



Shelby Township

**Financial Report with Supplemental Information
December 31, 2023**

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Shelby

Report on the Audit of the Financial Statements

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, 2023 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, 2023 and the respective changes in its financial position and, where applicable, its 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Matter

As described in Note 1 to the financial statements, the aggregate remaining funds have investments valued at approximately \$55.5 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 supplementary 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.

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.

To the Board of Trustees
Charter Township of Shelby

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2024 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Plante & Moran, PLLC

June 21, 2024

As management of Charter Township of Shelby (the "Township"), we offer readers this narrative overview and analysis of the financial activities for the year ended December 31, 2023.

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 \$253,680,415 at the close of the most recent fiscal year.

The Township's Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 101,231,476	\$ 95,948,541	\$ 51,104,656	\$ 48,917,900	\$ 152,336,132	\$ 144,866,441
Capital assets	82,067,594	79,557,563	129,964,315	130,675,029	212,031,909	210,232,592
Total assets	183,299,070	175,506,104	181,068,971	179,592,929	364,368,041	355,099,033
Deferred Outflows of Resources	11,496,220	20,153,295	587,392	527,646	12,083,612	20,680,941
Liabilities						
Current liabilities	10,170,598	12,862,429	3,828,562	5,707,403	13,999,160	18,569,832
Noncurrent liabilities	34,728,872	39,412,948	22,652,651	23,962,931	57,381,523	63,375,879
Total liabilities	44,899,470	52,275,377	26,481,213	29,670,334	71,380,683	81,945,711
Deferred Inflows of Resources	50,855,732	51,204,374	534,823	707,350	51,390,555	51,911,724
Net Position						
Net investment in capital assets	81,738,712	79,414,607	111,497,412	110,596,951	193,236,124	190,011,558
Restricted	18,835,186	16,677,621	-	-	18,835,186	16,677,621
Unrestricted	(1,533,810)	(3,912,580)	43,142,915	39,145,940	41,609,105	35,233,360
Total net position	\$ 99,040,088	\$ 92,179,648	\$ 154,640,327	\$ 149,742,891	\$ 253,680,415	\$ 241,922,539

The Township's combined net position increased by \$11.8 million, from \$241.9 million in 2022 to \$253.7 million in 2023.

Governmental Activities

A review of the governmental activities shows an increase of approximately \$6.9 million (7.4 percent) in net position during 2023. The amount of available cash and investments increased by \$1.5 million, as the Township saw a significant increase in interest accumulation from deposits on hand. Receivables also saw a substantial increase due to the timing of collections, as property tax receivables increased by \$2.7 million. This increase was offset by an increase in deferred inflows relating to property taxes of approximately the same amount. Capital assets increased by \$2.5 million. The Township began the process of allocating and spending the \$8.4 million received from the federal government as part of the State and Local Fiscal Recovery Fund (SLFRF). At the end of 2023, the Township had allocated over \$7.5 million of the funds received and had spent almost \$4 million of that allocation (resulting in an over \$3 million decrease in unearned revenue in 2023). Over \$2.5 million has been allocated to replace aging vehicles of the fire department; \$1.1 million was allocated to a new Township Wellness Center added on to the existing police department. Various road improvements throughout the Township were allocated almost \$1.4 million. In addition to the over \$700,000 allocated and spent on major renovations and a fishing dock around Heritage Lake in 2022, an additional \$1.1 million was allocated for Phase Two of Heritage Lake and Mae Stecker Park improvements. The remaining \$700,000 allocated as part of these funds was allocated to smaller township infrastructure projects and equipment purchases. In addition to the SLFRF projects, the Township also spent \$1.4 million on property around the municipal campus to take further steps to solidify a strong central campus and work toward the Campus Master Plan that was presented and approved several years ago. Another major capital project undertaken in 2023 included an expansion of the activity center parking lot, as demand for activities among township seniors and families continues to increase, resulting in more programs and services being added on an annual basis. Other projects completed in 2023 included the outdoor senior fitness facility at the activity center and a new archery range at the nature center. Other major changes in asset classes throughout 2023 included a decrease in other postemployment benefit-related (OPEB) liabilities, net of assets of \$1.3 million, being offset by an increase in pension-related liabilities, net of assets of \$3.2 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 \$2.4 million (60.5 percent) to \$(1.5) million. An increase was also seen in net investment in capital assets of \$2.3 million relating to the projects described earlier. Restricted net position increased by \$2.2 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 \$4.9 million (3.3 percent) to \$154.6 million. The amount of available cash and investments increased by \$2.3 million due to positive operating cash flow in 2023. There was a \$1.1 million decrease in special assessment receivables due to ongoing collections in the 34S sanitary sewer district. A \$1.0 million decrease in accrued liabilities was the result of a one-time surplus of the Special Assessment District 34S sanitary sewer serving sections 1 and 2 of the Township, which was accrued at the end of 2022 being refunded to the property owners of record in 2023. In addition, there was a \$1.3 million decrease in bonds payable, as bonds continue to be paid down in accordance with maturity schedules. The remaining change can be attributed to an \$800,000 decrease in accounts payable, as well as various minor changes in other categories.

The Township's business-type net investment in capital assets increased by \$900,000 (0.8 percent) to \$111.5 million. The Township's business-type activities unrestricted net position increased by \$4 million (10.2 percent) to \$43.1 million. This increase will contribute to funds available for future projects, including the Schoenherr Road Sanitary Sewer 22-23 Mile Road Capacity Restriction Removal Project, which will begin in 2024 with a scheduled completion date in 2025.

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, 2023 and the prior year:

The Township's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenue						
Program revenue:						
Charges for services	\$ 12,106,000	\$ 11,477,236	\$ 30,200,295	\$ 30,766,323	\$ 42,306,295	\$ 42,243,559
Operating grants and contributions	2,085,440	1,697,474	-	-	2,085,440	1,697,474
Capital grants and contributions	3,253,648	1,302,604	4,041,265	3,975,938	7,294,913	5,278,542
General revenue:						
Property taxes	37,921,435	35,737,968	-	-	37,921,435	35,737,968
Intergovernmental	9,397,166	9,418,011	-	-	9,397,166	9,418,011
Investment earnings	2,560,795	673,135	994,390	429,257	3,555,185	1,102,392
Other revenue	1,749,421	2,825,132	6,615	5,485	1,756,036	2,830,617
Total revenue	69,073,905	63,131,560	35,242,565	35,177,003	104,316,470	98,308,563
Expenses						
General government	7,599,172	8,177,783	-	-	7,599,172	8,177,783
District court	2,428,036	2,368,134	-	-	2,428,036	2,368,134
Public safety	42,527,549	36,247,415	-	-	42,527,549	36,247,415
Public works	3,125,927	3,100,640	-	-	3,125,927	3,100,640
Recreation and culture	6,311,125	6,058,509	-	-	6,311,125	6,058,509
Debt service	221,656	248,313	-	-	221,656	248,313
Water and sewer	-	-	30,345,129	32,313,729	30,345,129	32,313,729
Total expenses	62,213,465	56,200,794	30,345,129	32,313,729	92,558,594	88,514,523
Change in Net Position	6,860,440	6,930,766	4,897,436	2,863,274	11,757,876	9,794,040
Net Position - Beginning of year	92,179,648	85,248,882	149,742,891	146,879,617	241,922,539	232,128,499
Net Position - End of year	\$ 99,040,088	\$ 92,179,648	\$ 154,640,327	\$ 149,742,891	\$ 253,680,415	\$ 241,922,539

Governmental Activities

The Township's total governmental revenue increased by approximately \$5.9 million (9.4 percent) during 2023. Charges for services increased by \$630,000, as a decrease in activity levels relating to building activity was offset by slight increases in district court fines, charges for ambulance services, and recreational activity. Grant revenue increased by over \$2.3 million, as the Township recognized almost \$3 million in State and Local Fiscal Recovery Fund revenue (bringing the total to just under \$4 million recognized since initial receipt in 2021) and received a full year of SAFER grant funding for the hiring of additional firefighters. A continued rise in interest rates during 2023 and a shift in investment strategy allowed for an even larger increase in interest income than the previous year, increasing by almost \$1.9 million. A decrease of \$1 million in other revenue was mainly due to a one-time recognition settlement proceeds from opioid litigation in 2022. A \$2.1 million increase in property taxes, largely due to a high inflation index and state-shared revenue remaining flat, rounds out the list of revenue categories.

Total governmental expenses saw a sizable increase of \$6 million (10.7 percent) in 2023. Essentially all of this increase can be attributed to a change in public safety expenses. Public safety costs increased by over \$6 million (17.3 percent). While some of the increase can be attributed to the Township hiring three additional police officers, two clerical staff, and a 911 dispatcher in 2023, over \$5.1 million of the increase is attributable to an increase in OPEB expense. Despite positive investment returns, adjustments for changes in deferred inflows and outflows related to OPEB, as well as a \$3.4 million increase in OPEB liability related to public safety, more than offset the positive investment returns. In addition, larger contractual wage increases for public safety employees than those received in past years contributed to increased expenses. General government costs decreased by almost \$600,000 from 2022 to 2023, largely due to a decrease in the number of elections held in 2023 compared to 2022. The remaining expense categories remained relatively flat, with only a slight increase in recreation and culture, as increased demand for recreation offerings necessitated an increase in costs to run those programs.

Business-type Activities

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

During 2023, the Township's business-type activities revenue increased by \$65,000 (0.2 percent) to \$35.2 million. Charges for services decreased by \$566,000. This was attributed to a decrease of \$352,000 in engineering revenue due to slowed development in the Township, as well as an increase in sewer revenue being more than offset by a decrease in seasonal water sales. Capital grants and contributions increased by \$65,000. An increase in capital contributions related to the ongoing Macomb Interceptor Segment 5 and Segment 6 sewer rehabilitations was offset by a decrease in capital charges and tap fees, as development slowed in the Township. Lastly, there was a \$565,000 increase in investment income due to increases in interest rates on investments, as well as a shift in the Township's investment strategy.

The business-type expenses for 2023 decreased by \$2 million (6.1 percent) to \$30.3 million. There was a \$1.5 million decrease in charges due to savings on wholesale water costs from GLWA, as the water storage facility was fully operational for all of 2023 and is offsetting peak demands primarily due to water irrigation. These savings will contribute to the payback on the initial investment in the water storage facility and will allow the Township to stabilize water rates for the residents. There was also a \$332,000 decrease in engineering and tap installations, as development slowed in the Township.

The Township's Funds

The presentation of the Township's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The township board creates funds to help manage money for specific purposes, as well as to show accountability for certain activities. The Township's major funds for 2023 include the General Fund, Police Fund, Fire Fund, Public Improvement Fund, and Water and Sewer Fund.

General Fund Budgetary Highlights

Over the course of the year, the township board and administration monitor and amend the budget to consider unanticipated events that occur and acceleration of multiyear capital projects. The General Fund experienced a \$14,000 increase in revenue from 2022. Increases in several categories were mostly offset by decreases in others. A decrease in intergovernmental revenue was a result of the recognition of a one-time retroactive payment in 2022 that was received by the Township due to census adjustments from the 2020 census. Licenses and permits also saw a sizable decrease of \$540,000 (20.6 percent), as building activity throughout the Township significantly slowed in 2023. The final category to see a decrease was other revenue, which decreased by \$122,000 (23.3 percent). An increase in money received from the federal government as part of a retiree drug subsidy was not enough to offset the loss of private donations received due to the Township not holding a fireworks display in 2023. The remaining revenue categories all saw increases from 2022 to 2023. Property tax revenue increased by \$270,000, benefiting from increased taxable valuations due to high inflation. Charges for services increased by \$215,000, as continuing increases in demand for recreational activities and facilities helped realize an increase in revenue in recreation programs. Fines and forfeitures increased by \$160,000, as an increase in ordinance enforcement activity generated new civil fines, and district court fines also saw a 7 percent increase in activity. The category to see the largest increase from 2022 to 2023 was investment income. While rising interest rates have created a slowdown in building activity throughout the nation, the interest rate hikes have provided a significant resource for the Township. In addition, a shift in investment strategy to capitalize on higher interest rates allowed for interest income to reach its highest level since 2008. It more than tripled the amount received in 2022.

The General Fund ended the year with a favorable revenue budget variance of \$351,858, as most categories came in higher than expected. Only fines and forfeitures and licenses and permits saw negative variances, as activity related to both slowed as the year ended.

In 2023, the Township experienced a \$1.7 million increase in expenditures (12.8 percent). A significant increase in capital outlay expenditures (with a total higher than most years) resulted from the \$1.4 million purchase of a property adjacent to the municipal campus. General government increased by \$430,000. Additional personnel costs accounted for much of the increase, with a decrease in election expenses being offset by increases in IT, consulting, and insurance costs. Recreation and culture also had an increase compared to 2022, which can be attributed to increased usage of recreation and senior programs previously mentioned. Public works decreased by \$200,000 (23.5 percent) because of savings from the Township's conversion to LED streetlights, as well as a one-time cost for the installation of those lights in 2022.

The General Fund ended the year with a favorable expenditure budget variance of \$975,037. All township departments finished the year at or under budget, with personnel costs, contractual services, and capital outlay being the largest contributors to the favorable variance.

Looking at other financing sources/uses, net transfers out decreased by over \$500,000. 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 in 2022. In 2023, that number was reduced to just under \$1.8 million. This decrease was slightly offset by an increase in transfers to the Capital Improvement Fund, as additional moneys are needed to fund future capital projects. There were no transfers in or sales of capital assets during 2023.

The General Fund ended the year with an unfavorable other financing sources/uses budget variance of \$(1,335,012). 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 2023 original General Fund budget with the 2023 amended budget, the amended budget increased revenue by approximately \$900,000. A substantial increase was required in investment income due to an increase in interest income, with several smaller increases in intergovernmental revenue, charges for services, and fines and forfeitures. The only revenue category to see a decrease was licenses and permits due to decreased building activity previously mentioned. On the expenditure side, the amended budget increased expenditures by approximately \$1.3 million. While there were slight increases and decreases between categories, all of the increase can be attributed to capital outlay due to the unanticipated property purchase of \$1.4 million described earlier.

Capital Assets and Debt Administration

At the end of 2023, the Township's governmental and business-type activities combined had approximately \$353.5 million in historical cost invested in a wide range of capital assets, including land; buildings; fire equipment; computer equipment; water and sewer lines; library books; and township infrastructure, such as roads and bridges. The infrastructure represents a usage right to these assets. The value of the infrastructure, assets for governmental activities, net of depreciation contained in this report, is \$23 million and \$22.1 million for 2023 and 2022, respectively. The business-type activities' infrastructure for 2023 and 2022 (including construction in progress), net of depreciation, is \$116.3 million and \$116.5 million, respectively. Additionally, the value of buildings and improvements for the governmental activities, net of depreciation, is \$36.9 million and \$35.6 million for 2023 and 2022, respectively. The increase is due to the purchase of property adjacent to the municipal campus. The business-type activities' buildings and improvements, net of depreciation, are \$11.1 million and \$11.3 million for 2023 and 2022, respectively. See Note 4 for additional information.

Most of the debt reported in these financial statements is related to the construction of the abovementioned infrastructure and is reported as a liability on the statement of net position (see Note 8 for additional information). The only debt not related to infrastructure relates to pension obligation bonds issued in 2014 to help fund the Township's Police and Fire Pension System and an installment agreement from 2022 that was used to purchase police equipment. The pension debt is scheduled to be paid through 2027 and has approximately \$3.2 million outstanding as of the end of 2023.

Economic Factors and Next Year's Budgets and Rates

Charter Township of Shelby will maintain the same property tax millage rate for 2024 that has applied for the prior 18 years (9.2999). Strong expenditure controls, growth in the Township's tax base, and the township board's philosophy of no new taxes have averted millage rate increases. In 2023, property taxes made up approximately 54.8 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 \$330 million (7.9 percent) between the 2022 and 2023 assessment years. State-shared revenue represented approximately 12.8 percent of the Township's governmental funds' overall 2023 revenue. In preparing the 2024 budget, it was assumed that there would be a slight increase in state-shared revenue based on projections provided by the State of Michigan. Federal grant revenue should also be significantly higher, as grant revenue should be recorded as the Township spends most of the money remaining relating to the State and Local Fiscal Recovery Fund. Fines and forfeitures are also budgeted for a slight increase in 2024. It is anticipated that other revenue will decrease from its 2023 levels. Licenses and permits are projected to decline, as building activity continues to ebb in conformance with the trend that began in 2023. Interest income is also expected to decrease slightly, as the federal government is expected to reduce interest rates at some point in 2024.

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 2024. It is expected that other township costs will also rise, as the Township is still seeing the effects of increased inflation in recent years that continues to drive 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 finish spending 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 and 2023, 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 also began around Heritage Lake, and federal grant money was allocated for new fire department vehicles. In 2024, 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 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, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 65,194,533	\$ 25,021,693	\$ 90,216,226	\$ 501,606
Receivables:				
Property taxes receivable	30,364,929	-	30,364,929	147,627
Special assessments receivable	-	3,201,821	3,201,821	-
Customers	-	9,223,856	9,223,856	-
Accrued interest	371,408	70,649	442,057	-
Leases receivable	7,671,926	-	7,671,926	-
Other receivables	2,597,612	-	2,597,612	-
Allowance for doubtful accounts	(407,933)	-	(407,933)	-
Due from other governmental units	2,751,952	-	2,751,952	-
Internal balances	(8,931,765)	8,931,765	-	-
Inventory	-	540,159	540,159	-
Prepaid expenses and other assets	1,618,814	115,313	1,734,127	2,526
Restricted assets (Note 10)	-	3,386,558	3,386,558	-
Net OPEB asset (Note 13)	-	612,842	612,842	-
Capital assets: (Note 4)				
Assets not subject to depreciation	14,631,113	7,945,371	22,576,484	55,000
Assets subject to depreciation - Net	67,436,481	122,018,944	189,455,425	24,740
Total assets	183,299,070	181,068,971	364,368,041	731,499
Deferred Outflows of Resources (Note 6)	11,496,220	587,392	12,083,612	-
Liabilities				
Accounts payable	1,831,374	2,827,905	4,659,279	6,200
Refundable deposits, bonds, etc.	1,816,413	10,698	1,827,111	-
Accrued liabilities and other	1,737,042	341,988	2,079,030	-
Unearned revenue (Note 7)	4,785,769	647,971	5,433,740	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 8)	173,162	18,725	191,887	-
Provision for property tax refunds	18	-	18	4,315
Current portion of long-term debt (Note 8)	874,627	1,187,741	2,062,368	-
Due in more than one year:				
Compensated absences (Note 8)	908,840	164,149	1,072,989	-
Unearned revenue (Note 7)	-	598,068	598,068	-
Net pension liability (Note 12)	12,758,161	-	12,758,161	-
Net OPEB liability (Note 13)	17,314,809	-	17,314,809	-
Long-term debt - Net of current portion (Note 8)	2,699,255	20,683,968	23,383,223	-
Total liabilities	44,899,470	26,481,213	71,380,683	10,515
Deferred Inflows of Resources (Note 6)	50,855,732	534,823	51,390,555	207,664
Net Position				
Net investment in capital assets - Net of related debt	81,738,712	111,497,412	193,236,124	79,740
Restricted:				
Capital projects	4,130	-	4,130	-
Police and fire operations	17,563,480	-	17,563,480	-
Community development	15,640	-	15,640	-
Street lighting	64,347	-	64,347	-
Grants	18,626	-	18,626	-
Opioid settlement	1,168,963	-	1,168,963	-
Unrestricted	(1,533,810)	43,142,915	41,609,105	433,580
Total net position	\$ 99,040,088	\$ 154,640,327	\$ 253,680,415	\$ 513,320

Charter Township of Shelby

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 7,599,172	\$ 4,152,141	\$ 264,199	\$ 411,425
District court	2,428,036	2,038,554	323,231	-
Public safety	42,527,549	4,688,662	1,168,639	1,073,323
Public works	3,125,927	304,959	86,183	1,676,242
Recreation and culture	6,311,125	921,684	243,188	92,658
Interest on long-term debt	221,656	-	-	-
Total governmental activities	62,213,465	12,106,000	2,085,440	3,253,648
Business-type activities - Water and Sewer	30,345,129	30,200,295	-	4,041,265
Total primary government	\$ 92,558,594	\$ 42,306,295	\$ 2,085,440	\$ 7,294,913
Component units - Downtown Development Authority	\$ 92,609	\$ -	\$ -	\$ -

General revenue:
 Property taxes
 Unrestricted state-shared revenue
 Unrestricted investment income
 Cable franchise fees
 (Loss) 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, 2023

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (2,771,407)	\$ -	\$ (2,771,407)	\$ -
(66,251)	-	(66,251)	-
(35,596,925)	-	(35,596,925)	-
(1,058,543)	-	(1,058,543)	-
(5,053,595)	-	(5,053,595)	-
(221,656)	-	(221,656)	-
(44,768,377)	-	(44,768,377)	-
-	3,896,431	3,896,431	-
(44,768,377)	3,896,431	(40,871,946)	-
-	-	-	(92,609)
37,921,435	-	37,921,435	288,042
9,397,166	-	9,397,166	-
2,560,795	994,390	3,555,185	11,511
1,280,216	-	1,280,216	-
(109,981)	6,615	(103,366)	-
579,186	-	579,186	-
51,628,817	1,001,005	52,629,822	299,553
6,860,440	4,897,436	11,757,876	206,944
92,179,648	149,742,891	241,922,539	306,376
\$ 99,040,088	\$ 154,640,327	\$ 253,680,415	\$ 513,320

Charter Township of Shelby

Governmental Funds Balance Sheet

December 31, 2023

	General Fund	Fire Fund	Police Fund	Public Improvement Fund	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 9,512,419	\$ 15,805,242	\$ 17,698,146	\$ 15,757,914	\$ 6,420,812	\$ 65,194,533
Receivables:						
Property taxes receivable	3,264,888	12,202,501	14,897,540	-	-	30,364,929
Accrued interest	371,408	-	-	-	-	371,408
Leases receivable	7,671,926	-	-	-	-	7,671,926
Other receivables	645,623	631,520	153,408	188,692	978,369	2,597,612
Allowance for doubtful accounts	(22,589)	(288,977)	(96,367)	-	-	(407,933)
Due from other governmental units	1,537,965	462,933	213,625	-	537,429	2,751,952
Due from other funds (Note 5)	281,779	-	-	-	-	281,779
Prepaid expenses and other assets	260,298	130,363	271,447	573,385	383,321	1,618,814
Total assets	\$ 23,523,717	\$ 28,943,582	\$ 33,137,799	\$ 16,519,991	\$ 8,319,931	\$ 110,445,020
Liabilities						
Accounts payable	\$ 390,099	\$ 142,715	\$ 574,865	\$ 135,348	\$ 588,347	\$ 1,831,374
Due to other funds (Note 5)	3,035	3,314	416	-	281,779	288,544
Advances from other funds (Note 5)	-	4,284,000	4,641,000	-	-	8,925,000
Refundable deposits, bonds, etc.	1,816,413	-	-	-	-	1,816,413
Accrued liabilities and other	476,789	612,746	587,926	-	-	1,677,461
Unearned revenue (Note 7)	50	-	-	85,750	4,699,969	4,785,769
Provision for property tax refunds	2	7	9	-	-	18
Total liabilities	2,686,388	5,042,782	5,804,216	221,098	5,570,095	19,324,579
Deferred Inflows of Resources						
Unavailable revenue	281,215	212,739	61,864	4,130	1,184,350	1,744,298
Property taxes levied for the following year	4,355,940	16,291,309	19,885,506	-	-	40,532,755
Leases	7,445,169	-	-	-	-	7,445,169
Total deferred inflows of resources	12,082,324	16,504,048	19,947,370	4,130	1,184,350	49,722,222
Total liabilities and deferred inflows of resources	14,768,712	21,546,830	25,751,586	225,228	6,754,445	69,046,801
Fund Balances						
Nonspendable - Prepays	260,298	130,363	271,447	573,385	383,321	1,618,814
Restricted:						
Police and fire	-	7,266,389	7,114,766	1,896,442	870,736	17,148,333
Grants	-	-	-	-	18,626	18,626
Street lighting	-	-	-	-	60,527	60,527
Community development	-	-	-	-	15,640	15,640
Opioid settlement	-	-	-	-	222,043	222,043
Assigned:						
Capital projects	-	-	-	13,824,936	-	13,824,936
Historical committee	1,653	-	-	-	-	1,653
Nature center	4,296	-	-	-	-	4,296
Recycling committee	1,878	-	-	-	-	1,878
Library	17,911	-	-	-	-	17,911
Special recreation donations	25,900	-	-	-	-	25,900
Veterans	11,337	-	-	-	-	11,337
Unassigned	8,431,732	-	-	-	(5,407)	8,426,325
Total fund balances	8,755,005	7,396,752	7,386,213	16,294,763	1,565,486	41,398,219
Total liabilities, deferred inflows of resources, and fund balances	\$ 23,523,717	\$ 28,943,582	\$ 33,137,799	\$ 16,519,991	\$ 8,319,931	\$ 110,445,020

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

December 31, 2023

Fund Balances Reported in Governmental Funds	\$ 41,398,219
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	82,067,594
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	1,744,298
Other liabilities that do not present a claim on current financial resources are not reportable as fund liabilities	(31,649)
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(3,573,882)
Accrued interest is not due and payable in the current period and is not reported in the funds	(27,932)
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	(1,082,002)
Pension benefits	(6,371,617)
Retiree health care benefits	(15,082,941)
Total employee fringe benefits not reported as fund liabilities	<u>(22,536,560)</u>
Net Position of Governmental Activities	<u><u>\$ 99,040,088</u></u>

Charter Township of Shelby

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2023

	General Fund	Fire Fund	Police Fund	Public Improvement Fund	Nonmajor Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 4,700,438	\$ 14,613,185	\$ 18,591,654	\$ -	\$ -	\$ 37,905,277
Intergovernmental:						
Federal grants	19,937	485,233	6,041	-	3,361,113	3,872,324
State sources	9,371,717	173,037	433,491	86,183	720,343	10,784,771
Charges for services:						
Charges to other funds	1,152,200	-	-	-	-	1,152,200
Charges for services to external parties	966,742	3,738,652	658,944	-	504,284	5,868,622
Fines and forfeitures	2,131,620	-	-	-	293,571	2,425,191
Licenses and permits:						
Cable franchise fees	1,280,216	-	-	-	-	1,280,216
Other licenses and permits	2,089,381	-	-	-	-	2,089,381
Investment income:						
Investment earnings	1,003,656	531,730	605,148	382,548	36,267	2,559,349
Rental income	537,162	-	-	-	-	537,162
Other revenue	400,340	6,467	227,080	-	11	633,898
Total revenue	23,653,409	19,548,304	20,522,358	468,731	4,915,589	69,108,391
Expenditures						
Current services:						
General government	8,761,356	-	-	29,888	-	8,791,244
District court	2,604,776	-	-	-	262,383	2,867,159
Public safety	-	17,590,838	18,515,941	-	441,880	36,548,659
Public works	650,714	-	-	408,148	637,317	1,696,179
Recreation and culture	5,376,308	-	-	-	-	5,376,308
Capital outlay	1,806,548	219,122	784,384	1,895,055	2,795,144	7,500,253
Debt service:						
Principal	-	355,200	384,800	48,589	-	788,589
Interest and fiscal charges	-	109,103	118,195	-	-	227,298
Total expenditures	19,199,702	18,274,263	19,803,320	2,381,680	4,136,724	63,795,689
Excess of Revenue Over (Under) Expenditures	4,453,707	1,274,041	719,038	(1,912,949)	778,865	5,312,702
Other Financing Sources (Uses)						
Transfers in	-	-	1,022	4,955,317	-	4,956,339
Transfers out	(3,980,379)	(762,133)	(213,827)	-	-	(4,956,339)
New debt issued	-	-	11,106	172,008	-	183,114
Sale of capital assets	-	-	109,738	-	-	109,738
Total other financing (uses) sources	(3,980,379)	(762,133)	(91,961)	5,127,325	-	292,852
Net Change in Fund Balances	473,328	511,908	627,077	3,214,376	778,865	5,605,554
Fund Balances - Beginning of year	8,281,677	6,884,844	6,759,136	13,080,387	786,621	35,792,665
Fund Balances - End of year	<u>\$ 8,755,005</u>	<u>\$ 7,396,752</u>	<u>\$ 7,386,213</u>	<u>\$ 16,294,763</u>	<u>\$ 1,565,486</u>	<u>\$ 41,398,219</u>

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, 2023

Net Change in Fund Balances Reported in Governmental Funds	\$ 5,605,554
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	2,510,031
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	71,733
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	(183,114)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	788,589
Interest expense is recognized in the government-wide statements as it accrues	5,642
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	<u>(1,939,754)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 6,860,440</u></u>

Charter Township of Shelby

Proprietary Fund Statement of Net Position

December 31, 2023

	<u>Water and Sewer</u>
Assets	
Current assets:	
Cash and investments	\$ 25,021,693
Receivables:	
Special assessments	641,786
Customers	9,223,856
Accrued interest	70,649
Due from other funds (Note 5)	6,765
Inventory	540,159
Prepaid expenses and other assets	<u>115,313</u>
Total current assets	35,620,221
Noncurrent assets:	
Restricted assets (Note 10)	3,386,558
Advances to other funds (Note 5)	8,925,000
Special assessment receivables	2,560,035
Net OPEB asset (Note 13)	612,842
Capital assets: (Note 4)	
Assets not subject to depreciation	7,945,371
Assets subject to depreciation - Net	<u>122,018,944</u>
Total noncurrent assets	<u>145,448,750</u>
Total assets	181,068,971
Deferred Outflows of Resources (Note 6)	587,392
Liabilities	
Current liabilities:	
Accounts payable	2,827,905
Refundable deposits, bonds, etc.	10,698
Accrued liabilities and other	341,988
Unearned revenue (Note 7)	647,971
Compensated absences (Note 8)	18,725
Current portion of long-term debt (Note 8)	<u>1,187,741</u>
Total current liabilities	5,035,028
Noncurrent liabilities:	
Compensated absences (Note 8)	164,149
Unearned revenue (Note 7)	598,068
Long-term debt - Net of current portion (Note 8)	<u>20,683,968</u>
Total noncurrent liabilities	<u>21,446,185</u>
Total liabilities	26,481,213
Deferred Inflows of Resources (Note 6)	<u>534,823</u>
Net Position	
Net investment in capital assets	111,497,412
Unrestricted	<u>43,142,915</u>
Total net position	<u><u>\$ 154,640,327</u></u>

Charter Township of Shelby

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

Year Ended December 31, 2023

	<u>Water and Sewer</u>
Operating Revenue	
Sale of water	\$ 15,619,318
Sewage disposal charges	12,075,036
Other sales to customers	2,348,230
Other miscellaneous revenue	44,588
Charges to other funds	<u>113,123</u>
Total operating revenue	30,200,295
Operating Expenses	
Cost of water	14,066,469
Cost of sewage treatment	6,918,875
Other operating and maintenance costs	3,828,623
Depreciation	<u>4,892,300</u>
Total operating expenses	<u>29,706,267</u>
Operating Income	494,028
Nonoperating Revenue (Expense)	
Investment income	994,390
Interest expense	(638,862)
Gain on sale of assets	<u>6,615</u>
Total nonoperating revenue	<u>362,143</u>
Income - Before capital contributions	856,171
Capital Contributions	
Lines donated by developers	3,155,560
Other capital contributions	<u>885,705</u>
Total capital contributions	<u>4,041,265</u>
Change in Net Position	4,897,436
Net Position - Beginning of year	<u>149,742,891</u>
Net Position - End of year	<u><u>\$ 154,640,327</u></u>

Charter Township of Shelby

Proprietary Fund Statement of Cash Flows

Year Ended December 31, 2023

	<u>Water and Sewer</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 28,581,179
Payments for interfund services and reimbursements	(88,197)
Payments to suppliers	(24,066,134)
Payments to employees and fringes	<u>(2,315,225)</u>
Net cash provided by operating activities	2,111,623
Cash Flows Provided by Noncapital Financing Activities - Repayments of loans made to other funds	500,000
Cash Flows from Capital and Related Financing Activities	
Special assessment collections	1,257,118
Benefit fees	885,705
Proceeds from sale of capital assets	6,615
Purchase of capital assets	(258,769)
Principal and interest paid on capital debt	(1,979,723)
Prepayment of bonds	<u>(1,020,023)</u>
Net cash used in capital and related financing activities	(1,109,077)
Cash Flows from Investing Activities	
Interest received on investments	833,561
Purchases of investment securities	(13,990,131)
Proceeds from sale and maturities of investment securities	<u>8,637,723</u>
Net cash used in investing activities	<u>(4,518,847)</u>
Net Decrease in Cash	(3,016,301)
Cash - Beginning of year	<u>17,374,323</u>
Cash - End of year	<u>\$ 14,358,022</u>
Classification of Cash	
Cash and investments	\$ 25,021,693
Less amounts classified as investments	<u>(10,663,671)</u>
Total cash	<u>\$ 14,358,022</u>

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

Year Ended December 31, 2023

	Water and Sewer
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 494,028
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	4,892,300
Changes in assets and liabilities:	
Receivables	(533,339)
Due to and from other funds	912
Inventories	(141,499)
Prepaid and other assets	41,000
Net OPEB liability	(561,246)
Accounts payable	(790,630)
Deferrals related to OPEB	(230,296)
Accrued and other liabilities	(1,059,607)
Total adjustments	1,617,595
Net cash provided by operating activities	\$ 2,111,623

Significant Noncash Transactions - During the year ended December 31, 2023, developers constructed water and sewer lines with an estimated value of \$3,155,560 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 \$743,544 of bond proceeds (previously reported as a restricted asset) on sewer improvements during the year ended December 31, 2023.

**Fiduciary Funds
Statement of Fiduciary Net Position**

December 31, 2023

	Pension and Other Employee Benefit Trust Funds	Custodial Funds	Total Fiduciary Funds
Assets			
Cash and investments	\$ 515,365	\$ 7,426,994	\$ 7,942,359
Investments:			
Short-term funds	8,121,394	-	8,121,394
Stocks	49,407,653	-	49,407,653
Collective index and mutual funds - Fixed income	41,296,982	-	41,296,982
Collective index and mutual funds - Equity	56,566,275	-	56,566,275
Limited partnerships	55,460,561	-	55,460,561
Receivables - Accrued interest:			
Property taxes receivable	-	20,424,368	20,424,368
Accrued interest	332,602	-	332,602
Other receivables	-	35,082	35,082
Prepaid expenses and other assets	3,775	-	3,775
Total assets	211,704,607	27,886,444	239,591,051
Liabilities			
Accounts payable	808,428	2,515	810,943
Due to other governmental units	-	7,380,456	7,380,456
Accrued liabilities and other	3,230,441	-	3,230,441
Total liabilities	4,038,869	7,382,971	11,421,840
Deferred Inflows of Resources - Property taxes levied for the following year	-	20,424,368	20,424,368
Net Position			
Restricted:			
Pension	131,045,302	-	131,045,302
Postemployment benefits other than pension	76,620,436	-	76,620,436
Organizations	-	79,105	79,105
Total net position	\$ 207,665,738	\$ 79,105	\$ 207,744,843

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2023

	Pension and Other Employee Benefit Trust Funds	Custodial Funds	Total Fiduciary Funds
Additions			
Investment income (loss):			
Interest and dividends	\$ 5,768,147	\$ -	\$ 5,768,147
Net realized and unrealized gain on investments	22,716,972	-	22,716,972
Investment costs	(1,532,590)	-	(1,532,590)
Net investment income	26,952,529	-	26,952,529
Contributions:			
Employer contributions	6,478,353	-	6,478,353
Employee contributions	415,465	-	415,465
Total contributions	6,893,818	-	6,893,818
Property tax collections for other governments	-	111,581,627	111,581,627
District court collections	-	948,524	948,524
Other additions	-	24,545	24,545
Total additions	33,846,347	112,554,696	146,401,043
Deductions			
Benefit payments	12,429,656	-	12,429,656
Administrative expenses	132,198	-	132,198
Property tax disbursements to other governments	-	111,581,627	111,581,627
District court disbursements	-	948,524	948,524
Other deductions	-	23,298	23,298
Total deductions	12,561,854	112,553,449	125,115,303
Net Change in Fiduciary Net Position	21,284,493	1,247	21,285,740
Net Position - Beginning of year	186,381,245	77,858	186,459,103
Net Position - End of year	\$ 207,665,738	\$ 79,105	\$ 207,744,843

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 it has spent certain resources; separate funds allow the Township to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types as follows:

Governmental Funds

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

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

Interfund Activity

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

Note 1 - Significant Accounting Policies (Continued)

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

Specific Balances and Transactions

Cash and Investments

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

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

Approximately \$36.4 million of the assets held by the Shelby Township Police and Fire Pension System and approximately \$19.1 million of the assets held by the Charter Township of Shelby Other Post Employment Benefits Trust at December 31, 2023 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	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 life of the bond 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 2022 taxable valuation of the Township totaled approximately \$4.1 billion (a portion of which is abated). Ad valorem taxes were levied as follows:

Description	Millage Rate	Revenue
General operating	1.1517 \$	4,700,000
Police protection	4.0424	16,500,000
Fire operating	3.1058	12,700,000
Police and fire pension	1.0000	4,100,000
Total		<u>\$ 38,000,000</u>

Pension

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

Other Postemployment Benefit Costs

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

Compensated Absences (Vacation and Sick Leave)

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

December 31, 2023

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 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.

December 31, 2023

Note 1 - Significant Accounting Policies (Continued)

In December 2023, the Government Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. It also requires governments to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2025.

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 be used only 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, 2023		\$ (1,554,701)
Current year permit revenue		1,802,809
Related expenses:		
Direct costs	\$ 1,759,838	
Estimated indirect costs	153,599	<u>1,913,437</u>
Current year shortfall		<u>(110,628)</u>
Cumulative shortfall December 31, 2023		<u>\$ (1,665,329)</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 11 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.

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$27,532,278 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.

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 five 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	\$ 1,678,463	365 days
U.S. government agency	10,390,495	1266 days
U.S. Treasury	3,699,931	248 days
Municipal bonds	1,632,045	1207 days
Total	\$ 17,400,934	
Investment	Carrying Value	Weighted- average Maturity
Fiduciary Funds		
Short-term investments (pension trust)	\$ 4,578,081	N/A
Short-term investments (OPEB trust)	3,543,313	27 days
Fixed Income Collective Index Fund (pension trust)	26,152,309	6.18 years
Fixed Income Collective Index Fund (OPEB trust)	3,066,251	2.07 years
Total	\$ 37,339,954	

December 31, 2023

Note 3 - Deposits and Investments (Continued)

Credit Risk

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

Investment	Carrying Value	Rating	Rating Organization
Primary Government			
Bank investment pool	\$ 1,678,463	Not rated	
U.S. government agency	10,390,495	Aaa	Moody's
U.S. Treasury	3,699,931	AA+, Aaa, AAA	S&P, Moody's, Fitch
Municipal bonds	<u>1,632,045</u>	Aa2, Aa1, AA, Aaa	S&P, Moody's
Total	<u>\$ 17,400,934</u>		

Investment	Carrying Value	Rating	Rating Organization
Fiduciary Funds			
Short-term investments (pension trust)	\$ 4,578,081	A1	S&P
Short-term investments (OPEB trust)	3,543,313	A1	S&P
Fixed Income Collective Index Fund (pension trust)	26,152,309	AA1/AA2	S&P
Fixed Income Collective Index Fund (OPEB trust)	<u>3,066,251</u>	AA1/AA2	S&P
Total	<u>\$ 37,339,954</u>		

Concentration of Credit Risk

The Township limits the amount the Township may invest in any one issuer to 50 percent of the Township's total portfolio. At December 31, 2023, 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 Fidelity 500 Index Fund, Baird Intermediate Bond Fund, and HGK Trinity Street International Equity Fund, each of which exceeds 5 percent of the Township's fiduciary fund portfolio.

Fair Value Measurements

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

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

December 31, 2023

Note 3 - Deposits and Investments (Continued)

The Township has the following recurring fair value measurements as of December 31, 2023:

	Assets Measured at Carrying Value on a Recurring Basis at December 31, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Balance at December 31, 2023
Debt securities:				
Corporate bonds	\$ -	\$ 4,268,390	\$ -	\$ 4,268,390
Government bonds	7,810,032	-	-	7,810,032
Collective index and mutual funds - Fixed income	24,510,124	4,708,436	-	29,218,560
Total debt securities	32,320,156	8,976,826	-	41,296,982
Equity securities:				
Stocks	49,407,653	-	-	49,407,653
Collective index and mutual funds - Equity	56,566,275	-	-	56,566,275
Total equity securities	105,973,928	-	-	105,973,928
Total	\$ 138,294,084	\$ 8,976,826	\$ -	147,270,910
Investments measured at NAV:				
Real estate funds (limited partnership)				12,110,139
Private equity (limited partnership)				8,969,669
Limited partnerships				6,647,248
Commingled funds (limited partnership)				27,733,505
Total investments measured at NAV				55,460,561
Total assets				\$ 202,731,471

Government bonds, 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 security mutual funds 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 fair value of corporate bonds classified in Level 2 are valued using inputs - other than quoted prices - included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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

Investments in Entities that Calculate Net Asset Value per Share

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

December 31, 2023

Note 3 - Deposits and Investments (Continued)

At December 31, 2023, 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	\$ 8,595,134	\$ 645,516	Fully restricted	None
Real estate funds	3,515,005	2,000,000	Quarterly	95 days
Private equity	8,969,669	7,175,727	Fully restricted	None
Limited partnerships	6,647,248	2,594,198	Fully restricted	None
Commingled funds	23,966,167	-	Monthly	5 days
Commingled funds	3,767,338	-	Monthly	60 days
Total	\$ 55,460,561	\$ 12,415,441		

Real estate funds: This type includes 11 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 29 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 four private equity funds that invest primarily in pre-IPO equities, activist equity, secondary private equity securities 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 4 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.

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

December 31, 2023

Note 4 - Capital Assets

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

Governmental Activities

	Balance January 1, 2023	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2023
Capital assets not being depreciated:					
Land	\$ 12,873,480	\$ -	\$ -	\$ -	\$ 12,873,480
Construction in progress	1,346,894	(821,235)	1,267,546	(35,572)	1,757,633
Subtotal	14,220,374	(821,235)	1,267,546	(35,572)	14,631,113
Capital assets being depreciated:					
Infrastructure	46,041,236	735,040	1,953,427	(701,582)	48,028,121
Buildings and improvements	45,039,639	84,995	2,095,656	(87,010)	47,133,280
Machinery and equipment	9,717,722	1,200	842,517	(430,581)	10,130,858
Vehicles	10,643,849	-	770,029	(226,084)	11,187,794
Library books	2,000,000	-	-	-	2,000,000
Subtotal	113,442,446	821,235	5,661,629	(1,445,257)	118,480,053
Accumulated depreciation:					
Infrastructure	23,913,679	-	1,786,865	(639,990)	25,060,554
Buildings and improvements	9,453,977	-	854,270	(51,922)	10,256,325
Machinery and equipment	6,116,480	-	710,605	(387,753)	6,439,332
Vehicles	7,621,121	-	849,623	(183,383)	8,287,361
Library books	1,000,000	-	-	-	1,000,000
Subtotal	48,105,257	-	4,201,363	(1,263,048)	51,043,572
Net capital assets being depreciated	65,337,189	821,235	1,460,266	(182,209)	67,436,481
Net governmental activities capital assets	\$ 79,557,563	\$ -	\$ 2,727,812	\$ (217,781)	\$ 82,067,594

December 31, 2023

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance January 1, 2023	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2023
Capital assets not being depreciated:					
Land	\$ 429,441	\$ -	\$ -	\$ -	\$ 429,441
Construction in progress	4,594,862	-	2,921,068	-	7,515,930
Subtotal	5,024,303	-	2,921,068	-	7,945,371
Capital assets being depreciated:					
Water systems	56,615,370	-	1,029,045	(292,099)	57,352,316
Sewer systems	137,792,860	-	188,018	-	137,980,878
Buildings and improvements	13,199,889	-	-	-	13,199,889
Furniture and equipment	3,247,342	-	5,840	(38,438)	3,214,744
Vehicles	756,787	-	37,615	(47,873)	746,529
Subtotal	211,612,248	-	1,260,518	(378,410)	212,494,356
Accumulated depreciation:					
Water systems	25,475,991	-	1,417,623	(292,099)	26,601,515
Sewer systems	56,985,278	-	2,968,075	-	59,953,353
Buildings and improvements	1,853,290	-	264,098	-	2,117,388
Furniture and equipment	1,079,206	-	187,755	(38,438)	1,228,523
Vehicles	567,757	-	54,749	(47,873)	574,633
Subtotal	85,961,522	-	4,892,300	(378,410)	90,475,412
Net capital assets being depreciated	125,650,726	-	(3,631,782)	-	122,018,944
Net business-type activities capital assets	<u>\$ 130,675,029</u>	<u>\$ -</u>	<u>\$ (710,714)</u>	<u>\$ -</u>	<u>\$ 129,964,315</u>

Capital asset activity for the Township's component unit for the year ended December 31, 2023 was as follows:

Component Unit

	Balance January 1, 2023	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2023
Capital assets not being depreciated	\$ 55,000	\$ -	\$ -	\$ -	\$ 55,000
Capital assets being depreciated	30,925	-	-	-	30,925
Accumulated depreciation	3,093	-	3,092	-	6,185

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

Governmental activities:	
General government	\$ 490,658
Public safety	1,393,230
Public works	1,356,573
Recreation and culture	838,315
41A District Court	122,587
Total governmental activities	<u>\$ 4,201,363</u>

December 31, 2023

Note 4 - Capital Assets (Continued)

Business-type activities - Water and sewer	\$ 4,892,300
Component unit activities	\$ 3,092

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	\$ 3,314
	General Fund	3,035
	Police Fund	416
	Total Water and Sewer Fund	6,765
General Fund	Community Block Grant Fund	281,779
	Total	<u>\$ 288,544</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	\$ 4,284,000
	Police Fund	4,641,000
	Total	<u>\$ 8,925,000</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	\$ 1,022
	Public Improvement Fund	3,979,357
	Total General Fund	3,980,379
Police Fund Fire Fund	Public Improvement Fund	213,827
	Public Improvement Fund	762,133
	Total	<u>\$ 4,956,339</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, 2023

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)	\$ -	\$ 86,041
Deferred pension costs (Note 12)	6,386,544	-
Deferred OPEB costs (Note 13)	5,109,676	501,351
Total deferred outflows	<u>\$ 11,496,220</u>	<u>\$ 587,392</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	\$ 40,532,755	\$ -	\$ 207,664
Deferred OPEB cost reductions (Note 13)	2,877,808	467,030	-
Deferred inflows from leases (Note 9)	7,445,169	-	-
Deferred benefit on bond refunding being amortized (Note 8)	-	67,793	-
Total deferred inflows	<u>\$ 50,855,732</u>	<u>\$ 534,823</u>	<u>\$ 207,664</u>

Note 7 - Unearned Revenue

At December 31, 2023, the various components of unearned revenue were as follows:

	Governmental Funds	Water and Sewer
Michigan Indigent Defense Commission	\$ 247,321	\$ -
American Rescue Plan	4,452,648	-
Road payments for future road construction	40,000	-
Developer payments for future engineering services	-	647,971
Future addressing fees	50	-
Sidewalk payments for future sidewalk construction	45,750	-
Developer redeemable certificates for future capital charges	-	598,068
Total	<u>\$ 4,785,769</u>	<u>\$ 1,246,039</u>

December 31, 2023

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, 2023 are as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings	\$ 194,357	\$ 183,114	\$ (48,589)	\$ 328,882	\$ 109,627
Other debt - General obligations	3,985,000	-	(740,000)	3,245,000	765,000
Total bonds and contracts payable	4,179,357	183,114	(788,589)	3,573,882	874,627
Compensated absences	1,032,762	223,971	(174,731)	1,082,002	173,162
Total governmental activities long-term debt	\$ 5,212,119	\$ 407,085	\$ (963,320)	\$ 4,655,884	\$ 1,047,789

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings - County contractual obligations	\$ 20,460,230	\$ -	\$ (1,139,370)	\$ 19,320,860	\$ 1,187,741
Unamortized bond premiums	2,744,197	-	(193,348)	2,550,849	-
Total bonds and contracts payable	23,204,427	-	(1,332,718)	21,871,709	1,187,741
Compensated absences	160,436	49,147	(26,709)	182,874	18,725
Total business-type activities long-term debt	\$ 23,364,863	\$ 49,147	\$ (1,359,427)	\$ 22,054,583	\$ 1,206,466

December 31, 2023

Note 8 - Long-term Debt (Continued)

Purpose	Amount of Issue	Interest Rates	Principal Maturity Ranges	Outstanding
Governmental Activities				
Installment Purchase Agreement Maturing through 2026	377,471	0.00%	\$109,628	\$ 328,882
Pension Obligation Bonds Series 2014A Maturing through 2027	\$9,300,000	2.00% - 3.60%	\$720,000 - \$860,000	<u>3,245,000</u>
Total governmental activities				<u>\$ 3,573,882</u>
Business-type Activities				
2010 OMID Series 2010A (SRF) Maturing through 2031	\$1,242,274	2.50%	\$65,171 - \$77,892	\$ 572,396
2010 N. Gratiot Drainage Assessment Maturing through 2035	\$73,021	1.00% - 6.35%	\$2,733 - \$4,197	42,074
2014 OMID Drain Bonds, Series 2014A Maturing through 2034	\$476,441	2.00% - 3.125%	\$21,731 - \$31,280	294,360
2015 MID SRF 5624-01 Maturing through 2035	\$283,037	2.50%	\$12,569 - \$15,705	172,333
2015 N. Gratiot Drainage Assessment Maturing through 2033	\$597,225	3.50% - 5.00%	\$34,273 - \$40,600	377,352
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	5,145,001
2017 MID Drain and Refunding Bonds, Series 2017A (Refunding Portion) Maturing through 2042	\$10,318,982	3.45% - 5.50%	\$375,026 - \$702,680	6,565,590
2019 OMID Drain Bonds, Series 2019 Maturing through 2025	\$799,681	1.55%	\$73,746 - \$158,246	153,637
2019 OMID Drain Bonds and Refunding Bonds, Series 2019 Maturing through 2030	\$214,861	1.85%	\$17,389 - \$23,821	149,354
2020 MID Drain and Refunding Bonds, Series 2020 Maturing through 2031	\$1,427,833	1.55%	\$104,069 - \$173,449	1,119,788
2020 OMID Drain Bonds, Series 2020 Maturing through 2040	\$4,931,189	2.00% - 5.00%	\$120,231 - \$346,041	4,601,093
2020 MID SRF 5629-03 Maturing through 2040	\$248,236	2.00%	\$120,354 - \$122,831	<u>127,882</u>
Total business-type activities				<u>\$ 19,320,860</u>

The Township had deferred outflows of \$86,041 related to deferred charges on bond refundings at December 31, 2023. The Township had deferred inflows of \$67,793 related to deferred benefit on bond refundings at December 31, 2023.

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, 2023

Note 8 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

Years Ending December 31	Governmental Activities				Total	Business-type Activities		
	Direct Borrowings		Other Debt			Direct Borrowings		
	Principal	Interest	Principal	Interest		Principal	Interest	Total
2024	\$ 109,627	\$ -	\$ 765,000	\$ 111,728	\$ 986,355	\$ 1,187,741	\$ 797,665	\$ 1,985,406
2025	109,627	-	795,000	86,865	991,492	1,116,940	748,137	1,865,077
2026	109,628	-	825,000	59,835	994,463	1,154,914	697,265	1,852,179
2027	-	-	860,000	30,960	890,960	1,203,922	641,843	1,845,765
2028	-	-	-	-	-	1,265,924	583,738	1,849,662
2029-2033	-	-	-	-	-	6,674,183	1,981,229	8,655,412
Thereafter	-	-	-	-	-	6,717,236	926,233	7,643,469
Total	\$ 328,882	\$ -	\$ 3,245,000	\$ 289,388	\$ 3,863,270	\$ 19,320,860	\$ 6,376,110	\$ 25,696,970

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, 2023

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, 2023, the Township recognized the following related to its lessor agreements:

Lease revenue	\$ 360,240
Interest income related to its leases	128,453

Note 10 - Restricted Assets

At December 31, 2023, restricted assets are composed of the following:

	<u>Business-type Activities</u>
Total assets held at Oakland County, Michigan (unspent bond proceeds)	<u>\$ 3,386,558</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>2023</u>	<u>2022</u>
Unpaid claims - Beginning of year	\$ 835,616	\$ 773,247
Incurred claims, including claims incurred but not reported	5,963,503	5,435,252
Claim payments	<u>(5,908,597)</u>	<u>(5,372,883)</u>
Unpaid claims - End of year	<u>\$ 890,522</u>	<u>\$ 835,616</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

The 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.

Effective 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.

Effective July 1, 2023, command officers employed by the Township with at least 25 years of service were allowed to enter into the Deferred Retirement Option Plan (DROP) while continuing service. In electing the DROP provision, the participant must remain employed by the Township in their capacity as a command officer for a minimum of 1 year and a maximum of 5 years before terminating employment with the Township. The participant is able to receive 95 percent of their original benefit for the duration of the DROP period.

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, 2023
Inactive plan members or beneficiaries currently receiving benefits	156
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	<u>62</u>
Total employees covered by the plan	<u><u>222</u></u>

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

Note 12 - Pension Plan (Continued)

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, 2023, the active employee contribution rate was 5 percent of annual pay. The Township contributed the actuarial required contribution of \$2,118,615, plus an advance contribution to the Shelby Township Police and Fire Pension System of \$502,658.

Net Pension Liability

The Township has chosen to use December 31, 2023 as its measurement date for the net pension liability. The December 31, 2023 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, 2023 measurement date. The December 31, 2023 measurement date total pension liability was determined by an actuarial valuation performed as of December 31, 2023.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at January 1, 2023	\$ 138,031,121	\$ 119,623,544	\$ 18,407,577
Changes for the year:			
Service cost	1,702,756	-	1,702,756
Interest	9,480,973	-	9,480,973
Changes in benefits	242,764	-	242,764
Differences between expected and actual experience	2,007,042	-	2,007,042
Changes in assumptions	921,604	-	921,604
Contributions - Employer	-	2,621,273	(2,621,273)
Contributions - Employee	-	415,465	(415,465)
Net investment gain	-	17,100,015	(17,100,015)
Benefit payments, including refunds	(8,582,797)	(8,582,797)	-
Administrative expenses	-	(132,198)	132,198
Net changes	5,772,342	11,421,758	(5,649,416)
Balance at December 31, 2023	<u>\$ 143,803,463</u>	<u>\$ 131,045,302</u>	<u>\$ 12,758,161</u>

The plan's fiduciary net position represents 91.13 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, 2023, the Township recognized pension expense of \$5,798,915.

December 31, 2023

Note 12 - Pension Plan (Continued)

At December 31, 2023, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,003,521	\$ -
Changes in assumptions	460,802	-
Net difference between projected and actual earnings on pension plan investments	<u>4,922,221</u>	<u>-</u>
Total	<u>\$ 6,386,544</u>	<u>\$ -</u>

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
2024	\$ 2,257,741
2025	2,048,047
2026	3,865,777
2027	<u>(1,785,021)</u>
Total	<u>\$ 6,386,544</u>

Actuarial Assumptions

The total pension liability in the December 31, 2023 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.5 to 8.75 percent, an investment rate of return (net of investment expenses) of 7.00 percent, and the Pub-2010 Public Safety mortality table projected using fully generational improvements based on the Society of Actuaries' MP-2021 Projection Scale (see changes disclosed below).

The actuarial assumptions used in the December 31, 2023 actuarial valuation date valuation were based on the results of an actuarial experience study for the period from December 31, 2015 to December 31, 2022.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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

Note 12 - Pension Plan (Continued)

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, 2023 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 %	6.00 %
Global fixed income	20.00	1.30
International equity	20.00	4.90
Private equity	7.00	10.60
Private credit	9.00	6.60
Hedge funds	5.00	3.50
Real estate	7.00	4.60
Cash or cash equivalents	2.00	0.70

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, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.43 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 7.00 percent, as well as what the Township's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.00%)	Current Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net pension liability (asset) of the Shelby Township Police and Fire Pension System	\$ 29,061,323	\$ 12,758,161	\$ (887,486)

Note 12 - Pension Plan (Continued)

Pension Plan Fiduciary Net Position

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

Assumption Changes

The retirement rate was increased from 25 percent to 40 percent at 25 years of service.

The merit salary increase was decreased from age 20 to 35.

Each of the changes in assumptions described above were implemented based on the results of an actuarial experience study for the period from December 31, 2015 to December 31, 2022.

The retirement rate for command officers was updated to 50 percent prior to 30 years of service to account for the new DROP provision available. It is assumed that 50 percent of command officers will retire under the DROP.

Benefit Changes

Effective July 1, 2023, command officers employed by the Township with at least 25 years of service were allowed to enter into the Deferred Retirement Option Plan while continuing service. In electing the DROP provision, the participant must remain employed by the Township in their capacity as a command officer for a minimum of 1 year and a maximum of 5 years before terminating employment with the Township. The participant is able to receive 95 percent of their original benefit for the duration of the DROP period.

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.

Note 12 - Pension Plan (Continued)

The balances of the reserve accounts at December 31, 2023 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 99,018,198	\$ 99,018,198
Employee reserve	6,337,429	6,337,429
Employer reserve	-	25,689,675
Total	\$ 105,355,627	\$ 131,045,302

Deferred Retirement Option Program

The Township offers certain employees the ability to continue services and be paid a salary after they are fully vested; this program credits the employee for benefit payments that would have been paid and pays them out after the employee has fully retired (discontinued providing employee services to the Township). At December 31, 2023, the plan has \$173,353 accumulated in DROP accounts.

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.

Note 13 - Other Postemployment Benefit Plan (Continued)

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

Firefighters - Employees hired on or before August 18, 2010 retiring after 25 years of service or under the provisions of Act 345 are eligible for health care benefits only paid in full by the Township. Employees hired after August 18, 2010 are not eligible for any retiree 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, 2023
Inactive plan members or beneficiaries currently receiving benefits	248
Active plan members	111
	<hr/>
Total plan members	359
	<hr/> <hr/>

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 \$3,857,080 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 \$3.86 million contributed to the OPEB trust in 2023 is as follows: \$2,491,833 to prefund estimated 2023 retiree health care costs and \$1,365,247 as the annual additional contribution made by the Township to reduce the unfunded liability. Employees are not required to contribute to the plan.

December 31, 2023

Note 13 - Other Postemployment Benefit Plan (Continued)

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, 2023 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, 2023 measurement date. The December 31, 2023 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2023.

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, 2023	\$ 82,470,896	\$ 66,757,701	\$ 15,713,195
Changes for the year:			
Service cost	910,799	-	910,799
Interest	5,498,433	-	5,498,433
Changes in benefits	(1,110,014)	-	(1,110,014)
Differences between expected and actual experience	9,773,581	-	9,773,581
Changes in assumptions	(374,433)	-	(374,433)
Contributions - Employer	-	3,857,080	(3,857,080)
Net investment gain	-	9,852,514	(9,852,514)
Benefit payments, including refunds	(3,846,859)	(3,846,859)	-
Net changes	10,851,507	9,862,735	988,772
Balance at December 31, 2023	<u>\$ 93,322,403</u>	<u>\$ 76,620,436</u>	<u>\$ 16,701,967</u>

The plan's fiduciary net position represents 82.10 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, 2023 and the cumulative contributions to the OPEB trust as of December 31, 2023. At December 31, 2023, the governmental activities reported a net OPEB liability of \$17,314,809, and the business-type activities reported a net OPEB asset of \$612,842.

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

For the year ended December 31, 2023, the Township recognized OPEB expense of \$1,778,410.

At December 31, 2023, 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	\$ 4,886,790	\$ (3,157,622)
Changes in assumptions	80,939	(187,216)
Net difference between projected and actual earnings on OPEB plan investments	643,298	-
Total	<u>\$ 5,611,027</u>	<u>\$ (3,344,838)</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
2024	\$ 2,859,497
2025	(1,137,923)
2026	1,679,907
2027	(1,135,292)
Total	<u>\$ 2,266,189</u>

Actuarial Assumptions

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using an inflation assumption of 2.46 percent; assumed salary increases (including inflation) of 3.25 percent; an investment rate of return (net of investment expenses) of 6.75 percent; a health care cost trend rate of 7.25 percent, 4 percent, and 3 percent for medical, dental, and vision benefits, respectively (the health care cost trend rate decreases by 0.25 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 IRS 2024 adjusted 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 the Township will make contributions consistent with current annual benefit payments until the plan is sufficient to pay benefits.

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.

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, 2023 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 %	4.91 %
Domestic small-/mid-cap equity	16.00	5.29
Developed international equity	15.00	5.32
Domestic bonds	20.00	2.30
Emerging markets equity	5.00	6.13
Real estate	9.00	3.79
Private equity	9.00	7.67

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, 2023, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 14.55 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	\$ 29,073,724	\$ 16,701,967	\$ 6,596,998

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 7.25 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 (6.25%, 3%, 2%)	Current Health Care Cost Trend Rate (7.25%, 4%, 3%)	1 Percentage Point Increase (8.25%, 5%, 4%)
Net OPEB liability of the Charter Township of Shelby Other Post Employment Benefit Plan	\$ 6,154,636	\$ 16,701,967	\$ 29,573,440

OPEB Plan Fiduciary Net Position

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

Assumption Changes

Methodology for developing age-weighted claims were updated to Health Care Costs Institute factors.

The mortality improvement scale was updated from the fully generational improvements based on the Society of Actuaries' MP-2021 Projection Scale to the IRS 2024 adjusted Scale MP-2021.

Covered spouse ages were updated from three years older for male spouses and three years younger for female spouses to actual covered spouse age data.

Costs were added for retiree child dependents until age 26.

Updated health care cost trend rates from 7 percent decreasing by 0.50 percent each year to an ultimate rate of 4.50 percent to 7.25 percent decreasing by 0.25 percent each year to an ultimate rate of 4.50 percent.

Retirement rates and turnover rates were updated as a result of the most recent experience study conducted in 2023.

General wage inflation updated from 3.75 percent to 3.25 percent per year.

Benefit Changes

Effective October 17, 2023, firefighters employed by the Township and hired after August 18, 2010 began participating in the International Association of Firefighters (IAFF) Medical Reimbursement Plan (MERP) established by the Washington State Council of Fire Fighters (WSCFF) Employee Benefit Trust. As of the effective date, employees were moved to the separate MERP plan and the total OPEB liability was impacted as a result.

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	\$ 132,162,285	\$ 79,205,945	\$ 211,368,230
Other assets	176,594	159,783	336,377
Liabilities	(1,293,577)	(2,745,292)	(4,038,869)
Net position	<u>\$ 131,045,302</u>	<u>\$ 76,620,436</u>	<u>\$ 207,665,738</u>
Statement of Changes in Net Position			
Investment income	\$ 17,100,015	\$ 9,852,514	\$ 26,952,529
Contributions	3,036,738	3,857,080	6,893,818
Benefit payments	(8,582,797)	(3,846,859)	(12,429,656)
Other deductions	(132,198)	-	(132,198)
Net change in net position	<u>\$ 11,421,758</u>	<u>\$ 9,862,735</u>	<u>\$ 21,284,493</u>

Note 15 - Defined Contribution Pension and Health and Welfare Plans

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, 2023, the Township made contributions of \$1,812,662 and the plan members contributed \$984,504 to the plan.

Defined Contribution Health and Welfare Plan

Effective October 17, 2023, firefighters employed by the Township and hired after August 18, 2010 began participating in the International Association of Firefighters Medical Reimbursement Plan established by the Washington State Council of Fire Fighters Employee Benefit Trust. As of the effective date, employees were moved to the separate MERP plan. The collective bargaining agreement requires a contribution of \$75 to be withheld on the first and second paycheck of each month on a pretax basis from the pay of every covered employee. The collective bargaining agreement also requires a contribution of \$100 on the first and second paycheck of each month on a pretax basis for each covered employee. These contributions are to be effective January 1, 2024.

Additionally, the Township was required to make a lump-sum contribution of \$200 per each full month of service completed by an employee hired after August 18, 2010 through the month that payroll contributions began. The total lump-sum contribution made by the Township during the year was \$625,200.

No recurring contributions were made by the Township or any covered employees during 2023.

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 2023 was \$615,017.

Required Supplementary Information

Charter Township of Shelby

Required Supplementary Information Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 4,700,626	\$ 4,700,075	\$ 4,700,438	\$ 363
Intergovernmental	8,909,565	9,262,052	9,391,654	129,602
Charges for services	1,879,034	2,083,809	2,106,595	22,786
Fines and forfeitures	2,033,000	2,209,970	2,131,620	(78,350)
Licenses and permits	2,476,470	2,117,800	2,089,381	(28,419)
Investment income	677,856	1,319,291	1,540,818	221,527
Other revenue	439,745	315,991	400,340	84,349
Total revenue	21,116,296	22,008,988	22,360,846	351,858
Expenditures				
Current services:				
General government	9,062,421	9,288,063	8,761,356	526,707
Public works	772,323	693,523	650,714	42,809
Recreation and culture	4,736,290	4,549,756	4,273,841	275,915
Capital outlay	347,909	1,680,868	1,551,262	129,606
Total expenditures	14,918,943	16,212,210	15,237,173	975,037
Excess of Revenue Over Expenditures	6,197,353	5,796,778	7,123,673	1,326,895
Other Financing (Uses) Sources				
Transfers out	(5,969,137)	(5,318,832)	(6,650,344)	(1,331,512)
Sale of capital assets	7,000	3,500	-	(3,500)
Total other financing uses	(5,962,137)	(5,315,332)	(6,650,344)	(1,335,012)
Net Change in Fund Balance	235,216	481,446	473,329	(8,117)
Fund Balance - Beginning of year	8,281,677	8,281,677	8,281,677	-
Fund Balance - End of year	\$ 8,516,893	\$ 8,763,123	\$ 8,755,006	\$ (8,117)

Charter Township of Shelby

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

Year Ended December 31, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 14,617,498	\$ 14,612,407	\$ 14,613,185	\$ 778
Intergovernmental	656,100	695,636	658,270	(37,366)
Charges for services	3,577,050	3,570,350	3,738,652	168,302
Investment income	67,700	631,300	531,730	(99,570)
Other revenue	4,000	6,700	6,467	(233)
Total revenue	18,922,348	19,516,393	19,548,304	31,911
Expenditures				
Current services - Public safety	18,235,927	17,976,546	17,590,838	385,708
Capital outlay	301,189	286,108	219,122	66,986
Debt service	464,303	464,303	464,303	-
Total expenditures	19,001,419	18,726,957	18,274,263	452,694
Excess of Revenue (Under) Over Expenditures	(79,071)	789,436	1,274,041	484,605
Other Financing (Uses) Sources				
Transfers out	(671,677)	(762,133)	(762,133)	-
Sale of capital assets	2,000	-	-	-
Total other financing uses	(669,677)	(762,133)	(762,133)	-
Net Change in Fund Balance	(748,748)	27,303	511,908	484,605
Fund Balance - Beginning of year	6,884,844	6,884,844	6,884,844	-
Fund Balance - End of year	<u>\$ 6,136,096</u>	<u>\$ 6,912,147</u>	<u>\$ 7,396,752</u>	<u>\$ 484,605</u>

Charter Township of Shelby

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

Year Ended December 31, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 18,596,991	\$ 18,590,893	\$ 18,591,654	\$ 761
Intergovernmental	179,357	311,935	439,532	127,597
Charges for services	693,474	640,909	658,944	18,035
Investment income	71,800	701,900	605,148	(96,752)
Other revenue	156,000	214,500	227,080	12,580
Total revenue	19,697,622	20,460,137	20,522,358	62,221
Expenditures				
Current services - Public safety	19,568,224	18,890,250	18,515,941	374,309
Capital outlay	810,400	906,422	784,384	122,038
Debt service	502,995	502,995	502,995	-
Total expenditures	20,881,619	20,299,667	19,803,320	496,347
Excess of Revenue (Under) Over Expenditures	(1,183,997)	160,470	719,038	558,568
Other Financing Sources (Uses)				
Transfers in	5,000	1,000	1,022	22
Transfers out	(274,440)	(213,827)	(213,827)	-
New debt issued	-	11,106	11,106	-
Sale of capital assets	99,804	90,130	109,738	19,608
Total other financing uses	(169,636)	(111,591)	(91,961)	19,630
Net Change in Fund Balance	(1,353,633)	48,879	627,077	578,198
Fund Balance - Beginning of year	6,759,136	6,759,136	6,759,136	-
Fund Balance - End of year	\$ 5,405,503	\$ 6,808,015	\$ 7,386,213	\$ 578,198

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 Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 1,702,756	\$ 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	9,480,973	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	242,764	-	-	-	-	65,243	-	-	-	(6,650)
Differences between expected and actual experience	2,007,042	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	921,604	-	6,978,438	(307,129)	2,325,073	(181,898)	(135,422)	(304,910)	1,921,395	-
Benefit payments, including refunds	(8,582,797)	(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	5,772,342	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	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	88,915,677
Total Pension Liability - End of year	\$ 143,803,463	\$ 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	\$ 2,621,273	\$ 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	415,465	442,148	481,135	523,227	519,910	518,053	525,566	531,588	536,954	593,046
Net investment income (loss)	17,100,015	(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	(132,198)	(71,053)	(57,510)	(46,098)	(80,948)	(53,998)	(39,752)	(39,382)	(29,671)	(40,613)
Benefit payments, including refunds	(8,582,797)	(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	11,421,758	(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	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	68,940,680
Plan Fiduciary Net Position - End of year	\$ 131,045,302	\$ 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	\$ 12,758,161	\$ 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	91.13 %	86.66 %	106.97 %	105.51 %	98.84 %	90.43 %	103.51 %	93.38 %	92.14 %	101.40 %
Covered Payroll	\$ 7,824,145	\$ 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	163.06 %	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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 2,118,615	\$ 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
Contributions in relation to the actuarially determined contribution	2,621,273	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
Contribution Excess	\$ 502,658	\$ 948,540	\$ -	\$ 350,903	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,627,804
Covered Payroll	\$ 7,824,145	\$ 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
Contributions as a Percentage of Covered Payroll	33.50 %	27.95 %	28.48 %	25.69 %	17.35 %	19.67 %	19.41 %	17.94 %	17.83 %	256.68 %

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	Five-year closed level dollar amortization of unfunded actuarial liability
Remaining amortization period	Five 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 base table projected using fully generation improvements based on the Society of Actuaries' MP-2021 projection scale

Charter Township of Shelby

Required Supplementary Information Schedule of Pension Investment Returns

	Last Ten Fiscal Years Years Ended December 31									
	<u>2023</u>	<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	14.43 %	(12.95)%	14.66 %	12.85 %	21.86 %	(4.84)%	18.90 %	8.70 %	0.10 %	7.00 %

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

	Last Seven Fiscal Years						
	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service cost	\$ 910,799	\$ 983,437	\$ 1,207,044	\$ 1,223,200	\$ 1,324,049	\$ 1,277,181	\$ 1,495,309
Interest	5,498,433	5,706,548	5,489,631	5,584,035	5,183,329	5,585,818	6,317,058
Changes in benefit terms	(1,110,014)	-	-	-	-	-	-
Differences between expected and actual experience	9,773,581	(6,094,190)	(442,115)	(5,533,480)	1,599,226	(10,278,171)	(8,527,386)
Changes in assumptions	(374,433)	-	323,753	-	402,952	-	(7,311,609)
Benefit payments, including refunds	(3,846,859)	(3,365,837)	(2,916,382)	(2,395,988)	(2,548,638)	(2,597,960)	(2,579,187)
Net Change in Total OPEB Liability	10,851,507	(2,770,042)	3,661,931	(1,122,233)	5,960,918	(6,013,132)	(10,605,815)
Total OPEB Liability - Beginning of year	82,470,896	85,240,938	81,579,007	82,701,240	76,740,322	82,753,454	93,359,269
Total OPEB Liability - End of year	\$ 93,322,403	\$ 82,470,896	\$ 85,240,938	\$ 81,579,007	\$ 82,701,240	\$ 76,740,322	\$ 82,753,454
Plan Fiduciary Net Position							
Contributions - Employer	\$ 3,857,080	\$ 4,144,283	\$ 4,150,660	\$ 4,964,907	\$ 5,158,256	\$ 8,379,343	\$ 9,927,224
Net investment income (loss)	9,852,514	(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	(3,846,859)	(3,365,837)	(2,916,382)	(2,395,988)	(2,548,638)	(2,597,960)	(2,579,187)
Net Change in Plan Fiduciary Net Position	9,862,735	(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	66,757,701	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	\$ 76,620,436	\$ 66,757,701	\$ 75,388,992	\$ 63,949,738	\$ 54,617,453	\$ 43,256,019	\$ 40,282,470
Net OPEB Liability - Ending	\$ 16,701,967	\$ 15,713,195	\$ 9,851,946	\$ 17,629,269	\$ 28,083,787	\$ 33,484,303	\$ 42,470,984
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	82.10 %	80.95 %	88.44 %	78.39 %	66.04 %	56.37 %	48.68 %
Covered-employee Payroll	\$ 9,223,714	\$ 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	181.08 %	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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 2,167,245	\$ 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
Contributions in relation to the actuarially determined contribution	3,857,080	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
Contribution Excess (Deficiency)	\$ 1,689,835	\$ 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)
Covered-employee Payroll	\$ 9,223,714	\$ 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
Contributions as a Percentage of Covered-employee Payroll	41.82 %	30.52 %	31.71 %	34.79 %	37.50 %	58.72 %	72.18 %	37.01 %	31.60 %	24.23 %

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	19 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 Seven Fiscal Years Years Ended December 31						
	<u>2023</u>	<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	14.55 %	(12.15)%	15.47 %	12.07 %	20.28 %	(5.87)%	15.11 %

Charter Township of Shelby

Notes to Required Supplementary Information

December 31, 2023

Budgetary Information

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

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

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

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

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Other Financing Uses</u>
Amounts per operating statement	\$ 23,653,409	\$ 19,199,702	\$ (3,980,379)
41st District Court	-	(2,604,776)	(2,604,776)
Community relations	(1,292,563)	(1,357,753)	(65,189)
	<u>\$ 22,360,846</u>	<u>\$ 15,237,173</u>	<u>\$ (6,650,344)</u>
Amounts per budget statement			

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Transfers out	\$ 5,318,832	\$ 6,650,344	\$ (1,331,512)

Pension Information

Benefit Changes

Effective July 1, 2023, command officers employed by the Township with at least 25 years of service were allowed to enter into the Deferred Retirement Option Plan while continuing service. In electing the DROP provision, the participant must remain employed by the Township in their capacity as a command officer for a minimum of 1 year and a maximum of 5 years before terminating employment with the Township. The participant is able to receive 95 percent of their original benefit for the duration of the DROP period.

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

Charter Township of Shelby

Notes to Required Supplementary Information (Continued)

December 31, 2023

Other assumption changes made are as follows:

2015

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

2018

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

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.

2023

The retirement rate was increased from 25 percent to 40 percent at 25 years of service. The merit salary increase was decreased from age 20 to 35. The retirement rate for Command officers was updated to 50 percent prior to 30 years of service to account for the new DROP provision available. It is assumed that 50 percent of command officers will retire under the DROP.

OPEB Information

Benefit Changes

Effective October 17, 2023, firefighters employed by the Township and hired after August 18, 2010 began participating in the International Association of Firefighters Medical Reimbursement Plan established by the Washington State Council of Fire Fighters Employee Benefit Trust. As of the effective date, employees were moved to the separate MERP plan.

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

Charter Township of Shelby

Notes to Required Supplementary Information (Continued)

December 31, 2023

- 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

2023: The mortality improvement scale was updated from the fully generational improvements based on the Society of Actuaries' MP-2021 Projection Scale to the IRS 2024 adjusted Scale MP-2021.

Other assumption changes made are as follows:

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 cost 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 cost 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.

2023

The methodology for developing age-weighted claims was updated to Health Care Costs Institute factors. Covered spouse ages were updated from three years older for male spouses and three years younger for female spouses to actual covered spouse age data. Costs were added for retiree child dependents until age 26. Updated medical trend rates from 7 percent decreasing by 0.50 percent each year to an ultimate rate of 4.50 percent to 7.25 percent decreasing by 0.25 percent each year to an ultimate rate of 4.50 percent. Retirement rates and turnover rates were updated as a result of the most recent experience study conducted in 2023. General wage inflation updated from 3.75 percent to 3.25 percent per year.

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	\$ 522,612	\$ 222,043	\$ 105,545	\$ 15,640	\$ 18,626
Receivables:					
Other receivables	-	946,920	31,449	-	-
Due from other governmental units	228,203	-	3,820	-	-
Prepaid expenses	25,619	-	-	-	425
Total assets	\$ 776,434	\$ 1,168,963	\$ 140,814	\$ 15,640	\$ 19,051
Liabilities					
Accounts payable	\$ 143,810	\$ -	\$ 76,467	\$ -	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	143,810	-	76,467	-	-
Deferred Inflows of Resources -					
Unavailable revenue	228,203	946,920	3,820	-	-
Total liabilities and deferred inflows of resources	372,013	946,920	80,287	-	-
Fund Balances (Deficit)					
Nonspendable	25,619	-	-	-	425
Restricted:					
Police and fire	378,802	-	-	-	-
Grants	-	-	-	-	18,626
Street lighting	-	-	60,527	-	-
Community development	-	-	-	15,640	-
Opioid settlement	-	222,043	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficit)	404,421	222,043	60,527	15,640	19,051
Total liabilities, deferred inflows of resources, and fund balances (deficit)	\$ 776,434	\$ 1,168,963	\$ 140,814	\$ 15,640	\$ 19,051

Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds

December 31, 2023

Special Revenue Funds					
Community Development Block Grant	Federal Forfeitures	Drug Forfeiture	Michigan Indigent Defense Commission	American Rescue Plan	Total
\$ -	\$ 354,048	\$ 142,589	\$ 296,596	\$ 4,743,113	\$ 6,420,812
-	-	-	-	-	978,369
305,406	-	-	-	-	537,429
-	14,333	-	-	342,944	383,321
\$ 305,406	\$ 368,381	\$ 142,589	\$ 296,596	\$ 5,086,057	\$ 8,319,931
\$ 23,627	\$ 4,703	\$ -	\$ 49,275	\$ 290,465	\$ 588,347
281,779	-	-	-	-	281,779
-	-	-	247,321	4,452,648	4,699,969
305,406	4,703	-	296,596	4,743,113	5,570,095
5,407	-	-	-	-	1,184,350
310,813	4,703	-	296,596	4,743,113	6,754,445
-	14,333	-	-	342,944	383,321
-	349,345	142,589	-	-	870,736
-	-	-	-	-	18,626
-	-	-	-	-	60,527
-	-	-	-	-	15,640
-	-	-	-	-	222,043
(5,407)	-	-	-	-	(5,407)
(5,407)	363,678	142,589	-	342,944	1,565,486
\$ 305,406	\$ 368,381	\$ 142,589	\$ 296,596	\$ 5,086,057	\$ 8,319,931

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	441,491	-	-	-	26,754
Charges for services	-	218,643	285,641	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	11,490	3,400	276	487	351
Other revenue	-	-	11	-	-
Total revenue	452,981	222,043	285,928	487	27,105
Expenditures					
Current services:					
District court	-	-	-	-	-
Public safety	316,936	-	-	-	12,362
Public works	-	-	336,049	-	-
Capital outlay	-	-	-	-	-
Total expenditures	316,936	-	336,049	-	12,362
Excess of Revenue Over (Under) Expenditures	136,045	222,043	(50,121)	487	14,743
Net Change in Fund Balances	136,045	222,043	(50,121)	487	14,743
Fund Balances (Deficit) - Beginning of year	268,376	-	110,648	15,153	4,308
Fund Balances (Deficit) - End of year	\$ 404,421	\$ 222,043	\$ 60,527	\$ 15,640	\$ 19,051

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

Year Ended December 31, 2023

Special Revenue Funds					
Community Development Block Grant	Federal Forfeitures	Drug Forfeiture	Michigan Indigent Defense Commission	American Rescue Plan	Total
\$ 439,078	\$ -	\$ -	\$ -	\$ 2,922,035	\$ 3,361,113
-	-	-	252,098	-	720,343
-	-	-	-	-	504,284
-	139,794	153,777	-	-	293,571
-	9,938	40	10,285	-	36,267
-	-	-	-	-	11
439,078	149,732	153,817	262,383	2,922,035	4,915,589
-	-	-	262,383	-	262,383
-	110,009	2,573	-	-	441,880
301,268	-	-	-	-	637,317
100,294	-	60,962	-	2,633,888	2,795,144
401,562	110,009	63,535	262,383	2,633,888	4,136,724
37,516	39,723	90,282	-	288,147	778,865
37,516	39,723	90,282	-	288,147	778,865
(42,923)	323,955	52,307	-	54,797	786,621
\$ (5,407)	\$ 363,678	\$ 142,589	\$ -	\$ 342,944	\$ 1,565,486

Charter Township of Shelby

Other Supplementary Information Combining Statement of Fiduciary Net Position Fiduciary Funds

December 31, 2023

	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	\$ 515,365	\$ -	\$ 515,365	\$ 81,620	\$ 7,277,625	\$ 67,749	\$ 7,426,994
Investments:							
Short-term funds	4,578,081	3,543,313	8,121,394	-	-	-	-
Stocks	40,853,480	8,554,173	49,407,653	-	-	-	-
Collective index and mutual funds - Fixed income	26,152,309	15,144,673	41,296,982	-	-	-	-
Collective index and mutual funds - Equity	23,728,162	32,838,113	56,566,275	-	-	-	-
Limited partnerships and other assets	36,334,888	19,125,673	55,460,561	-	-	-	-
Receivables:							
Property taxes receivable	-	-	-	-	20,424,368	-	20,424,368
Accrued interest	172,819	159,783	332,602	-	-	-	-
Other receivables	-	-	-	-	35,082	-	35,082
Prepaid expenses and other assets	3,775	-	3,775	-	-	-	-
Total assets	<u>132,338,879</u>	<u>79,365,728</u>	<u>211,704,607</u>	<u>81,620</u>	<u>27,737,075</u>	<u>67,749</u>	<u>27,886,444</u>
Liabilities							
Accounts payable	791,795	16,633	808,428	2,515	-	-	2,515
Due to other governmental units	-	-	-	-	7,312,707	67,749	7,380,456
Accrued liabilities and other	501,782	2,728,659	3,230,441	-	-	-	-
Total liabilities	<u>1,293,577</u>	<u>2,745,292</u>	<u>4,038,869</u>	<u>2,515</u>	<u>7,312,707</u>	<u>67,749</u>	<u>7,382,971</u>
Deferred Inflows of Resources							
Property taxes levied for the following year	-	-	-	-	20,424,368	-	20,424,368
Total liabilities and deferred inflows of resources	<u>1,293,577</u>	<u>2,745,292</u>	<u>4,038,869</u>	<u>2,515</u>	<u>27,737,075</u>	<u>67,749</u>	<u>27,807,339</u>
Net Position							
Restricted:							
Pension	131,045,302	-	131,045,302	-	-	-	-
Postemployment benefits other than pension	-	76,620,436	76,620,436	-	-	-	-
Organizations	-	-	-	79,105	-	-	79,105
Total net position	<u>\$ 131,045,302</u>	<u>\$ 76,620,436</u>	<u>\$ 207,665,738</u>	<u>\$ 79,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,105</u>

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

Year Ended December 31, 2023

	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	\$ 3,854,593	\$ 1,913,554	\$ 5,768,147	\$ -	\$ -	\$ -	\$ -
Net realized and unrealized gain on investments	14,458,360	8,258,612	22,716,972	-	-	-	-
Investment costs	(1,212,938)	(319,652)	(1,532,590)	-	-	-	-
Net investment income	17,100,015	9,852,514	26,952,529	-	-	-	-
Contributions:							
Employer contributions	2,621,273	3,857,080	6,478,353	-	-	-	-
Employee contributions	415,465	-	415,465	-	-	-	-
Total contributions	3,036,738	3,857,080	6,893,818	-	-	-	-
Property tax collections for other governments	-	-	-	-	111,581,627	-	111,581,627
District court collections	-	-	-	-	-	948,524	948,524
Other additions	-	-	-	24,545	-	-	24,545
Total additions	20,136,753	13,709,594	33,846,347	24,545	111,581,627	948,524	112,554,696
Deductions							
Benefit payments	8,582,797	3,846,859	12,429,656	-	-	-	-
Administrative expenses	132,198	-	132,198	-	-	-	-
Property tax disbursements to other governments	-	-	-	-	111,581,627	-	111,581,627
District court disbursements	-	-	-	-	-	948,524	948,524
Other deductions	-	-	-	23,298	-	-	23,298
Total deductions	8,714,995	3,846,859	12,561,854	23,298	111,581,627	948,524	112,553,449
Net Increase in Fiduciary Net Position	11,421,758	9,862,735	21,284,493	1,247	-	-	1,247
Net Position - Beginning of year	119,623,544	66,757,701	186,381,245	77,858	-	-	77,858
Net Position - End of year	\$ 131,045,302	\$ 76,620,436	\$ 207,665,738	\$ 79,105	\$ -	\$ -	\$ 79,105