|-----------------------|------------------|-------------------------------------|
| Revenue | | | | |
| Intergovernmental | \$ 71,944 | \$ 1,011,517 | \$ 999,401 | \$ (12,116) |
| Investment income | 5,400 | - | - | - |
| Total revenue | 77,344 | 1,011,517 | 999,401 | (12,116) |
| Expenditures - Capital outlay | 76,144 | 1,011,517 | 944,604 | 66,913 |
| Net Change in Fund Balance | 1,200 | - | 54,797 | 54,797 |
| Fund Balance - Beginning of year | - | - | - | - |
| Fund Balance - End of year | <u>\$ 1,200</u> | <u>\$ -</u> | <u>\$ 54,797</u> | <u>\$ 54,797</u> |

Charter Township of Shelby

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

Last Nine Fiscal Years

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Pension Liability | | | | | | | | | |
| Service cost | \$ 1,851,066 | \$ 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 | 9,229,646 | 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 | 1,031,283 | 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 | (8,163,794) | (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 | 3,948,201 | 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 | 134,082,920 | 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 | \$ 138,031,121 | \$ 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 | \$ 2,395,632 | \$ 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 | 442,148 | 481,135 | 523,227 | 519,910 | 518,053 | 525,566 | 531,588 | 536,954 | 593,046 |
| Net investment (loss) income | (18,403,220) | 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 | (71,053) | (57,510) | (46,098) | (80,948) | (53,998) | (39,752) | (39,382) | (29,671) | (40,613) |
| Benefit payments, including refunds | (8,163,794) | (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 | (23,800,287) | 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 | 143,423,831 | 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 | \$ 119,623,544 | \$ 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 Liability (Asset) - Ending | \$ 18,407,577 | \$ (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 | 86.66 % | 106.97 % | 105.51 % | 98.84 % | 90.43 % | 103.51 % | 93.38 % | 92.14 % | 101.40 % |
| Covered Payroll | \$ 8,571,149 | \$ 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 Liability (Asset) as a Percentage of Covered Payroll | 214.76 % | (103.80)% | (65.46)% | 13.57 % | 108.59 % | (37.15)% | 68.18 % | 77.27 % | (12.43)% |

Charter Township of Shelby

Required Supplementary Information Schedule of Pension Contributions

Last Ten Fiscal Years Years Ended December 31

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------------------|---------------------|----------------------|----------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Actuarially determined contribution | \$ 1,447,092 | \$ 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 |
| Contributions in relation to the actuarially determined contribution | 2,395,632 | 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 |
| Contribution Excess | \$ 948,540 | \$ - | \$ 350,903 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 23,627,804 | \$ - |
| Covered Payroll | \$ 8,571,149 | \$ 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 |
| Contributions as a Percentage of Covered Payroll | 27.95 % | 28.48 % | 25.69 % | 17.35 % | 19.67 % | 19.41 % | 17.94 % | 17.83 % | 256.68 % | 37.38 % |

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 | 6-year closed level dollar amortization of unfunded actuarial liability |
| Remaining amortization period | 6 years |
| Asset valuation method | 25 percent write-up method |
| Inflation | 2.50 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-2020 Projection Scale |

Charter Township of Shelby

Required Supplementary Information Schedule of Pension Investment Returns

| | Last Nine Fiscal Years | | | | | | | | |
|--|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Years Ended December 31 | | | | | | | | |
| | <u>2022</u> | <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 | (12.95)% | 14.66 % | 12.85 % | 21.86 % | (4.84)% | 18.90 % | 8.70 % | 0.10 % | 7.00 % |

Charter Township of Shelby

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

| | Last Six Fiscal Years | | | | | |
|--|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Total OPEB Liability | | | | | | |
| Service cost | \$ 983,437 | \$ 1,207,044 | \$ 1,223,200 | \$ 1,324,049 | \$ 1,277,181 | \$ 1,495,309 |
| Interest | 5,706,548 | 5,489,631 | 5,584,035 | 5,183,329 | 5,585,818 | 6,317,058 |
| Differences between expected and actual experience | (6,094,190) | (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 | <u>(3,365,837)</u> | <u>(2,916,382)</u> | <u>(2,395,988)</u> | <u>(2,548,638)</u> | <u>(2,597,960)</u> | <u>(2,579,187)</u> |
| Net Change in Total OPEB Liability | (2,770,042) | 3,661,931 | (1,122,233) | 5,960,918 | (6,013,132) | (10,605,815) |
| Total OPEB Liability - Beginning of year | 85,240,938 | 81,579,007 | 82,701,240 | 76,740,322 | 82,753,454 | 93,359,269 |
| Total OPEB Liability - End of year | <u>\$ 82,470,896</u> | <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 | \$ 4,144,283 | \$ 4,150,660 | \$ 4,964,907 | \$ 5,158,256 | \$ 8,379,343 | \$ 9,927,224 |
| Net investment (loss) income | (8,975,614) | 10,809,283 | 7,124,021 | 9,102,620 | (2,807,834) | 4,095,976 |
| Administrative expenses | (434,123) | (604,307) | (360,655) | (350,804) | - | - |
| Benefit payments, including refunds | <u>(3,365,837)</u> | <u>(2,916,382)</u> | <u>(2,395,988)</u> | <u>(2,548,638)</u> | <u>(2,597,960)</u> | <u>(2,579,187)</u> |
| Net Change in Plan Fiduciary Net Position | (8,631,291) | 11,439,254 | 9,332,285 | 11,361,434 | 2,973,549 | 11,444,013 |
| Plan Fiduciary Net Position - Beginning of year | 75,388,992 | 63,949,738 | 54,617,453 | 43,256,019 | 40,282,470 | 28,838,457 |
| Plan Fiduciary Net Position - End of year | <u>\$ 66,757,701</u> | <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>\$ 15,713,195</u> | <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 | 80.95 % | 88.44 % | 78.39 % | 66.04 % | 56.37 % | 48.68 % |
| Covered-employee Payroll | \$ 13,580,477 | \$ 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 | 115.70 % | 75.27 % | 123.52 % | 204.15 % | 234.66 % | 308.80 % |

Charter Township of Shelby

Required Supplementary Information Schedule of OPEB Contributions

Last Ten Fiscal Years Years Ended December 31

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|---------------------|
| Actuarially determined contribution | \$ 1,772,934 | \$ 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 |
| Contributions in relation to the actuarially determined contribution | 4,144,283 | 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 |
| Contribution Excess (Deficiency) | \$ 2,371,349 | \$ 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) |
| Covered-employee Payroll | \$ 13,580,477 | \$ 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 |
| Contributions as a Percentage of Covered-employee Payroll | 30.52 % | 31.71 % | 34.79 % | 37.50 % | 58.72 % | 72.18 % | 37.01 % | 31.60 % | 24.23 % | 27.30 % |

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 | 20 years |
| Asset valuation method | Market value |
| Inflation | 3.00 percent |
| Health care cost trend rates | 3.0 to 7.0 percent depending on the year and type of cost |
| Salary increase | 0.00 to 6.70 percent |
| Investment rate of return | 6.75 percent |
| Retirement age | Varies depending on employee's years of service |
| Mortality | SOA Pub-2010 Mortality tables |

Charter Township of Shelby

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

**Last Six Fiscal Years
Years Ended December 31**

| | <u>2022</u> | <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 | (12.15)% | 15.47 % | 12.07 % | 20.28 % | (5.87)% | 15.11 % |

Charter Township of Shelby

Notes to Required Supplementary Information

December 31, 2022

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:

| | Total Revenue | Total Expenditures | Other Financing Uses |
|---------------------------------|----------------------|----------------------|-------------------------|
| Amounts per operating statement | \$ 23,709,385 | \$ 17,197,810 | \$ (4,816,026) |
| 41st District Court | - | (2,659,206) | (2,659,206) |
| Community relations | (1,362,767) | (1,031,554) | 331,213 |
| Amounts per budget statement | <u>\$ 22,346,618</u> | <u>\$ 13,507,050</u> | <u>\$ (7,144,019)</u> |

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

| | Budget | Actual | Variance |
|------------------------------|--------------|--------------|----------------|
| General Fund - Transfers out | \$ 5,936,098 | \$ 7,197,150 | \$ (1,261,052) |

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.

Charter Township of Shelby

Notes to Required Supplementary Information (Continued)

December 31, 2022

2018

The fire chief's definition of average final compensation was revised to be the average of the 3 highest years of annual compensation received during the 10 years of service immediately preceding retirement or termination. The definition in the previous contract was based on the 5 highest consecutive years of compensation during the 10 years of service immediately preceding retirement or termination.

2020

Starting 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. The amortization method changed 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 Municipal Employees' Retirement System actuarial valuation assumption used in the December 2018 actuarial valuation.

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 Municipal Employees' Retirement System actuarial valuation assumption used in the December 30, 2020 actuarial valuation.

Other Supplementary Information

Charter Township of Shelby

| | Special Revenue Funds | | | | |
|--|-----------------------|-------------------|-------------------|--------------------|---------------------------------|
| | Emergency Response | Opioid Settlement | Street Lighting | Building Authority | Michigan Justice Training Grant |
| Assets | | | | | |
| Cash and investments | \$ 167,280 | \$ - | \$ 129,103 | \$ 15,153 | \$ 4,808 |
| Receivables: | | | | | |
| Other receivables | - | 870,030 | 30,825 | - | - |
| Due from other governmental units | 319,768 | - | 4,280 | - | - |
| Prepaid expenses | 20,209 | - | - | - | - |
| Total assets | \$ 507,257 | \$ 870,030 | \$ 164,208 | \$ 15,153 | \$ 4,808 |
| Liabilities | | | | | |
| Accounts payable | \$ 9,039 | \$ - | \$ 49,280 | \$ - | \$ 500 |
| Due to other funds | - | - | - | - | - |
| Accrued liabilities and other | 311 | - | - | - | - |
| Unearned revenue | - | - | - | - | - |
| Total liabilities | 9,350 | - | 49,280 | - | 500 |
| Deferred Inflows of Resources - | | | | | |
| Unavailable revenue | 229,531 | 870,030 | 4,280 | - | - |
| Total liabilities and deferred inflows of resources | 238,881 | 870,030 | 53,560 | - | 500 |
| Fund Balances (Deficit) | | | | | |
| Nonspendable | 20,209 | - | - | - | - |
| Restricted: | | | | | |
| Police and fire | 248,167 | - | - | - | - |
| Grants | - | - | - | - | 4,308 |
| Street lighting | - | - | 110,648 | - | - |
| Community development | - | - | - | 15,153 | - |
| Assigned - Capital projects | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Total fund balances (deficit) | 268,376 | - | 110,648 | 15,153 | 4,308 |
| Total liabilities, deferred inflows of resources, and fund balances (deficit) | \$ 507,257 | \$ 870,030 | \$ 164,208 | \$ 15,153 | \$ 4,808 |

Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds

December 31, 2022

| Special Revenue Funds | | | | Capital Project Fund | |
|--------------------------|-----------------------|------------------|---|-------------------------|----------------------|
| Community Block Grant | Federal Forfeiture | Drug Forfeiture | Michigan Indigent Defense Commission | Public Improvement | Total |
| \$ - | \$ 273,591 | \$ 27,307 | \$ 421,099 | \$ 12,849,827 | \$ 13,888,168 |
| - | - | - | - | 6,119 | 906,974 |
| 192,923 | 36,131 | 25,000 | - | - | 578,102 |
| - | 15,950 | - | - | 748,044 | 784,203 |
| \$ 192,923 | \$ 325,672 | \$ 52,307 | \$ 421,099 | \$ 13,603,990 | \$ 16,157,447 |
| \$ 26,712 | \$ 1,717 | \$ - | \$ 18,800 | \$ 471,734 | \$ 577,782 |
| 166,117 | - | - | - | - | 166,117 |
| 94 | - | - | - | - | 405 |
| - | - | - | 402,299 | 45,750 | 448,049 |
| 192,923 | 1,717 | - | 421,099 | 517,484 | 1,192,353 |
| 42,923 | - | - | - | 6,119 | 1,152,883 |
| 235,846 | 1,717 | - | 421,099 | 523,603 | 2,345,236 |
| - | 15,950 | - | - | 748,044 | 784,203 |
| - | 308,005 | 52,307 | - | 1,309,783 | 1,918,262 |
| - | - | - | - | - | 4,308 |
| - | - | - | - | - | 110,648 |
| - | - | - | - | - | 15,153 |
| - | - | - | - | 11,022,560 | 11,022,560 |
| (42,923) | - | - | - | - | (42,923) |
| (42,923) | 323,955 | 52,307 | - | 13,080,387 | 13,812,211 |
| \$ 192,923 | \$ 325,672 | \$ 52,307 | \$ 421,099 | \$ 13,603,990 | \$ 16,157,447 |

Charter Township of Shelby

| | Special Revenue Funds | | | | |
|--|-----------------------|-------------------|-------------------|--------------------|---------------------------------|
| | Emergency Response | Opioid Settlement | Street Lighting | Building Authority | Michigan Justice Training Grant |
| Revenue | | | | | |
| Intergovernmental: | | | | | |
| Federal grants | \$ - | \$ - | \$ - | \$ - | \$ - |
| State sources | 210,912 | - | - | - | 8,131 |
| Charges for services | - | - | 273,417 | - | - |
| Fines and forfeitures | - | - | - | - | - |
| Investment income | 1,333 | - | 158 | 140 | - |
| Other revenue | - | - | 20 | - | - |
| Total revenue | 212,245 | - | 273,595 | 140 | 8,131 |
| Expenditures | | | | | |
| Current services: | | | | | |
| General government | - | - | - | - | - |
| District court | - | - | - | - | - |
| Public safety | 54,821 | - | - | - | 6,895 |
| Public works | - | - | 279,333 | - | - |
| Recreation and culture | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Total expenditures | 54,821 | - | 279,333 | - | 6,895 |
| Excess of Revenue Over (Under) Expenditures | 157,424 | - | (5,738) | 140 | 1,236 |
| Other Financing Sources | | | | | |
| Transfers in | - | - | - | - | - |
| New debt issued | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | - |
| Total other financing sources | - | - | - | - | - |
| Net Change in Fund Balances | 157,424 | - | (5,738) | 140 | 1,236 |
| Fund Balances (deficit) - Beginning of year | 110,952 | - | 116,386 | 15,013 | 3,072 |
| Fund Balances (deficit) - End of year | \$ 268,376 | \$ - | \$ 110,648 | \$ 15,153 | \$ 4,308 |

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

Year Ended December 31, 2022

| Special Revenue Funds | | | | Capital Project Fund | |
|--------------------------|-----------------------|--------------------|---|-------------------------|----------------------|
| Community Block Grant | Federal Forfeiture | Drug Forfeiture | Michigan Indigent Defense Commission | Public Improvement | Total |
| \$ 170,495 | \$ - | \$ - | \$ - | \$ - | \$ 170,495 |
| - | - | - | 107,881 | 82,197 | 409,121 |
| - | - | - | - | - | 273,417 |
| - | 205,632 | 25,000 | - | - | 230,632 |
| - | 2,765 | 15 | 3,763 | 77,566 | 85,740 |
| - | - | - | - | 124,699 | 124,719 |
| <u>170,495</u> | <u>208,397</u> | <u>25,015</u> | <u>111,644</u> | <u>284,462</u> | <u>1,294,124</u> |
| - | - | - | - | 29,131 | 29,131 |
| - | - | - | 111,644 | - | 111,644 |
| - | 63,045 | 5,970 | - | - | 130,731 |
| 148,742 | - | - | - | 526,401 | 954,476 |
| 58,631 | - | - | - | - | 58,631 |
| 2,804 | 42,983 | - | - | 4,844,533 | 4,890,320 |
| - | - | - | - | 125,915 | 125,915 |
| <u>210,177</u> | <u>106,028</u> | <u>5,970</u> | <u>111,644</u> | <u>5,525,980</u> | <u>6,300,848</u> |
| (39,682) | 102,369 | 19,045 | - | (5,241,518) | (5,006,724) |
| - | - | - | - | 5,805,591 | 5,805,591 |
| - | - | - | - | 194,357 | 194,357 |
| - | - | - | - | 136,469 | 136,469 |
| - | - | - | - | 6,136,417 | 6,136,417 |
| (39,682) | 102,369 | 19,045 | - | 894,899 | 1,129,693 |
| (3,241) | 221,586 | 33,262 | - | 12,185,488 | 12,682,518 |
| <u>\$ (42,923)</u> | <u>\$ 323,955</u> | <u>\$ 52,307</u> | <u>\$ -</u> | <u>\$ 13,080,387</u> | <u>\$ 13,812,211</u> |

Other Supplementary Information
Combining Statement of Fiduciary Net Position
Fiduciary Funds

December 31, 2022

| | Pension and Other Postemployment Benefit Trust Funds | | | Custodial Funds | | | |
|--|--|----------------------|-----------------------|------------------|-------------------|---------------------|-------------------|
| | Police and Fire Retirement Systems Trust | Retiree Health Care | Total | Custodial | Tax Collection | 41st District Court | Total |
| Assets | | | | | | | |
| Cash and investments | \$ 14,194 | \$ - | \$ 14,194 | \$ 78,572 | \$ 7,016,323 | \$ 53,040 | \$ 7,147,935 |
| Investments: | | | | | | | |
| Short-term funds | 3,474,201 | 1,217,946 | 4,692,147 | - | - | - | - |
| Stocks | 38,228,182 | 7,678,767 | 45,906,949 | - | - | - | - |
| Collective index and mutual funds - Fixed income | 24,570,352 | 12,663,939 | 37,234,291 | - | - | - | - |
| Collective index and mutual funds - Equity | 21,278,126 | 28,266,400 | 49,544,526 | - | - | - | - |
| Limited partnerships and other assets | 32,508,232 | 18,507,070 | 51,015,302 | - | - | - | - |
| Receivables | | | | | | | |
| Property taxes receivable | - | - | - | - | 17,766,714 | - | 17,766,714 |
| Accrued interest | 131,849 | 36,749 | 168,598 | - | - | - | - |
| Prepaid expenses and other assets | 3,560 | - | 3,560 | - | - | - | - |
| Total assets | 120,208,696 | 68,370,871 | 188,579,567 | 78,572 | 24,783,037 | 53,040 | 24,914,649 |
| Liabilities | | | | | | | |
| Accounts payable | 74,257 | 16,626 | 90,883 | 714 | - | - | 714 |
| Due to other governmental units | - | - | - | - | 7,016,323 | 53,040 | 7,069,363 |
| Accrued liabilities and other | 510,895 | 1,596,544 | 2,107,439 | - | - | - | - |
| Total liabilities | 585,152 | 1,613,170 | 2,198,322 | 714 | 7,016,323 | 53,040 | 7,070,077 |
| Deferred Inflows of Resources | | | | | | | |
| Property taxes levied for the following year | - | - | - | - | 17,766,714 | - | 17,766,714 |
| Total liabilities and deferred inflows of resources | 585,152 | 1,613,170 | 2,198,322 | 714 | 24,783,037 | 53,040 | 24,836,791 |
| Net Position | | | | | | | |
| Restricted: | | | | | | | |
| Pension | 119,623,544 | - | 119,623,544 | - | - | - | - |
| Postemployment benefits other than pension | - | 66,757,701 | 66,757,701 | - | - | - | - |
| Organizations | - | - | - | 77,858 | - | - | 77,858 |
| Total net position | \$ 119,623,544 | \$ 66,757,701 | \$ 186,381,245 | \$ 77,858 | \$ - | \$ - | \$ 77,858 |

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

Year Ended December 31, 2022

| | Pension and Other Postemployment Benefit Trust Funds | | | Custodial Funds | | | |
|---|--|----------------------|-----------------------|------------------|----------------|---------------------|------------------|
| | Police and Fire Retirement Systems Trust | Retiree Health Care | Total | Custodial | Tax Collection | 41st District Court | Total |
| Additions | | | | | | | |
| Investment income (loss): | | | | | | | |
| Interest and dividends | \$ 3,828,634 | \$ 1,400,973 | \$ 5,229,607 | \$ - | \$ - | \$ - | \$ - |
| Net realized and unrealized loss on investments | (21,259,697) | (10,376,587) | (31,636,284) | - | - | - | - |
| Investment costs | (972,157) | (434,123) | (1,406,280) | - | - | - | - |
| Net investment loss | (18,403,220) | (9,409,737) | (27,812,957) | - | - | - | - |
| Contributions: | | | | | | | |
| Employer contributions | 2,395,632 | 4,144,283 | 6,539,915 | - | - | - | - |
| Employee contributions | 442,148 | - | 442,148 | - | - | - | - |
| Total contributions | 2,837,780 | 4,144,283 | 6,982,063 | - | - | - | - |
| Property tax collections for other governments | - | - | - | - | 100,128,840 | - | 100,128,840 |
| District court collections | - | - | - | - | - | 852,277 | 852,277 |
| Other additions | - | - | - | 11,214 | - | - | 11,214 |
| Total additions | (15,565,440) | (5,265,454) | (20,830,894) | 11,214 | 100,128,840 | 852,277 | 100,992,331 |
| Deductions | | | | | | | |
| Benefit payments | 8,046,501 | 3,365,837 | 11,412,338 | - | - | - | - |
| Refunds of contributions | 117,293 | - | 117,293 | - | - | - | - |
| Administrative expenses | 71,053 | - | 71,053 | - | - | - | - |
| Property tax disbursements | - | - | - | - | 100,128,840 | - | 100,128,840 |
| District court disbursements | - | - | - | - | - | 852,277 | 852,277 |
| Other deductions | - | - | - | 12,964 | - | - | 12,964 |
| Total deductions | 8,234,847 | 3,365,837 | 11,600,684 | 12,964 | 100,128,840 | 852,277 | 100,994,081 |
| Net Decrease in Fiduciary Net Position | (23,800,287) | (8,631,291) | (32,431,578) | (1,750) | - | - | (1,750) |
| Net Position - Beginning of year | 143,423,831 | 75,388,992 | 218,812,823 | 79,608 | - | - | 79,608 |
| Net Position - End of year | <u>\$ 119,623,544</u> | <u>\$ 66,757,701</u> | <u>\$ 186,381,245</u> | <u>\$ 77,858</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 77,858</u> |