

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

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**Financial Report  
with Supplemental Information  
December 31, 2014**

# Charter Township of Shelby

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# Charter Township of Shelby

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## Independent Auditor's Report

To the Board of Trustees  
Charter Township of Shelby

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Shelby (the "Township") as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the Charter Township of Shelby's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Shelby as of December 31, 2014 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees  
Charter Township of Shelby

***Emphasis of Matter***

As described in Note 20 to the financial statements, during the year ended December 31, 2014, the Township adopted the provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. Adopting this statement resulted in significant changes to the defined benefit related footnote disclosures as well as the required supplemental information schedules. Our opinion is not modified with respect to this matter.

As explained in Note 3, the financial statements include investments valued at approximately \$5.03 million at year end (3.9 percent of the equity in the aggregate remaining funds) whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by fund managers. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, retirement system schedules of funding progress and employer contributions, schedule of changes in the Township net pension liability and related ratios, schedule of Township contributions, schedule of investment returns, and the major fund budgetary comparison schedules, as identified on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Shelby's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plante & Moran, PLLC*

June 24, 2015

# 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 position 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 position (in millions of dollars) as of December 31, 2014 to the prior year:

Table I

	Governmental Activities				Business-type Activities				Total			
	2014	2013	\$ Diff	% Diff	2014	2013	\$ Diff	% Diff	2014	2013	\$ Diff	% Diff
<b>Assets</b>												
Other assets	\$ 86.3	\$ 74.6	\$ 11.7	15.7%	\$ 44.1	\$ 43.5	\$ 0.6	1.4%	\$ 130.4	\$ 118.1	\$ 12.3	10.4%
Restricted assets	-	-	-	-	1.9	4.3	(2.4)	-55.8%	1.9	4.3	(2.4)	-55.8%
Capital assets	49.3	50.4	(1.1)	-2.2%	119.6	119.5	0.1	0.1%	168.9	169.9	(1.0)	-0.6%
Total assets	135.6	125.0	10.6	8.5%	165.6	167.3	(1.7)	-1.0%	301.2	292.3	8.9	3.0%
<b>Liabilities</b>												
Current liabilities	2.0	2.0	-	0.0%	6.3	7.2	(0.9)	-12.5%	8.3	9.2	(0.9)	-9.8%
Long-term liabilities	18.9	8.0	10.9	136.3%	22.0	23.1	(1.1)	-4.8%	40.9	31.1	9.8	31.5%
Total liabilities	20.9	10.0	10.9	109.0%	28.3	30.3	(2.0)	-6.6%	49.2	40.3	8.9	22.1%
Deferred Inflows of Resources	26.6	26.0	0.6	2.3%	-	-	-	0.0%	26.6	26.0	0.6	2.3%
<b>Net Position</b>												
Net investment in capital assets	49.3	50.4	(1.1)	-2.2%	98.4	97.8	0.6	0.6%	147.7	148.2	(0.5)	-0.3%
Restricted	12.0	25.5	(13.5)	-52.9%	1.3	3.2	(1.9)	-59.4%	13.3	28.7	(15.4)	-53.7%
Unrestricted	26.8	13.1	13.7	104.6%	37.6	36.0	1.6	4.4%	64.4	49.1	15.3	31.2%
Total net position	\$ 88.1	\$ 89.0	\$ (0.9)	-1.0%	\$ 137.3	\$ 137.0	\$ 0.3	0.2%	\$ 225.4	\$ 226.0	\$ (0.6)	-0.3%

The Township's combined net position decreased by \$600,000 from a year ago, decreasing from \$226 million to \$225.4 million. A review of the governmental activities, separate from the business-type activities, shows a decrease of approximately \$900,000 in net position, or 1 percent, during 2014. This decrease is directly related to the Township's investment in capital assets as depreciation and disposals for 2014 outpaced capital asset additions. Unrestricted net position (the portion of net position available to finance day-to-day operations and future growth of the Township) increased \$13.7 million, or 104.6 percent, to \$26.8 million. This increase is offset by a \$13.5 million decrease to restricted net position, mainly attributable to a decrease in money restricted for police and fire. The shift in classification of net position is a result of the Township funding the unfunded liability in the Township's Police and Fire Pension System. The transactions related to the funding created a net pension asset in excess of \$24 million which, when offset by the \$13 million advance from the Water and Sewer Fund, accounts for the majority of the \$11.7 million increase in other assets. In addition, \$9.3 million of pension bonds were issued in 2014 to fund the pension and is the main driver behind the \$10.9 million increase in long-term liabilities. The business-type activities net position remained fairly consistent, increasing \$300,000, or 0.2 percent, to \$137.3 million. Total assets decreased \$1.7 million, which was nearly offset by a decrease in total liabilities of \$2.0 million. The business-type activities restricted net position decreased \$1.9 million from the previous year. This is attributable to project funds being utilized during the fiscal year for the rehabilitation of the Oakland Macomb Interceptor Drainage Districts.

# Charter Township of Shelby

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net position (in millions of dollars) as of December 31, 2014 and the prior year:

Table 2

	Governmental Activities				Business-type Activities				Total			
	2014	2013	\$ Diff	% Diff	2014	2013	\$ Diff	% Diff	2014	2013	\$ Diff	% Diff
<b>Revenue</b>												
Program revenue:												
Charges for services	\$ 8.4	\$ 9.0	\$ (0.6)	-6.7%	\$ 23.1	\$ 23.6	\$ (0.5)	-2.1%	\$ 31.5	\$ 32.6	\$ (1.1)	-3.4%
Operating grants and contributions	0.6	0.7	(0.1)	-14.3%	-	-	-	0.0%	0.6	0.7	(0.1)	-14.3%
Capital grants and contributions	-	0.3	(0.3)	-100.0%	1.8	1.7	0.1	5.9%	1.8	2.0	(0.2)	-10.0%
General revenue:												
Property taxes	26.1	25.9	0.2	0.8%	-	-	-	0.0%	26.1	25.9	0.2	0.8%
State-shared revenue	5.8	5.5	0.3	5.5%	-	-	-	0.0%	5.8	5.5	0.3	5.5%
Interest	0.1	0.1	-	0.0%	0.1	0.1	-	0.0%	0.2	0.2	-	0.0%
Other	2.0	2.7	(0.7)	-25.9%	-	-	-	0.0%	2.0	2.7	(0.7)	-25.9%
Extraordinary item	-	-	-	0.0%	-	0.2	(0.2)	-100.0%	-	0.2	(0.2)	-100.0%
Total revenue	43.0	44.2	(1.2)	-2.7%	25.0	25.6	(0.6)	-2.3%	68.0	69.8	(1.8)	-2.6%
<b>Program Expenses</b>												
General government	8.1	7.7	0.4	5.2%	-	-	-	0.0%	8.1	7.7	0.4	5.2%
Public safety	27.8	29.6	(1.8)	-6.1%	-	-	-	0.0%	27.8	29.6	(1.8)	-6.1%
Public works	1.5	1.5	-	0.0%	-	-	-	0.0%	1.5	1.5	-	0.0%
41st District Court	2.6	2.5	0.1	4.0%	-	-	-	0.0%	2.6	2.5	0.1	4.0%
Recreation and culture	3.9	3.8	0.1	2.6%	-	-	-	0.0%	3.9	3.8	0.1	2.6%
Interest on long-term debt	-	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%
Shelby Manor senior housing	-	-	-	0.0%	1.3	2.2	(0.9)	-40.9%	1.3	2.2	(0.9)	-40.9%
Water and sewer	-	-	-	0.0%	23.4	22.8	0.6	2.6%	23.4	22.8	0.6	2.6%
Total program expenses	43.9	45.1	(1.2)	-2.7%	24.7	25.0	(0.3)	-1.2%	68.6	70.1	(1.5)	-2.1%
<b>Transfers</b>	-	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%
<b>Change in Net Position</b>	(0.9)	(0.9)	-	0.0%	0.3	0.6	(0.3)	-50.0%	(0.6)	(0.3)	(0.3)	-100.0%
<b>Net Position - Beginning of year</b>	<u>89.0</u>	<u>89.9</u>	<u>(0.9)</u>	-1.0%	<u>137.0</u>	<u>136.4</u>	<u>0.6</u>	0.4%	<u>226.0</u>	<u>226.3</u>	<u>(0.3)</u>	-0.1%
<b>Net Position - End of year</b>	<u>\$ 88.1</u>	<u>\$ 89.0</u>	<u>\$ (0.9)</u>	-1.0%	<u>\$ 137.3</u>	<u>\$ 137.0</u>	<u>\$ 0.3</u>	0.2%	<u>\$ 225.4</u>	<u>\$ 226.0</u>	<u>\$ (0.6)</u>	-0.3%

### Governmental Activities

The Township's total governmental revenue decreased by approximately \$1.2 million, or 2.7 percent, from last year. A slight increase in state-shared revenue of \$300,000, or 5.5 percent, and property taxes of \$200,000, or .8 percent, was more than offset by a decrease in other revenue of \$700,000 as the Township received a \$500,000 insurance reimbursement in 2013 and no such reimbursement was received in 2014. In addition, charges for services decreased \$600,000 as revenue in four out of five functions was down slightly from 2013.

Total governmental expenses decreased approximately \$1.2 million, or 2.7 percent, continuing the trend of previous years as the Township has been proactive in reducing expenses in the wake of consistently declining revenues. Cost reductions due to retirements, changes in employee benefits, and a dedicated effort to analyze and reduce all operating expenditures have all contributed to the decrease in expenses. The Township continued to build upon its infrastructure as major road improvements continued to be undertaken and the Township officially opened Chief Gene Shepherd Park.

# Charter Township of Shelby

## Management's Discussion and Analysis (Continued)

### Business-type Activities

The Township's business-type activities are recorded in the Water and Sewer Fund and Shelby Manor Fund. The Water and Sewer Fund provides water, which is purchased from the City of Detroit Water and Sewerage Department (DWSD), to 26,490 accounts. The Township also provides sewer service to 15,179 accounts. The sewage service is primarily provided by the DWSD. The Water and Sewer Fund also receives charges from the Oakland and Macomb Interceptor District (OMID) and the Macomb County Interceptor Drain District (MIDD) for its share of the operations and maintenance costs of major facilities in which the Water and Sewer Fund has a beneficial interest. The Macomb County Waste Water Disposal District (MCWWDD) acts as an intermediary for the DWSD, OMID, and MIDD. The Shelby Manor Fund represents the operation results of the Township's Shelby Manor senior living facility. The facility is made up of three buildings with a total of 264 units.

The Township's business-type activities' revenue decreased by \$600,000, or 2.3 percent, to \$25.0 million. An increase in the maintenance fees charged by Shelby Manor were more than offset by the Water and Sewer Fund's decrease resulting from a reduction in seasonal water sales. In addition, the additional revenue that was realized in 2013 from the November 2012 fire at Shelby Manor did not continue in 2014 as activity relating to the fire was completed prior to 2014.

Expenses for 2014 decreased by \$300,000, or 1.2 percent, to \$24.7 million. The Water and Sewer Fund's expenses increased by \$600,000. This increase is primarily attributable to an increase in the cost of water and sewer purchases from last year. The Shelby Manor Fund's expenses decreased by \$900,000 to return to a more normal level after increased costs in 2013 related to the fire.

### The Township's Funds

The presentation of the Township's major funds begins on page 11, 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 2014 include the General Fund, Police Fund, Fire Fund, Water and Sewer Fund, and Shelby Manor Fund. Per GASB Statement No. 54, as of 2011, the District Court and Cable Television Funds, formerly special revenue funds, were incorporated into the General 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 2014 and acceleration of multiyear capital projects. The General Fund experienced a \$700,000, or 4.8 percent, increase in revenue from 2013. The most significant influence on revenue during 2014 was an increase in state-shared revenue of over \$1.1 million, or 18.7 percent. The increase was due to a revenue recognition change that allowed for seven state-shared revenue payments to be recognized as revenue in 2014 as opposed to the normal six payments. Other major changes were an 18.1 percent decrease in licenses and permits due to permit levels returning to normal after seeing their third highest year since 2000 and a 27.1 percent decrease in other revenue.

The General Fund ended the year with a favorable revenue budget variance of \$391,046 mostly attributed to state-shared revenue coming in higher than expected.



# Charter Township of Shelby

## Management's Discussion and Analysis (Continued)

The General Fund experienced an 8.3 percent decrease in expenditures from 2013. The most significant influence on expenditures during 2014 was a decrease in general government of over \$500,000, or 7.1 percent. In 2013, the Township had a legal settlement in excess of \$500,000, while no such payouts existed in 2014. Other major changes were a 40.8 percent decrease in public works and an 87.4 percent decrease in capital outlay due to many of these expenses being shifted to capital projects funds as part of the Township's continued adoption of its Capital Improvement Plan.

The General Fund ended the year with a favorable expenditure budget variance of \$609,971.

When comparing the 2014 original General Fund budget with the 2014 amended budget, the amended budget increased revenue by approximately \$1.1 million. Large increases were required in licenses and permits as Township growth was larger than originally anticipated and in state-shared revenue and grants for the revenue recognition change explained earlier. On the expenditure side, the amended budget decreased expenditures by approximately \$1.6 million. The largest decrease can be seen in capital outlay due to the Township's continued implementation of its Capital Improvement Plan with smaller decreases seen in public works and general government.

### Capital Assets and Debt Administration

At the end of 2014, the Township's governmental and business activities combined had approximately \$262 million in historical cost invested in a wide range of capital assets, including land, buildings, fire equipment, computer equipment, water and sewer lines, library books, and Township infrastructure such as roads and bridges. The infrastructure represents a usage right to these assets. The value of the infrastructure assets for governmental funds, net of depreciation contained in this report, is \$19.8 million and \$20.0 million for 2014 and 2013, respectively. The Enterprise Funds' infrastructure for 2014 and 2013 (including construction in progress), net of depreciation, is \$104.8 million and \$104.3 million, respectively. Additionally, the value of buildings and improvements for the governmental activities, net of depreciation, is \$12.0 million and \$12.1 million for 2014 and 2013, respectively. The Enterprise Funds' buildings and improvements, net of depreciation, are \$13.0 million for 2014 and \$13.4 million for 2013. See Note 4 for additional information.

As mentioned previously, in 2014 the Township issued \$9.3 million in pension obligation bonds to help fund the Township's Police and Fire Pension System. This debt is scheduled to be paid through 2027. The remaining 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 position (see Note 7 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 2015 that applied in 2014 (9.2999). Allocation of the millage will change in 2015 with .18 mills being shifted from the General Fund to the Police Fund. 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. In 2014, property taxes made up approximately 59.3 percent of the Township's governmental funds' overall revenue. As the Township is slowly recovering from the economic downturn that occurred over the last several years, the ad valorem taxable value experienced an increase of approximately \$60 million, or 2.2 percent, between the 2013 and 2014 assessment years. State-shared revenue represented approximately 16.4 percent of the Township's governmental funds' overall 2014 revenue. In preparing the 2015 budget, it was assumed that state-shared revenue would return to only six payments being recognized as revenue and a slight increase would be realized based upon the State of Michigan's projections.

On the expenditure 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. It is anticipated that due to rising healthcare costs and contractual wage increases, personnel costs will experience a slight increase in 2015. In 2014, the Township funded the Police and Fire Pension System through bonding and internal advances allowing for future costs related to the pension system to be drastically reduced compared to recent years. The Township board aggressively pursues a permanent solution to healthcare funding to spare future taxpayers the cost of funding present benefits.

The Township board continues to focus on and weigh difficult choices between capital projects and staffing. As the Township's Capital Improvement Plan continues to be implemented, future capital costs will be evaluated and money set aside over several years (when possible) in order to smooth Township capital costs and allow for more uniform budgeting. The Township will adjust expenses to mirror the revenue base, having as a goal maintaining revenue in excess of or equal to expenditures.

### **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 Position December 31, 2014

	Primary Government			Component Unit - DDA
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 58,309,514	\$ 23,559,392	\$ 81,868,906	\$ 281,466
Receivables:				
Property taxes receivable	13,078,144	-	13,078,144	-
Customers	-	5,833,216	5,833,216	-
Accrued interest receivable - Special assessment	-	5,035	5,035	-
Other receivables	1,039,924	41,347	1,081,271	-
Due from other governmental units	1,006,752	16,608	1,023,360	-
Special assessments receivable	-	1,581,289	1,581,289	-
Allowance for doubtful accounts	(327,473)	-	(327,473)	-
Internal balances (Note 5)	(12,724,560)	12,724,560	-	-
Inventories	-	140,365	140,365	-
Prepaid costs and other assets	1,877,053	177,526	2,054,579	-
Restricted assets (Note 8)	-	1,901,157	1,901,157	-
Net pension asset (Note 15)	24,040,453	-	24,040,453	-
Capital assets:				
Assets not subject to depreciation (Note 4)	11,585,471	1,649,998	13,235,469	-
Assets subject to depreciation - Net (Note 4)	37,710,555	117,941,918	155,652,473	-
Total assets	135,595,833	165,572,411	301,168,244	281,466
<b>Liabilities</b>				
Accounts payable	661,900	2,596,674	3,258,574	15,057
Accrued and other liabilities	576,614	1,899,815	2,476,429	-
Unearned revenue (Note 6)	-	27,276	27,276	-
Due to fiduciary fund	-	156,518	156,518	-
Noncurrent liabilities (Note 7):				
Due within one year:				
Compensated absences	112,395	9,533	121,928	-
Provision for property tax refund	11,995	-	11,995	-
Current portion of long-term debt	645,510	1,621,626	2,267,136	-
Due in more than one year:				
Compensated absences:	725,055	50,112	775,167	-
Unearned revenue (Note 6)	-	834,095	834,095	-
Other postemployment benefit obligations (Note 10)	9,487,934	926,108	10,414,042	-
Long-term debt - Net of current portion	8,686,020	20,140,524	28,826,544	-
Total liabilities	20,907,423	28,262,281	49,169,704	15,057
<b>Deferred Inflows of Resources -</b>				
Property taxes levied for the following year	26,605,972	-	26,605,972	-
<b>Net Position</b>				
Net investment in capital assets	49,264,496	98,447,582	147,712,078	-
Restricted for:				
Police and fire	11,953,083	-	11,953,083	-
Community development	14,984	-	14,984	-
Street lighting	67,922	-	67,922	-
Grants	6,551	-	6,551	-
Assets held at County	-	1,283,341	1,283,341	-
Unrestricted	26,775,402	37,579,207	64,354,609	266,409
Total net position	<u>\$ 88,082,438</u>	<u>\$ 137,310,130</u>	<u>\$ 225,392,568</u>	<u>\$ 266,409</u>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# Charter Township of Shelby

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 8,131,106	\$ 2,632,029	\$ 426,192	\$ 25,000
41A District Court	2,599,671	2,018,310	45,724	-
Public safety	27,751,691	2,749,792	89,890	14,235
Public works	1,514,065	286,571	-	-
Recreation and culture	3,908,625	691,581	30,328	970
Total governmental activities	43,905,158	8,378,283	592,134	40,205
Business-type activities:				
Water and sewer	23,388,799	21,279,619	-	1,760,011
Shelby Manor senior housing	1,276,578	1,871,278	-	-
Total	24,665,377	23,150,897	-	1,760,011
Total primary government	<b>\$ 68,570,535</b>	<b>\$ 31,529,180</b>	<b>\$ 592,134</b>	<b>\$ 1,800,216</b>
Component unit - Downtown Development Authority	<b>\$ 35,007</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Gain on sale of fixed assets				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

**Statement of Activities**  
**Year Ended December 31, 2014**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit - Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (5,047,885)	\$ -	\$ (5,047,885)	\$ -
(535,637)	-	(535,637)	-
(24,897,774)	-	(24,897,774)	-
(1,227,494)	-	(1,227,494)	-
(3,185,746)	-	(3,185,746)	-
(34,894,536)	-	(34,894,536)	-
-	(349,169)	(349,169)	-
-	594,700	594,700	-
-	245,531	245,531	-
(34,894,536)	245,531	(34,649,005)	-
-	-	-	(35,007)
26,135,502	-	26,135,502	-
5,757,567	-	5,757,567	-
108,641	73,085	181,726	338
1,362,715	-	1,362,715	-
565,472	-	565,472	-
90,288	-	90,288	-
34,020,185	73,085	34,093,270	338
(874,351)	318,616	(555,735)	(34,669)
88,956,789	136,991,514	225,948,303	301,078
<b>\$ 88,082,438</b>	<b>\$ 137,310,130</b>	<b>\$ 225,392,568</b>	<b>\$ 266,409</b>

# Charter Township of Shelby

## Governmental Funds Balance Sheet December 31, 2014

	General Fund	Fire Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 13,895,659	\$ 20,394,503	\$ 14,963,994	\$ 9,055,358	\$ 58,309,514
Receivables:					
Taxes	1,413,651	5,272,427	6,392,066	-	13,078,144
Other receivables	481,607	276,619	220,924	60,774	1,039,924
Due from other governmental units	1,002,725	-	-	4,027	1,006,752
Allowance for doubtful accounts	(42,679)	(148,053)	(136,741)	-	(327,473)
Advances to other funds	-	-	-	296,741	296,741
Prepaid expenses and other assets	81,265	28,513	38,004	1,729,271	1,877,053
<b>Total assets</b>	<b>\$ 16,832,228</b>	<b>\$ 25,824,009</b>	<b>\$ 21,478,247</b>	<b>\$ 11,146,171</b>	<b>\$ 75,280,655</b>
<b>Liabilities</b>					
Accounts payable	\$ 227,173	\$ 136,046	\$ 162,707	\$ 135,974	\$ 661,900
Due to other funds (Note 5)	16,538	3,322	1,441	-	21,301
Advances from other funds (Note 5)	-	6,240,000	6,760,000	-	13,000,000
Accrued and other liabilities	122,895	252,385	153,854	-	529,134
Provision for property tax refunds	1,531	4,815	5,649	-	11,995
<b>Total liabilities</b>	<b>368,137</b>	<b>6,636,568</b>	<b>7,083,651</b>	<b>135,974</b>	<b>14,224,330</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	13,764	8,312	204,832	58,354	285,262
Property taxes levied for the following year	2,860,822	10,692,611	13,052,539	-	26,605,972
<b>Total deferred inflows of resources</b>	<b>2,874,586</b>	<b>10,700,923</b>	<b>13,257,371</b>	<b>58,354</b>	<b>26,891,234</b>
<b>Fund Balances</b>					
Nonspendable - Prepaids	81,265	28,513	38,004	1,729,271	1,877,053
Restricted:					
Police and fire	-	8,458,005	1,099,221	2,515,154	12,072,380
Grants	-	-	-	6,551	6,551
Street lighting	-	-	-	63,895	63,895
Community development	-	-	-	14,984	14,984
Assigned:					
Public improvement	-	-	-	6,484,351	6,484,351
Equipment replacement	-	-	-	137,637	137,637
Recycling committee	10,638	-	-	-	10,638
Special rec donation	3,148	-	-	-	3,148
Unassigned	13,494,454	-	-	-	13,494,454
<b>Total fund balances</b>	<b>13,589,505</b>	<b>8,486,518</b>	<b>1,137,225</b>	<b>10,951,843</b>	<b>34,165,091</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 16,832,228</b>	<b>\$ 25,824,009</b>	<b>\$ 21,478,247</b>	<b>\$ 11,146,171</b>	<b>\$ 75,280,655</b>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# Charter Township of Shelby

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## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position December 31, 2014

<b>Fund Balance Reported in Governmental Funds</b>	\$ 34,165,091
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	49,296,026
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	285,262
Bonds payable and other long-term liabilities are not due and payable in the current period and are not reported in the funds	(9,331,530)
Other liabilities that do not present a claim on current financial resources are not reported as fund liabilities	(47,480)
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	(837,450)
Net pension assets are not current financial resources and are not reported in the funds	24,040,453
Long-term liabilities, such as net OPEB obligations, are not due and payable in the current period and are not reported in the funds	<u>(9,487,934)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 88,082,438</u></b>

# Charter Township of Shelby

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2014

	General Fund	Fire Fund	Police Fund	Nonmajor Governmental Funds	Total
<b>Revenue</b>					
Property taxes	\$ 3,326,137	\$ 10,498,665	\$ 12,310,700	\$ -	\$ 26,135,502
Licenses and permits	1,167,776	-	-	-	1,167,776
Federal grants	-	34,128	-	-	34,128
State-shared revenue and grants	6,990,904	-	72,215	182,499	7,245,618
Charges for services:					
Charges to other funds	948,895	-	-	-	948,895
Charges for services to external parties	1,212,506	2,188,091	486,675	311,873	4,199,145
Fines and forfeitures	2,110,463	-	-	75,026	2,185,489
Investment income	58,993	27,505	21,000	1,143	108,641
Cable franchise fees	1,362,715	-	-	-	1,362,715
Other revenue	524,955	23,119	63,455	56,358	667,887
<b>Total revenue</b>	<b>17,703,344</b>	<b>12,771,508</b>	<b>12,954,045</b>	<b>626,899</b>	<b>44,055,796</b>
<b>Expenditures</b>					
Current:					
General government	7,059,999	-	-	43,166	7,103,165
District Court	2,255,518	-	-	49,359	2,304,877
Public safety	-	23,461,487	24,774,533	270,572	48,506,592
Public works	270,309	-	-	412,619	682,928
Recreation and culture	3,493,980	-	-	74,818	3,568,798
Capital outlay	48,628	99,932	222,571	1,599,805	1,970,936
<b>Total expenditures</b>	<b>13,128,434</b>	<b>23,561,419</b>	<b>24,997,104</b>	<b>2,450,339</b>	<b>64,137,296</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>4,574,910</b>	<b>(10,789,911)</b>	<b>(12,043,059)</b>	<b>(1,823,440)</b>	<b>(20,081,500)</b>
<b>Other Financing Sources (Uses)</b>					
Face value of debt issue	-	4,464,000	4,836,000	-	9,300,000
Proceeds from sale of capital assets	-	40,863	36,400	13,025	90,288
Transfers in (Note 5)	3,584	-	532,079	7,299,814	7,835,477
Transfers out (Note 5)	(3,172,435)	-	-	(4,663,042)	(7,835,477)
<b>Total other financing (uses) sources</b>	<b>(3,168,851)</b>	<b>4,504,863</b>	<b>5,404,479</b>	<b>2,649,797</b>	<b>9,390,288</b>
<b>Net Change in Fund Balances</b>	<b>1,406,059</b>	<b>(6,285,048)</b>	<b>(6,638,580)</b>	<b>826,357</b>	<b>(10,691,212)</b>
<b>Fund Balances - Beginning of year</b>	<b>12,183,446</b>	<b>14,771,566</b>	<b>7,775,805</b>	<b>10,125,486</b>	<b>44,856,303</b>
<b>Fund Balances - End of year</b>	<b>\$ 13,589,505</b>	<b>\$ 8,486,518</b>	<b>\$ 1,137,225</b>	<b>\$ 10,951,843</b>	<b>\$ 34,165,091</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, 2014

**Net Change in Fund Balances - Total Governmental Funds** \$ (10,691,212)

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	1,595,281
Depreciation expense	(2,731,198)
Net book value of adjustments and assets disposed of	(11,638)

Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(1,115,277)
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Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position	(9,300,000)
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Repayment of long-term liabilities is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	10,510
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Other liabilities do not present a claim on current financial resources and are not reported as fund liabilities	1,759
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Changes 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	(13,866)
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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	23,620,156
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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	<u>(2,238,866)</u>
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**Change in Net Position of Governmental Activities** \$ (874,351)

# Charter Township of Shelby

## Proprietary Funds Statement of Net Position December 31, 2014

	Enterprise Funds		
	Water and Sewer	Shelby Manor	Total
<b>Assets</b>			
Current assets:			
Cash and investments (Note 3)	\$ 23,032,192	\$ 527,200	\$ 23,559,392
Receivables:			
Special assessments receivable	204,160	-	204,160
Customers	5,833,216	-	5,833,216
Accrued interest receivable	5,035	-	5,035
Other receivables	41,082	265	41,347
Due from other governmental units	16,608	-	16,608
Due from other funds (Note 5)	39,122	-	39,122
Inventory	140,365	-	140,365
Prepaid expenses and other assets	58,614	118,912	177,526
Total current assets	29,370,394	646,377	30,016,771
Noncurrent assets:			
Restricted assets (Note 8)	1,901,157	-	1,901,157
Advances to other funds (Note 5)	13,000,000	-	13,000,000
Special assessment receivables	1,377,129	-	1,377,129
Capital assets:			
Assets not subject to depreciation (Note 4)	329,998	1,320,000	1,649,998
Assets subject to depreciation (Note 4)	107,977,764	9,964,154	117,941,918
Total noncurrent assets	124,586,048	11,284,154	135,870,202
Total assets	153,956,442	11,930,531	165,886,973
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	2,585,098	11,576	2,596,674
Due to other funds (Note 5)	-	17,821	17,821
Accrued liabilities and other	1,684,276	215,539	1,899,815
Unearned revenue (Note 6)	-	27,276	27,276
Due to fiduciary fund	156,518	-	156,518
Compensated absences (Note 7)	9,533	-	9,533
Current portion of long-term debt (Note 7)	816,046	805,580	1,621,626
Total current liabilities	5,251,471	1,077,792	6,329,263
Noncurrent liabilities:			
Advances from other funds (Note 5)	-	296,741	296,741
Compensated absences (Note 7)	50,112	-	50,112
Unearned revenue (Note 6)	834,095	-	834,095
Other postemployment benefit obligations (Note 10)	926,108	-	926,108
Long-term debt - Net of current portion (Note 7)	18,563,304	1,577,220	20,140,524
Total noncurrent liabilities	20,373,619	1,873,961	22,247,580
Total liabilities	25,625,090	2,951,753	28,576,843
<b>Net Position</b>			
Net investment in capital assets	89,546,228	8,901,354	98,447,582
Restricted - Assets held at County	1,283,341	-	1,283,341
Unrestricted	37,501,783	77,424	37,579,207
Total net position	\$ 128,331,352	\$ 8,978,778	\$ 137,310,130

# Charter Township of Shelby

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended December 31, 2014

	Enterprise Funds		
	Water and Sewer	Shelby Manor	Total
<b>Operating Revenue</b>			
Sale of water	\$ 11,587,946	\$ -	\$ 11,587,946
Sewage disposal charges	7,950,271	-	7,950,271
Other sales to customers	1,674,236	-	1,674,236
Other miscellaneous income	67,166	4,325	71,491
Rental income	-	1,866,953	1,866,953
Total operating revenue	<u>21,279,619</u>	<u>1,871,278</u>	<u>23,150,897</u>
<b>Operating Expenses</b>			
Cost of water	10,920,080	-	10,920,080
Cost of sewage treatment	4,980,270	-	4,980,270
Other operation and maintenance	2,868,128	854,861	3,722,989
Billing and administrative costs	288,705	-	288,705
Depreciation	3,657,161	309,684	3,966,845
Total operating expenses	<u>22,714,344</u>	<u>1,164,545</u>	<u>23,878,889</u>
<b>Operating (Loss) Income</b>	(1,434,725)	706,733	(727,992)
<b>Nonoperating Revenue (Expenses)</b>			
Investment income	72,550	535	73,085
Interest expense	(674,455)	(112,033)	(786,488)
Total nonoperating expenses	<u>(601,905)</u>	<u>(111,498)</u>	<u>(713,403)</u>
<b>(Loss) Income - Before capital contributions</b>	(2,036,630)	595,235	(1,441,395)
<b>Capital Contributions</b>	<u>1,760,011</u>	<u>-</u>	<u>1,760,011</u>
<b>Change in Net Position</b>	(276,619)	595,235	318,616
<b>Net Position - Beginning of year</b>	<u>128,607,971</u>	<u>8,383,543</u>	<u>136,991,514</u>
<b>Net Position - End of year</b>	<u>\$ 128,331,352</u>	<u>\$ 8,978,778</u>	<u>\$ 137,310,130</u>

# Charter Township of Shelby

## Proprietary Funds Statement of Cash Flows Year Ended December 31, 2014

	Business-type Activities		
	Water and Sewer	Shelby Manor	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 22,458,542	\$ 1,887,701	\$ 24,346,243
Payments to suppliers	(16,522,454)	(1,803,612)	(18,326,066)
Payments to employees	(2,431,671)	-	(2,431,671)
Internal activity - Payments from other funds	-	1,311	1,311
Other receipts	67,166	7,770	74,936
Net cash provided by operating activities	3,571,583	93,170	3,664,753
<b>Cash Flows from Noncapital Financing Activities</b> - Advances to other funds	(13,000,000)	-	(13,000,000)
<b>Cash Flows from Capital and Related Financing Activities</b>			
Special assessment collections	269,154	-	269,154
Collection of capital charges and front foot assessments	659,365	-	659,365
Purchase of capital assets	(171,092)	-	(171,092)
Principal and interest paid on capital debt	(1,410,482)	(957,613)	(2,368,095)
Insurance proceeds	-	1,075,972	1,075,972
Net cash used in capital and related financing activities	(653,055)	118,359	(534,696)
<b>Cash Flows from Investing Activities</b>			
Interest received on investments	72,550	535	73,085
Net sales of investment securities	7,266,086	-	7,266,086
Net cash provided by investing activities	7,338,636	535	7,339,171
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(2,742,836)	212,064	(2,530,772)
<b>Cash and Cash Equivalents</b> - Beginning of year	18,568,668	315,136	18,883,804
<b>Cash and Cash Equivalents</b> - End of year	<u>\$15,825,832</u>	<u>\$ 527,200</u>	<u>\$16,353,032</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>			
Cash and investments	\$ 23,032,192	\$ 527,200	\$ 23,559,392
Less amounts classified as investments	(7,206,360)	-	(7,206,360)
Total cash and cash equivalents	<u>\$15,825,832</u>	<u>\$ 527,200</u>	<u>\$16,353,032</u>

# Charter Township of Shelby

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended December 31, 2014

	Business-type Activities		
	Water and Sewer	Shelby Manor	Total
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>			
Operating (loss) income	\$ (1,434,725)	\$ 706,733	\$ (727,992)
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	3,657,161	309,684	3,966,845
Changes in assets and liabilities:			
Receivables	1,246,089	(265)	1,245,824
Due from other funds	(21,860)	-	(21,860)
Prepaid and other assets	(20,314)	12,444	(7,870)
Accounts payable	120,830	(956,808)	(835,978)
Due to other funds	-	1,311	1,311
Accrued and other liabilities	60,978	20,071	81,049
Unearned revenue	(36,576)	-	(36,576)
Net cash provided by operating activities	<b>\$ 3,571,583</b>	<b>\$ 93,170</b>	<b>\$ 3,664,753</b>

**Noncash Transactions** - During the year ended December 31, 2014, developers constructed water and sewer lines with an estimated value of \$1,100,646 and donated them to the Township Water and Sewer Fund. In addition, the Township recorded approximately \$2,191,831 of capital assets, representing the Township's portion of the Oakland Macomb Interceptor Drainage District project and \$681,419 of capital assets, representing the Township's portion of the Clintondale Pump Station project and the North Gratiot Interceptor project. A total of \$201,945 of the additions was constructed by the counties using bond proceeds recorded during the year.

# Charter Township of Shelby

## Fiduciary Funds Statement of Fiduciary Net Position December 31, 2014

	Pension and Other Employee Benefit Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 1,576,365	\$ 5,066,360
Investments (Note 3):		
Common stock	42,675,846	-
Limited partnership	5,032,977	-
Short-term funds	25,194,318	-
Collective index and mutual funds	44,132,276	-
Receivables:		
Accrued interest receivable	58,297	-
Other receivables	-	75,013
Due from other governmental units	-	430
Due from primary government	156,518	-
Prepaid expenses and other assets	442,381	10,705
Total assets	119,268,978	<u>\$ 5,152,508</u>
<b>Liabilities</b>		
Accounts payable	1,650	\$ 123,633
Refundable deposits, bonds, etc.	-	1,107,471
Accrued and other liabilities	2,626	570,813
Advance tax collections	-	3,350,591
Total liabilities	4,276	<u>\$ 5,152,508</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<u>\$ 119,264,702</u>	

# Charter Township of Shelby

## Fiduciary Funds Statement of Changes in Fiduciary Net Position Year Ended December 31, 2014

	Pension and Other Employee Benefit Trust Funds
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 1,698,185
Net realized and unrealized gain on investments	4,798,448
Investment-related expenses	<u>(210,733)</u>
Net investment income	6,285,900
Contributions:	
Employer	31,198,611
Employee	<u>593,046</u>
Total contributions	<u>31,791,657</u>
Total additions	38,077,557
<b>Deductions</b>	
Benefit payments	7,565,825
Administrative expenses	<u>43,580</u>
Total deductions	<u>7,609,405</u>
<b>Net Increase in Net Position Held in Trust</b>	30,468,152
<b>Net Position Held in Trust for Pension and Other Employee Benefits -     Beginning of year</b>	<u>88,796,550</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits -     End of year</b>	<u><u>\$ 119,264,702</u></u>

# Charter Township of Shelby

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## Notes to Financial Statements December 31, 2014

### Note 1 - Summary of Significant Accounting Policies

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 (the "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), highway and streets, sanitation, water and sewer, culture, recreation, public improvements, planning and zoning, and general administrative services. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Township's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

**Blended Component Units** - The following component units are reported as if they were part 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 were 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 were part of the primary government because its primary purpose is to provide certain facilities necessary for the operation of the Township's government and to finance and construct the Township's public buildings.

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

#### Accounting and Reporting Principles

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



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

#### **Report Presentation**

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

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

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

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

#### **Basis of Accounting**

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

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

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

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

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

#### **Fund Accounting**

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

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

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

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

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

- The Water and Sewer Fund provides water to customers, and disposes of sanitary sewage in exchange for quarterly user charges.
- The Shelby Manor Senior Housing Fund accounts for the activities of the Township's senior housing apartment complex.

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

- The pension and other employee benefits trust fund accounts for the activities of employee benefit plans, which accumulate resources for pension and other postemployment benefit payments to qualified employees.
- 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.

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

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

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2014

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

#### Specific Balances and Transactions

**Cash and Cash Equivalents** - 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, 2014.

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

Approximately \$5 million of the assets held by the Shelby Township Police and Fire Pension Plan at December 31, 2014 are not publicly traded and therefore do not always have a readily determinable market value. Management's estimates of these values are based on information provided by investment managers, general partners, real estate advisors and other means. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - Restricted assets of the enterprise funds include the Township's share of unspent bond proceeds held by Oakland County and Macomb County and amounts paid in advance by the Township to Oakland County for drain projects.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., amounts paid to the County Department of Roads for the intangible right to use the roads), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The Township evaluates items with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year for classification as capital assets. 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, 2014

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

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

Capital Asset Class	Lives
Infrastructure	20-35 years
Water system	50 years
Buildings and improvements	20-50 years
Machinery and equipment	5-20 years
Vehicles	5 years
Furniture and fixtures	5-20 years
Library books	8 years

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The General Fund is generally used to liquidate governmental long-term debt.

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category. The deferred inflows of resources related to unavailable revenues are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from various sources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government also has property taxes levied before the period budgeted. These property taxes are shown as deferred inflows of resources on both the governmental funds balance sheet as well as the statement of net position. Those property taxes will be recognized as revenue next year, as those amounts were levied for the subsequent year's budgeted operations.

#### **Net Position Flow Assumption**

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

#### **Fund Balance Flow Assumption**

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

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

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

#### Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Township board of trustees has by resolution authorized the director of finance to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

#### 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 inflows in each respective fund at December 31.

The 2013 taxable valuation of the Township totaled approximately \$2,799,000,000 on which ad valorem taxes levied consisted of 1.1800 mills for 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 \$3,305,000 for general operations, \$10,818,000 for police protection, \$9,123,000 for fire operations, and \$2,798,000 for police and fire pension. These amounts are recorded in their respective funds as tax revenues.

### 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.

**Compensated Absences (Vacation, Sick, and Personal Leave)** - It is the Township's policy to permit 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 the governmental funds as they come due for payment (when the time is taken off or employees terminate).

**Proprietary Funds Operating Classification** - Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund and Shelby Manor Fund are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of capital charges intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.



# Charter Township of Shelby

## Notes to Financial Statements December 31, 2014

### Note 2 - Stewardship, Compliance, and Accountability

**Construction Code Fees** - 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:

Shortfall at January 1, 2014		\$ (2,803,226)
Current year permit revenue		1,162,431
Related expenses:		
Direct costs	\$ 966,300	
Estimated indirect costs	<u>168,887</u>	<u>1,135,187</u>
Current year surplus		<u>27,244</u>
Cumulative shortfall at December 31, 2014		<u>\$ (2,775,982)</u>

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The 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 and OPEB Trust Funds are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Township has designated 14 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, 2014

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

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

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$54,652,804 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of 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:

Investment	Fair Value	Weighted Average Maturity
Non-2a7 like bank investment pool	\$ 2,233,447	158 days
Agency bonds	6,550,723	98 days
Commercial paper	12,898,790	107 days
U.S. Treasury securities	6,047,303	380 days
Fixed Income Collective Index Fund (Pension Trust)	19,015,795	7.5 years

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

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 35,222,525	Not rated	
Commercial paper	12,898,790	A1	S&P
Agency bonds	6,550,723	AAA	S&P
Short-term investment fund (Pension Trust)	25,194,318	A1	S&P
Fixed Income Collective Index Fund (Pension Trust)	19,015,795	AA1/AA2	S&P
Equity Collective Index Fund (Pension Trust)	25,116,481	Not rated	
Mutual funds (Other Postemployment Benefits Trust)	20,695,490	Not rated	

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2014

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

**Concentration of Credit Risk** - The Township limits the amount the Township may invest in any one issuer to 50 percent of the Township's total portfolio. At December 31, 2014, there were no investments in a single issuer in excess of 50 percent of the Township's total portfolio. The Township is invested in the Comerica Bond Index Fund, the Comerica S&P 500 Index Fund, the Comerica Short Term Fund, and the Vanguard S&P 500 ETF Fund, each of which exceed 5 percent of the Township's total portfolio.

### Note 4 - Capital Assets

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

	Balance January 1, 2014	Transfers/ Adjustments	Additions	Disposals	Balance December 31, 2014
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 11,461,828	\$ -	\$ -	\$ -	\$ 11,461,828
Construction in progress	701,804	(604,616)	26,455	-	123,643
Subtotal	12,163,632	(604,616)	26,455	-	11,585,471
Capital assets being depreciated:					
Infrastructure	33,262,773	237,373	863,267	-	34,363,413
Buildings and improvements	17,314,589	367,243	6,384	-	17,688,216
Machinery and equipment	8,394,840	-	320,280	(29,244)	8,685,876
Vehicles	7,334,443	-	378,895	(478,516)	7,234,822
Library books	2,000,000	-	-	-	2,000,000
Subtotal	68,306,645	604,616	1,568,826	(507,760)	69,972,327
Accumulated depreciation:					
Infrastructure	13,303,174	-	1,264,404	-	14,567,578
Buildings and improvements	5,242,539	-	414,225	-	5,656,764
Machinery and equipment	5,754,064	-	469,613	(29,244)	6,194,433
Vehicles	4,726,919	-	582,956	(466,878)	4,842,997
Library books	1,000,000	-	-	-	1,000,000
Subtotal	30,026,696	-	2,731,198	(496,122)	32,261,772
Net capital assets being depreciated	38,279,949	604,616	(1,162,372)	(11,638)	37,710,555
Net capital assets	\$ 50,443,581	\$ -	\$ (1,135,917)	\$ (11,638)	\$ 49,296,026

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2014

### Note 4 - Capital Assets (Continued)

	Balance January 1, 2014	Transfers/ Adjustments	Additions	Disposals	Balance December 31, 2014
<b>Business-type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 1,525,441	\$ -	\$ -	\$ -	\$ 1,525,441
Construction in progress	176,000	(65,390)	13,947	-	124,557
Subtotal	1,701,441	(65,390)	13,947	-	1,649,998
Capital assets being depreciated:					
Buildings and improvements	19,505,595	-	-	-	19,505,595
Vehicles	693,472	-	-	-	693,472
Furniture and fixtures	1,018,920	-	-	-	1,018,920
Water systems	39,811,850	-	826,396	-	40,638,246
Sewer systems	113,229,181	(34,780)	3,304,645	-	116,499,046
Subtotal	174,259,018	(34,780)	4,131,041	-	178,355,279
Accumulated depreciation:					
Buildings and improvements	6,109,428	-	391,741	-	6,501,169
Vehicles	606,023	-	10,897	-	616,920
Furniture and fixtures	773,469	-	47,265	-	820,734
Water systems	16,528,643	(194,614)	984,535	-	17,318,564
Sewer systems	32,428,954	194,614	2,532,406	-	35,155,974
Subtotal	56,446,517	-	3,966,844	-	60,413,361
Net capital assets being depreciated	117,812,501	(34,780)	164,197	-	117,941,918
Net capital assets	<u>\$ 119,513,942</u>	<u>\$ (100,170)</u>	<u>\$ 178,144</u>	<u>\$ -</u>	<u>\$ 119,591,916</u>

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

#### Governmental activities:

General government	\$ 583,886
Public safety	1,011,921
Public works	822,178
Recreation and culture	299,994
41A District Court	13,219
Total governmental activities	<u>\$ 2,731,198</u>

#### Business-type activities:

Water and sewer	\$ 3,657,161
Shelby Manor	309,684
Total business-type activities	<u>\$ 3,966,845</u>

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2014

### Note 5 - 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>		
Water and Sewer Fund	General Fund	\$ 16,538
	Police Fund	1,441
	Fire Fund	3,322
	Shelby Manor Fund	<u>17,821</u>
	Total Water and Sewer Fund	<u>\$ 39,122</u>
<b>Advances to/from Other Funds</b>		
Water and Sewer Fund	Police Fund	\$ 6,240,000
	Fire Fund	<u>6,760,000</u>
	Total Water and Sewer Fund	13,000,000
Nonmajor governmental funds	Shelby Manor Fund	<u>296,741</u>
	Total	<u>\$ 13,296,741</u>

Interfund balances generally represent routine transactions and temporary cash flow assistance until amounts are available. During the year, the Water and Sewer Fund advanced \$13,000,000 to the Police Fund and Fire Fund, which was used to fund the pension obligation. The advance will be paid back through 2032 and bears interest payable annually at 1 percent.

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2014

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

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

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 2,640,356
	Police Fund	532,079
	Total General Fund	3,172,435
Nonmajor governmental funds	Nonmajor governmental funds	4,659,458
	General Fund	3,584
	Total nonmajor governmental funds	4,663,042
	Total	<u>\$ 7,835,477</u>

### Note 6 - Unearned Revenue

Unearned revenue in the Water and Sewer Fund represents redeemable certificates issued to developers to be applied as payment on future capital charges. Unearned revenue in the Shelby Manor Housing Fund represents 2015 rent payments made by residents during 2014.

### Note 7 - 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. Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund, Police Fund, Fire Fund, or other nonmajor fund from which the individual employee's salaries are paid. The net pension obligation has generally been liquidated from the Police Fund and Fire Fund. The net OPEB obligation has generally been liquidated from the General Fund, Police Fund, and Fire Fund from which the individual employee's benefits are paid.

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2014

### Note 7 - Long-term Debt (Continued)

Description	Amount
<b>Governmental Activities:</b>	
General obligations:	
Installment purchase agreement - Computer software	\$ 31,530
Pension Obligation Bonds Series 2014A:	
Amount of issue - \$9,300,000	
Maturing through 2027	
Interest Rate Range - 2.00% - 3.60%	
Principal maturity range - \$635,000 - \$860,000	9,300,000
Subtotal	<u>\$ 9,331,530</u>
<b>Business-type Activities:</b>	
General obligations:	
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	\$ 2,665,000
2008 N. Gratiot Drainage Assessment:	
Amount of issue - \$750,485	
Maturing through 2033	
Interest rate range - 3.25% - 4.75%	
Principal maturity range - \$18,000 - \$42,000	671,394
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 - \$540,000 - \$810,000	2,382,800
2009 State Revolving Fund (SRF) Clean Water:	
General Obligation Bond - Project 5343-01:	
Amount of issue - \$128,150	
Maturing through 2029	
Interest rate - 2.50%	
Principal maturity range - \$5,000 - \$10,000	108,150
2010 Clintondale Pump Station Debt:	
Amount of issue - \$2,849,191	
Maturing through 2031	
Interest rate - 2.50% - 5.00%	
Principal maturity range - \$65,000 - \$231,000	2,631,802
2010 OMID Series 2010B:	
Amount of issue - \$319,195	
Maturing through 2030	
Interest rate range - 1.15% - 5.90%	
Principal maturity range - \$9,000 - \$25,000	277,032
2010 OMID Series 2010A (SRF):	
Amount of issue - \$1,242,274	
Maturing through 2031	
Interest rate - 2.50%	
Principal maturity range - \$48,000 - \$78,000	1,093,112

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2014

### Note 7 - Long-term Debt (Continued)

Description	Amount
<b>Business-type Activities (Continued):</b>	
General obligations (Continued):	
2010 MID Series 2010A:	
Amount of issue - \$7,721,197	
Maturing through 2035	
Interest rate range - 1.25% - 5.50%	
Principal maturity range - \$241,000 - \$455,000	\$ 6,990,421
2010 N. Gratiot Drainage Assessment:	
Amount of issue - \$73,021	
Maturing through 2035	
Interest rate range - 1.00% - 6.35%	
Principal maturity range - \$1,000 - \$4,000	64,864
2010 MID Series 2010A (Garfield Interceptor):	
Amount of issue - \$4,861,206	
Maturing through 2035	
Interest rate range - 1.25% - 5.375%	
Principal maturity range - \$152,000 - \$286,000	4,401,134
2014 OMID Drain Bonds Series 2014A:	
Amount of issue - \$476,441	
Maturing through 2034	
Interest rate range - 2.00% - 3.125%	
Principal maturity range - \$18,000 - \$31,000	476,441
Total business-type activity debt	<u>\$ 21,762,150</u>

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Installment purchase agreement	\$ 42,040	\$ -	\$ 10,510	\$ 31,530	\$ 10,510
General obligations	-	9,300,000	-	9,300,000	635,000
Compensated absences	823,584	13,866	-	837,450	112,395
Total governmental activities	<u>\$ 865,624</u>	<u>\$ 9,313,866</u>	<u>\$ 10,510</u>	<u>\$ 10,168,980</u>	<u>\$ 757,905</u>
<b>Business-type Activities</b>					
General obligations	\$ 22,867,316	\$ 476,441	\$ 1,581,607	\$ 21,762,150	\$ 1,621,626
Compensated absences	54,609	5,036	-	59,645	9,533
Total business-type activities	<u>\$ 22,921,925</u>	<u>\$ 481,477</u>	<u>\$ 1,581,607</u>	<u>\$ 21,821,795</u>	<u>\$ 1,631,159</u>



# Charter Township of Shelby

## Notes to Financial Statements December 31, 2014

### Note 7 - Long-term Debt (Continued)

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

Years Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 645,510	\$ 217,956	\$ 863,466	\$ 1,621,626	\$ 828,885	\$ 2,450,511
2016	640,510	248,848	889,358	1,679,732	763,260	2,442,992
2017	650,510	236,248	886,758	1,680,873	689,818	2,370,691
2018	650,000	223,448	873,448	920,085	619,126	1,539,211
2019	665,000	210,448	875,448	950,531	587,921	1,538,452
2020-2024	3,600,000	775,818	4,375,818	5,280,759	2,395,630	7,676,389
2025-2029	2,480,000	177,660	2,657,660	4,584,522	1,434,597	6,019,119
2030-2034	-	-	-	4,298,990	532,407	4,831,397
2035	-	-	-	745,032	14,458	759,490
	<u>\$ 9,331,530</u>	<u>\$ 2,090,426</u>	<u>\$ 11,421,956</u>	<u>\$ 21,762,150</u>	<u>\$ 7,866,102</u>	<u>\$ 29,628,252</u>

The Macomb Interceptor Drainage District (MID) projects are construction and rehabilitation projects which began in 2010 and are ongoing. The MID issued county bonds that were used to acquire the MID Interceptor system and to assume amounts owed related to the Garfield Interceptor. Additional county bonds were issued to improve and repair the North Gratiot Interceptor and Clintondale Pump Station. These bonds were issued as Federally Taxable Recovery Zone Economic Development Bonds and are eligible to recover tax credit payments from the United States Treasury up to 45 percent (for the North Gratiot Bond), up to 35 percent (for the MID Bond), and up to 45 percent (for the OMID Series 2010B Bond) of the interest payable on the bonds.

The Oakland-Macomb Interceptor Drainage District (OMID) is also a construction and rehabilitation project that began in 2010 and is ongoing.

The total original amount of bonds issued, the Township's share, and expected tax credit payments, where applicable, are as follows:

#### Macomb Interceptor Drainage District (MID)

	County Portion	Township Portion	Tax Credit
MID Series 2010A	\$ 95,955,000	\$ 12,582,422	\$ 1,899,080
North Gratiot Interceptor 2010	16,965,000	73,021	26,000
North Gratiot Interceptor 2008	22,340,000	750,485	-
Clintondale Pump Station 2011	30,800,000	2,849,191	-

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2014

### Note 7 - Long-term Debt (Continued)

#### Oakland-Macomb Interceptor Drainage District (OMID)

	County Portion	Township Portion	Tax Credit
2010A (SRF)	\$ 26,076,000	\$ 1,242,287	\$ -
2010B	6,700,000	319,195	140,000
2014A	7,235,000	476,441	-

**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, 2014, \$5,240,000 of bonds outstanding is considered defeased.

### Note 8 - Restricted Assets

The Township has \$617,816 of restricted assets at December 31, 2014 related to unspent bond proceeds which are held by Macomb and Oakland counties in connection with the OMID, North Gratiot, and Clintondale Pump Station Interceptor projects described in Note 7. The remaining \$1,283,341 of restricted assets relates to prepayments made to the counties for the Township's portion of OMID Segments 2 and 3.

### Note 9 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for all claims except for medical benefits. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. Effective February 1, 2010, the Township has an administrative services contract with Blue Cross/Blue Shield of Michigan to provide third-party administration of employee and retiree healthcare claims with stop-loss coverage above certain limits.

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2014

### Note 9 - Risk Management (Continued)

The Township estimates the liability for health claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past fiscal year were as follows:

	Medical Claims	
	2014	2013
Unpaid claims - Beginning of year	\$ 751,864	\$ 733,536
Incurred claims, including claims incurred but not reported	3,520,349	3,822,729
Claim payments	<u>(3,555,325)</u>	<u>(3,804,401)</u>
Unpaid claims - End of year	<u>\$ 716,888</u>	<u>\$ 751,864</u>

### Note 10 - Other Postemployment Benefits

**Plan Description** - The Township provides healthcare benefits to the following classes of employees under the following criteria:

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

Supervisory/Department Heads - Employees hired on or before November 21, 2006 who retire having a minimum of 10 years of continuous full-time service and having attained an age of 55 or above, which, when combined with the number of years of service, is greater than or equal to 75, are eligible for healthcare and life insurance benefits. Employees hired between November 21, 2006 and September 1, 2010 who retire having a minimum of 15 years of continuous full-time service and having attained an age of 55 or above, which, when combined with the number of years of service, is greater than or equal to 75, are eligible for healthcare and life insurance benefits. Employees hired on or after September 1, 2010 are eligible for life insurance benefits only.

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

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2014

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

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

Command Officers - Employees retiring after 25 years of service or under the provisions of Act 345 are eligible for healthcare benefits only.

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

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

Healthcare benefits provided cover the retired employee, as well as his or her spouse and any eligible dependents. All benefits listed are paid in full by the Township until a covered person is eligible for Medicare coverage. Upon eligibility for Medicare coverage, the covered person must apply for Medicare and the Township then supplies a complementary coverage policy per the applicable bargaining unit. Currently, 170 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 contributions to advance-fund a portion of these benefits as of December 31, 2014.

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2014

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

**Funding Progress** - For the year ended December 31, 2014, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of January 1, 2014. 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	\$ 5,773,353
Interest on the prior year's net OPEB obligation	527,000
Less adjustment to the annual required contribution	<u>(466,980)</u>
Annual OPEB cost	5,833,373
Amounts contributed:	
Payments of current premiums	(2,354,687)
Prefunding contribution	<u>(1,172,339)</u>
Increase in net OPEB obligation	2,306,347
OPEB obligation - Beginning of year	<u>8,107,695</u>
OPEB obligation - End of year	<u>\$ 10,414,042</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and four preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
12/31/14	1/1/14	\$ 5,773,353	61.1	\$ 10,414,042
12/31/13	1/1/12	5,079,690	87.0	8,107,695
12/31/12	1/1/12	5,079,690	73.3	7,295,926
12/31/11	1/1/11	6,431,625	248.6	5,884,488.0
12/31/10	1/1/09	7,552,905	21.1	9,213,206.0

The funding progress of the plan 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
1/1/14	\$ 19,855,870	\$ 84,443,078	\$ 64,587,208	23.5	\$ 14,554,860	443.8
1/1/12	13,948,217	70,380,755	56,432,538	19.8	16,179,279	348.8
1/1/11	-	84,004,736	84,004,736	-	16,719,112	502.4

### 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, 2014 actuarial valuation, the projected unit credit with linear proration to decrement method was used. The actuarial assumptions included a 6.5 percent investment rate of return (net of administrative expenses), which is a blended rate consisting of the expected long-term investment return on plan assets and that of employer assets, and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent by 2022. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2014 was 28 years.

### Note 11 - Pension Plan Description

**Plan Administration** - The Fire and Police Pension Board administers the Shelby Township Fire and Police Pension System - a single-employer defined benefit pension plan that provides pensions for all permanent full-time firefighters hired prior to May 2, 2014 and police officers hired prior to April 2, 2014 of the Township. Benefit terms have been established by contractual agreements between the Township and the various employee union representation; amendments are subject to the same process.

Management of the plan is vested in the Pension Board, which consists of five members: two elected by plan members, two appointed by the Township, and the Township Treasurer, who serves as an ex-officio member.

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2014

### Note 11 - Pension Plan Description (Continued)

**Plan membership** - At the December 31, 2014, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	106
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>117</u>
Total	<u><u>224</u></u>

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

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

**Contributions** - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the Township Charter, union contracts, and plan provisions. For the year ended December 31, 2014, the average required active member contribution rate was 5 percent of annual pay, and the Township's average required contribution rate was 36.96 percent of annual payroll.

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2014

### Note 12 - Pension Plan Investments - Policy and Rate of Return

**Investment Policy** - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	41%
International equity	16%
Investment grade U.S. fixed income	21%
International fixed income	10%
Private real estate	4%
Public real estate investment trusts	1%
Infrastructure	5%
Cash or cash equivalents	2%

**Rate of Return** - For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.96 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Note 13 - Pension Plan Reserves

In accordance with Act 345 of the State of Michigan, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee and credits interest annually at a rate of 2 percent. For any employee who terminates before vesting in the pension plan, his or her balance is returned to them upon request; for those who stay until retirement, the balance is transferred into the retiree reserve.



# Charter Township of Shelby

## Notes to Financial Statements December 31, 2014

### Note 13 - Pension Plan Reserves (Continued)

The employer reserve account is used to account for the residual net position balance in the pension plan after funding the above two reserves.

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 54,982,791	\$ 54,982,791
Employee reserve	8,108,922	8,108,922
Employer reserve	N/A	33,760,048

### Note 14 - Net Pension Liability of the Township

The net pension liability of the Township has been measured as of December 31, 2014 and is composed of the following:

Total pension liability	\$ 95,511,396
Plan fiduciary net position	<u>96,851,761</u>
Township's net pension liability	<u>\$ (1,340,365)</u>
Plan fiduciary net position as a percentage of the total pension liability	101.4 %

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of December 31, 2014. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.25 %
Salary increases	6.875 % Average, including inflation
Investment rate of return	7.50 % Net of pension plan investment expense, including inflation

In addition to the assumptions above, the total pension liability is calculated using reliance on the 1994 Group Annuity Mortality Table to estimate life expectancy of participants. Updated tables have been issued and thus, use of the 1994 table may not provide an accurate estimate of life expectancy as of December 31, 2014. The Township's actuary recommended use of the MP-2014 mortality table for purposes of the 2014 valuation and has qualified their report on the calculations that use the 1994 tables. The total pension liability using the actuary's recommended mortality table is \$100,500,668, which provides for a funding percentage of 93.9 percent.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2014

### Note 14 - Net Pension Liability of the Township (Continued)

#### Projected Cash Flows

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of December 31, 2014 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment note, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	6.4 %
International equity	6.0 %
Investment grade U.S. fixed income	2.1 %
International fixed income	2.6 %
Private real estate	7.5 %
Public real estate investment trusts	6.5 %
Infrastructure	6.5 %
Cash or cash equivalents	0.5 %

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Township, calculated using the discount rate of 7.50 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability of the Township	\$ 9,876,563	\$ (1,340,365)	\$ (10,801,873)

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2014

### Note 15 - Township Pension Cost and Related Obligation

The Township reports pension expense based on funding requirements, as directed by GASB Statement No. 27. Beginning in 2015, the Township will adopt GASB Statement No. 68, which will require the measurement of pension expense as it is earned, rather than as it is funded.

The pension plan does not issue a separate financial report.

#### Annual Pension Cost and Net Pension Obligation (Asset)

Annual required contribution	\$ 4,043,780
Interest on net pension obligation	(31,523)
Adjustment to annual required contribution	<u>39,171</u>
Annual pension cost (APC)	4,051,428
Contributions made	<u>(27,671,584)</u>
Increase in net pension asset	(23,620,156)
Net pension asset - Beginning of year	<u>(420,297)</u>
Net pension asset - End of year	<u><u>\$ (24,040,453)</u></u>

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

	Fiscal Year Ended December 31		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual pension cost (APC)	\$ 4,051,428	\$ 4,104,252	\$ 4,578,608
Percentage of APC contributed	683.0 %	99.8 %	99.6 %
Net pension asset	\$ 24,040,453	\$ 420,297	\$ 427,272

**Funding Status and Funding Progress** - As of December 31, 2014, the most recent actuarial valuation date, the plan was 98.8 percent funded. The actuarial accrued liability for benefits was \$95,511,396 and the actuarial value of assets was \$94,341,585, resulting in an unfunded actuarial accrued liability of \$1,169,811. The covered payroll (annual payroll to active employees covered by the plan) was \$10,780,667 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11 percent.

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

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2014

### Note 15 - Township Pension Cost and Related Obligation (Continued)

**Actuarial Methods and Assumptions** - For the year ended December 31, 2014, the Township's contribution of \$27,671,584 exceeded the annual required contribution of \$4,043,780. The annual required contribution was determined as part of an actuarial valuation at December 31, 2013, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 4.25 to 9.50 percent per year, and (c) no postretirement benefit increases. Both (a) and (b) include an inflation component of 4.25 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 dollar on a closed basis. The remaining amortization period is 13 years.

### Note 16 - Pension and Other Employee Benefit Trust Funds

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

	Police and Fire Retirement System	Retiree Healthcare Trust
<b>Statement of Net Position</b>		
Investments	\$ 96,355,359	\$ 22,256,423
Other assets	500,678	156,518
Liabilities	(4,276)	-
Net position	<u>\$ 96,851,761</u>	<u>\$ 22,412,941</u>
<b>Statement of Changes in Net Position</b>		
Investment income	\$ 4,901,168	\$ 1,384,732
Contributions	28,264,631	3,527,026
Benefit payments	(5,211,138)	(2,354,687)
Other deductions	(43,580)	-
Net change in net position	<u>\$ 27,911,081</u>	<u>\$ 2,557,071</u>

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2014

### Note 17 - 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 and 5 percent from the Township and employees, respectively, of the employees' base salaries each month. An employee may elect to contribute additional voluntary amounts. The Township's contributions for each employee (plus investment income allocated to the employee's account) are fully vested after 60 months of continuous service. The Township's board of trustees and court employees are fully vested after 20 months of continuous service.

During the year ended December 31, 2014, the Township made contributions of \$758,220 and the plan members contributed \$411,585 to the plan.

### Note 18 - Future Minimum Lease Revenue

The Township leases a portion of its land to a private operator through the year 2053 for use as a golf course. During 2014, the Township recognized no revenue related to this lease.

Future annual minimum lease payments are as follows:

<u>Year</u>	<u>Percent of Gross Revenue</u>	<u>Minimum Rent</u>
2015-2020	- %	\$ -
2021-2024	4.5	225,000
2025-2034	5.5	250,000
2035-2045	5.5	300,000
2046-2053	5.5	250,000

### Note 19 - Upcoming Accounting Pronouncements

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability, which will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The Statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this Statement are effective for financial statements for the year ending December 31, 2017.

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Township is currently evaluating the impact this standard will have on the financial statements when adopted, during the Township's 2016 fiscal year.

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive note disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the Township will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The Township is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016, whereas GASB Statement No. 75 is effective one year later.

# Charter Township of Shelby

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## Notes to Financial Statements December 31, 2014

### **Note 20 - Change in Accounting**

During the current year, the Township adopted GASB Statement Number 67, *Financial Reporting for Pension Plans*. This Statement required changes to the actuarial valuations resulting in a different measurement of the liability of the employer to plan members for benefits provided through the pension plan. As a result, the disclosures within the pension note have changed considerably along with the related schedules in the required Supplemental information.

## **Required Supplemental Information**

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# Charter Township of Shelby

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual
<b>Revenue</b>			
Property taxes	\$ 3,346,849	\$ 3,323,672	\$ 3,326,137
Licenses and permits	826,000	1,139,898	1,167,776
State-shared revenue and grants	5,772,104	6,665,171	6,990,904
Charges for services	1,884,369	2,061,945	2,088,421
Fines and forfeitures	2,386,442	2,100,599	2,110,463
Investment income	60,000	50,000	58,762
Other revenue:			
Local donations	13,200	28,609	33,097
Other miscellaneous income	445,310	506,454	491,834
Total revenue	<u>14,734,274</u>	<u>15,876,348</u>	<u>16,267,394</u>
<b>Expenditures</b>			
Current:			
General government	7,338,907	7,108,895	6,719,567
Public works	587,750	281,725	270,309
Recreation and culture	3,076,074	3,083,409	2,876,342
Capital outlay	<u>1,161,399</u>	<u>29,751</u>	<u>27,591</u>
Total expenditures	<u>12,164,130</u>	<u>10,503,780</u>	<u>9,893,809</u>
<b>Excess of Revenue Over Expenditures</b>	2,570,144	5,372,568	6,373,585
<b>Other Financing Sources (Uses)</b>			
Transfers in	17,000	23,185	19,351
Transfers out	<u>(2,887,664)</u>	<u>(5,144,594)</u>	<u>(4,986,877)</u>
Total other financing uses	<u>(2,870,664)</u>	<u>(5,121,409)</u>	<u>(4,967,526)</u>
<b>Net Change in Fund Balance</b>	(300,520)	251,159	1,406,059
<b>Fund Balance - Beginning of year</b>	<u>11,959,581</u>	<u>11,959,581</u>	<u>11,959,581</u>
<b>Fund Balance - End of year</b>	<u><b>\$ 11,659,061</b></u>	<u><b>\$ 12,210,740</b></u>	<u><b>\$ 13,365,640</b></u>

# Charter Township of Shelby

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Fund Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual
<b>Revenue</b>			
Property taxes	\$ 10,569,519	\$ 10,496,698	\$ 10,498,665
Federal grants	-	37,479	34,128
Charges for services	2,170,845	2,268,260	2,188,091
Investment income	16,000	13,400	27,505
Other miscellaneous income	16,800	11,954	23,119
Total revenue	<u>12,773,164</u>	<u>12,827,791</u>	<u>12,771,508</u>
<b>Expenditures</b>			
Current - Public safety	12,328,013	23,142,289	22,914,085
Capital outlay	218,044	126,571	99,932
Total expenditures	<u>12,546,057</u>	<u>23,268,860</u>	<u>23,014,017</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	227,107	(10,441,069)	(10,242,509)
<b>Other Financing Sources (Uses)</b>			
Face value of debt issue	-	4,464,000	4,464,000
Proceeds from sale of capital assets	2,000	41,000	40,863
Transfers out	(1,184,900)	(547,209)	(547,402)
<b>Net Change in Fund Balance</b>	(955,793)	(6,483,278)	(6,285,048)
<b>Fund Balance - Beginning of year</b>	<u>14,771,566</u>	<u>14,771,566</u>	<u>14,771,566</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 13,815,773</u></u>	<u><u>\$ 8,288,288</u></u>	<u><u>\$ 8,486,518</u></u>

# Charter Township of Shelby

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Fund Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual
<b>Revenue</b>			
Property taxes	\$ 12,392,235	\$ 12,308,817	\$ 12,310,700
State-shared revenue and grants	55,000	66,434	72,215
Charges for services	467,945	498,007	486,675
Investment income	16,000	13,400	21,000
Other revenue	46,050	63,350	63,455
Total revenue	<u>12,977,230</u>	<u>12,950,008</u>	<u>12,954,045</u>
<b>Expenditures</b>			
Current - Public safety	13,565,468	25,307,557	24,774,533
Capital outlay	217,005	217,005	222,571
Total expenditures	<u>13,782,473</u>	<u>25,524,562</u>	<u>24,997,104</u>
<b>Excess of Expenditures Over Revenue</b>	(805,243)	(12,574,554)	(12,043,059)
<b>Other Financing Sources (Uses)</b>			
Face value of debt issue	-	4,836,000	4,836,000
Proceeds from sale of capital assets	33,000	39,400	36,400
Transfers in	45,000	533,940	532,079
Transfers out	(938,000)	-	-
Total other financing (uses) sources	<u>(860,000)</u>	<u>5,409,340</u>	<u>5,404,479</u>
<b>Net Change in Fund Balance</b>	(1,665,243)	(7,165,214)	(6,638,580)
<b>Fund Balance - Beginning of year</b>	<u>7,775,805</u>	<u>7,775,805</u>	<u>7,775,805</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 6,110,562</u></u>	<u><u>\$ 610,591</u></u>	<u><u>\$ 1,137,225</u></u>

# Charter Township of Shelby

## Required Supplemental Information Police and Fire Pension System Schedule of Funding Progress Year Ended December 31, 2014

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
12/31/09	\$ 48,968,765	\$ 79,494,112	\$ 30,525,347	61.6	\$ 10,939,120	279.0
12/31/10	51,181,336	75,889,038	24,707,702	67.4	10,915,185	226.4
12/31/11	53,157,554	79,426,074	26,268,520	66.9	11,259,348	233.3
12/31/12	58,945,340	84,149,619	25,204,279	70.0	10,940,963	230.4
12/31/13	64,799,508	88,915,677	24,116,169	72.9	10,962,530	220.0
12/31/14	94,341,585	95,511,396	1,169,811	98.8	10,780,667	10.9

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
12/31/09	12/31/07	\$ 3,600,027	101.8
12/31/10	12/31/08	4,611,275	100.0
12/31/11	12/31/09	4,937,379	100.0
12/31/12	12/31/10	4,558,181	100.0
12/31/13	12/31/11	4,097,277	100.0
12/31/14	12/31/12	4,043,780	684.3

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2014, the latest actuarial valuation, is as follows:

Amortization method	Level dollar
Amortization period	13 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

## Required Supplemental Information OPEB System Schedule of Funding Progress Year Ended December 31, 2014

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
1/1/14	\$ 19,855,870	\$ 84,443,078	\$ 64,587,208	23.5	\$ 14,554,860	443.8
1/1/12	13,948,217	70,380,755	56,432,538	19.8	16,179,279	348.8
1/1/11	-	84,004,736	84,004,736	-	16,719,112	502.4

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
12/31/14	1/1/14	\$ 5,773,353	61.1
12/31/13	1/1/12	5,079,690	87.0
12/31/12	1/1/12	5,079,690	73.3

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

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2014, the latest actuarial valuation, is as follows:

Amortization method	Level percent
Amortization period	28-year closed
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	6.5%
Projected salary increases	3.0%
Includes inflation at	3.0%
Cost of living adjustments	None

# Charter Township of Shelby

## Required Supplemental Information

### Schedule of Changes in the Township Net Pension Liability and Related Ratios

### Current Fiscal Year

	2014
<b>Total Pension Liability</b>	
Service cost	\$ 2,244,535
Interest	6,948,342
Changes in benefit terms	(6,650)
Differences between expected and actual experience	2,622,717
Benefit payments, including refunds	(5,213,225)
<b>Net Change in Total Pension Liability</b>	6,595,719
<b>Total Pension Liability - Beginning of year</b>	88,915,677
<b>Total Pension Liability - End of year*</b>	<b>\$ 95,511,396</b>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 27,671,584
Contributions - Member	593,046
Net investment income	4,898,111
Administrative expenses	(38,435)
Benefit payments, including refunds	(5,213,225)
<b>Net Change in Plan Fiduciary Net Position</b>	27,911,081
<b>Plan Fiduciary Net Position - Beginning of year</b>	68,940,680
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 96,851,761</b>
<b>Township's Net Pension Liability - End</b>	<b>\$ (1,340,365)</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	101.40 %
<b>Covered Employee Payroll</b>	<b>\$ 10,780,667</b>
<b>Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	(12.43)%

The total pension liability shown above is calculated using reliance on the 1994 Group Annuity Mortality Table to estimate life expectancy of participants. Updated tables have been issued and thus, use of the 1994 table may not provide an accurate estimate of life expectancy as of December 31, 2014. The Township's actuary recommended use of the MP-2014 mortality table for purposes of the 2014 valuation and has qualified their report on the calculations that use the 1994 tables. The total pension liability using the actuary-recommended mortality table is \$100,500,668 and the net position liability is \$3,648,907.

# Charter Township of Shelby

## Required Supplemental Information Schedule of Township Contributions Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 4,043,780	\$ 4,097,277	\$ 4,558,181	\$ 4,937,379	\$ 4,611,275	\$ 3,600,027	\$ 3,292,075	\$ 3,422,222	\$ 3,091,200	\$ 2,977,121
Contributions in relation to the actuarially determined contribution	27,671,584	4,097,277	4,558,181	4,937,379	4,612,070	3,666,139	3,704,484	3,515,092	3,275,766	3,052,750
<b>Contribution Deficiency</b>	<b><u>\$ (23,627,804)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (795)</u></b>	<b><u>\$ (66,112)</u></b>	<b><u>\$ (412,409)</u></b>	<b><u>\$ (92,870)</u></b>	<b><u>\$ (184,566)</u></b>	<b><u>\$ (75,629)</u></b>
<b>Covered Employee Payroll</b>	\$ 10,780,667	\$ 10,962,530	\$ 10,940,963	\$ 11,259,348	\$ 10,939,120	\$ 10,939,120	\$ 10,815,600	\$ 10,447,198	\$ 9,888,910	\$ 9,684,107
<b>Contributions as a Percentage of Covered Employee Payroll</b>	256.68 %	37.38 %	41.66 %	43.85 %	42.16 %	33.51 %	34.25 %	33.65 %	33.13 %	31.52 %

### Notes to Schedule of Township Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, which is 12 months prior to the beginning of the fiscal year during which contributions are reported.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	13 year
Asset valuation method	4-year smoothed market
Inflation	4.25%
Salary increases	4.25% to 9.50%
Investment rate of return	7.50%
Retirement age	Age and experience-based tables that are specific to the type of eligibility condition.
Mortality	UP-94 Mortality Table for males and females
Other information	Changes to the benefit provisions and actuarial assumptions are reflected in the TPL as of December 31, 2014.

# Charter Township of Shelby

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## Required Supplemental Information Schedule of Investment Returns Current Fiscal Year

2014

Annual money-weighted rate of return, net of investment expense

6.96 %



# Charter Township of Shelby

## Note to Required Supplemental Information Year Ended December 31, 2014

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, except for contributions to the OPEB system, which are budgeted as transfers between funds instead of contributions. 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.

A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

	<u>Total Revenue and Transfers</u>	<u>Total Expenditures and Transfers</u>
<b>General Fund</b>		
Amounts per operating statement	\$ 17,706,928	\$ 16,300,869
Cable Television Fund budgeted separately from the General Fund	<u>(1,420,183)</u>	<u>(1,420,183)</u>
Amounts per budget statement	<u>\$ 16,286,745</u>	<u>\$ 14,880,686</u>

During the year, the Township incurred expenditures that were in excess of amounts budgeted due to unforeseen events, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Fire Fund - Transfers Out	\$ 547,209	\$ 547,402	\$ (193)
Police Fund - Capital Outlay	217,005	222,571	(5,566)

## **Other Supplemental Information**

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# Charter Township of Shelby

	Nonmajor Special Revenue Funds					
	Emergency Response	Street Lighting	Building Authority	Michigan Justice Training Grant	Community Block Grant	Federal Forfeiture
<b>Assets</b>						
Cash and cash equivalents	\$ 138,084	\$ 102,698	\$ 14,984	\$ 6,551	\$ -	\$ 1
Receivables:						
Other receivables	-	6,074	-	-	-	-
Due from other governmental units	-	4,027	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Prepaid expenses and other assets	207	-	-	-	-	-
<b>Total assets</b>	<b>\$ 138,291</b>	<b>\$ 112,799</b>	<b>\$ 14,984</b>	<b>\$ 6,551</b>	<b>\$ -</b>	<b>\$ 1</b>
<b>Liabilities - Accounts payable</b>	<b>\$ 14,473</b>	<b>\$ 44,877</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Deferred Inflows of Resources -</b>						
Unavailable revenue	-	4,027	-	-	-	-
<b>Fund Balances</b>						
Nonspendable - Prepays	207	-	-	-	-	-
Restricted:						
Police and fire	123,611	-	-	-	-	1
Grants	-	-	-	6,551	-	-
Street lighting	-	63,895	-	-	-	-
Community development	-	-	14,984	-	-	-
Assigned:						
Public improvement	-	-	-	-	-	-
Equipment replacement	-	-	-	-	-	-
<b>Total fund balances</b>	<b>123,818</b>	<b>63,895</b>	<b>14,984</b>	<b>6,551</b>	<b>-</b>	<b>1</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 138,291</b>	<b>\$ 112,799</b>	<b>\$ 14,984</b>	<b>\$ 6,551</b>	<b>\$ -</b>	<b>\$ 1</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2014**

Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds			Total Nonmajor Governmental Funds
	Drug Forfeiture	Public Improvement	Equipment Replacement	
\$ 110,415	\$ 8,474,907	\$ 207,718	\$ 9,055,358	
-	54,700	-	60,774	
-	-	-	4,027	
-	296,741	-	296,741	
-	1,729,064	-	1,729,271	
<b>\$ 110,415</b>	<b>\$ 10,555,412</b>	<b>\$ 207,718</b>	<b>\$ 11,146,171</b>	
\$ -	\$ 39,919	\$ 36,705	\$ 135,974	
-	54,327	-	58,354	
-	1,729,064	-	1,729,271	
110,415	2,247,751	33,376	2,515,154	
-	-	-	6,551	
-	-	-	63,895	
-	-	-	14,984	
-	6,484,351	-	6,484,351	
-	-	137,637	137,637	
<u>110,415</u>	<u>10,461,166</u>	<u>171,013</u>	<u>10,951,843</u>	
<b>\$ 110,415</b>	<b>\$ 10,555,412</b>	<b>\$ 207,718</b>	<b>\$ 11,146,171</b>	

# Charter Township of Shelby

	Nonmajor Special Revenue Funds						
	Emergency		Michigan		Community Block Grant	Federal Forfeiture	Drug Forfeiture
	Response	Street Lighting	Building Authority	Justice Training Grant			
<b>Revenue</b>							
State-shared revenue and grants	\$ 129,595	\$ -	\$ -	\$ 12,843	\$ -	\$ -	\$ -
Charges for services	-	311,873	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	75,026
Investment income	128	221	-	-	-	-	124
Other revenue	-	9	-	-	-	-	-
<b>Total revenue</b>	<b>129,723</b>	<b>312,103</b>	<b>-</b>	<b>12,843</b>	<b>-</b>	<b>-</b>	<b>75,150</b>
<b>Expenditures</b>							
Current:							
General government	-	-	-	-	-	-	-
District court	-	-	-	-	-	-	-
Public safety	242,718	-	-	18,424	-	-	9,430
Public works	-	263,141	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>242,718</b>	<b>263,141</b>	<b>-</b>	<b>18,424</b>	<b>-</b>	<b>-</b>	<b>9,430</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(112,995)</b>	<b>48,962</b>	<b>-</b>	<b>(5,581)</b>	<b>-</b>	<b>-</b>	<b>65,720</b>
<b>Other Financing Sources (Uses)</b>							
Proceeds from sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(112,995)</b>	<b>48,962</b>	<b>-</b>	<b>(5,581)</b>	<b>-</b>	<b>-</b>	<b>65,720</b>
<b>Fund Balances - Beginning of year</b>	<b>236,813</b>	<b>14,933</b>	<b>14,984</b>	<b>12,132</b>	<b>-</b>	<b>1</b>	<b>44,695</b>
<b>Fund Balances - End of year</b>	<b>\$ 123,818</b>	<b>\$ 63,895</b>	<b>\$ 14,984</b>	<b>\$ 6,551</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 110,415</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2014**

<u>Nonmajor Capital Project Funds</u>		Total Nonmajor
Public Improvement	Equipment Replacement	Governmental Funds
\$ -	\$ 40,061	\$ 182,499
-	-	311,873
-	-	75,026
670	-	1,143
<u>35,000</u>	<u>21,349</u>	<u>56,358</u>
35,670	61,410	626,899
-	43,166	43,166
49,359	-	49,359
-	-	270,572
149,478	-	412,619
48,412	26,406	74,818
<u>902,370</u>	<u>697,435</u>	<u>1,599,805</u>
<u>1,149,619</u>	<u>767,007</u>	<u>2,450,339</u>
(1,113,949)	(705,597)	(1,823,440)
-	13,025	13,025
7,233,814	66,000	7,299,814
<u>(95,000)</u>	<u>(4,568,042)</u>	<u>(4,663,042)</u>
<u>7,138,814</u>	<u>(4,489,017)</u>	<u>2,649,797</u>
6,024,865	(5,194,614)	826,357
<u>4,436,301</u>	<u>5,365,627</u>	<u>10,125,486</u>
<b><u>\$ 10,461,166</u></b>	<b><u>\$ 171,013</u></b>	<b><u>\$ 10,951,843</u></b>

# Charter Township of Shelby

	<u>Pension and Other Employee Benefit Trust Funds</u>		
	Police and Fire		
	Retirement		
	Systems Trust	Retiree Health	Total Pension
	Fund	Care Trust	and OPEB
<b>Assets</b>			
Cash and cash equivalents	\$ 15,432	\$ 1,560,933	\$ 1,576,365
Investments	96,339,927	20,695,490	117,035,417
Receivables:			
Accrued interest receivable	58,297	-	58,297
Other receivables	-	-	-
Due from other governmental units	-	-	-
Due from primary government	-	156,518	156,518
Prepaid expenses and other assets	442,381	-	442,381
	<u>96,856,037</u>	<u>22,412,941</u>	<u>119,268,978</u>
Total assets			
<b>Liabilities</b>			
Accounts payable	1,650	-	1,650
Refundable deposits, bonds, etc.	-	-	-
Accrued and other liabilities	2,626	-	2,626
Advance tax collections	-	-	-
	<u>4,276</u>	<u>-</u>	<u>4,276</u>
Total liabilities			
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<u>\$ 96,851,761</u>	<u>\$ 22,412,941</u>	<u>\$ 119,264,702</u>

**Other Supplemental Information**  
**Combining Statement of Assets and Liabilities**  
**Fiduciary Funds**  
**December 31, 2014**

Agency Funds

Trust and Agency	Treasurer's Agency	Current Tax Collection	41st District Court	Accounts Payable Imprest	Payroll Imprest	Total Agency Funds
\$ 979,571	\$ 472,225	\$ 3,372,862	\$ 241,917	\$ -	\$ (215)	\$ 5,066,360
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	74,763	-	250	-	-	75,013
-	-	-	-	-	430	430
-	-	-	-	-	-	-
-	-	-	10,705	-	-	10,705
<b>\$ 979,571</b>	<b>\$ 546,988</b>	<b>\$ 3,372,862</b>	<b>\$ 252,872</b>	<b>\$ -</b>	<b>\$ 215</b>	<b>\$ 5,152,508</b>
\$ 10,126	\$ -	\$ 22,271	\$ 91,021	\$ -	\$ 215	\$ 123,633
969,445	-	-	138,026	-	-	1,107,471
-	546,988	-	23,825	-	-	570,813
-	-	3,350,591	-	-	-	3,350,591
<b>\$ 979,571</b>	<b>\$ 546,988</b>	<b>\$ 3,372,862</b>	<b>\$ 252,872</b>	<b>\$ -</b>	<b>\$ 215</b>	<b>\$ 5,152,508</b>



# Charter Township of Shelby

## Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended December 31, 2014

	Police and Fire Retirement Systems Trust Fund	Retiree Health Care Trust	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 1,338,880	\$ 359,305	\$ 1,698,185
Net realized and unrealized gain on investments	3,660,313	1,138,135	4,798,448
Investment-related expenses	(98,025)	(112,708)	(210,733)
Net investment income	4,901,168	1,384,732	6,285,900
Contributions:			
Employer	27,671,585	3,527,026	31,198,611
Employee	593,046	-	593,046
Total contributions	28,264,631	3,527,026	31,791,657
Total additions	33,165,799	4,911,758	38,077,557
<b>Deductions</b>			
Benefit payments	5,211,138	2,354,687	7,565,825
Administrative expenses	43,580	-	43,580
Total deductions	5,254,718	2,354,687	7,609,405
<b>Net Increase in Net Position Held in Trust</b>	27,911,081	2,557,071	30,468,152
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	68,940,680	19,855,870	88,796,550
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 96,851,761</b>	<b>\$ 22,412,941</b>	<b>\$ 119,264,702</b>