

# **Charter Township of Shelby Macomb County, Michigan**

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**Financial Report  
with Supplemental Information  
December 31, 2009**

# Charter Township of Shelby

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## Contents

<b>Report Letter</b>	1-2
<b>Management's Discussion and Analysis</b>	3-13
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15-16
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	17
Reconciliation of the Balance Sheet to the Statement of Net Assets	18
Statement of Revenue, Expenditures, and Changes in Fund Balances	19
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Proprietary Funds - Enterprise Funds:	
Statement of Net Assets	21
Statement of Revenue, Expenses, and Changes in Net Assets	22
Statement of Cash Flows	23
Fiduciary Funds:	
Statement of Fiduciary Net Assets	24
Statement of Changes in Fiduciary Net Assets	25
Notes to Financial Statements	26-48
<b>Required Supplemental Information</b>	49
Budgetary Comparison Schedule - General Fund	50
Budgetary Comparison Schedule - Major Special Revenue Funds	51-52
Police and Fire Pension System Schedule of Funding Progress	53
Note to Required Supplemental Information	54

# Charter Township of Shelby

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## Contents (Continued)

<b>Other Supplemental Information</b>	55
Nonmajor Governmental Funds:	
Combining Balance Sheet	56-57
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)	58-59
Fiduciary Funds - Agency Funds - Combining Statement of Assets and Liabilities	60

## Independent Auditor's Report

To the Board of Trustees  
Charter Township of Shelby  
Macomb County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the discretely presented component unit and remaining fund information of the Charter Township of Shelby (the "Township") as of and for the year ended December 31, 2009, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Shelby's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the discretely presented component unit and remaining fund information of the Charter Township of Shelby as of December 31, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, pension system schedule of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Trustees  
Charter Township of Shelby

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Shelby's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

May 26, 2010

# Charter Township of Shelby

## Management's Discussion and Analysis

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Charter Township of Shelby (the "Township") on a government-wide basis. They are designed to present a longer-term view of the Township's finances. Fund financial statements follow the above-mentioned statements and illustrate how the services provided by the Township were financed in the short term, as well as what remains for future spending. Additionally, fund financial statements report the Township's operations in more detail than the government-wide financial statements.

In a condensed format, the table below shows the comparison of net assets (in millions of dollars) as of December 31, 2009 to the prior year:

**TABLE I**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current assets	\$ 94.3	\$ 89.3	\$ 46.0	\$ 47.7	\$ 140.3	\$ 137.0
Noncurrent assets:						
Restricted assets	-	-	2.8	2.9	2.8	2.9
Capital assets	<u>44.4</u>	<u>43.3</u>	<u>113.8</u>	<u>116.8</u>	<u>158.2</u>	<u>160.1</u>
Total assets	138.7	132.6	162.6	167.4	301.3	300.0
<b>Liabilities</b>						
Current liabilities	34.8	35.0	5.6	6.0	40.4	41.0
Long-term liabilities	<u>9.2</u>	<u>4.5</u>	<u>26.0</u>	<u>27.7</u>	<u>35.2</u>	<u>32.2</u>
Total liabilities	<u>44.0</u>	<u>39.5</u>	<u>31.6</u>	<u>33.7</u>	<u>75.6</u>	<u>73.2</u>
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	44.4	43.3	88.4	89.6	132.8	132.9
Restricted	45.1	36.6	2.7	3.1	47.8	39.7
Unrestricted	<u>5.2</u>	<u>13.2</u>	<u>39.9</u>	<u>41.0</u>	<u>45.1</u>	<u>54.2</u>
Total net assets	<u>\$ 94.7</u>	<u>\$ 93.1</u>	<u>\$ 131.0</u>	<u>\$ 133.7</u>	<u>\$ 225.7</u>	<u>\$ 226.8</u>

# **Charter Township of Shelby**

## **Management's Discussion and Analysis (Continued)**

The Township's combined net assets decreased by .5 percent from a year ago, decreasing from \$226.8 million to \$225.7 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$1.6 million in net assets, or 1.7 percent, during fiscal year 2009. This increase was the result of road paving, building improvements, bike paths, and numerous capital projects. The Township completed its campus renovation project that included expanded parking, updated lighting, and sewer and water service to outlying buildings and site preparation for future expansion of municipal buildings. The Township started the first phase of a major infrastructure project to widen a main thoroughfare that connects Shelby Township with Sterling Heights and Washington Township - Van Dyke Widening - between 23 and 24 Mile Roads. The Downtown Development Authority, with a budget based on tax capture from the Township district itself and other taxing entities, is discussing improvements to the Van Dyke Avenue corridor as well as other community projects. In January 2007, the Township began migration to a new financial management information system from its legacy mainframe computer system. This project included new technology and software for recreation, imaging storage and retrieval, utility billing, financial reporting, accounts payable, payroll, and ultimately online services for businesses, residents, and employees. The final major module to complete was utility billing that "went live" in October 2009. The final stages of the migration, including a fixed asset module and E-Suites for human resources, vendors, and Township residents' use, will be completed by mid-year 2010.

The net assets of the business-type activities decreased by 2 percent. This decrease was due to several factors, both controllable and non-controllable. The primary non-controllable factors include the poor economic conditions prevailing throughout the country and in southeastern Michigan in particular; the drastic and persistent reduction in interest rates; conservation; and the weather. The primary controllable factor was the implementation of a plan to utilize the portion of the Water and Sewer Fund's cash, which was determined to be in excess of the cash reserves required for debt reduction, equipment replacement, operations, and maintenance, and to reduce the rates charged for water and sewer service. The reduction in rates is being accomplished by excluding the non-cash depreciation expense from the cost of service equation.

Unrestricted net assets for the governmental activities were \$5.2 million at December 31, 2009. This amount represents the part of net assets that is available to finance day-to-day operations and future growth of the Township.

# Charter Township of Shelby

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets (in millions of dollars) as of December 31, 2009 and the prior year:

**TABLE 2**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 7.4	\$ 7.5	\$ 17.7	\$ 18.3	\$ 25.1	\$ 25.8
Operating grants and contributions	1.0	1.0	-	-	1.0	1.0
Capital grants and contributions	0.1	-	0.7	1.2	0.8	1.2
General revenue:						
Property taxes	32.1	32.4	-	-	32.1	32.4
State-shared revenue	4.3	5.0	-	-	4.3	5.0
Interest	0.5	1.8	0.3	1.3	0.8	3.1
Other	1.6	1.7	-	-	1.6	1.7
Total revenue	47.0	49.4	18.7	20.8	65.7	70.2
<b>Program Expenses</b>						
General government	7.7	9.5	-	-	7.7	9.5
Public safety	28.8	27.1	-	-	28.8	27.1
Public works	1.3	1.5	-	-	1.3	1.5
41st District Court	2.7	2.2	-	-	2.7	2.2
Recreation and culture	5.0	4.4	-	-	5.0	4.4
Interest on long-term debt	-	-	-	-	-	-
Shelby Manor senior housing	-	-	1.2	1.1	1.2	1.1
Water and sewer	-	-	20.1	18.9	20.1	18.9
Total program expenses	45.5	44.7	21.3	20.0	66.8	64.7
<b>Transfers</b>	0.1	0.1	(0.1)	(0.1)	-	-
<b>Change in Net Assets</b>	1.6	4.8	(2.7)	0.7	(1.1)	5.5
<b>Net Assets - Beginning of year</b>	93.1	88.3	133.7	133.0	226.8	221.3
<b>Net Assets - End of year</b>	<b>\$ 94.7</b>	<b>\$ 93.1</b>	<b>\$ 131.0</b>	<b>\$ 133.7</b>	<b>\$ 225.7</b>	<b>\$ 226.8</b>

# **Charter Township of Shelby**

## **Management's Discussion and Analysis (Continued)**

### **Governmental Activities**

The Township's total governmental revenues decreased by approximately \$2.4 million, or 4.9 percent, from the last fiscal year. Decreases in major revenue categories included property tax at a .9 percent decrease, state-shared revenue at a 14 percent decrease, fines at a 10.5 percent decrease, and interest at a 72.2 percent decrease. These decreases were mitigated by increases in other local donations, charges for services, and interfund administrative charges. The Township once enjoyed a long period of growth in residential homes and development of a large business and industrial tax base. In the past, this growth mitigated some of the impact of state-shared revenues and other economy-driven fluctuations. The Township is very aware of the uncertainties and fluctuations in the economy predicted for at least the next several fiscal years that may affect property tax revenues, state-shared revenues, and all other major revenue categories. To remain proactive and prepared for any weakness in our largest revenue sources, the Township continues to update its five-year financial forecast to assist in both revenue and expenditure budgeting. This financial forecast is used during planning and budgeting discussions for capital projects as well.

During 2009, the Township board initiated an operational review by a third-party consultant of the Fire Fund. This study resulted in recommendations for staffing and revised five-year capital equipment replacement budgeting. Further operational review of parks recreation and maintenance and our water and sewer operation are scheduled for 2010.

Also in 2009, the Township developed a cost allocation report to assess the value of services of the General Fund to our other major funds. This cost allocation resulted in an increase in interfund administrative services charges of 131.4 percent.

Total government expenses increased approximately \$800,000, or 1.8 percent, over the last fiscal year. General government expenses decreased \$1.8 million, or approximately 18.9 percent. Nearly every functional department in this category experienced cost reductions due to retirements, changes in healthcare benefits, and a dedicated effort to analyze and reduce all operating expenditures. Public safety expenditures increased by 6.3 percent, or \$1.7 million. The demand for public safety increases with our population, and the Township board continues to weigh the need for these essential services with the cost of providing the best resources for delivery of these services. In 2009, the Fire Fund completed \$2 million of a projected \$3 million renovation project to our main fire station with a completion date of August 2010. The scope and timing of the construction of a police judicial building continues to be under review by the Township board. The public safety function's increase in expenses also includes \$3,451,660 from the implementation of GASB No. 45. Recreation and culture experienced a 13.6 percent increase in cost with the library, parks and recreation, and cable television being the largest departments in this category. Cable TV drives the majority of this increase with improvements to operating equipment and administrative fees.

# **Charter Township of Shelby**

## **Management's Discussion and Analysis (Continued)**

Most General Fund departments experienced reductions in operating costs between 2008 and 2009, with a large reduction seen in road paving, sidewalks, and intersections. The \$1.2 million Van Dyke Avenue widening project between 23 and 24 Mile Roads (a combined Township and County project supported in part by federal funding) started preliminary work in 2009 and is scheduled to complete in 2010. The Township board annually reviews the list of essential internal road repairs presented by the Township engineer and allocates resources based on safety issues and greatest good. The Township board closely monitors operating costs, has held full-time staffing to a minimum, changed employee healthcare provisions, and filled vacancies caused by retirements only after business case analysis. The Township predicts that the new web-based financial software will improve and expand services to residents in a more labor-efficient manner. The Township continues to set aside funds in a Special Revenue Fund for postemployment benefits in anticipation of a final decision on funding options available for GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

As referenced above, in 2008, the Township implemented GASB No. 45. In 2009, the recognition of the cost of providing retiree health care resulted in additional expense reported at the government-wide level of \$4,867,152 in the governmental activities and \$550,569 in the business-type activities. This new reporting requirement caused increased fluctuation in expenditures between 2008 and 2009.

### **Business-type Activities**

The Township's business-type activities are recorded in the Water and Sewer Fund and Senior Housing Fund. Revenues of the Township's business-type activities decreased by 10 percent to \$18.7 million. The Senior Housing Fund revenues increased 1.5 percent from 2008 to 2009 due to a continued effort to achieve and maintain full occupancy. Senior Housing Fund expenses increased 6.3 percent from 2008 to 2009 due to slight increases in maintenance costs, capital repairs, and the cost allocation to the General Fund.

The Water and Sewer Fund's revenues decreased by approximately \$2.1 million, or 10.6 percent. Charges for sales and services decreased by \$.6 million primarily due to conservation and weather. Interest income decreased by over \$.9 million as a result of the significant reduction in interest rates which followed the upheaval and disruption of the credit markets and general economy. As another manifestation of the poor economic conditions in and around the Water and Sewer Fund's service area, capital contributions from developers decreased over \$.5 million.

Total expenses for the business-type activities increased by \$1.3 million in 2009 over 2008, or 6.5 percent.

# **Charter Township of Shelby**

## **Management's Discussion and Analysis (Continued)**

The Water and Sewer Fund's \$1.2 million increase in operating expenses was attributable primarily to a \$.4 million net increase in the cost of water purchases and sewage disposal; a \$.4 million increase in the provision for other postemployment benefits (OPEB); a \$.2 million increase in the costs allocated for the General Fund's support service functions, such as accounts payable; payroll; treasury and financial management; and a \$.3 million increase in sewer main repair.

The Township provides water, which is purchased from the City of Detroit Water and Sewerage Department (DWSD), to 25,211 accounts. The Township also provides sewer service to 13,865 accounts. The sewage service is also provided by the DWSD with the Macomb County Waste Water Disposal District (MCWWDD) acting as an intermediary.

The Water and Sewer Fund's water costs increased by \$.6 million, or 8 percent, which was the result of a 14.2 percent increase in the weighted average rate charged by the DWSD and a 5.4 percent decrease in purchased water volumes. Sewer costs decreased by approximately \$.2 million, or 4 percent, as the result of the compounded effect of both a 2 percent decrease in sewer volumes disposed of and a 2 percent decrease in the weighted average rate charged by the MCWWDD.

During 2009, the Water and Sewer Fund experienced decreases in both the water and sewer units sold consistent with the decrease in water and sewer units purchased and disposed of; for example, water units sold in 2009 decreased 5.7 percent from 2008. The reduction in units sold resulted from economic forces and pressures prompting conservation and cooler and damper weather conditions. There was essentially no growth in the customer base to offset or mitigate the impact of conservation and weather on sales volumes.

Other Water and Sewer Fund expenses increased by approximately \$.9 million. Total labor costs remained essentially flat from 2008 to 2009. Employee and retiree benefit costs would have actually decreased slightly but for a \$.4 million increase in the actuarially determined costs as prescribed and mandated by GASB No. 45. Sewer main repair increased by \$.3 million. This included a \$270 thousand project in which sections of the sewer system were repaired and enhanced by a cured-in place pipe lining program. This project was financed by a loan from the State's Revolving Fund Clean Water program and a grant emanating from the State's share of economic stimulus funds. As previously stated, the cost allocated for support service provided by the General Fund for administrative functions increased by approximately \$.2 million.

# **Charter Township of Shelby**

## **Management's Discussion and Analysis (Continued)**

In the past, rates charged by the Water and Sewer Fund for water and sewer services were increased at the same level of rate increases as those received by the Township from the DWSD and the MCWWDD. Generally, Water and Sewer Fund rate changes were made effective with billings after July 31. In 2007, the Water and Sewer Fund commenced a comprehensive study of its rate-setting process and rate design alternatives which would yield the most fair and equitable rates while maintaining financial stability and water and sewer system reliability, safety, and integrity. Despite consistent and significant annual rate increases received from the DWSD, there had been no change in the Water and Sewer Fund's retail water and sewer rates since August 1, 2006, until the board's approval of a final rate design recommendation and implementation date of August 1, 2009.

In light of the board's broader goal and commitment to control charges to the Township's residents and businesses for all Township programs and services, the board evaluated the Water and Sewer Fund's actual cash balances in comparison to prudent and required cash reserves for debt service, equipment replacement and repair, operations, and maintenance. As a result of this analysis and review, it was determined that there was an excess of actual cash balances over required reserves. A program was then initiated whereby any true cost of service rate increase over 9 percent would be decreased to 9 percent or lower by funding a portion of the full cost of service with the excess cash balances. This was accomplished by excluding a significant portion of depreciation expense (a non-cash expense representing the systematic amortization of capital assets over their useful lives) from the net cost of services to be recovered through charges for water and sewer services. In summary, surpluses and cash balances built up and accumulated over prior years (i.e., prior accounting periods) were used in 2009 and will be used in 2010 to fund a portion of the costs of providing water and sewer services. As a result, revenues derived from charges for water and sewer services and recorded in 2009 are less than the 2009 recorded costs of providing those services. Since depreciation was the cost component excluded from the cost of service charges, the resulting operating loss for 2009 is essentially equal to depreciation expense.

As previously stated, water and sewer rates were changed effective August 1, 2009. The water rate was changed from \$2.773 to \$2.636 per 100 cubic feet and sewer rates were changed from \$2.506 to \$2.725 per 100 cubic feet. Rates were also changed for fiscal year 2010 for services delivered after January 1, 2010. The water rate was increased to \$2.873 per 100 cubic feet and the sewer rate was increased to \$2.97 per 100 cubic feet.

# **Charter Township of Shelby**

## **Management's Discussion and Analysis (Continued)**

The Township and the DWSD have negotiated a new long-term contract for water services. As a key change under the terms of the new contract, it will be the Township that determines and provides critical variables that have a significant impact on the Township's rates, such as maximum daily flow (max day), peak hourly flow, and annual flow, that have a significant impact on the Township's rates. The Township's ability and effectiveness in managing and reducing these critical flow rates and volumes can result in reduced charges to the Township. The single most significant action the Township can take to manage and control max day and peak hour flow rates, and therefore control a portion of DWSD costs, would be to have customers shift their watering schedules to non-peak night-time hours. An immediate benefit to the Township's approving the new contract is a lower rate than the one that would have been implemented July 1, 2010 under the current (i.e., "old") contract. The new contract has lower max day and peak hour flow rates. In addition, the new contract eliminates a \$.12 per thousand cubic feet construction surcharge. To date, in addition to the Township, 66 other wholesale customers out of 88 have approved the new form of water service contract.

Pursuing additional means to manage and control maximum day and peak hour flow rates, the board has authorized the Township engineer to investigate the cost and effectiveness of water storage facilities. The engineer's initial report is expected in June 2010.

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

Our analysis of the Township's major funds begins on page 17, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Township's major funds for 2009 include the General Fund, the Police Fund, and the Fire Fund.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township board and administration monitor and amend the budget to take into account unanticipated events that occur during fiscal year 2009 and acceleration of multiyear capital projects. The General Fund experienced a 3.7 percent decrease in revenues from 2008. The most significant influence on the revenue budget during fiscal year 2009 was a decrease in anticipated state-shared revenue of approximately 13 percent. This reduction is attributed to a state-wide downturn in the economy. The Township also experienced a 40.7 percent decrease in permit fees, a 40.7 percent decrease in planning fees, and an 8.5 percent decrease in fines and forfeitures that reflect downturns in the housing and building markets as well as other economic conditions. Interest income mirrored the financial markets with a decline of 65.8 percent from 2008. Property tax increased 17.4 percent from 2008 primarily because of a reallocation of .18 mills from the Fire Fund to the General Fund. The value of one mill remained substantially flat from 2008 to 2009. Property tax is the second largest source of revenue to the General Fund.

# **Charter Township of Shelby**

## **Management's Discussion and Analysis (Continued)**

The General Fund expenditure budget showed a favorable variance of \$1,273,217 and an overall decrease over 2008 actual expenditures of 16 percent. The majority of this fluctuation involved the multiyear Van Dyke widening project between 23 and 24 Mile Roads, delaying of sidewalk and other capital projects, reduction in the work force through retirements and elimination of temporary labor, and changes in employee healthcare coverage.

When comparing the original 2009 budget with the amended 2009 budget, on the revenue side, the largest adjustments occurred in interest income, licenses and permits, fines and forfeitures, and state-shared revenue. These budget reductions mirror the economic fluctuations cited above.

On the expense side, the largest budget reductions were seen in general government due to reduction in work force and related benefit costs. In the public works function, sidewalk projects were deferred. In capital outlay, Township buildings and parks were pared down considerably with enhancements deferred, focusing only on necessary repairs. Most capital equipment was also deferred. Use of the Equipment Replacement Fund replaced General Fund resources for equipment that was necessary for essential operations.

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

At the end of fiscal year 2009, the Township's governmental and business activities combined had approximately \$221.7 million in historical cost invested in a wide range of capital assets, including land, buildings, fire equipment, computer equipment, water and sewer lines, and library books. These capital assets include Township infrastructure that includes roads and bridges in which it has invested since 1980. The infrastructure represents a usage right to these assets. The value of the infrastructure assets for governmental funds, net of depreciation contained in this report, is \$16.0 million and \$15.4 million for fiscal years 2009 and 2008, respectively. The Enterprise Funds' infrastructure for 2009 and 2008 (including construction in progress), net of depreciation, is \$99.8 million and \$102.4 million, respectively (see Note 3 for additional information). Additionally, the value of buildings and improvements for the governmental activities, net of depreciation, is \$7.3 million and \$8.0 million for fiscal years 2009 and 2008, respectively. The Enterprise Funds' buildings and improvements, net of depreciation, are \$12.4 million and \$12.7 million for 2009 and 2008, respectively.

Debt reported in these financial statements is related to the construction of the above-mentioned buildings and infrastructure and is reported as a liability on the statement of net assets (see Note 6 for additional information).

# **Charter Township of Shelby**

## **Management's Discussion and Analysis (Continued)**

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

The Charter Township of Shelby will maintain the same property tax millage rate for 2010 that applied in 2009, or 9.2999, to determine 2010 revenues as a result of the Headlee Amendment. Strong expenditure controls, past growth in the Township's tax base, and the Township board's philosophy of no new taxes have avoided millage rate increases for operations. Property taxes make up approximately 27.7 percent of the General Fund budgeted revenues for 2010. The slowdown in growth and development in the Township, along with a decline in real estate market values, has decreased taxable value for all properties from \$3.485 billion to \$3.446 billion. Because of the uncertainty in the housing market, a drop in residential assessed property value (the largest property component) of 8 percent (from 2008 to 2009, affecting 2010 property tax revenue) and other economic factors facing the State, the Township is projecting negative growth in property tax revenue over the next several years. State-shared revenue represents approximately 26.9 percent of the General Fund budgeted revenues in tax year 2010. The General Fund budget was prepared on the assumption that state-shared revenue was likely to decrease due to state cutbacks and less in sales tax receipts at the state level.

On the expense side, the Township continues to control personnel costs through attrition and labor negotiations with the goal of maintaining essential services and an efficient labor force. Our General Employee Pension Fund is fully funded. Our Police and Fire Pension Fund is funded at a level slightly above the annual actuarial recommendation. Although pension fund contributions are affected by the fluctuations in the stock and bond market and these fluctuations may require additional funding in the future, in 2002, the Township restructured its property tax component to provide additional funding for the Police and Fire Pension Fund. This fund's millage rate increased from .5 to 1, which was accomplished by changing the Police Fund millage to ad valorem from special assessment. The restructuring of the millage components doubled property tax revenue to the Pension Fund. The reduction in the Police Fund property tax rate was offset by increased revenues through historical growth and personal property tax collections. The Township board aggressively pursues a permanent solution to pension and healthcare funding to spare future taxpayers the cost of funding present benefits. Through labor negotiations, the Township implemented changes in certain healthcare cost components that are anticipated to result in significant healthcare cost savings. The savings will offset the overall increase in insurance rates of .06 percent. The Township board accelerated the budget review process by completing the first quarter review of 2010 budgets in May 2010. Preliminary review of 2011 budgets is scheduled for mid-June 2010. The budget process usually begins in late summer, with budget sessions in October of each year. The escalation of the budget calendar is in preparation for anticipated weakness in revenues and corresponding further expenditure cuts. The Township's General Fund anticipates a 12.9 percent increase in costs between actual year 2009 and budgeted year 2010 primarily due to the timing of the Van Dyke Widening between 23 and 24 Mile Roads. The Township board continues to focus on and weigh difficult choices between capital projects and staffing. We will adjust expenses to mirror the revenue base, having as a goal the continuation of the trend of excess revenues over expenses experienced since 1992.

# **Charter Township of Shelby**

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## **Management's Discussion and Analysis (Continued)**

The Township continues to enjoy a strong bond rating of Aa3 from Moody's and AA from S&P on its latest water and sewer revenue bond and an AA+ rating on its GO-backed debt. This, of course, reduces the interest rate costs when seeking financing in the bond market and gives the Township flexibility in planning for its many capital projects.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any 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 Assets December 31, 2009

	Primary Government			Component Unit - DDA
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 2)	\$ 74,641,497	\$ 40,402,619	\$ 115,044,116	\$ 225,978
Receivables:				
Property taxes receivable	16,845,094	-	16,845,094	83,332
Special assessments receivable	-	188,955	188,955	-
Customers	-	5,757,484	5,757,484	-
Accrued interest receivable - Special assessments	-	4,807	4,807	-
Other receivables	616,835	26,768	643,603	-
Due from other governmental units	822,958	-	822,958	-
Allowance for doubtful accounts	(484,297)	-	(484,297)	-
Internal balances	754,559	(754,559)	-	-
Inventories	-	191,968	191,968	-
Prepaid costs and other assets	695,779	176,435	872,214	-
Restricted assets (Note 7)	-	2,804,875	2,804,875	-
Net pension asset (Note 11)	425,338	-	425,338	-
Capital assets:				
Assets not subject to depreciation (Note 3)	16,072,716	2,748,247	18,820,963	-
Assets subject to depreciation - Net (Note 3)	28,301,145	111,071,091	139,372,236	-
Total assets	138,691,624	162,618,690	301,310,314	309,310
<b>Liabilities</b>				
Accounts payable	886,759	1,780,126	2,666,885	1,206
Accrued and other liabilities	1,954,167	1,724,236	3,678,403	53
Unearned revenue (Note 5)	31,709,860	-	31,709,860	162,225
Payable from restricted assets (Note 7)	-	375,000	375,000	-
Due from fiduciary fund	135,202	-	135,202	-
Noncurrent liabilities (Note 6):				
Due within one year:				
Compensated absences	102,322	9,006	111,328	-
Current portion of long-term debt	-	1,671,849	1,671,849	-
Due in more than one year:				
Compensated absences	756,221	84,657	840,878	-
Unearned revenue (Note 5)	-	1,479,750	1,479,750	-
Other postemployment benefit obligations	8,494,045	719,161	9,213,206	-
Long-term debt - Net of current portion	-	23,726,019	23,726,019	-
Total liabilities	44,038,576	31,569,804	75,608,380	163,484
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	44,373,861	88,421,470	132,795,331	-
Restricted for:				
Bond covenants (Note 7)	-	2,429,875	2,429,875	-
Special assessments (Note 6)	-	327,354	327,354	-
Police and fire	44,312,622	-	44,312,622	-
Street lighting	203,888	-	203,888	-
Grants	21,060	-	21,060	-
Forfeitures	383,224	-	383,224	-
Emergency response	178,802	-	178,802	-
Unrestricted	5,179,591	39,870,187	45,049,778	145,826
Total net assets	<u>\$ 94,653,048</u>	<u>\$ 131,048,886</u>	<u>\$ 225,701,934</u>	<u>\$ 145,826</u>

# Charter Township of Shelby

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 7,684,133	\$ 2,122,132	\$ 760,904	\$ 117,149
Public safety	28,822,243	2,052,862	99,734	10,922
Public works	1,290,553	224,429	620	-
Recreation and culture	5,026,729	616,044	15,987	-
41A District Court	2,679,794	2,409,496	45,724	-
Total governmental activities	45,503,452	7,424,963	922,969	128,071
Business-type activities:				
Water and sewer	20,105,900	16,052,777	-	697,449
Shelby Manor senior housing	1,158,715	1,660,659	-	-
Total business-type activities	21,264,615	17,713,436	-	697,449
Total primary government	<u>\$ 66,768,067</u>	<u>\$ 25,138,399</u>	<u>\$ 922,969</u>	<u>\$ 825,520</u>
<b>Component Unit - Downtown Development Authority</b>	<u>\$ 75,258</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenue				
Unrestricted investment income				
Cable franchise fees				
Other				
Total general revenues				
<b>Transfers</b>				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

**Statement of Activities**  
**Year Ended December 31, 2009**

Primary Government			Component Unit - Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (4,683,948)	\$ -	\$ (4,683,948)	\$ -
(26,658,725)	-	(26,658,725)	-
(1,065,504)	-	(1,065,504)	-
(4,394,698)	-	(4,394,698)	-
(224,574)	-	(224,574)	-
(37,027,449)	-	(37,027,449)	-
-	(3,355,674)	(3,355,674)	-
-	501,944	501,944	-
-	(2,853,730)	(2,853,730)	-
(37,027,449)	(2,853,730)	(39,881,179)	-
-	-	-	(75,258)
32,135,846	-	32,135,846	188,593
4,275,999	-	4,275,999	-
497,070	334,567	831,637	332
998,877	-	998,877	-
623,180	-	623,180	5,520
38,530,972	334,567	38,865,539	194,445
94,200	(94,200)	-	-
1,597,723	(2,613,363)	(1,015,640)	119,187
93,055,325	133,662,249	226,717,574	26,639
<b>\$ 94,653,048</b>	<b>\$ 131,048,886</b>	<b>\$ 225,701,934</b>	<b>\$ 145,826</b>

# Charter Township of Shelby

## Governmental Funds Balance Sheet December 31, 2009

	General Fund	Fire Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments (Note 2)	\$ 11,086,528	\$ 21,156,475	\$ 19,594,978	\$ 22,803,516	\$ 74,641,497
Receivables:					
Taxes	2,128,406	6,799,194	7,917,494	-	16,845,094
Allowance for doubtful accounts	(44,761)	(226,990)	(212,546)	-	(484,297)
Other receivables	109,360	223,953	3,688	279,834	616,835
Due from other governmental units	766,079	-	-	56,879	822,958
Due from other funds (Note 4)	22,474	-	-	768,000	790,474
Prepaid costs and other assets	77,878	145,414	193,589	278,898	695,779
<b>Total assets</b>	<b>\$ 14,145,964</b>	<b>\$ 28,098,046</b>	<b>\$ 27,497,203</b>	<b>\$ 24,187,127</b>	<b>\$ 93,928,340</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Vouchers payable	\$ 231,275	\$ 392,392	\$ 78,442	\$ 184,650	\$ 886,759
Due to other funds (Note 4)	12,636	748	-	22,531	35,915
Accrued and other liabilities	193,518	377,212	1,121,873	11,564	1,704,167
Deferred revenue (Note 5)	4,912,664	12,730,792	15,006,679	29,523	32,679,658
Due from fiduciary fund	135,202	-	-	-	135,202
<b>Total liabilities</b>	<b>5,485,295</b>	<b>13,501,144</b>	<b>16,206,994</b>	<b>248,268</b>	<b>35,441,701</b>
<b>Fund Balances</b>					
Reserved for:					
Prepaid expenses	77,878	145,414	193,589	278,898	695,779
Public safety expenditures	-	-	-	15,049,361	15,049,361
Unreserved, reported in:					
General Fund:					
Designated (Note 9)	4,837,850	-	-	-	4,837,850
Undesignated	3,744,941	-	-	-	3,744,941
Special Revenue Funds:					
Designated (Note 9)	-	10,976,306	7,133,723	50,000	18,160,029
Undesignated	-	3,475,182	3,962,897	5,064,179	12,502,258
Capital Projects Funds - Designated (Note 9)	-	-	-	3,496,421	3,496,421
<b>Total fund balances</b>	<b>8,660,669</b>	<b>14,596,902</b>	<b>11,290,209</b>	<b>23,938,859</b>	<b>58,486,639</b>
<b>Total liabilities and fund balances</b>	<b>\$ 14,145,964</b>	<b>\$ 28,098,046</b>	<b>\$ 27,497,203</b>	<b>\$ 24,187,127</b>	<b>\$ 93,928,340</b>

# Charter Township of Shelby

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets December 31, 2009

<b>Fund Balance Reported in Governmental Funds</b>	\$	58,486,639
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		44,373,861
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds		969,798
Other liabilities that do not present a claim on current financial resources are not reported as fund liabilities		(250,000)
Employee compensated absences 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		(858,543)
Net pension assets are not current financial resources and are not reported in the funds		425,338
Long-term liabilities, such as net OPEB obligations, are not due and payable in the current period and are not reported in the funds		(8,494,045)
<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>94,653,048</u></b>

# Charter Township of Shelby

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2009

	General Fund	Fire Fund	Police Fund	Nonmajor Governmental Funds	Total
<b>Revenue</b>					
Property taxes	\$ 4,095,751	\$ 12,906,763	\$ 15,133,332	\$ -	\$ 32,135,846
Licenses and permits	455,323	-	-	-	455,323
Federal grants	50,824	8,685	2,237	152,076	213,822
State-shared revenue and grants	4,426,198	-	86,234	107,280	4,619,712
Other local donations and grants	601,773	-	-	1,000	602,773
Charges for services	1,061,977	1,449,716	516,023	245,827	3,273,543
Interfund administrative charges	1,098,133	-	-	-	1,098,133
Fines and forfeitures	2,510,841	-	-	87,123	2,597,964
Interest	378,299	51,217	56,930	10,624	497,070
Other revenue	491,320	27,747	101,115	1,001,875	1,622,057
<b>Total revenue</b>	<b>15,170,439</b>	<b>14,444,128</b>	<b>15,895,871</b>	<b>1,605,805</b>	<b>47,116,243</b>
<b>Expenditures</b>					
General government	6,884,323	-	-	12,875	6,897,198
41A District Court	-	-	-	2,178,200	2,178,200
Public safety	-	10,981,392	13,610,756	156,593	24,748,741
Public works	333,001	-	-	349,419	682,420
Recreation and culture	3,210,257	-	-	677,765	3,888,022
Capital outlay	244,321	2,086,252	206,030	1,004,822	3,541,425
<b>Total expenditures</b>	<b>10,671,902</b>	<b>13,067,644</b>	<b>13,816,786</b>	<b>4,379,674</b>	<b>41,936,006</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>4,498,537</b>	<b>1,376,484</b>	<b>2,079,085</b>	<b>(2,773,869)</b>	<b>5,180,237</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in (Note 4)	-	-	40,000	4,874,573	4,914,573
Transfers out (Note 4)	(2,820,973)	(602,200)	(1,292,400)	(104,800)	(4,820,373)
<b>Net Change in Fund Balances</b>	<b>1,677,564</b>	<b>774,284</b>	<b>826,685</b>	<b>1,995,904</b>	<b>5,274,437</b>
<b>Fund Balances - Beginning of year</b>	<b>6,983,105</b>	<b>13,822,618</b>	<b>10,463,524</b>	<b>21,942,955</b>	<b>53,212,202</b>
<b>Fund Balances - End of year</b>	<b>\$ 8,660,669</b>	<b>\$ 14,596,902</b>	<b>\$ 11,290,209</b>	<b>\$ 23,938,859</b>	<b>\$ 58,486,639</b>

# Charter Township of Shelby

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2009

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	5,274,437
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:		
Capital outlay		3,828,646
Depreciation expense		(1,985,095)
Net book value of assets disposed		(756,907)
Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end		(109,268)
Decrease in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported in the fund statements until they come due for payment		137,552
Changes in other items, such as net pension assets, reported in the statement of activities do not represent current resources and, therefore, are not reported in the fund statements		75,510
Net other postemployment benefit obligations reported in the statement of activities do not require the use of current resources and, therefore, are not reported in the fund statements		(4,867,152)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>1,597,723</u></b>

# Charter Township of Shelby

## Proprietary Funds - Enterprise Funds Statement of Net Assets December 31, 2009

	Business-type Activities		
	Major Fund - Water and Sewer	Major Fund - Shelby Manor	Total
<b>Assets</b>			
Current assets:			
Cash and investments (Note 2)	\$ 39,491,591	\$ 911,028	\$ 40,402,619
Receivables:			
Special assessments	121,392	-	121,392
Customers	5,757,484	-	5,757,484
Accrued interest receivable	4,807	-	4,807
Other receivables	26,638	130	26,768
Due from other funds (Note 4)	13,441	-	13,441
Inventories	191,968	-	191,968
Prepaid costs and other assets	175,450	985	176,435
Total current assets	45,782,771	912,143	46,694,914
Noncurrent assets:			
Restricted assets (Note 7)	2,804,875	-	2,804,875
Special assessment receivables - Net of current portion	67,563	-	67,563
Capital assets:			
Assets not subject to depreciation - Net (Note 3)	1,428,247	1,320,000	2,748,247
Assets subject to depreciation (Note 3)	102,173,001	8,898,090	111,071,091
Total noncurrent assets	106,473,686	10,218,090	116,691,776
Total assets	152,256,457	11,130,233	163,386,690
<b>Liabilities</b>			
Current liabilities:			
Vouchers payable	1,773,282	6,844	1,780,126
Due to other funds (Note 4)	768,000	-	768,000
Accrued and other liabilities	1,547,449	176,787	1,724,236
Payable from restricted assets (Note 7)	375,000	-	375,000
Compensated absences (Note 6)	9,006	-	9,006
Current portion of long-term debt (Note 6)	836,269	835,580	1,671,849
Total current liabilities	5,309,006	1,019,211	6,328,217
Noncurrent liabilities:			
Compensated absences (Note 6)	84,657	-	84,657
Unearned revenue (Note 5)	1,479,750	-	1,479,750
Other postemployment benefit obligations	719,161	-	719,161
Long-term debt - Net of current portion (Note 6)	18,120,899	5,605,120	23,726,019
Total noncurrent liabilities	20,404,467	5,605,120	26,009,587
Total liabilities	25,713,473	6,624,331	32,337,804
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	84,644,080	3,777,390	88,421,470
Restricted:			
Revenue bond reserves (Note 7)	2,429,875	-	2,429,875
Special assessment debt repayment (Note 6)	327,354	-	327,354
Unrestricted	39,141,675	728,512	39,870,187
Total net assets	<u>\$ 126,542,984</u>	<u>\$ 4,505,902</u>	<u>\$ 131,048,886</u>

# Charter Township of Shelby

## Proprietary Funds - Enterprise Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2009

	Business-type Activities		
	Major Fund - Water and Sewer	Major Fund - Shelby Manor	Total
<b>Operating Revenue</b>			
Charges for sales and service	\$ 16,014,292	\$ -	\$ 16,014,292
Rental income	-	1,602,781	1,602,781
Other miscellaneous revenues	38,485	57,878	96,363
Total operating revenue	16,052,777	1,660,659	17,713,436
<b>Operating Expenses</b>			
Cost of water and sewage disposal	11,625,112	-	11,625,112
Other operation and maintenance	4,029,582	686,962	4,716,544
General and administrative	247,004	-	247,004
Depreciation	3,218,685	244,633	3,463,318
Total operating expenses	19,120,383	931,595	20,051,978
<b>Operating (Loss) Income</b>	(3,067,606)	729,064	(2,338,542)
<b>Nonoperating Revenue (Expense)</b>			
Investment income	333,924	643	334,567
Interest expense	(985,517)	(227,120)	(1,212,637)
<b>(Loss) Income - Before contributions</b>	(3,719,199)	502,587	(3,216,612)
<b>Capital Contributions</b>			
Lines constructed by developers	271,505	-	271,505
Grant revenue	108,000	-	108,000
Capital charges and front foot assessments	317,944	-	317,944
Total capital contributions	697,449	-	697,449
<b>Transfers to Other Funds (Note 4)</b>	(94,200)	-	(94,200)
<b>Change in Net Assets</b>	(3,115,950)	502,587	(2,613,363)
<b>Net Assets - Beginning of year</b>	129,658,934	4,003,315	133,662,249
<b>Net Assets - End of year</b>	<b>\$ 126,542,984</b>	<b>\$ 4,505,902</b>	<b>\$ 131,048,886</b>

# Charter Township of Shelby

## Proprietary Funds - Enterprise Funds Statement of Cash Flows Year Ended December 31, 2009

	Business-type Activities		
	Major Fund - Water and Sewer	Major Fund - Shelby Manor	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 15,464,348	\$ 1,679,277	\$ 17,143,625
Payments to suppliers	(13,088,681)	(680,914)	(13,769,595)
Payments to employees	(3,193,266)	-	(3,193,266)
Other receipts	38,485	57,878	96,363
Net cash (used in) provided by operating activities	(779,114)	1,056,241	277,127
<b>Cash Flows from Noncapital Financing Activities</b> - Transfers to other funds	(94,200)	-	(94,200)
<b>Cash Flows from Capital and Related Financing Activities</b>			
Issuance of bonds	92,328	-	92,328
Receipt of capital grants	108,000	-	108,000
Special assessment collections	131,139	-	131,139
Purchase of capital assets	(233,398)	-	(233,398)
Principal and interest paid on capital debt	(2,159,491)	(882,700)	(3,042,191)
Collection of capital charges and front foot assessments	317,944	-	317,944
Net cash used in capital and related financing activities	(1,743,478)	(882,700)	(2,626,178)
<b>Cash Flows from Investment Activities</b>			
Interest received on investments	333,924	643	334,567
Net purchases of investment securities	3,510,627	-	3,510,627
Net cash provided by investing activities	3,844,551	643	3,845,194
<b>Net Increase in Cash and Cash Equivalents</b>	1,227,759	174,184	1,401,943
<b>Cash and Cash Equivalents</b> - Beginning of year	25,903,149	736,844	26,639,993
<b>Cash and Cash Equivalents</b> - End of year	<u>\$ 27,130,908</u>	<u>\$ 911,028</u>	<u>\$ 28,041,936</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>			
Cash and investments	\$ 39,491,591	\$ 911,028	\$ 40,402,619
Restricted assets (Note 7)	2,804,875	-	2,804,875
Less amounts classified as investments	(15,165,558)	-	(15,165,558)
Total cash and cash equivalents	<u>\$ 27,130,908</u>	<u>\$ 911,028</u>	<u>\$ 28,041,936</u>
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>			
Operating (loss) income	\$ (3,067,606)	\$ 729,064	\$ (2,338,542)
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	3,218,685	244,633	3,463,318
Changes in assets and liabilities:			
Receivables	(549,944)	(130)	(550,074)
Due from other funds	-	76,626	76,626
Prepaid and other assets	27,259	1,471	28,730
Accounts payable	(499,328)	6,844	(492,484)
Due to other funds	(7,630)	-	(7,630)
Accrued and other liabilities	338,909	(2,267)	336,642
Unearned revenue	(239,459)	-	(239,459)
Net cash (used in) provided by operating activities	<u>\$ (779,114)</u>	<u>\$ 1,056,241</u>	<u>\$ 277,127</u>

**Noncash Investing, Capital, and Related Financing Activities** - During the year ended December 31, 2009, developers constructed water and sewer lines with an estimated value of \$272,000 and donated them to the Township Water and Sewer Fund.

# Charter Township of Shelby

## Fiduciary Funds Statement of Fiduciary Net Assets December 31, 2009

	Police and Fire Retirement System Trust Fund	Agency Funds
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 642,131	\$ 1,864,166
Investments (Note 2):		
Common stock	20,184,381	-
Short-term funds	311,267	-
Collective index and mutual funds	22,567,568	-
Receivables	24	37,318
Due from primary government	-	135,203
Deposits and prepaid benefits	350,527	33,972
Total assets	44,055,898	\$ 2,070,659
<b>Liabilities</b>		
Vouchers payable	-	\$ 136,790
Due to primary government	-	17,402
Deposits	-	648,453
Accrued and other liabilities	1,953	40,469
Advance tax collections	-	1,227,545
Total liabilities	1,953	\$ 2,070,659
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	<b>\$ 44,053,945</b>	

# Charter Township of Shelby

## Fiduciary Funds Statement of Changes in Fiduciary Net Assets Year Ended December 31, 2009

	Police and Fire Retirement System Trust Fund
<b>Additions</b>	
Investment income (expense):	
Interest and dividends	\$ 404,264
Net realized and unrealized gain on investments	6,843,957
Investment-related expenses	<u>(173,820)</u>
Net investment income	7,074,401
Contributions:	
Employer	3,666,139
Employee	<u>574,081</u>
Total contributions	<u>4,240,220</u>
Total additions	11,314,621
<b>Deductions</b>	
Benefit payments	4,090,025
Administrative expenses	<u>134,350</u>
Total deductions	<u>4,224,375</u>
<b>Net Increase in Net Assets Held in Trust</b>	7,090,246
<b>Net Assets Held in Trust for Pension Benefits - Beginning of year</b>	<u>36,963,699</u>
<b>Net Assets Held in Trust for Pension Benefits - End of year</b>	<u><u>\$ 44,053,945</u></u>

# Charter Township of Shelby

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## Notes to Financial Statements December 31, 2009

### Note I - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Shelby (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

#### **Reporting Entity**

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

**Blended Component Units** - The following component units are reported as if they were parts of the primary government in the financial statements:

- a. The Police and Fire Retirement System (the "System") has been blended into the Township's financial statements. The System is governed by a five-member pension board, which includes the treasurer of the Township's board, two members elected individually by the police officers and firefighters, and two members appointed by the board of trustees. The System is reported as if it was part of the primary government because of the fiduciary responsibility that the Township retains relative to the operations of the retirement system.
- b. 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 was 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** - 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 by the board of trustees. The Authority does not issue its own financial statements.

# Charter Township of Shelby

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## Notes to Financial Statements December 31, 2009

### Note I - Summary of Significant Accounting Policies (Continued)

#### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

# Charter Township of Shelby

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## Notes to Financial Statements December 31, 2009

### Note I - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: property taxes, state-shared revenue, and interest associated with the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township. 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 revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Fire Special Revenue Fund accounts for all of the activities of the Township's fire department, except for the purchase of equipment.
- The Police Special Revenue Fund accounts for all of the activities of the Township's police department, except for the purchase of equipment.

The Township reports the following major proprietary funds:

- The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.
- The Shelby Manor Senior Housing Fund accounts for the activities of the Township's senior housing apartment complex.

Additionally, the Township reports the following fiduciary funds:

**Police and Fire Retirement System Trust Fund** - The Police and Fire Retirement System Trust Fund accounts for the activities of the police and fire employees' retirement system, which accumulates resources for pension benefit payments to qualified employees and for medical benefits provided to employees during retirement.

# Charter Township of Shelby

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## Notes to Financial Statements December 31, 2009

### Note I - Summary of Significant Accounting Policies (Continued)

**Agency Funds** - The Agency Funds account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, and other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activity.

As a general rule, the effect of interfund activity and the General Fund reimbursement for administrative expenses have been eliminated from the government-wide financial 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 revenues reported for the various functions concerned.

When an expense has been incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of capital charges intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for the proprietary 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.

#### **Property Tax Revenue**

Properties are assessed as of December 31. The related property taxes become a lien and are billed on December 1 of the following year. These taxes are due on February 28 with the final collection date of March 1 before they are added to the county tax rolls. 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 revenue in each respective fund at December 31.

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2009

### Note I - Summary of Significant Accounting Policies (Continued)

The 2008 taxable valuation of the Township totaled approximately \$3,466,000,000, on which ad valorem taxes levied consisted of 1.1800 mills for the Township's operating purposes, 3.8624 mills for police protection, 3.2575 mills for fire operating purposes, and 1.0000 mill for police and fire pension. The ad valorem taxes raised approximately \$4,090,000 for general operations, \$13,388,000 for police protection, \$11,291,000 for fire operations, and \$3,466,000 for police and fire pension. These amounts are recorded in their respective funds as tax revenue.

#### **Assets, Liabilities, and Net Assets or Equity**

**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 as of December 31, 2009. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All customer and property tax receivables are shown as net of an allowance for uncollectible amounts.

**Inventories and Prepaid Costs** - 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 costs in both government-wide and fund financial statements.

**Restricted Assets** - The revenue bonds of the enterprise fund require amounts to be set aside for debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission 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 fair market value at the date of donation.

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2009

### Note I - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20-35 years
Water system	50 years
Sewer systems	50 years
Buildings and improvements	20-50 years
Machinery equipment	5-20 years
Vehicles	8 years
Furniture and fixtures	5-20 years
Library books	8 years

**Compensated Absences** - The Township allows employees to accumulate earned but unused sick, vacation, and personal pay benefits. The government-wide and proprietary statements accrue all vacation pay as it is earned and sick and personal pay as it is vested. A liability for these amounts is reported in governmental funds as they come due for payment (when the time is taken off or employees terminate).

**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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. When an expense has been incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2009

### Note I - Summary of Significant Accounting Policies (Continued)

**Pension and Other Postemployment Benefit Costs** - The Township offers both pension and retiree healthcare benefits to retirees. The Township receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the Township reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

**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.

**Construction Code Act** - The Township tracks the results of building department operation in the General Fund in accordance with Michigan Public Act 245 of 1999. The Township is required to maintain an accounting system that separately accumulates revenues and expenditures related to the building department function. As required under the provision of the Act, the Township adopted this accounting treatment effective January 1, 2000. A summary of the activity since January 1, 2000 is as follows:

Cumulative expenditures over revenue - January 1, 2009		\$ (1,621,241)
2009 building department activity:		
Permit revenue	\$ 450,942	
Expenditures	<u>1,286,087</u>	
Excess of expenditures over revenue		<u>(835,145)</u>
Cumulative expenditures over revenue - December 31, 2009		<u>\$ (2,456,386)</u>

# Charter Township of Shelby

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## Notes to Financial Statements December 31, 2009

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Upcoming Accounting Pronouncement** - The Governmental Accounting Standards Board (GASB) has recently issued Statement Number 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. The new pronouncement is effective for the year ending December 31, 2010. The Township's management is currently evaluating the impact of the pronouncement on its government-wide financial statements.

**Upcoming Accounting Pronouncement** - The Governmental Accounting Standards Board (GASB) has recently issued Statement Number 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The new pronouncement clarifies existing governmental fund definitions and changes fund balance classifications. The new pronouncement is effective for the year ending December 31, 2011. The Township's management is currently evaluating the impact of the pronouncement on its government-wide financial statements.

### Note 2 - Cash 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 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, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which 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 Fund is 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 13 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 deposits and investment policies are in accordance with statutory authority.

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2009

### Note 2 - Cash 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 \$28,146,000 of bank deposits (certificates of deposit, 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 FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy restricts investment maturities to less than one year unless the maturity is matched to a specific cash flow according to the policy. Commercial paper is restricted to purchases with a 270-day maturity. At year end, the average maturities of investments are as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Non-2a7 like bank investment pool	\$ 8,049,532	146 days
Agency bonds	27,302,116	38 days
Commercial paper	7,611,132	54 days
U.S. Treasury securities	5,978,900	147 days
Fixed Income Collective Index Fund (Pension Trust)	57,997	Less than 1 year
Fixed Income Collective Index Fund (Pension Trust)	6,466,647	1-5 years
Fixed Income Collective Index Fund (Pension Trust)	7,974,564	5-10 years

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2009

### Note 2 - Cash 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:

	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pool	\$ 6,112,439	AAA	S&P
	36,167,471	Not rated	
Commercial paper	7,611,132	AI	S&P
Agency bonds	27,302,116	AAA	S&P
Short-term investment fund (Pension Trust)	311,267	AI	S&P
Fixed Income Collective Index Fund (Pension Trust)	14,499,208	AAI	S&P
Equity Collective Index Fund (Pension Trust)	8,068,360	Not rated	

**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, 2009, there were no investments in a single issuer in excess of 50 percent of the Township's total portfolio. However, more than 5 percent of the Township's investments were in Federal National Mortgage Association (FNMA) agency securities; these investments are 11.3 percent of the Township's total investments. There were no individual investments greater than or equal to 5 percent of the Township's total portfolio.

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2009

### Note 3 - Capital Assets

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

	Balance January 1, 2009	Additions	Disposals and Adjustments	Balance December 31, 2009
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 11,128,458	\$ -	\$ -	\$ 11,128,458
Construction in progress	3,281,938	2,814,688	(1,152,368)	4,944,258
Subtotal	14,410,396	2,814,688	(1,152,368)	16,072,716
Capital assets being depreciated:				
Infrastructure	19,998,084	1,561,136	(195,140)	21,364,080
Buildings and improvements	15,214,830	-	(461,502)	14,753,328
Vehicles	5,720,169	221,824	(413,690)	5,528,303
Library books	2,000,000	-	-	2,000,000
Machinery and equipment	6,318,467	383,366	(160,094)	6,541,739
Subtotal	49,251,550	2,166,326	(1,230,426)	50,187,450
Accumulated depreciation:				
Infrastructure	4,599,717	918,372	(171,819)	5,346,270
Buildings and improvements	7,169,319	259,316	-	7,428,635
Vehicles	3,804,636	451,453	(179,167)	4,076,922
Library books	1,000,000	-	-	1,000,000
Machinery and equipment	3,801,057	355,954	(122,533)	4,034,478
Subtotal	20,374,729	1,985,095	(473,519)	21,886,305
Net capital assets being depreciated	28,876,821	181,231	(756,907)	28,301,145
Net capital assets	<u>\$ 43,287,217</u>	<u>\$ 2,995,919</u>	<u>\$ (1,909,275)</u>	<u>\$ 44,373,861</u>

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2009

### Note 3 - Capital Assets (Continued)

<b>Business-type Activities</b>	Balance January 1, 2009	Additions	Disposals and Adjustments	Balance December 31, 2009
Capital assets not being depreciated:				
Land	\$ 1,525,441	\$ -	\$ -	\$ 1,525,441
Construction in progress	1,104,730	351,418	(233,342)	1,222,806
Subtotal	2,630,171	351,418	(233,342)	2,748,247
Capital assets being depreciated:				
Buildings and improvements	17,166,500	-	-	17,166,500
Vehicles	593,102	4,221	-	597,323
Furniture, fixtures, and equipment	721,698	2,410	-	724,108
Water systems	38,621,703	265,747	-	38,887,450
Sewer systems	95,189,804	114,449	-	95,304,253
Subtotal	152,292,807	386,827	-	152,679,634
Accumulated depreciation:				
Buildings and improvements	4,491,157	326,692	-	4,817,849
Vehicles	581,719	9,878	-	591,597
Furniture and fixtures	553,288	24,949	-	578,237
Water systems	11,568,486	1,010,729	-	12,579,215
Sewer systems	20,950,575	2,091,070	-	23,041,645
Subtotal	38,145,225	3,463,318	-	41,608,543
Net capital assets being depreciated	114,147,582	(3,076,491)	-	111,071,091
Net capital assets	<u>\$ 116,777,753</u>	<u>\$ (2,725,073)</u>	<u>\$ (233,342)</u>	<u>\$ 113,819,338</u>

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

#### Governmental activities:

General government	\$ 349,975
Public safety	697,352
Public works	608,133
Recreation and culture	324,099
41A District Court	5,536
Total governmental activities	<u>\$ 1,985,095</u>

#### Business-type activities:

Water and sewer	\$ 3,218,685
Shelby Manor	244,633
Total business-type activities	<u>\$ 3,463,318</u>

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2009

### Note 3 - Capital Assets (Continued)

**Construction Commitments** - The Township has an active construction project, renovation of the 23 Mile Fire Station, for which approximately \$2.0 million of costs have been incurred as of December 31, 2009. The Township has an outstanding commitment with contractors of approximately \$1,200,000.

### Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Nonmajor governmental funds	\$ 22,474
Water and Sewer Fund	General Fund	12,636
	Fire Special Revenue Fund	748
	Nonmajor governmental funds	<u>57</u>
	Total Water and Sewer Fund	13,441
Nonmajor governmental funds	Water and Sewer Fund	<u>768,000</u>
	Total	<u>\$ 803,915</u>

Interfund balances represent routine and temporary cash flow assistance until amounts are transferred from investment accounts.

Transfers provided funding for capital projects, capital acquisitions, postemployment benefits, and debt service. Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Transferred From	Fund Transferred To	Amount
General Fund	Nonmajor governmental funds	\$ 2,780,973
	Police Special Revenue Fund	<u>40,000</u>
	Total General Fund	2,820,973
Fire Fund	Nonmajor governmental funds	602,200
Police Fund	Nonmajor governmental funds	1,292,400
Nonmajor governmental funds	Nonmajor governmental funds	104,800
Water and Sewer Fund	Nonmajor governmental funds	<u>94,200</u>
	Total	<u>\$ 4,914,573</u>

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2009

### Note 5 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At the end of the current fiscal year, the various components of deferred revenue of the governmental funds are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
State-shared revenues	\$ 748,523	\$ -
Property taxes	-	31,709,860
Other	221,275	-
Total	<u>\$ 969,798</u>	<u>\$ 31,709,860</u>

Unearned revenue in the Water and Sewer Fund represents redeemable certificates issued to developers to be applied as payment on future capital charges.

### Note 6 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received. At December 31, 2009, the Township has \$330,716 set aside in the Water and Sewer Fund for repayment of these bonds. In addition, \$188,955 of special assessments is receivable in the future; the amount of receivables delinquent at December 31, 2009 is not significant.

The Township has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the water and sewer revenue bonds listed below. Proceeds from the bonds provided financing for the construction of water and sewer lines. The bonds are payable solely from the net revenues of the water and sewer system. The remaining principal and interest to be paid on the bonds total \$13,816,743. During the current year, net revenues of the system were \$779,031 compared to the annual debt requirements of \$1,179,107.

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2009

### Note 6 - Long-term Debt (Continued)

The Township has pledged all future special assessment collections of the Water and Sewer Fund to repay the water and sewer special assessment bonds listed below. Proceeds from the bonds provided financing for the construction of water and sewer lines. The remaining principal and interest to be paid on the bonds total \$330,716. During the current year, special assessment collections were \$131,139 compared to the annual debt requirements of \$235,360.

The Township financed a portion of a State-mandated project to construct water pollution control facilities through the Michigan State Revolving Loan Fund Program (SRF). A principal and interest payment schedule will be finalized upon completion of the project for the loan. The preliminary principal and interest payment schedule is used up to the amount of advances as of December 31, 2010. As a result, the payment schedule for the balance of the 20-year repayment period will increase as the funds are advanced.

#### Business-type Activities

##### General obligations:

2009 State Revolving Fund (SRF) Clean Water  
General Obligation Bond - Project 5343-01:  
Amount of issue - \$92,328  
Maturing through 2029  
Interest rate - 2.50%  
Principal maturity range - \$5,000 - \$10,000

\$ 92,328

2008 B.A. Refunding Bonds:  
Amount of issue - \$7,325,000  
Plus bond premium of \$355,000  
Maturing through 2017  
Interest rate range - 3.00% - 5.50%  
Principal maturity range - \$620,000 - \$810,000

6,440,700

2006 B.A. Refunding Bonds:  
Amount of issue - \$3,730,000  
Maturing through 2024  
Interest rate range - 4.00% - 5.50%  
Principal maturity ranges - \$140,000 - \$300,000

3,450,000

1999 Garfield Interceptor Debt:  
Amount of issue - \$5,546,764  
Maturing through 2031  
Interest rate range - 7.50%  
Principal maturity range - \$26,000 - \$389,000

4,784,840

Subtotal

14,767,868

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2009

### Note 6 - Long-term Debt (Continued)

#### Business-type Activities (Continued)

Special Assessment Bonds - 2001 Special Assessment Bonds:			
Amount of issue - \$2,095,000			
Maturing through 2008			
Interest rate range - 3.90% - 5.50%			
Principal maturity range - \$95,000 - \$215,000		\$	310,000
Revenue Bonds:			
1999 Revenue Bonds:			
Amount of issue - \$4,555,000			
Maturing through 2013			
Interest rate range - 3.95% - 4.40%			
Principal maturity range - \$350,000 - \$460,000			1,670,000
2002 Revenue Bonds:			
Amount of issue - \$2,500,000			
Maturing through 2022			
Interest rate range - 3.00% - 4.80%			
Principal maturity range - \$100,000 - \$250,000			2,125,000
2003 Refunding Bonds:			
Amount of issue - \$8,000,000			
Maturing through 2022			
Interest rate range - 2.25% - 4.20%			
Principal maturity range - \$300,000 - \$700,000			<u>6,900,000</u>
Subtotal			<u>10,695,000</u>
Total business-type activity debt		\$	<u>25,772,868</u>

Long-term debt activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Compensated absences	\$ 996,095	\$ -	\$ (137,552)	\$ 858,543	\$ 102,322
<b>Business-type Activities</b>					
General obligations	\$ 15,565,094	\$ 92,328	\$ (889,554)	\$ 14,767,868	\$ 1,081,849
Special assessment bonds	520,000	-	(210,000)	310,000	215,000
Revenue bonds	11,425,000	-	(730,000)	10,695,000	750,000
Total	\$ 27,510,094	\$ 92,328	\$ (1,829,554)	\$ 25,772,868	\$ 2,046,849
Compensated absences	\$ 113,188	\$ -	\$ (19,525)	\$ 93,663	\$ 9,006

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2009

### Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above business-type bond and note obligations are as follows:

	Business-type Activities		
	Principal	Interest	Total
2010	\$ 2,046,849	\$ 1,181,551	\$ 3,228,400
2011	2,004,711	1,104,361	3,109,072
2012	2,038,183	1,028,588	3,066,771
2013	2,052,313	951,781	3,004,094
2014	1,772,151	884,097	2,656,248
2015-2019	8,264,140	3,210,926	11,475,066
2020-2024	5,509,203	1,455,104	6,964,307
2025-2029	1,814,983	466,280	2,281,263
2030-2031	270,335	11,344	281,679
Total	<u>\$ 25,772,868</u>	<u>\$ 10,294,032</u>	<u>\$ 36,066,900</u>

**Advance and Current Refundings** - In prior years, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At December 31, 2009, \$9,895,000 of bonds outstanding is considered defeased.

### Note 7 - Restricted Assets

Restricted assets at December 31, 2009 consist of cash and cash equivalents (including bank investment pools) and are reserved in accordance with revenue bond ordinance requirements. The following is the detail of restricted assets at December 31, 2009:

Revenue bond requirements:	
Operations and maintenance	\$ 1,325,142
Bond reserve	1,069,500
Debt service:	
Principal	375,000
Interest	<u>35,233</u>
Assets restricted for revenue bond requirements	2,804,875
Current liabilities payable from restricted assets	<u>375,000</u>
Net assets restricted for revenue bond ordinances	<u>\$ 2,429,875</u>

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2009

### Note 8 - 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. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### Note 9 - Designated Fund Balances

Fund balances have been designated for the following purposes:

	General Fund	Fire Fund Major Special Revenue Fund	Police Fund Major Special Revenue Fund	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds
Capital improvements	\$ 3,851,850	\$ 8,763,849	\$ 6,133,723	\$ 50,000	\$ 3,496,421
Equipment	-	-	-	-	-
Building improvements	-	-	-	-	-
Van Dyke Road widening project	986,000	-	-	-	-
Fire Station I completion	-	1,212,457	-	-	-
Retiree benefits	-	1,000,000	1,000,000	-	-
Total	<u>\$ 4,837,850</u>	<u>\$ 10,976,306</u>	<u>\$ 7,133,723</u>	<u>\$ 50,000</u>	<u>\$ 3,496,421</u>

### Note 10 - Other Postemployment Benefits

**Plan Description** - The Township provides healthcare benefits and life insurance benefits to all general employees 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. The Township provides healthcare benefits and life insurance benefits to all court employees who retire at an age of 55 or above with 10 years of full-time service. The Township provides healthcare benefits to all police and fire employees retiring after 25 years of service, in accordance with labor contracts. The benefits provided cover the retired employee, as well as his or her spouse and any eligible dependents, and are paid in full by the Township until age 65. At age 65, the employee and spouse must apply for Medicare and the Township then supplies a complementary coverage policy to equal their prior benefits. Currently, 132 retirees are eligible.

**Funding Policy** - The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you go" basis). As shown below, the Township has made no contributions to advance-fund these benefits as of December 31, 2009.

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2009

### Note 10 - Other Postemployment Benefits (Continued)

**Funding Progress** - For the year ended December 31, 2009, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of January 1, 2009. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution/ OPEB cost	\$ 7,552,905
Interest on the prior year's net OPEB obligation	170,797
Less adjustment to the annual required contribution	<u>(161,775)</u>
Annual OPEB cost	7,561,927
Amounts contributed - Payments of current premiums	<u>(2,144,206)</u>
Increase in net OPEB obligation	5,417,721
OPEB obligation - Beginning of year	<u>3,795,485</u>
OPEB obligation - End of year	<u>\$ 9,213,206</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and prior year were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed	Net OPEB Obligation
12/31/09	1/1/09	\$ 7,552,905	28.4	\$ 9,213,206
12/31/08	1/1/07	5,554,000	31.7	3,795,485

\* The required contribution is expressed to the Township as a percentage of payroll.

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
1/1/09	\$ -	\$ 90,096,921	\$ 90,096,921	\$ -	\$ 16,431,686	548.3
1/1/07	-	58,959,000	58,959,000	-	14,674,606	401.8

### **Note 10 - Other Postemployment Benefits (Continued)**

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2009 actuarial valuation, the projected unit credit with linear proration to decrement method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on plan assets, and an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent by 2019. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009 was 29 years.

### **Note 11 - Retirement Plans**

#### **Defined Benefit Pension Plan**

**Plan Description** - The Shelby Township Police and Fire Pension Plan is a single-employer defined benefit pension plan that is the administrator of a single-employer public employees' retirement plan that covers all police and fire employees of the Township. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2009, the date of the most recent actuarial valuation, membership consisted of 92 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 128 current active employees. The plan does not issue a separate financial report.

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2009

### Note 11 - Retirement Plans (Continued)

**Contributions** - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

Plan members are required to contribute 5 percent of their annual covered salary, except for most command officers who pay 4 percent under an expired collective bargaining agreement currently being negotiated. The Charter Township of Shelby is required to contribute at an actuarially determined rate. The obligation to contribute to and maintain the plan for these employees was established by Act No. 345 of the Public Acts of 1937, as amended, and modified by the collective bargaining agreements. Administrative costs of the plan are financed through investment earnings.

#### Annual Pension Cost and Net Pension Obligation

The plan's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 3,600,027
Interest on net pension obligation	(27,986)
Adjustment to annual required contribution	<u>18,588</u>
Annual pension cost	3,590,629
Contributions made	<u>3,666,139</u>
Increase in net pension asset	(75,510)
Net pension asset - Beginning of year	<u>(349,828)</u>
Net pension asset - End of year	<u>\$ (425,338)</u>

#### Funding Status and Funding Progress

	Actuarial Valuation as of December 31, 2009
Actuarial value of assets	\$ 48,968,765
Actuarial accrued liability (entry age)	\$ (79,494,112)
Unfunded AAL	\$ (30,525,347)
Funded ratio	61.6%
Covered payroll	\$ 10,939,120
UAAL as a percentage of covered payroll	279.0%

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2009

### Note 11 - Retirement Plans (Continued)

The schedule of funding progress, presented as required supplemental information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

For the year ended December 31, 2009, the Township's contribution exceeded the annual pension cost of \$3,590,629 for the plan by \$75,510. The annual required contribution was determined as part of an actuarial valuation at December 31, 2007, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 5.5 percent to 8.5 percent per year, (c) additional projected salary increases of 0 percent to 3 percent per year, attributable to seniority/merit, and (d) no postretirement benefit increases. Both (a) and (b) include an inflation component of 5.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 12 years.

#### Three-year Trend Information of Annual Pension Costs

	Fiscal Year Ended December 31		
	2009	2008	2007
Annual pension cost (APC)	\$ 3,590,629	\$ 3,293,781	\$ 3,426,574
Percentage of APC contributed	102.1 %	112.5 %	102.6 %
Net pension (asset) obligation	\$ (425,338)	\$ (349,828)	\$ 60,875

#### Reserves

State law requires employee contributions to be segregated and interest to be added annually. In addition, amounts must be set aside determined by the actuary to fund benefits to retirees currently approved to receive benefits. The reserves for the police and fire retirement plan are as follows:

	Reserve for Employee Contributions	Reserve for Employer Contributions	Reserved for Retiree Benefit Payments
<b>Balance</b> - January 1, 2009	\$ 5,633,065	\$ (8,412,202)	\$ 39,743,415
Additions	574,081	3,666,139	-
Earnings on investments	101,316	3,744,008	3,402,317
Transfers	(373,597)	(4,456,958)	4,830,555
Deductions	(30,517)	(248,744)	(4,118,933)
<b>Balance</b> - December 31, 2009	<u>\$ 5,904,348</u>	<u>\$ (5,707,757)</u>	<u>\$ 43,857,354</u>

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2009

### Note 12 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time employees, except those employees covered by the police and fire retirement system, through a defined contribution plan. 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 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 is fully vested after 20 months of continuous service.

During the year ended December 31, 2009, the Township made contributions of \$820,115 and the plan members contributed \$463,774 to the plan.

### Note 13 - Future Minimum Lease Revenue

The Township leases a portion of its land to a private operator through the year 2044 for use as a golf course. During 2009, the Township recognized \$125,000 in revenue related to this lease.

Future annual minimum lease payments are as follows:

	Percentage of Gross Revenue	Minimum Rent
2010-2014	4	\$ 175,000
2015-2019	4	200,000
2020-2024	4	225,000
2025-2034	5	250,000
2035-2044	7	300,000

## **Required Supplemental Information**

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# Charter Township of Shelby

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2009

	Original Budget	Amended Budget	Actual
<b>Revenue</b>			
Property taxes	\$ 4,109,311	\$ 4,081,120	\$ 4,095,751
Licenses and permits	652,600	434,050	455,323
Federal grants	-	50,000	50,824
State-shared revenue and grants	4,900,269	4,423,265	4,426,198
Other local donations and grants	612,301	558,250	601,773
Charges for services	1,057,463	1,052,141	1,061,977
Interfund administrative charges	517,000	1,098,133	1,098,133
Fines and forfeitures	2,900,500	2,521,829	2,510,841
Interest	900,000	250,000	378,299
Other revenue	694,145	515,418	491,320
Total revenue	<u>16,343,589</u>	<u>14,984,206</u>	<u>15,170,439</u>
<b>Expenditures</b>			
General government	7,864,944	7,266,690	6,884,323
Public works	624,500	370,500	333,001
Recreation and culture	3,397,638	3,385,305	3,210,257
Capital outlay	1,138,504	900,396	244,321
Total expenditures	<u>13,025,586</u>	<u>11,922,891</u>	<u>10,671,902</u>
<b>Excess of Revenue Over Expenditures</b>	3,318,003	3,061,315	4,498,537
<b>Other Financing Sources (Uses)</b>			
Transfers in	5,000	3,650	-
Transfers out	(2,759,438)	(2,843,201)	(2,820,973)
<b>Net Change in Fund Balance</b>	563,565	221,764	1,677,564
<b>Fund Balance - Beginning of year</b>	<u>6,983,105</u>	<u>6,983,105</u>	<u>6,983,105</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 7,546,670</u></u>	<u><u>\$ 7,204,869</u></u>	<u><u>\$ 8,660,669</u></u>

# Charter Township of Shelby

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Fund Year Ended December 31, 2009

	Original Budget	Amended Budget	Actual
<b>Revenue</b>			
Property taxes	\$ 12,985,358	\$ 12,900,085	\$ 12,906,763
Federal grants	-	8,685	8,685
Charges for services	1,183,275	1,268,784	1,449,716
Interest	300,000	125,000	51,217
Other revenue	9,100	8,019	27,747
Total revenue	14,477,733	14,310,573	14,444,128
<b>Expenditures</b>			
Public safety	11,283,990	11,229,305	10,981,392
Capital outlay	4,732,540	3,321,364	2,086,252
Total expenditures	16,016,530	14,550,669	13,067,644
<b>Other Financing Uses - Transfers out</b>	(595,000)	(602,200)	(602,200)
<b>Net Change in Fund Balance</b>	(2,133,797)	(842,296)	774,284
<b>Fund Balance - Beginning of year</b>	13,822,618	13,822,618	13,822,618
<b>Fund Balance - End of year</b>	<u>\$ 11,688,821</u>	<u>\$ 12,980,322</u>	<u>\$ 14,596,902</u>

# Charter Township of Shelby

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Fund Year Ended December 31, 2009

	Original Budget	Amended Budget	Actual
<b>Revenue</b>			
Property taxes	\$ 15,230,202	\$ 15,125,846	\$ 15,133,332
Federal grants	-	-	2,237
State-shared revenue and grants	47,000	74,234	86,234
Charges for services	655,500	556,278	516,023
Interest	300,000	125,000	56,930
Other revenue	46,300	93,735	101,115
Total revenue	16,279,002	15,975,093	15,895,871
<b>Expenditures</b>			
Public safety	14,571,727	13,771,525	13,610,756
Capital outlay	308,856	344,856	206,030
Total expenditures	14,880,583	14,116,381	13,816,786
<b>Excess of Revenue Over Expenditures</b>	1,398,419	1,858,712	2,079,085
<b>Other Financing Sources (Uses)</b>			
Transfers in	75,000	50,000	40,000
Transfers out	(1,297,678)	(1,292,400)	(1,292,400)
<b>Net Change in Fund Balance</b>	175,741	616,312	826,685
<b>Fund Balance - Beginning of year</b>	10,463,524	10,463,524	10,463,524
<b>Fund Balance - End of year</b>	<u>\$ 10,639,265</u>	<u>\$ 11,079,836</u>	<u>\$ 11,290,209</u>

# Charter Township of Shelby

## Required Supplemental Information Police and Fire Pension System Schedule of Funding Progress Year Ended December 31, 2009

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/04	\$ 36,115,074	\$ 59,537,567	\$ 23,422,493	60.7	\$ 8,741,884	267.9
12/31/05	38,357,722	62,956,557	24,598,835	60.9	9,684,107	254.0
12/31/06	43,117,908	64,829,302	21,711,394	66.5	9,888,910	219.6
12/31/07	47,295,651	70,215,213	22,919,562	67.4	10,447,198	219.4
12/31/08	47,537,521	76,296,538	28,759,017	62.3	10,815,600	265.9
12/31/09	48,968,765	79,494,112	30,525,347	61.6	10,939,120	279.0

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
12/31/04	12/31/02	\$ 2,645,299	123.4
12/31/05	12/31/03	2,977,121	103.8
12/31/06	12/31/04	3,091,200	105.9
12/31/07	12/31/05	3,422,222	102.6
12/31/08	12/31/06	3,292,075	112.5
12/31/09	12/31/07	3,600,027	102.1

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2009, the latest actuarial valuation, follows:

Amortization method	Level percent of payroll
Remaining amortization period	12 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4.25% - 9.50%
Includes inflation at	4.25%
Cost of living adjustments	None

# Charter Township of Shelby

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## **Note to Required Supplemental Information Year Ended December 31, 2009**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. The budget is amended by the board throughout the year as deemed necessary.

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.

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.

## **Other Supplemental Information**

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# Charter Township of Shelby

	Nonmajor Special Revenue Funds					
	Emergency Response	Street Lighting	Building Authority	41st District Court	Cable Television	Michigan Justice Training Grant
<b>Assets</b>						
Cash and investments	\$ 191,577	\$ 226,999	\$ 14,984	\$ -	\$ 1,204,551	\$ 21,760
Receivables - Other	-	29,907	-	-	249,927	-
Due from other funds	-	-	-	-	-	-
Prepaid costs and other assets	207	-	-	-	2,516	-
<b>Total assets</b>	<b>\$ 191,784</b>	<b>\$ 256,906</b>	<b>\$ 14,984</b>	<b>\$ -</b>	<b>\$ 1,456,994</b>	<b>\$ 21,760</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Vouchers payable	\$ 12,982	\$ 23,495	\$ -	\$ -	\$ 37,386	\$ 700
Due to other funds	-	-	-	-	-	-
Accrued and other liabilities	-	-	-	-	11,564	-
Deferred revenue	-	29,523	-	-	-	-
<b>Total liabilities</b>	<b>12,982</b>	<b>53,018</b>	<b>-</b>	<b>-</b>	<b>48,950</b>	<b>700</b>
<b>Fund Balances</b>						
Reserved for:						
Prepaid expenses	207	-	-	-	2,516	-
Public safety expenditures	-	-	-	-	-	-
Unreserved, reported in:						
Special Revenue Funds:						
Designated	-	-	-	-	50,000	-
Undesignated	178,595	203,888	14,984	-	1,355,528	21,060
Capital Projects Funds - Designated	-	-	-	-	-	-
<b>Total fund balances</b>	<b>178,802</b>	<b>203,888</b>	<b>14,984</b>	<b>-</b>	<b>1,408,044</b>	<b>21,060</b>
<b>Total liabilities and fund balances</b>	<b>\$ 191,784</b>	<b>\$ 256,906</b>	<b>\$ 14,984</b>	<b>\$ -</b>	<b>\$ 1,456,994</b>	<b>\$ 21,760</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2009**

Nonmajor Special Revenue Funds				Nonmajor Capital Projects Funds		Total Nonmajor Governmental Funds
Community Block Grant	Federal Forfeiture	Drug Forfeiture	Postemployment Benefits	Public Improvement	Equipment Replacement	Total Nonmajor Governmental Funds
\$ -	\$ 18,258	\$ 364,966	\$ 9,975,778	\$ 2,761,365	\$ 8,023,278	\$ 22,803,516
56,879	-	-	-	-	-	336,713
-	-	-	493,000	-	275,000	768,000
-	-	-	-	276,175	-	278,898
<b>\$ 56,879</b>	<b>\$ 18,258</b>	<b>\$ 364,966</b>	<b>\$ 10,468,778</b>	<b>\$ 3,037,540</b>	<b>\$ 8,298,278</b>	<b>\$ 24,187,127</b>
\$ 34,405	\$ -	\$ -	\$ -	\$ 68,151	\$ 7,531	\$ 184,650
22,474	-	-	-	57	-	22,531
-	-	-	-	-	-	11,564
-	-	-	-	-	-	29,523
56,879	-	-	-	68,208	7,531	248,268
-	-	-	-	276,175	-	278,898
-	-	-	7,561,878	1,458,500	6,028,983	15,049,361
-	-	-	-	-	-	50,000
-	18,258	364,966	2,906,900	-	-	5,064,179
-	-	-	-	1,234,657	2,261,764	3,496,421
-	18,258	364,966	10,468,778	2,969,332	8,290,747	23,938,859
<b>\$ 56,879</b>	<b>\$ 18,258</b>	<b>\$ 364,966</b>	<b>\$ 10,468,778</b>	<b>\$ 3,037,540</b>	<b>\$ 8,298,278</b>	<b>\$ 24,187,127</b>

# Charter Township of Shelby

	Nonmajor Special Revenue Funds					
	Emergency Response	Street Lighting	Building Authority	41st District Court	Cable Television	Michigan Justice Training Grant
<b>Revenue</b>						
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State-shared revenue and grants	93,780	-	-	-	-	13,500
Other local donations and grants	-	-	-	-	-	-
Other charges for services	-	224,429	-	-	21,398	-
Fines and forfeitures	-	-	-	-	-	-
Interest	63	3,185	1	-	1,786	-
Other	-	6	-	-	998,877	-
<b>Total revenue</b>	<b>93,843</b>	<b>227,620</b>	<b>1</b>	<b>-</b>	<b>1,022,061</b>	<b>13,500</b>
<b>Expenditures</b>						
General government	-	-	75	-	-	-
41A District Court	-	-	-	2,178,200	-	-
Public safety	68,547	-	-	-	-	9,598
Public works	-	264,070	-	-	-	-
Recreation and culture	-	-	-	-	670,285	-
Capital outlay	-	-	-	22,842	63,669	-
<b>Total expenditures</b>	<b>68,547</b>	<b>264,070</b>	<b>75</b>	<b>2,201,042</b>	<b>733,954</b>	<b>9,598</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>25,296</b>	<b>(36,450)</b>	<b>(74)</b>	<b>(2,201,042)</b>	<b>288,107</b>	<b>3,902</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	2,285,842	-	-
Transfers out	-	-	-	(84,800)	(20,000)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,201,042</b>	<b>(20,000)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>25,296</b>	<b>(36,450)</b>	<b>(74)</b>	<b>-</b>	<b>268,107</b>	<b>3,902</b>
<b>Fund Balances (Deficit) - Beginning of year</b>	<b>153,506</b>	<b>240,338</b>	<b>15,058</b>	<b>-</b>	<b>1,139,937</b>	<b>17,158</b>
<b>Fund Balances - End of year</b>	<b>\$ 178,802</b>	<b>\$ 203,888</b>	<b>\$ 14,984</b>	<b>\$ -</b>	<b>\$ 1,408,044</b>	<b>\$ 21,060</b>

**Other Supplemental Information  
Combining Statement of Revenue, Expenditures,  
and Changes in Fund Balances (Deficit)  
Nonmajor Governmental Funds  
Year Ended December 31, 2009**

Nonmajor Special Revenue Funds				Nonmajor Capital Projects Fund		Total Nonmajor Governmental Funds
Community Block Grant	Federal Forfeiture	Drug Forfeiture	Postemployment Benefits	Public Improvement	Equipment Replacement	
\$ 152,076	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 152,076
-	-	-	-	-	-	107,280
-	-	-	-	-	1,000	1,000
-	-	-	-	-	-	245,827
-	1,330	85,793	-	-	-	87,123
-	13	5,576	-	-	-	10,624
-	-	-	-	-	2,992	1,001,875
<u>152,076</u>	<u>1,343</u>	<u>91,369</u>	<u>-</u>	<u>-</u>	<u>3,992</u>	<u>1,605,805</u>
12,800	-	-	-	-	-	12,875
-	-	-	-	-	-	2,178,200
-	-	78,448	-	-	-	156,593
85,054	-	-	-	295	-	349,419
7,000	-	-	-	-	480	677,765
-	-	-	-	557,486	360,825	1,004,822
<u>104,854</u>	<u>-</u>	<u>78,448</u>	<u>-</u>	<u>557,781</u>	<u>361,305</u>	<u>4,379,674</u>
47,222	1,343	12,921	-	(557,781)	(357,313)	(2,773,869)
-	-	-	1,844,900	168,020	575,811	4,874,573
-	-	-	-	-	-	(104,800)
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,844,900</u>	<u>168,020</u>	<u>575,811</u>	<u>4,769,773</u>
47,222	1,343	12,921	1,844,900	(389,761)	218,498	1,995,904
<u>(47,222)</u>	<u>16,915</u>	<u>352,045</u>	<u>8,623,878</u>	<u>3,359,093</u>	<u>8,072,249</u>	<u>21,942,955</u>
<u>\$ -</u>	<u>\$ 18,258</u>	<u>\$ 364,966</u>	<u>\$ 10,468,778</u>	<u>\$ 2,969,332</u>	<u>\$ 8,290,747</u>	<u>\$ 23,938,859</u>

# Charter Township of Shelby

## Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds - Agency Funds December 31, 2009

	Trust and Agency	Treasurer's Agency	Current Tax Collection	41st District Court	Accounts Payable Imprest	Payroll Imprest	Total Agency Funds
<b>Assets</b>							
Cash and cash equivalents	\$ 570,201	\$ -	\$ 1,211,343	\$ 82,622	\$ -	\$ -	\$ 1,864,166
Receivables:							
Other receivables	-	-	-	605	-	-	605
Due from other governmental units	-	-	-	-	-	19,311	19,311
Due from other fiduciary fund	17,402	-	-	-	-	-	17,402
Due from primary government	-	-	-	135,203	-	-	135,203
Deposits	-	-	-	26,948	-	7,024	33,972
Total assets	<u>\$ 587,603</u>	<u>\$ -</u>	<u>\$ 1,211,343</u>	<u>\$ 245,378</u>	<u>\$ -</u>	<u>\$ 26,335</u>	<u>\$ 2,070,659</u>
<b>Liabilities</b>							
Accounts payable	\$ 960	\$ -	\$ 18,601	\$ 108,296	\$ -	\$ 8,933	\$ 136,790
Due to other fiduciary fund	-	-	-	-	-	17,402	17,402
Refundable deposits, bonds, etc.	551,840	-	-	96,613	-	-	648,453
Accrued and other liabilities	-	-	-	40,469	-	-	40,469
Advance tax collections	34,803	-	1,192,742	-	-	-	1,227,545
Total liabilities	<u>\$ 587,603</u>	<u>\$ -</u>	<u>\$ 1,211,343</u>	<u>\$ 245,378</u>	<u>\$ -</u>	<u>\$ 26,335</u>	<u>\$ 2,070,659</u>