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# Charter Township of Shelby

Macomb County, Michigan

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**Financial Report**  
**with Supplemental Information**  
**December 31, 2018**

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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, 2018 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, 2018 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.

#### ***Emphasis of Matter***

As described in Note 17 to the financial statements, during the year ended December 31, 2018, the Township adopted new accounting pronouncement called GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which establishes accounting and financial reporting standards for other postemployment benefit plans provided to the employees of governmental entities. Our opinion is not modified with respect to this matter.

To the Board of Trustees  
Charter Township of Shelby

**Other Matters**

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, 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 an opinion 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 other supplemental 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plante & Moran, PLLC*

June 19, 2019

As management of the Charter Township of Shelby (the "Township"), we offer readers this narrative overview and analysis of the financial activities for the year ended December 31, 2018.

**Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell the reader how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

**Government-wide Overall Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Township, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$58,527,946 at the close of the most recent fiscal year. Please note that in the table below reflecting the Township's net position, 2017 information has been restated to reflect the implementation of GASB 75 relating to the recording of liabilities relating to retiree healthcare or other postemployment benefits (OPEB).

**Township's Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Assets</b>						
Current and other assets	\$80,558,911	\$ 83,221,876	\$ 59,758,765	\$ 62,731,817	\$140,317,676	\$145,953,693
Capital assets	59,587,668	51,869,516	115,060,490	111,638,096	174,648,158	163,507,612
Total assets	40,146,579	135,091,392	174,819,255	174,369,913	314,965,834	309,461,305
<b>Deferred Outflows of Resources</b>	12,098,726	1,359,752	459,391	130,932	12,558,117	1,490,684
<b>Liabilities</b>						
Current liabilities	3,107,370	2,327,630	11,487,427	14,360,535	14,594,797	16,688,165
Noncurrent liabilities	51,726,876	44,029,255	22,197,399	25,979,057	73,924,275	70,008,312
Total liabilities	54,834,246	46,356,885	33,684,826	40,339,592	88,519,072	86,696,477
<b>Deferred Inflows of Resources</b>	38,883,113	35,773,854	801,698	-	39,684,811	35,773,854
<b>Net Position</b>						
Net investment in capital assets	59,587,668	51,769,516	94,511,530	90,802,326	154,099,198	142,571,842
Restricted	15,042,322	16,859,289	675,524	1,238,432	15,717,846	18,097,721
Unrestricted	(16,102,044)	(14,308,400)	45,605,068	42,120,495	29,503,024	27,812,095
Total net position	<b>\$58,527,946</b>	<b>\$ 54,320,405</b>	<b>\$140,792,122</b>	<b>\$134,161,253</b>	<b>\$199,320,068</b>	<b>\$188,481,658</b>

The Township's combined net position increased by \$10.8 million from a year ago, from \$188.5 million to \$199.3 million.

A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$4.2 million in net position, or 7.8 percent, during 2018. This increase is a result of a few different factors. The amount of available cash and investments decreased by \$5.3 million, as the Township invested heavily in infrastructure. This resulted in an increase in capital assets of \$7.7 million. This increase can be seen in the various building projects that are currently ongoing throughout the Township, such as an additional fire station, a new district court building, a new township activities center, and an addition to the police station. The remainder of the increase in net position is a result of an increase in pension-related liabilities of \$1.2 million being more than offset by a decrease in OPEB liabilities of \$2.7 million. Unrestricted net position (the portion of net position available to finance day-to-day operations and future growth of the Township) decreased by \$1.8 million, or 12.5 percent, to \$(16.1) million. Restricted net position also decreased by \$1.8 million due primarily to a decrease in net position restricted for police and fire operations. These decreases were more than offset by an increase in net investment in capital assets of \$7.8 million relating to the building projects described earlier.

The Township's business-type activities net position increased by \$6.6 million, or 4.9 percent, to \$140.8 million from the restated financial information. A large portion of the changes in assets and liabilities are a result of activity relating to Sanitary Sewer Special Assessment District 34S. As construction on this district continues (project completion is estimated at the end of 2019), capital assets increased by \$3.4 million, or 3.1 percent. This resulted in approximately \$3.0 million of unearned revenue being recognized. Additionally, collections began on the receivable from property owners in the district, which accounted for the majority of the \$1.1 million decrease in special assessments receivable. There was also a reduction of \$2.4 million in OPEB-related costs and scheduled bond payments of \$0.9 million. Restricted assets decreased by \$0.6 million, or 45.5 percent, as the ongoing Fraser sinkhole repairs continued in 2018. Although there was an increase in investment income earned during the year, the decrease in available cash and investments of \$1.4 million was due to the funding of the OPEB obligation that occurred in the fourth quarter of 2018.

# Charter Township of Shelby

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net position for the year ended December 31, 2018 and the prior year:

### Township's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 10,455,531	\$ 10,885,846	\$ 28,172,845	\$ 28,566,545	\$ 38,628,376	\$ 39,452,391
Operating grants and contributions	783,317	711,330	251,853	363,253	1,035,170	1,074,583
Capital grants and contributions	125,825	615,172	7,496,064	5,289,511	7,621,889	5,904,683
General revenue:						
Property taxes	29,274,173	28,191,081	-	-	29,274,173	28,191,081
Intergovernmental	6,763,080	6,512,947	-	-	6,763,080	6,512,947
Interest	1,150,959	516,574	643,483	408,081	1,794,442	924,655
Other revenue	1,888,999	1,812,607	-	-	1,888,999	1,812,607
Total revenue	50,441,884	49,245,557	36,564,245	34,627,390	87,006,129	83,872,947
<b>Expenses</b>						
General government	9,959,564	8,053,270	-	-	9,959,564	8,053,270
District court	2,200,078	2,294,880	-	-	2,200,078	2,294,880
Public safety	27,444,925	26,944,446	-	-	27,444,925	26,944,446
Public works	2,024,610	2,170,088	-	-	2,024,610	2,170,088
Recreation and culture	4,268,986	3,674,788	-	-	4,268,986	3,674,788
Debt service	336,385	245,775	-	-	336,385	245,775
Water and Sewer	-	-	29,932,765	30,479,704	29,932,765	30,479,704
Shelby Manor	-	-	406	1,322,378	406	1,322,378
Total expenses	46,234,548	43,383,247	29,933,171	31,802,082	76,167,719	75,185,329
Transfers	205	14,293,231	(205)	(14,293,231)	-	-
Special item	-	-	-	3,640,610	-	3,640,610
<b>Change in Net Position</b>	<b>4,207,541</b>	<b>20,155,541</b>	<b>6,630,869</b>	<b>(7,827,313)</b>	<b>10,838,410</b>	<b>12,328,228</b>
<b>Net Position - Beginning of year</b>	<b>54,320,405</b>	<b>67,280,708</b>	<b>134,161,253</b>	<b>144,353,729</b>	<b>188,481,658</b>	<b>211,634,437</b>
<b>Net Position - End of year</b>	<b>\$ 58,527,946</b>	<b>\$ 87,436,249</b>	<b>\$ 140,792,122</b>	<b>\$ 136,526,416</b>	<b>\$ 199,320,068</b>	<b>\$ 223,962,665</b>

### **Governmental Activities**

The Township's total governmental revenue increased by approximately \$1.2 million, or 2.4 percent, from last year. The majority of this increase is attributed to a \$1.1 million increase in property tax revenue, as property values continue to rise and new development occurs throughout the Township. Decreases in charges for services and capital grants and contributions were mostly offset by increases in state-shared revenue and interest income. Interest income increased by 122.8 percent from 2017, as interest rates continue to rise and the Township sees higher returns on its investments.

Total governmental expenses increased by approximately \$2.9 million in 2018, or 6.6 percent. The majority of this increase in expenses is related to general government, public safety, and recreation and culture, as costs rose by approximately \$2 million, \$500,000, and \$600,000, respectively. The majority of the cost increases relate to increases in active and retired employee costs. Approximately \$1.8 million in costs are related to increases from active employees, as a result of wage increases, increased overtime needs, and benefit costs. An additional \$0.9 million relates to increases in retiree costs, as a \$2.4 million increase in pension costs was offset by a \$1.5 million decrease in OPEB costs.

In late 2017, the Township sold the Shelby Manor Senior Housing complex for \$14 million. As a result, the sales proceeds and the accumulated reserves in the Shelby Manor Fund were transferred to the General Fund. In 2018, the amount transferred was \$205 to close out the final activity in the Shelby Manor Fund.

#### ***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 Great Lakes Water Authority (GLWA), and sewer service to township residents and businesses. The sewer service is primarily provided by the GLWA. The Water and Sewer Fund also receives charges from the Oakland-Macomb Interceptor District (OMID) and the Macomb County Interceptor Drain District (MIDD) for its share of the operations and maintenance costs of major facilities in which the Water and Sewer Fund has a beneficial interest. The Shelby Manor Fund represents the operation results of the Township's Shelby Manor senior living facility. In December 2017, this facility was sold by the Township to an outside party, and costs reported in 2018 relate to activity to close out this fund.

During 2018, the Township's business-type activities revenue increased by \$1.9 million, or 5.6 percent, to \$36.6 million. This increase is primarily the result of the capital contributions made for the Sanitary Sewer Special Assessment District 34S in Sections 1-2. The water and sewer charges increased by \$1.4 million, but were more than offset by the loss of rental income due to the sale of Shelby Manor in 2017.

The business-type expenses for 2018 decreased by \$1.9 million, or 5.9 percent, to \$29.9 million. A significant portion of this decrease, \$1.3 million, was due to the sale of Shelby Manor. The Water and Sewer expenses decreased by \$0.5 million, or 1.8 percent, to \$29.9 million. The increase in water and sewer costs and the recognition of OPEB costs were more than offset by a reduction of \$2.2 million in sewer main repair and maintenance expense.

As mentioned earlier, the \$205 transfer out in 2018 was needed to close out the final activity in the Shelby Manor Fund.

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

The presentation of the Township's major funds begins on page 12, 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 2018 include the General Fund, Police Fund, Fire Fund, Public Improvement Fund, Water and Sewer Fund, and Shelby Manor 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 2018 and acceleration of multiyear capital projects. The General Fund experienced a \$500,000, or 2.9 percent, increase in revenue from 2017. The most significant influences on revenue during 2018 were increases in investment income of \$310,000 and state-shared revenue of \$295,000. As mentioned earlier, interest rates continued to rise in 2018, creating greater opportunities for interest income. State-shared revenue continued the trend of yearly increases, as a strong economy allows for increased revenue sharing from the State of Michigan. Other major changes were a \$215,000 decrease in fines and forfeitures, as court fines saw a dip in contrast with past years' growth, and an increase of \$165,000 in other revenue, as several sources of one-time revenue were received in 2018.

The General Fund ended the year with a favorable revenue budget variance of \$407,842, mostly attributed to investment income and state-shared revenue coming in higher than expected.

In 2018, the Township experienced an almost \$4.2 million decrease in expenditures, or 26.3 percent. The majority of this decrease can be attributed to a one-time \$5 million contribution made to the Township's OPEB trust in 2017. This additional contribution was made possible due to the sale of the Shelby Manor property. This decrease was offset by a \$225,000 increase in election expenses as a result of several elections being held in 2018 compared to zero elections held in 2017. The majority of the Township's remaining expenses remained flat, as the Township Board continues to look for creative ways to reduce expenditures while still funding township infrastructure.

The General Fund ended the year with a favorable expenditure budget variance of \$515,023. All township departments finished the year at or under budget, with personnel costs, maintenance costs, and utility costs being the largest contributors to the favorable variance.



Looking at other financing sources/uses, the Township saw a large decrease in both transfers into and transfers out of the General Fund. In 2017, the transfer in was made up almost solely of transfers from the Shelby Manor Fund as a result of the sale of the property. This money was then used in large part to fund transfers to the Township's various capital projects funds, primarily to fund the future construction of a new library and activities center. Additional large transfers were made to another capital projects fund for a Police building expansion and various other future capital projects. In 2018, there were few transfers in; however, there was a still a significant amount transferred out of General Fund. Over \$8.1 million was transferred out to fund various capital projects, including the completion of the Gene Shepherd Park splash pad, as well as additional monies necessary to fund the various buildings to be built on the municipal campus.

When comparing the 2018 original General Fund budget with the 2018 amended budget, the amended budget increased revenue by approximately \$1,000,000. Large increases were required in state-shared revenue, licenses and permits, investment income, and other revenue. The increases were due to a continually strengthening economy, township growth being larger than originally anticipated, continued increases in interest rates from historically low levels, and several one-time donations and reimbursements. On the expenditure side, the amended budget increased expenditures by approximately \$75,000.

The largest budget changes can be seen in other financing sources/uses. Transfers in were reduced by almost \$550,000 due to a change in accounting for the OPEB trust, while transfers out increased by over \$7 million. This increase was needed in order to transfer additional monies to fund the various capital projects explained above.

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

At the end of 2018, the Township's governmental and business-type activities combined had approximately \$283.5 million in historical cost invested in a wide range of capital assets, including land, buildings, fire equipment, computer equipment, water and sewer lines, library books, and township infrastructure, such as roads and bridges. The infrastructure represents a usage right to these assets. The value of the infrastructure assets for governmental activities, net of depreciation contained in this report, is \$19.2 and \$20.1 million for 2018 and 2017, respectively. The business-type activities' infrastructure for 2018 and 2017 (including construction in progress), net of depreciation, is \$111.9 million and \$108.2 million, respectively. The large increase is mainly due to additional infrastructure from the Sanitary Sewer Special Assessment District 34S in Sections 1-2. Additionally, the value of buildings and improvements for the governmental activities, net of depreciation, is \$12.8 million and \$13.1 million for 2018 and 2017, respectively. The business-type activities' buildings and improvements, net of depreciation, are \$2.7 million for 2018 and \$2.8 million for 2017. See Note 4 for additional information.

The majority of the debt reported in these financial statements is related to the construction of the abovementioned infrastructure and is reported as a liability on the statement of net position (see Note 7 for additional information). The only debt not related to infrastructure relates to pension obligation bonds issued in 2014 to help fund the Township's Police and Fire Pension System. The debt is scheduled to be paid through 2027 and has approximately \$6.7 million outstanding as of the end of 2018.

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

The Charter Township of Shelby will maintain the same property tax millage rate for 2019 that applied in 2018 (9.2999). Strong expenditure controls, growth in the Township's tax base, and the Township Board's philosophy of no new taxes have avoided millage rate increases. In 2018, property taxes made up approximately 58 percent of the Township's governmental funds' overall revenue. After going through the economic downturn, the Township continues to see added growth, as the ad valorem taxable value experienced an increase of approximately \$181 million, or 5.7 percent, between the 2017 and 2018 assessment years. State-shared revenue represented approximately 13.4 percent of the Township's governmental funds' overall 2018 revenue. In preparing the 2019 budget, it was assumed that there would be a slight increase in state-shared revenue based upon the State of Michigan's projections and continued increases in prior years.

On the expenditure side, the Township continues to control personnel costs through labor negotiations with the goal of maintaining essential services and an efficient labor force. It is anticipated that, due to rising healthcare costs and projected and contractual wage increases, as well as an increase in staffing due to demand for services, personnel costs will experience an increase in 2019. The Township Board aggressively pursues a permanent solution to healthcare funding to spare future taxpayers the cost of funding present benefits and continues to set aside millions of dollars each year to reduce the liability.

In recent years, continued focus has been placed on improving township roads and providing more modern and efficient facilities for township employees and residents to conduct business in. Over the next several years, the Township Board has made it a priority to create a more centralized campus with more amenities both on the Township campus and in the various parks and bike paths throughout the Township. The board continues to focus on and weigh difficult choices between capital projects and staffing. Using the Township's Capital Improvement Plan as a guide, future capital costs will be evaluated, and money will continue to be set aside over several years (when possible) in order to smooth township capital costs and allow for more uniform budgeting. In 2018, the Township completed construction on a new splash pad at Gene Shepherd Park, purchased a building to serve as the Township's activities center, and began construction on a new Fire Station 4, addition to the police station and new district court building. In 2019, the Township should complete construction on the projects begun in 2018. In addition, plans are in place to begin construction on a new library, renovate the activities center in order for a fall 2019 opening, and begin a two-year road project plan estimated to cost the Township \$8.3 million. Money for these projects has been set aside in past years and will continue to be set aside as the Township Board continues to improve upon infrastructure without the need to incur additional debt. The Township will adjust expenses to mirror the revenue base, with a goal to maintain revenue in excess of or equal to expenditures unless the need arises to fund large capital projects.

#### **Requests for Further Information**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we invite you to contact the Charter Township of Shelby finance department.

# Charter Township of Shelby

## Statement of Net Position

December 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 74,007,984	\$ 31,532,494	\$ 105,540,478	\$ 108,181
Receivables:				
Property taxes receivable	14,922,582	-	14,922,582	-
Special assessments receivable	-	8,577,480	8,577,480	-
Customers	-	7,015,642	7,015,642	-
Accrued interest	-	103,437	103,437	-
Other receivables	1,154,208	232,924	1,387,132	-
Allowance for doubtful accounts	(238,281)	-	(238,281)	-
Due from other governmental units	1,458,708	60,582	1,519,290	-
Internal balances	(11,343,800)	11,343,800	-	-
Inventory	-	181,285	181,285	-
Prepaid expenses and other assets	597,510	35,597	633,107	183
Restricted assets (Note 8)	-	675,524	675,524	-
Capital assets: (Note 4)				
Assets not subject to depreciation	21,461,749	5,090,189	26,551,938	-
Assets subject to depreciation	38,125,919	109,970,301	148,096,220	-
<b>Total assets</b>	<b>140,146,579</b>	<b>174,819,255</b>	<b>314,965,834</b>	<b>108,364</b>
<b>Deferred Outflows of Resources</b>				
Deferred charges on bond refunding (Note 7)	-	123,450	123,450	-
Deferred pension costs (Note 10)	8,097,469	-	8,097,469	-
Deferred OPEB costs (Note 11)	4,001,257	335,941	4,337,198	-
<b>Total deferred outflows of resources</b>	<b>12,098,726</b>	<b>459,391</b>	<b>12,558,117</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	1,680,636	3,645,222	5,325,858	14
Accrued liabilities and other	1,225,930	2,686,115	3,912,045	-
Unearned revenue (Note 6)	200,804	5,156,090	5,356,894	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	120,862	9,153	130,015	-
Current portion of long-term debt (Note 7)	665,000	855,989	1,520,989	-
Due in more than one year:				
Compensated absences (Note 7)	793,287	73,167	866,454	-
Unearned revenue (Note 6)	-	612,755	612,755	-
Net pension liability (Note 10)	10,737,814	-	10,737,814	-
Net OPEB obligation (Note 11)	33,329,913	154,390	33,484,303	-
Long-term debt - Net of current portion (Note 7)	6,080,000	20,491,945	26,571,945	-
<b>Total liabilities</b>	<b>54,834,246</b>	<b>33,684,826</b>	<b>88,519,072</b>	<b>14</b>
<b>Deferred Inflows of Resources</b>				
Property taxes levied for the following year	30,804,730	-	30,804,730	-
Deferred pension cost reductions (Note 10)	657,544	-	657,544	-
Deferred OPEB cost reductions (Note 11)	7,420,839	801,698	8,222,537	-
<b>Total deferred inflows of resources</b>	<b>38,883,113</b>	<b>801,698</b>	<b>39,684,811</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	59,587,668	94,511,530	154,099,198	-
Restricted:				
Police and fire operations	14,976,212	-	14,976,212	-
Community development	14,809	-	14,809	-
Street lighting	44,930	-	44,930	-
Grants	6,371	-	6,371	-
Assets held at county	-	675,524	675,524	-
Unrestricted	(16,102,044)	45,605,068	29,503,024	108,350
<b>Total net position</b>	<b>\$ 58,527,946</b>	<b>\$ 140,792,122</b>	<b>\$ 199,320,068</b>	<b>\$ 108,350</b>

# Charter Township of Shelby

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 9,959,564	\$ 3,519,775	\$ 267,697	\$ 105,299
District court	2,200,078	2,350,177	63,745	-
Public safety	27,444,925	3,500,081	270,328	12,106
Public works	2,024,610	328,213	48,665	-
Recreation and culture	4,268,986	757,285	132,882	8,420
Debt service	336,385	-	-	-
Total governmental activities	46,234,548	10,455,531	783,317	125,825
Business-type activities:				
Water and Sewer	29,932,765	28,172,845	251,853	7,496,064
Shelby Manor	406	-	-	-
Total business-type activities	29,933,171	28,172,845	251,853	7,496,064
Total primary government	<b>\$ 76,167,719</b>	<b>\$ 38,628,376</b>	<b>\$ 1,035,170</b>	<b>\$ 7,621,889</b>
Component units - Downtown Development Authority	<b>\$ 44,143</b>	<b>\$ -</b>	<b>\$ 9,950</b>	<b>\$ -</b>

General revenue:  
 Property taxes  
 Unrestricted state-shared revenue  
 Unrestricted investment income  
 Cable franchise fees  
 Gain on sale of capital assets  
 Other miscellaneous income  
 Total general revenue

Transfers

### Change in Net Position

**Net Position** - Beginning of year - As restated (Note 17)

**Net Position** - End of year

## Statement of Activities

Year Ended December 31, 2018

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (6,066,793)	\$ -	\$ (6,066,793)	\$ -
213,844	-	213,844	-
(23,662,410)	-	(23,662,410)	-
(1,647,732)	-	(1,647,732)	-
(3,370,399)	-	(3,370,399)	-
(336,385)	-	(336,385)	-
(34,869,875)	-	(34,869,875)	-
-	5,987,997	5,987,997	-
-	(406)	(406)	-
-	5,987,591	5,987,591	-
(34,869,875)	5,987,591	(28,882,284)	-
-	-	-	(34,193)
29,274,173	-	29,274,173	-
6,763,080	-	6,763,080	-
1,150,959	643,483	1,794,442	1,348
1,496,877	-	1,496,877	-
22,974	-	22,974	-
369,148	-	369,148	-
39,077,211	643,483	39,720,694	1,348
205	(205)	-	-
4,207,541	6,630,869	10,838,410	(32,845)
54,320,405	134,161,253	188,481,658	141,195
<b>\$ 58,527,946</b>	<b>\$ 140,792,122</b>	<b>\$ 199,320,068</b>	<b>\$ 108,350</b>

# Charter Township of Shelby

	General Fund	Fire Fund	Police Fund
<b>Assets</b>			
Cash and investments	\$ 8,408,788	\$ 19,931,357	\$ 18,653,455
Receivables:			
Property taxes receivable	1,604,893	5,755,240	7,562,449
Other receivables	539,971	299,283	73,674
Allowance for doubtful accounts	(13,039)	(167,085)	(58,157)
Due from other governmental units	1,132,122	104,375	168,940
Due from other funds (Note 5)	4,745	-	-
Prepaid expenses and other assets	117,340	40,103	46,274
	<u>\$ 11,794,820</u>	<u>\$ 25,963,273</u>	<u>\$ 26,446,635</u>
Total assets			
<b>Liabilities</b>			
Accounts payable	\$ 349,563	\$ 92,472	\$ 117,106
Due to other funds (Note 5)	31,240	6,310	2,000
Advances from other funds (Note 5)	-	5,424,000	5,876,000
Accrued liabilities and other	324,896	520,626	287,254
Unearned revenue (Note 6)	-	-	-
	<u>705,699</u>	<u>6,043,408</u>	<u>6,282,360</u>
Total liabilities			
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	72,160	5,303	29,547
Property taxes levied for the following year	3,312,317	11,877,505	15,614,908
	<u>3,384,477</u>	<u>11,882,808</u>	<u>15,644,455</u>
Total deferred inflows of resources			
Total liabilities and deferred inflows of resources	4,090,176	17,926,216	21,926,815
<b>Fund Balances</b>			
Nonspendable - Prepays	117,340	40,103	46,274
Restricted:			
Police and fire	-	7,996,954	4,473,546
Grants	-	-	-
Street lighting	-	-	-
Community development	-	-	-
Assigned:			
Public improvement	-	-	-
Historical committee	893	-	-
Equipment replacement	-	-	-
Recycling committee	4,780	-	-
Library	159,917	-	-
Special recreation donations	9,983	-	-
Veterans	5,393	-	-
Unassigned	7,406,338	-	-
	<u>7,704,644</u>	<u>8,037,057</u>	<u>4,519,820</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,794,820</u>	<u>\$ 25,963,273</u>	<u>\$ 26,446,635</u>

Governmental Funds  
Balance Sheet

December 31, 2018

Public Improvement	Nonmajor Funds	Total Governmental Funds
\$ 26,526,088	\$ 488,296	\$ 74,007,984
-	-	14,922,582
-	241,280	1,154,208
-	-	(238,281)
32,969	20,302	1,458,708
-	-	4,745
392,691	1,102	597,510
<b>\$ 26,951,748</b>	<b>\$ 750,980</b>	<b>\$ 91,907,456</b>
\$ 1,064,097	\$ 57,398	\$ 1,680,636
-	8,995	48,545
-	-	11,300,000
-	98	1,132,874
-	200,804	200,804
1,064,097	267,295	14,362,859
32,969	221,507	361,486
-	-	30,804,730
32,969	221,507	31,166,216
1,097,066	488,802	45,529,075
392,691	1,102	597,510
2,523,455	203,533	15,197,488
-	6,371	6,371
-	35,532	35,532
-	14,809	14,809
22,938,536	-	22,938,536
-	-	893
-	831	831
-	-	4,780
-	-	159,917
-	-	9,983
-	-	5,393
-	-	7,406,338
25,854,682	262,178	46,378,381
<b>\$ 26,951,748</b>	<b>\$ 750,980</b>	<b>\$ 91,907,456</b>

**Governmental Funds**

**Reconciliation of the Balance Sheet to the Statement of Net Position**

**December 31, 2018**

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 46,378,381</b>
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	59,587,668
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	361,486
Other liabilities that do not present a claim on current financial resources are not reportable as fund liabilities	(40,444)
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(6,745,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(52,612)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(914,149)
Pension benefits	(3,297,889)
Retiree healthcare benefits	<u>(36,749,495)</u>
Total employee fringe benefits not reported as fund liabilities	<u>(40,961,533)</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 58,527,946</u></u></b>



# Charter Township of Shelby

	General Fund	Fire Fund	Police Fund
<b>Revenue</b>			
Property taxes	\$ 3,156,290	\$ 11,761,884	\$ 14,357,859
Intergovernmental:			
Federal grants	-	14,235	5,222
State sources	6,908,859	100,204	234,512
Charges for services:			
Charges to other funds	1,035,782	-	-
Charges for services to external parties	982,822	2,562,181	619,295
Fines and forfeitures - Other	2,444,250	-	-
Licenses, permits, and fees:			
Cable franchise fees	1,496,877	-	-
Other licenses and permits	2,165,104	-	-
Investment income	537,415	201,121	163,694
Other revenue	339,692	6,496	124,029
Total revenue	19,067,091	14,646,121	15,504,611
<b>Expenditures</b>			
Current services:			
General government	8,035,182	-	-
District court	2,468,291	-	-
Public safety	-	13,374,829	13,904,992
Public works	281,161	-	-
Recreation and culture	3,875,139	-	-
Capital outlay	374,360	198,936	515,394
Debt service	-	475,025	514,610
Total expenditures	15,034,133	14,048,790	14,934,996
<b>Excess of Revenue Over (Under) Expenditures</b>	4,032,958	597,331	569,615
<b>Other Financing Sources (Uses)</b>			
Transfers in	205	-	17,854
Transfers out	(8,750,726)	(1,753,729)	(19,011)
Sale of capital assets	126,064	23,235	28,875
Total other financing (uses) sources	(8,624,457)	(1,730,494)	27,718
<b>Net Change in Fund Balances</b>	(4,591,499)	(1,133,163)	597,333
<b>Fund Balances - Beginning of year</b>	12,296,143	9,170,220	3,922,487
<b>Fund Balances - End of year</b>	<u>\$ 7,704,644</u>	<u>\$ 8,037,057</u>	<u>\$ 4,519,820</u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2018

Public Improvement	Nonmajor Funds	Total Governmental Funds
\$ -	\$ -	\$ 29,276,033
-	123,645	143,102
142,278	161,951	7,547,804
-	-	1,035,782
-	321,034	4,485,332
-	106,746	2,550,996
-	-	1,496,877
-	-	2,165,104
247,100	2,189	1,151,519
-	18	470,235
<u>389,378</u>	<u>715,583</u>	<u>50,322,784</u>
120,740	167	8,156,089
-	18,021	2,486,312
-	112,680	27,392,501
198,809	398,191	878,161
5,000	6,255	3,886,394
10,538,426	107,324	11,734,440
-	100,000	1,089,635
<u>10,862,975</u>	<u>742,638</u>	<u>55,623,532</u>
(10,473,597)	(27,055)	(5,300,748)
10,460,167	45,445	10,523,671
-	-	(10,523,466)
-	-	178,174
<u>10,460,167</u>	<u>45,445</u>	<u>178,379</u>
(13,430)	18,390	(5,122,369)
25,868,112	243,788	51,500,750
<u><b>\$ 25,854,682</b></u>	<u><b>\$ 262,178</b></u>	<u><b>\$ 46,378,381</b></u>

## Charter Township of Shelby

# Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended December 31, 2018

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ (5,122,369)</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation, and gains or losses on disposals are only reported in the governmental activities	7,718,152
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	101,833
Other liabilities do not present a claim on current financial resources and are not reported as fund liabilities	1,759
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	750,000
Interest expense is recognized in the government-wide statements as it accrues	3,250
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	754,916
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 4,207,541</u></u></b>

# Charter Township of Shelby

## Proprietary Funds Statement of Net Position

December 31, 2018

	Water and Sewer	Shelby Manor	Total Enterprise Funds
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 31,532,494	\$ -	\$ 31,532,494
Receivables:			
Special assessments	969,328	-	969,328
Customers	7,015,642	-	7,015,642
Accrued interest	103,437	-	103,437
Other receivables	232,924	-	232,924
Due from other governmental units	60,582	-	60,582
Due from other funds (Note 5)	43,800	-	43,800
Inventory	181,285	-	181,285
Prepaid expenses and other assets	35,597	-	35,597
Total current assets	40,175,089	-	40,175,089
Noncurrent assets:			
Restricted assets	675,524	-	675,524
Advances to other funds (Note 5)	11,300,000	-	11,300,000
Special assessment receivables	7,608,152	-	7,608,152
Capital assets: (Note 4)			
Assets not subject to depreciation	5,090,189	-	5,090,189
Assets subject to depreciation	109,970,301	-	109,970,301
Total noncurrent assets	134,644,166	-	134,644,166
Total assets	174,819,255	-	174,819,255
<b>Deferred Outflows of Resources</b>			
Deferred charges on bond refunding	123,450	-	123,450
Deferred OPEB costs	335,941	-	335,941
Total deferred outflows of resources	459,391	-	459,391
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	3,645,222	-	3,645,222
Accrued liabilities and other	2,686,115	-	2,686,115
Unearned revenue (Note 6)	5,156,090	-	5,156,090
Compensated absences (Note 7)	9,153	-	9,153
Current portion of long-term debt (Note 7)	855,989	-	855,989
Total current liabilities	12,352,569	-	12,352,569
Noncurrent liabilities:			
Compensated absences (Note 7)	73,167	-	73,167
Unearned revenue (Note 6)	612,755	-	612,755
Net OPEB obligation	154,390	-	154,390
Long-term debt - Net of current portion (Note 7)	20,491,945	-	20,491,945
Total noncurrent liabilities	21,332,257	-	21,332,257
Total liabilities	33,684,826	-	33,684,826
<b>Deferred Inflows of Resources - Deferred OPEB cost reductions</b>	801,698	-	801,698
<b>Net Position</b>			
Net investment in capital assets	94,511,530	-	94,511,530
Restricted - Assets held at county	675,524	-	675,524
Unrestricted	45,605,068	-	45,605,068
Total net position	<u>\$ 140,792,122</u>	<u>\$ -</u>	<u>\$ 140,792,122</u>

# Charter Township of Shelby

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position

Year Ended December 31, 2018

	Water and Sewer	Shelby Manor	Total Enterprise Funds
<b>Operating Revenue</b>			
Sale of water	\$ 15,398,898	\$ -	\$ 15,398,898
Sewage disposal charges	10,419,323	-	10,419,323
Other sales to customers	2,101,355	-	2,101,355
Other miscellaneous revenue	154,289	-	154,289
Charges to other funds	98,980	-	98,980
Total operating revenue	28,172,845	-	28,172,845
<b>Operating Expenses</b>			
Cost of water	13,854,905	-	13,854,905
Cost of sewage treatment	6,391,843	-	6,391,843
Other operating and maintenance costs	4,960,017	406	4,960,423
Depreciation	3,974,818	-	3,974,818
Total operating expenses	29,181,583	406	29,181,989
<b>Operating Loss</b>	(1,008,738)	(406)	(1,009,144)
<b>Nonoperating Revenue (Expense)</b>			
Investment income	642,872	611	643,483
Interest expense	(751,182)	-	(751,182)
State grants	251,853	-	251,853
Total nonoperating revenue	143,543	611	144,154
<b>(Loss) Income - Before capital contributions</b>	(865,195)	205	(864,990)
<b>Capital Contributions</b>			
Special assessments	2,985,765	-	2,985,765
Lines donated by developers	2,873,027	-	2,873,027
Capital and lateral charges	1,637,272	-	1,637,272
Total capital contributions	7,496,064	-	7,496,064
<b>Transfers Out</b>	-	(205)	(205)
<b>Change in Net Position</b>	6,630,869	-	6,630,869
<b>Net Position - Beginning of year - As restated (Note 17)</b>	134,161,253	-	134,161,253
<b>Net Position - End of year</b>	<b>\$ 140,792,122</b>	<b>\$ -</b>	<b>\$ 140,792,122</b>

# Charter Township of Shelby

## Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2018

	Water and Sewer	Shelby Manor	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 27,767,826	\$ -	\$ 27,767,826
Receipts from interfund services and reimbursements	57,585	97,297	154,882
Payments to suppliers	(21,816,785)	(24,202)	(21,840,987)
Payments to employees and fringes	(5,024,727)	-	(5,024,727)
Payments to other funds	-	(73,501)	(73,501)
Net cash provided by (used in) operating activities	983,899	(406)	983,493
<b>Cash Flows from Noncapital Financing Activities</b>			
Operating grants and subsidies	45,475	-	45,475
Repayments of loans made to other funds	425,000	-	425,000
Transfers to other funds	-	(205)	(205)
Net cash provided by (used in) noncapital financing activities	470,475	(205)	470,270
<b>Cash Flows from Capital and Related Financing Activities</b>			
Special assessment collections	1,122,140	-	1,122,140
Benefit fees	1,562,058	-	1,562,058
Purchase of capital assets	(4,524,185)	-	(4,524,185)
Principal and interest paid on capital debt	(1,583,821)	-	(1,583,821)
Net cash used in capital and related financing activities	(3,423,808)	-	(3,423,808)
<b>Cash Flows from Investing Activities</b>			
Interest received on investments	534,978	611	535,589
Proceeds from sale and maturities of investment securities	4,476,619	-	4,476,619
Net cash provided by investing activities	5,011,597	611	5,012,208
<b>Net Increase in Cash</b>	3,042,163	-	3,042,163
<b>Cash - Beginning of year</b>	17,708,249	-	17,708,249
<b>Cash - End of year</b>	<b>\$ 20,750,412</b>	<b>\$ -</b>	<b>\$ 20,750,412</b>
<b>Classification of Cash</b>			
Cash and investments	\$ 31,532,494	\$ -	\$ 31,532,494
Less amounts classified as investments	(10,782,082)	-	(10,782,082)
Total cash	<b>\$ 20,750,412</b>	<b>\$ -</b>	<b>\$ 20,750,412</b>

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

**Year Ended December 31, 2018**

	Water and Sewer	Shelby Manor	Total
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>			
Operating loss	\$ (1,008,738)	\$ (406)	\$ (1,009,144)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	3,974,818	-	3,974,818
Changes in assets and liabilities:			
Receivables	(306,039)	97,297	(208,742)
Due to and from other funds	(41,395)	(73,501)	(114,896)
Inventories	18,559	-	18,559
Prepaid and other assets	19,964	-	19,964
Net OPEB liability	(2,856,851)	-	(2,856,851)
Accounts payable	953,132	(23,796)	929,336
Deferrals related to pension or OPEB	465,757	-	465,757
Accrued and other liabilities	(235,308)	-	(235,308)
Total adjustments	1,992,637	-	1,992,637
Net cash provided by (used in) operating activities	<b>\$ 983,899</b>	<b>\$ (406)</b>	<b>\$ 983,493</b>

**Significant Noncash Transactions** - During the year ended December 31, 2018, developers constructed water and sewer lines with an estimated value of \$2,873,027 and donated them to the Township's Water and Sewer Fund.

**Charter Township of Shelby**

**Fiduciary Funds  
Statement of Fiduciary Net Position**

**December 31, 2018**

	Pension and OPEB	Agency
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 200,006	\$ 9,806,537
Investments: (Note 3)		
Short-term funds	6,380,532	-
Stocks	43,732,908	-
Collective index and mutual funds - Fixed income	32,351,110	-
Collective index and mutual funds - Equity	38,384,656	-
Limited partnerships	24,137,266	-
Receivables:		
Accrued interest	233,198	378,262
Other receivables	-	279,912
Due from other governmental units	-	8,976
Prepaid expenses and other assets	3,751	-
Total assets	145,423,427	<b>\$ 10,473,687</b>
<b>Liabilities</b>		
Accounts payable	88,569	\$ 8,976
Refundable deposits, bonds, etc.	-	1,402,030
Accrued liabilities and other liabilities	590,164	658,174
Advance tax receipts	-	8,404,507
Total liabilities	678,733	<b>\$ 10,473,687</b>
<b>Net Position Restricted for Pensions and Other Employee Benefits</b>	<b>\$ 144,744,694</b>	



**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**

**Year Ended December 31, 2018**

	Pension and OPEB
<b>Additions</b>	
Investment income (loss):	
Interest and dividends	\$ 3,825,750
Net realized and unrealized loss on investments	(11,607,586)
Investment-related expenses	(1,065,271)
Net investment loss	(8,847,107)
Contributions:	
Employer contributions	10,324,036
Employee contributions	518,053
Total contributions	10,842,089
Total additions	1,994,982
<b>Deductions</b>	
Benefit payments	8,809,778
Administrative expenses	53,998
Total deductions	8,863,776
<b>Net Decrease in Net Position Held in Trust</b>	(6,868,794)
<b>Net Position Restricted for Pensions and Other Employee Benefits - Beginning of year</b>	151,613,488
<b>Net Position Restricted for Pensions and Other Employee Benefits - End of year</b>	<b>\$ 144,744,694</b>

**Note 1 - Significant Accounting Policies**

***Reporting Entity***

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

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

**Blended Component Units**

The following component units are reported as if they were part of the primary government in the financial statements:

***Police and Fire Retirement System***

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.

***Shelby Township Building Authority***

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

**Discretely Presented Component Unit**

***Downtown Development Authority***

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

**Note 1 - Significant Accounting Policies (Continued)**

***Accounting and Reporting Principles***

The Charter Township of Shelby 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 Government Accounting Standards Board. The following is a summary of the significant accounting policies used by the Township:

***Report Presentation***

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

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

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

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

***Basis of Accounting***

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

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree 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.

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

**Note 1 - Significant Accounting Policies (Continued)**

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 revenue was used. The various funds are aggregated into three broad fund types as follows:

**Governmental Funds**

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Fire Fund, 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 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
- The Public Improvement Fund, which accounts for the activities of capital improvement projects. It is financed primarily through transfers from other funds.

**Proprietary Funds**

Proprietary funds include enterprise funds, which provide goods or services to users in exchange for charges or fees. The Township reports the following 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. The Shelby Manor building and all operations were sold during 2017. Current year activity was minimal and consisted of transfers to close out the fund to the General Fund.

**Fiduciary Funds**

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

- The Police and Fire Retirement Systems and Retiree Health Care trust funds account for the activities of employee benefit plans, which accumulate resources for pension and other postemployment benefit payments to qualified retirees.
- The 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.

**Note 1 - Significant Accounting Policies (Continued)**

**Interfund Activity**

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

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

**Specific Balances and Transactions**

**Cash and Investments**

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

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

Approximately \$16.6 million of the assets held by the Shelby Township Police and Fire Pension Plan and approximately \$7.6 million of the assets held by the Shelby Township Other Post Employment Benefit Trust at December 31, 2018 are not publicly traded and, therefore, do not always have a readily determinable market value. Management's estimates of these values are based on information provided by investment managers, general partners, real estate advisors, and other means. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the values that would have been used had a ready market for these securities existed.

**Inventories and Prepaid Items**

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

**Restricted Assets**

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

**Note 1 - Significant Accounting Policies (Continued)**

**Capital Assets**

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., water lines, sewer systems, and amounts paid to the County Department of Roads for the intangible right to use the roads), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

	<u>Depreciable Life - Years</u>
Infrastructure	20-35
Water and sewer lines	50
Buildings and improvements	20-50
Machinery and equipment	5-20
Vehicles	5
Furniture and fixtures	5-20
Library materials	8

**Long-term Obligations**

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

**Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

**Note 1 - Significant Accounting Policies (Continued)**

The Township reports the following deferred outflows of resources and deferred inflows of resources:

Description	Outflows	Inflows
Unavailable revenue (those not collected within the period of availability) - Reported only at the modified accrual level		✓
Deferred charge on bond refunding	✓	
Deferred pension costs (or cost reductions)	✓	✓
Deferred OPEB costs (or cost reductions)	✓	✓
Property taxes levied for the following year		✓

**Net Position**

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

**Net Position Flow Assumption**

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

**Fund Balance Flow Assumptions**

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

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

**Fund Balance Policies**

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

December 31, 2018

**Note 1 - Significant Accounting Policies (Continued)**

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Township has, by resolution, authorized the director of finance to assign fund balance. The board of trustees may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally 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. Property taxes are levied the following December 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed. Property taxes billed during the month of December will be used to finance the following year’s operations. As such, these taxes are recorded as deferred inflows in each respective fund at December 31.

The 2017 taxable valuation of the Township totaled approximately \$3.2 billion (a portion of which is abated). Ad valorem taxes were levied as follows:

Purpose	Millage Rate	Revenue
General operating	1.0000	\$ 3,150,000
Police protection	4.0424	12,730,000
Fire operating	3.2575	10,250,000
Police and fire pension	1.0000	3,150,000
Total		<u>\$ 29,280,000</u>

**Pension**

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



**Note 1 - Significant Accounting Policies (Continued)**

**Other Postemployment Benefit Costs**

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

**Compensated Absences (Vacation and Sick Leave)**

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

**Proprietary Funds Operating Classification**

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

**Use of Estimates**

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

**Upcoming Accounting Pronouncements**

In November 2016, the Governmental Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the 2019 fiscal year.

**Note 1 - Significant Accounting Policies (Continued)**

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2019.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2020.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2019.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the Township's financial statements for the December 31, 2020 fiscal year.

In August 2018, the Governmental Accounting Standards Board issued Statement No. 90, *Majority Equity Interests*. This statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The Township is currently evaluating the impact this standard will have on the financial statements when adopted for the year ending December 31, 2019.

December 31, 2018

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

**Construction Code Fees**

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

Shortfall at January 1, 2018		\$ (2,013,004)
Current year permit revenue		2,162,159
Related expenses:		
Direct costs	\$ 1,366,767	
Estimated indirect costs	304,048	1,670,815
		<u>491,344</u>
Current year surplus		<u>491,344</u>
Cumulative shortfall December 31, 2018		<u>\$ (1,521,660)</u>

**Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, 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 17 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments allowed by state statutory authority, as listed above. The Township's investments comply with all required laws and regulations.

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

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$56,044,147 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.

December 31, 2018

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

**Interest Rate Risk**

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

At year end, the Township had the following investments:

Investment	Carrying Value	Weighted- average Maturity
<b>Primary Government</b>		
Bank investment pool	\$ 2,400,591	365 days
U.S. government agency	3,947,738	106 days
Commercial paper	22,981,647	115 days
U.S. Treasury	5,045,315	186 days
Total	<u>\$ 34,375,291</u>	

Investment	Carrying Value	Weighted- average Maturity
<b>Fiduciary Funds</b>		
Fixed Income Collective Index Fund (Pension Trust)	\$ 20,905,814	3.30 Years
Fixed Income Collective Index Fund (OPEB Trust)	11,445,296	3.81 Years
Total	<u>\$ 32,351,110</u>	

**Credit Risk**

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

Investment	Carrying Value	Rating
<b>Primary Government</b>		
Bank investment pool	\$ 2,400,591	Not rated
U.S. government agency securities	3,947,738	AA+ to AAA
Commercial paper	22,981,647	A1
U.S. Treasury	5,045,315	A1+ to AA+
Total	<u>\$ 34,375,291</u>	

Investment	Carrying Value	Rating	Rating Organization
<b>Fiduciary Funds</b>			
Fixed Income Collective Index Fund (Pension Trust)	\$ 20,905,814	AA1/AA2	S&P
Fixed Income Collective Index Fund (OPEB Trust)	11,445,296	AA1/AA2	S&P
Total	<u>\$ 32,351,110</u>		

December 31, 2018

**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, 2018, there were no investments in a single issuer in excess of 50 percent of the Township's total portfolio. The Township's fiduciary funds are invested in the Vanguard FTSE Developed ETF, Comerica Large Cap Equity Index Fund, Vanguard 500 Index Fund, JPMorgan Strategic Income Opportunities Fund, and Baird Intermediate Bond Fund, each of which exceeds 5 percent of the Township's fiduciary fund portfolio.

***Fair Value Measurements***

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

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

December 31, 2018

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

The Township has the following recurring fair value measurements as of December 31, 2018:

	Assets Measured at Carrying Value on a Recurring Basis at December 31, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Balance at December 31, 2018
Debt securities:				
U.S. Treasury securities	\$ 5,045,315	\$ -	\$ -	\$ 5,045,315
U.S. government agency Collective index and mutual funds - Fixed income	-	3,947,738	-	3,947,738
	<u>32,351,110</u>	<u>-</u>	<u>-</u>	<u>32,351,110</u>
Total debt securities	37,396,425	3,947,738	-	41,344,163
Equity securities:				
Stocks	43,315,573	-	-	43,315,573
Real estate investment trusts Collective index and mutual funds - Equity	417,335	-	-	417,335
	<u>27,080,371</u>	<u>11,304,285</u>	<u>-</u>	<u>38,384,656</u>
Total equity securities	70,813,279	11,304,285	-	82,117,564
Limited partnerships	-	-	2,027,046	2,027,046
Total	<u>\$ 108,209,704</u>	<u>\$ 15,252,023</u>	<u>\$ 2,027,046</u>	125,488,773
Investments measured at NAV:				
Real estate funds				7,652,823
Private equity				985,181
Commingled funds				<u>13,472,216</u>
Total investments measured at NAV				<u>22,110,220</u>
Total assets				<u>\$ 147,598,993</u>

Debt and equity securities and mutual funds classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of U.S. government agency investments at December 31, 2018 was determined primarily based on Level 2 inputs. The Township estimates the fair value of these investments using interactive data, which uses other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

The fair value of collective index funds (fixed income and equity) at December 31, 2018 was determined primarily based on Level 2 inputs. The Township estimates the fair value of these investments using model-based valuation techniques for which all significant assumptions are observable in the market.

The fair value of limited partnerships at December 31, 2018 was determined primarily based on Level 3 inputs. The Township estimates the fair value of these investments using audited financial statements of the limited partnership.

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

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

***Investments in Entities that Calculate Net Asset Value per Share***

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

At December 31, 2018, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Carrying Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Real estate funds	\$ 7,652,823	\$ 3,555,704	Fully restricted	None
Private equity	985,181	2,053,076	Quarterly	95 days
Commingled funds	<u>13,472,216</u>	<u>-</u>	Monthly	30 days
Total	<u>\$ 22,110,220</u>	<u>\$ 5,608,780</u>		

Real estate funds: This type includes three real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Township’s ownership interest in partners’ capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next one to eight years. A total of 100 percent of the total investment in this type is expected to be sold. However, the individual investments that will be sold have not yet been determined. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an auction process.

Private equity funds: This type includes one private equity fund that invests in private investment entities and/or separately managed accounts. The fair value of the investment in this type has been determined using the NAV per share (or its equivalent) of the Township’s ownership interest in partners’ capital. The time horizon for investment will generally range from two to five years. The fund is not restricted to investment strategies and is expected to invest in (but not limited to) distressed corporate securities, activist equities, value equities, reorganizations, leveraged loans, unsecured debt, real estate related assets, high-yield bonds, direct lending, and sovereign debt.

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

December 31, 2018

**Note 4 - Capital Assets**

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

**Governmental Activities**

	Balance January 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2018
Capital assets not being depreciated:					
Land	\$ 11,536,908	\$ -	\$ 28,565	\$ (26,993)	\$ 11,538,480
Construction in progress	1,250,557	(656,685)	9,332,867	(3,470)	9,923,269
Subtotal	12,787,465	(656,685)	9,361,432	(30,463)	21,461,749
Capital assets being depreciated:					
Infrastructure	38,713,000	145,769	416,504	(992,807)	38,282,466
Buildings and improvements	19,932,136	1,954	80,102	(32,190)	19,982,002
Machinery and equipment	7,382,709	508,962	462,322	-	8,353,993
Vehicles	7,747,707	-	825,615	(385,488)	8,187,834
Library books	2,000,000	-	-	-	2,000,000
Subtotal	75,775,552	656,685	1,784,543	(1,410,485)	76,806,295
Accumulated depreciation:					
Infrastructure	18,569,398	-	1,420,386	(894,726)	19,095,058
Buildings and improvements	6,818,875	-	404,164	(28,971)	7,194,068
Machinery and equipment	4,669,525	-	643,909	-	5,313,434
Vehicles	5,635,703	-	804,164	(362,051)	6,077,816
Library books	1,000,000	-	-	-	1,000,000
Subtotal	36,693,501	-	3,272,623	(1,285,748)	38,680,376
Net capital assets being depreciated	39,082,051	656,685	(1,488,080)	(124,737)	38,125,919
Net governmental activities capital assets	<u>\$ 51,869,516</u>	<u>\$ -</u>	<u>\$ 7,873,352</u>	<u>\$ (155,200)</u>	<u>\$ 59,587,668</u>



December 31, 2018

**Note 4 - Capital Assets (Continued)**

***Business-type Activities***

	Balance January 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2018
Capital assets not being depreciated:					
Land	\$ 205,441	\$ -	\$ -	\$ -	\$ 205,441
Construction in progress	984,453	(278,423)	4,178,718	-	4,884,748
Subtotal	1,189,894	(278,423)	4,178,718	-	5,090,189
Capital assets being depreciated:					
Water systems	44,778,719	278,423	2,187,763	-	47,244,905
Sewer systems	125,956,073	-	1,030,731	-	126,986,804
Buildings and improvements	4,149,164	6,912	-	-	4,156,076
Furniture and equipment	844,606	(6,912)	-	-	837,694
Vehicles	918,746	-	-	(8,164)	910,582
Subtotal	176,647,308	278,423	3,218,494	(8,164)	180,136,061
Accumulated depreciation:					
Water systems	20,388,989	-	1,087,896	-	21,476,885
Sewer systems	43,054,558	-	2,711,168	-	45,765,726
Buildings and improvements	1,347,935	-	82,205	-	1,430,140
Furniture and equipment	691,562	-	47,787	-	739,349
Vehicles	716,062	-	45,762	(8,164)	753,660
Subtotal	66,199,106	-	3,974,818	(8,164)	70,165,760
Net capital assets being depreciated	110,448,202	278,423	(756,324)	-	109,970,301
Net business-type activity capital assets	<u>\$ 111,638,096</u>	<u>\$ -</u>	<u>\$ 3,422,394</u>	<u>\$ -</u>	<u>\$ 115,060,490</u>

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

Governmental activities:	
General government	\$ 652,359
Public safety	1,277,774
Public works	982,340
Recreation and culture	352,552
41A District Court	7,598
Total governmental activities	<u>\$ 3,272,623</u>
Business-type activities - Water and sewer	\$ 3,974,818

December 31, 2018

**Note 4 - Capital Assets (Continued)**

**Construction Commitments**

The Township has active construction projects at year end. Three of these are significant projects with construction costs in excess of \$1,000,000. At year end, the Township's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Fire Station #4	\$ 1,535,000	\$ 465,000
41A District Court Building	3,930,000	1,320,000
Special Assessment Sewer District #34	3,690,000	5,155,000
Police Department Addition	865,000	1,070,000
Total	<u>\$ 10,020,000</u>	<u>\$ 8,010,000</u>

**Note 5 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Water and Sewer Fund	General Fund	\$ 31,240
	Fire Fund	6,310
	Police Fund	2,000
	Street Lighting Fund	4,250
	Total Water and Sewer Fund	<u>43,800</u>
General Fund	Community Block Grant	<u>4,745</u>
	Total	<u>\$ 48,545</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The Township has made the following long-term advances between funds:

Fund Borrowed From	Fund Loaned To	Amount
Water and Sewer Fund	Fire Fund	\$ 5,424,000
	Police Fund	5,876,000
	Total	<u>\$ 11,300,000</u>

In 2014, the Water and Sewer Fund advanced \$13,000,000 in total to the Police Fund and Fire Fund, which was used to fund the pension obligation. The advance will be paid back through 2032 and bears interest payable annually at 1 percent.

**December 31, 2018**

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

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Police Fund	\$ 17,854
	Street Lighting Fund	45,445
	Public Improvement Fund	<u>8,687,427</u>
	Total General Fund	8,750,726
Police Fund	Public Improvement Fund	19,011
Fire Fund	Public Improvement Fund	1,753,729
Shelby Manor Fund	General Fund	<u>205</u>
	Total	<u>\$ 10,523,671</u>

Transfers from the General Fund, Police Fund, and Fire Fund to the Public Improvement Fund will be used to fund future capital projects throughout the Township for equipment, buildings, and infrastructure. During 2017, Shelby Manor was sold, and Shelby Manor transferred the residual net position to the General Fund.

**Note 6 - Unearned Revenue**

The unearned revenue reported in the Water and Sewer Fund represents redeemable certificates issued to developers to be applied as payment on future capital charges totaling \$612,755. In addition, the Water and Sewer Fund issued a special assessment to certain property owners for a sewer project that was not complete at December 31, 2018. Total revenue for this project is anticipated to be approximately \$8.85 million, of which \$5,156,090 is reported as unearned revenue at year end.

The unearned revenue reported in the governmental activities and Michigan Indigent Defense Commission represents advances received from the State of Michigan prior to allowable expenditures being incurred totaling \$199,086. Additionally, \$1,718 was reported in Street Lighting relating to payments received to be billed for future periods.

**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 Township. Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund, Police Fund, Fire Fund, or other nonmajor fund from which the individual employee's salaries are paid.

December 31, 2018

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

Long-term debt activity for the year ended December 31, 2018 can be summarized as follows:

**Governmental Activities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
General obligations:					
Installment purchase agreements	\$ 100,000	\$ -	\$ (100,000)	\$ -	\$ -
General obligations	7,395,000	-	(650,000)	6,745,000	665,000
Total general obligations	7,495,000	-	(750,000)	6,745,000	665,000
Compensated absences	848,100	186,734	(120,685)	914,149	120,862
Total governmental activities long-term debt	<u>\$ 8,343,100</u>	<u>\$ 186,734</u>	<u>\$ (870,685)</u>	<u>\$ 7,659,149</u>	<u>\$ 785,862</u>

**Business-type Activities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -					
General obligations	\$ 19,645,127	\$ -	\$ (727,408)	\$ 18,917,719	\$ 726,197
Unamortized bond premiums	2,560,007	-	(129,792)	2,430,215	129,792
Total bonds and contracts payable	22,205,134	-	(857,200)	21,347,934	855,989
Compensated absences	74,739	15,656	(8,075)	82,320	9,153
Total business-type activities long-term debt	<u>\$ 22,279,873</u>	<u>\$ 15,656</u>	<u>\$ (865,275)</u>	<u>\$ 21,430,254</u>	<u>\$ 865,142</u>

The Township had deferred outflows of \$123,450 related to deferred charges on bond refundings at December 31, 2018.

December 31, 2018

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

**General Obligation Bonds and Contracts**

General obligations outstanding at December 31, 2018 are as follows:

Purpose	Amount of Issue	Interest Rates	Principal Maturity Ranges	Outstanding
<b>Governmental Activities</b>				
Pension Obligation Bonds Series 2014A				
Maturing through 2027	\$9,300,000	2.00% - 3.60%	\$665,000 - \$860,000	\$ 6,745,000
<b>Business-type Activities</b>				
2009 State Revolving Fund (SRF) Clean Water - Project 5343-01				
Maturing through 2029	\$128,150	2.50%	\$5,000 - \$10,000	\$ 88,150
2010 Clintondale Pump Station				
Maturing through 2031	\$2,849,191	2.50% - 5.00%	\$120,000 - \$231,000	2,243,276
2010 OMID Series 2010B				
Maturing through 2030	\$319,195	1.15% - 5.90%	\$14,000 - \$25,000	226,533
2010 OMID Series 2010A (SRF)				
Maturing through 2031	\$1,242,274	2.50%	\$58,000 - \$78,000	876,108
2010 N. Gratiot Drainage Assessment				
Maturing through 2035	\$73,021	1.00% - 6.35%	\$2,000 - \$4,000	55,374
2014 OMID Drain Bonds Series 2014A				
Maturing through 2034	\$476,441	2.00% - 3.125%	\$20,000 - \$31,000	400,382
2015 MID SRF 5624-01				
Maturing through 2035	\$355,314	2.50%	\$10,000 - \$20,000	236,878
2015 N. Gratiot Drainage Assessment				
Maturing through 2033	\$597,225	3.50% - 5.00%	\$34,000 - \$41,000	547,837
2017 MID Drain and Refunding Bonds, Series 2017A (New Money Portion)				
Maturing through 2035	\$7,029,457	3.45% - 5.50%	\$134,000 - \$397,000	6,856,354
2017 MID Drain and Refunding Bonds, Series 2017A (Refunding Portion)				
Maturing through 2042	\$10,318,982	3.45% - 5.50%	\$323,000 - \$703,000	9,817,042
Total business-type activities				\$ 21,347,934

December 31, 2018

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

**Debt Service Requirements to Maturity**

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

Years Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 665,000	\$ 210,448	\$ 875,448	\$ 726,197	\$ 851,184	\$ 1,577,381
2020	680,000	197,148	877,148	762,822	816,628	1,579,450
2021	695,000	176,748	871,748	798,877	780,273	1,579,150
2022	720,000	155,898	875,898	836,747	742,106	1,578,853
2023	740,000	134,298	874,298	876,608	702,162	1,578,770
2024-2028	3,245,000	289,388	3,534,388	5,032,034	2,842,869	7,874,903
2029-2033	-	-	-	5,481,472	1,590,506	7,071,978
2034-2038	-	-	-	2,926,260	586,538	3,512,798
2039-2043	-	-	-	1,476,702	152,160	1,628,862
<b>Total</b>	<b>\$ 6,745,000</b>	<b>\$ 1,163,928</b>	<b>\$ 7,908,928</b>	<b>\$ 18,917,719</b>	<b>\$ 9,064,426</b>	<b>\$ 27,982,145</b>

The Macomb Interceptor Drainage District (MID) and Oakland-Macomb Interceptor Drainage District (OMID) projects are construction and rehabilitation projects that began in 2010 and are ongoing. The MID issued county bonds that were used to acquire the MID Interceptor system and to assume amounts owed related to the Garfield Interceptor. Additional county bonds were issued to improve and repair the North Gratiot Interceptor and Clintondale Pump Station. These bonds were issued as Federally Taxable Recovery Zone Economic Development Bonds and are eligible to recover tax credit payments from the United States Treasury up to 45 percent (for the North Gratiot Bond and for the OMID Series 2010B Bond) of the interest payable on the bonds. During 2017, the county issued MID Drain and Refunding Bonds to repair a sinkhole and for new capital projects. The refunding portion of the 2017A bonds refunded the MID 2010A bonds.

The total original amount of bonds issued and the Township's share are as follows:

Macomb Interceptor Drainage District:

	County Portion	Township Portion
North Gratiot Interceptor 2010	\$ 16,965,000	\$ 73,021
Clintondale Pump Station	30,800,000	2,849,191
MID SRF 5624-01	2,890,019	279,419
MID Series 2017A (new money and refunded portion)	126,425,000	14,723,536
<b>Total</b>	<b>\$ 177,080,019</b>	<b>\$ 17,925,167</b>

Oakland-Macomb Interceptor Drainage District:

	County Portion	Township Portion
2010A (SRF)	\$ 26,076,000	\$ 1,242,287
2010B	6,700,000	313,621
2014A	7,235,000	476,441
<b>Total</b>	<b>\$ 40,011,000</b>	<b>\$ 2,032,349</b>

December 31, 2018

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

*Advance and Current Refunding*

In prior years, the Township defeased certain bonds by placing the proceeds of the 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, 2018, there is still \$1,700,000 of bonds outstanding that is considered defeased.

**Note 8 - Restricted Assets**

At December 31, 2018, restricted assets are composed of the following:

Description	Business-type Activities
Total assets held at Macomb and Oakland County, Michigan	\$ 675,524

The restricted assets consist of prepayments made to Macomb and Oakland County, Michigan for the Township's portion of OMID Segment 4 and assets held at Macomb County, Michigan for the sewer improvements.

**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. 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.

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

	Medical Claims	
	2018	2017
Unpaid claims - Beginning of year	\$ 780,857	\$ 791,353
Incurred claims, including claims incurred but not reported	3,899,978	3,700,270
Claim payments	(3,867,045)	(3,710,766)
Unpaid claims - End of year	\$ 813,790	\$ 780,857

**Note 10 - Pension Plan**

*Plan Description*

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 of the Township's permanent full-time firefighters hired prior to May 2, 2014 and all police officers hired prior to April 2, 2014. Benefit terms have been established by contractual agreements between the Township and the various employee union representation; amendments are subject to the same process.

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

December 31, 2018

**Note 10 - Pension Plan (Continued)**

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

**Benefits Provided**

Shelby Township Fire and Police 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 nonduty 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 nonduty death benefits equal the member's actuarially reduced pension benefit.

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms:

	Shelby Township Fire and Police Pension System
Date of member count	December 31, 2018
Inactive plan members or beneficiaries currently receiving benefits	119
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	99
	<hr/>
Total employees covered by the plan	222
	<hr/> <hr/>

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

**Contributions**

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The pension board hires an independent actuary for this purpose, and the Township annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees are required to make pension contributions based on union contracts and plan provisions, as well as Township Charter, which may be amended by the board of trustees. The Township's required contribution is determined after consideration of the required contribution rate of employees. For the year ended December 31, 2018, the active employee contribution rate was 5 percent of annual pay. The Township's contribution was \$1,944,693, which was the actuarial required contribution.



December 31, 2018

**Note 10 - Pension Plan (Continued)**

**Net Pension Liability**

The Township has chosen to use December 31, 2018 as its measurement date for the net pension liability. The December 31, 2018 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2018 measurement date. The December 31, 2018 measurement date total pension liability was determined by an actuarial valuation performed as of December 31, 2018.

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

Changes in Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension (Asset) Liability
<b>Balance at January 1, 2018</b>	\$ 107,556,770	\$ 111,331,018	\$ (3,774,248)
Changes for the year:			
Service cost	1,898,375	-	1,898,375
Interest	7,976,193	-	7,976,193
Changes in benefits	65,243	-	65,243
Differences between expected and actual experience	1,123,624	-	1,123,624
Changes in assumptions	(181,898)	-	(181,898)
Contributions - Employer	-	1,944,693	(1,944,693)
Contributions - Employee	-	518,053	(518,053)
Net investment income	-	(6,039,273)	6,039,273
Benefit payments, including refunds	(6,211,818)	(6,211,818)	-
Administrative expenses	-	(53,998)	53,998
Net changes	4,669,719	(9,842,343)	14,512,062
<b>Balance at December 31, 2018</b>	<u>\$ 112,226,489</u>	<u>\$ 101,488,675</u>	<u>\$ 10,737,814</u>

The plan's fiduciary net position represents 90.43 percent of the total pension liability.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2018, the Township recognized pension expense of \$3,833,976.

At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,116,132	\$ (287,413)
Changes in assumptions	640,465	(370,131)
Net difference between projected and actual earnings on pension plan investments	6,340,872	-
Total	<u>\$ 8,097,469</u>	<u>\$ (657,544)</u>

**Note 10 - Pension Plan (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31	Amount
2019	\$ 2,565,431
2020	1,113,139
2021	912,058
2022	2,849,297
Total	<u>\$ 7,439,925</u>

**Actuarial Assumptions**

The total pension liability in the December 31, 2018 actuarial valuation was determined using an inflation assumption of 3.5 percent, assumed salary increases (including inflation) of 3.5 to 8.75 percent, an investment rate of return (net of investment expenses) of 7.5 percent, and the RP-2014 Blue Collar with 2018 Social Security Generational Improvement scale from 2006 mortality rates. See changes disclosed below.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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

**Investment Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2018 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	31.00 %	7.20 %
Global fixed income	22.00	2.70
International equity	25.00	6.90
Alternatives	14.00	5.40
Real estate	6.00	4.40
Cash or cash equivalents	2.00	1.30

**Note 10 - Pension Plan (Continued)**

**Investment Policy**

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

**Rate of Return**

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (4.84) percent. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for changing amounts actually invested.

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

The following presents the net pension liability of the Township, calculated using the discount rate of 7.5 percent, as well as what the Township's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.5%)	Current Discount Rate (7.5%)	1 Percent Increase (8.5%)
Net pension liability (asset) of the Shelby Township Fire and Police Pension System	\$ 23,803,823	\$ 10,737,814	\$ (240,815)

**Pension Plan Fiduciary Net Position**

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

**Assumption Changes**

The mortality table used to measure funding liability has been updated from the RP-2014 Blue Collar with 2017 Social Security Generational Improvement Scale from 2006 to the RP-2014 Blue Collar with 2018 Social Security Generational Improvement Scale from 2006. This change resulted in a decrease in the liabilities and normal cost.

**Benefit Changes**

The Fire Chief's definition of average final compensation was revised to be the average of the three highest years of annual compensation received during the 10 years of service immediately preceding retirement or termination. The definition in the previous contract was based on the five highest consecutive years of compensation during the 10 years of service immediately preceding retirement or termination. This change resulted in an increase in the liabilities and normal cost.

December 31, 2018

**Note 10 - Pension Plan (Continued)**

***Pension Plan Reserves***

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

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

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

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

The balances of the reserve accounts at December 31, 2018 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 66,657,100	\$ 66,657,100
Employee reserve	8,018,852	8,018,852
Employer reserve	-	26,812,723
	<u>\$ 74,675,952</u>	<u>\$ 101,488,675</u>
Total		

**Note 11 - Other Postemployment Benefit Plan**

***Plan Description***

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

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

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

***Benefits Provided***

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

**Note 11 - Other Postemployment Benefit Plan (Continued)**

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

General Employees - Employees hired on or before February 5, 2007 who retire having a minimum of 10 years of continuous full-time service and having attained an age of 55 or above, which, when combined with the number of years of service, is greater than or equal to 75, are eligible for 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 numbers 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 numbers 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.

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

911 Dispatch - Employees hired on or before July 31, 2008 who retire having a minimum of 10 years of continuous full-time service and having attained an age of 55 or above, which, when combined with the number of years of service, is greater than or equal to 75, are eligible for 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.

December 31, 2018

**Note 11 - Other Postemployment Benefit Plan (Continued)**

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms:

Date of member count	December 31, 2018
Inactive plan members or beneficiaries currently receiving benefits	199
Active plan members	<u>196</u>
Total plan members	<u><u>395</u></u>

**Contributions**

Retiree healthcare costs are paid by the Township out of the Charter Township of Shelby Other Post Employment Benefits Trust. The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment. In the current year, the Township contributed \$8,379,343 into a prefunded retiree healthcare fund, which is reported in this financial statement as a pension and other employee benefit trust fund type. The breakdown of the approximately \$8.4 million contributed to the OPEB trust in 2018 is as follows: \$3.0 million to prefund estimated 2018 retiree healthcare costs, \$3.1 million as a one-time contribution from the Water and Sewer Fund, \$100,000 as a one-time contribution from the General Fund, and \$2.2 million as the annual additional contribution made by the Township to reduce the unfunded liability. Employees are not required to contribute to the plan.

**Net OPEB Liability**

The Township has chosen to use the December 31 measurement date as its measurement date for the net OPEB liability. The December 31, 2018 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the December 31, 2018 measurement date. The December 31, 2018 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2017, which used updated procedures to roll forward the estimated liability to December 31, 2018.

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
<b>Balance at January 1, 2018</b>	\$ 82,753,454	\$ 40,282,470	\$ 42,470,984
Changes for the year:			
Service cost	1,277,181	-	1,277,181
Interest	5,585,818	-	5,585,818
Differences between expected and actual experience	(10,278,171)	-	(10,278,171)
Contributions - Employer	-	8,379,343	(8,379,343)
Net investment income	-	(2,807,834)	2,807,834
Benefit payments, including refunds	<u>(2,597,960)</u>	<u>(2,597,960)</u>	<u>-</u>
Net changes	<u>(6,013,132)</u>	<u>2,973,549</u>	<u>(8,986,681)</u>
<b>Balance at December 31, 2018</b>	<u><u>\$ 76,740,322</u></u>	<u><u>\$ 43,256,019</u></u>	<u><u>\$ 33,484,303</u></u>

The plan's fiduciary net position represents 56.4 percent of the total OPEB liability.

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

For the year ended December 31, 2018, the Township recognized OPEB expense of \$3,278,001.

December 31, 2018

**Note 11 - Other Postemployment Benefit Plan (Continued)**

At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (8,222,537)
Net difference between projected and actual earnings on OPEB plan investments	<u>4,337,198</u>	<u>-</u>
Total	<u>\$ 4,337,198</u>	<u>\$ (8,222,537)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2019	\$ 971,335
2020	971,335
2021	971,335
2022	<u>971,334</u>
Total	<u>\$ 3,885,339</u>

**Actuarial Assumptions**

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using an inflation assumption of 3.75 percent; assumed salary increases (including inflation) of 0 to 7.2 percent; an investment rate of return (net of investment expenses) of 6.75 percent; a healthcare cost trend rate of 7.50 percent, 4.75 percent, and 3.75 percent for medical, dental, and vision benefits, respectively (the healthcare cost trend rates decrease by 0.50 percent, 0.25 percent, and 0.25 percent to an ultimate rate of 5.00 percent, 4.00 percent, and 3.00 percent for medical, dental and vision benefits, respectively); and using the RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017. These assumptions were applied to all periods included in the measurement.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that township contributions of \$2.15 million will be made annually and pay-as-you-go costs will be fully paid by the Township until at least the fiscal year ending December 31, 2026.

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

December 31, 2018

**Note 11 - Other Postemployment Benefit Plan (Continued)**

**Investment Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2018 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed below, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic large-cap equity	25.00 %	4.94 %
Domestic small-/mid-cap equity	15.00	5.70
International equity	20.00	5.23
Domestic bonds	20.00	1.98
International bonds	10.00	3.65
Real estate	10.00	4.18

**Investment Policy**

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

**Rate of Return**

For the year ended December 31, 2018, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (5.87) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the Township, calculated using the discount rate of 6.75 percent, as well as what the Township's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (5.75%)	Current Discount Rate (6.75%)	1 Percent Increase (7.75%)
Net OPEB liability of the Charter Township of Shelby Other Post Employment Benefit Plan	\$ 45,929,902	\$ 33,484,303	\$ 23,532,960



December 31, 2018

**Note 11 - Other Postemployment Benefit Plan (Continued)**

***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate***

The following presents the net OPEB liability of the Township, calculated using the healthcare cost trend rate of 7.50 percent, 4.75 percent, and 3.75 percent for medical, dental, and vision, respectively, as well as what the Township's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.50%, 3.75%, 2.75%)	Current Healthcare Cost Trend Rate (7.50%, 4.75%, 3.75%)	1 Percent Increase (8.5%, 5.75%, 4.75%)
Net OPEB liability of the Charter Township of Shelby Other Post Employment Benefit Plan	\$ 22,392,119	\$ 33,484,303	\$ 47,538,223

***OPEB Plan Fiduciary Net Position***

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

**Note 12 - Pension and Other Employee Benefit Trust Funds**

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

	Police and Fire Retirement System	Retiree Healthcare Trust
<b>Statement of Net Position</b>		
Investments	\$ 101,460,520	\$ 43,725,958
Other assets	194,024	42,925
Liabilities	165,869	512,864
Net position	<u>\$ 101,488,675</u>	<u>\$ 43,256,019</u>
<b>Statement of Changes in Net Position</b>		
Investment loss	\$ (5,264,718)	\$ (2,517,118)
Contributions	2,462,746	8,379,343
Benefit payments	6,211,818	2,597,960
Other deductions	828,553	290,716
Net change in net position	<u>\$ (9,842,343)</u>	<u>\$ 2,973,549</u>

**Note 13 - Defined Contribution Pension Plan**

The Township provides pension benefits to all of its full-time employees, except those employees covered by the Shelby Township Fire and Police Pension System, through a defined contribution plan administered by Voya. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The benefits are provided under collective bargaining agreements. The collective bargaining agreements require a contribution of 10 and 5 percent from the Township and employees, respectively, of the employees' base salaries each month. An employee may elect to contribute additional voluntary amounts. The Township's contributions for each employee (plus investment income allocated to the employee's account) are fully vested after 60 months of continuous service. The Township's board of trustees and court employees are fully vested after 20 months of continuous service.

During the year ended December 31, 2018, the Township made contributions of \$991,279, and the plan members contributed \$509,808 to the plan.

**Note 14 - Future Minimum Lease Revenue**

*Operating Leases*

The Township leases a portion of its land to a private operator through 2053 for use as a golf course. During 2018, the Township recognized no revenue related to this lease. The future minimum lease payments for these leases are as follows:

Years Ending	Percent of Gross Revenue	Minimum Rent
2018-2020	-	\$ -
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 15 - Tax Abatements**

The Township receives reduced property tax revenue as a result of the following tax abatements:

The Township currently has several businesses that are receiving an Industrial Facilities Tax (IFT) Exemption, which encourages local businesses to construct new industrial facilities or rehabilitate historical facilities. This exemption applies to both real and personal property taxes. These tax abatements are authorized by Public Act 198 of 1974. In order to receive a tax abatement, a property owner or lessee must have a business that qualifies as a "manufacturing operation" and must have a new industrial facility that is defined within Act 198 as "industrial property." An application must be completed and submitted to the Township and approval granted by the Township Board at a formal public hearing. Commitments are made by the taxpayer regarding the amount of investment and the number of jobs created as a result of the tax abatement. IFT abatements use a reduced (specific tax) millage rate of 50 percent of the normal millage rate that is applied to a taxable value that is calculated in the same manner as all of the properties that are contained on the regular (ad valorem) assessment roll. Abated taxes may be recaptured by the Township if the taxpayer chooses to relocate without township permission prior to termination of the abatement. The amount of tax foregone as a result of this abatement in 2018 was \$227,725.

December 31, 2018

**Note 15 - Tax Abatements (Continued)**

The Township also has several businesses that participate in Tool and Die Renaissance Recovery Zones. Qualified tool and die businesses do not pay real and personal property taxes. The legislation authorizing the creation of Michigan Tool and Die Renaissance Recovery Zones was first signed into law in 2004. Public Act 376 of 1996, the Michigan Renaissance Zone Act, was amended on December 22, 2010 to allow for the creation of up to 35 Tool and Die Renaissance Recovery Zones. These recovery zones have a duration of not less than five years and not more than 15 years, as determined by the board of the Michigan Strategic Fund. If the duration of the recovery zone is less than 15 years, the Michigan Strategic Fund, with the consent of the local municipality, may extend the duration of a recovery zone for one or more periods that, when combined, do not exceed 15 years. A recovery zone shall consist of only “qualified tool and die business property,” which is defined as being owned or leased by one or more “qualified tool and die businesses” that generate 75 percent or more of their gross revenue from tool and die operations on the property at the time of designation. A “qualified tool and die business” must have a North American Industry Classification System (NAICS) code identifying the business operations as industrial pattern manufacturing, industrial mold manufacturing, machine tool manufacturing, special die and tool, die set, jig and fixture manufacturing, or cutting and machine tool accessory manufacturing. The Michigan Renaissance Zone Act also requires that all qualified tool and die businesses enter into a “qualified collaboration agreement” with between 4 and 20 similar qualified tool and die businesses once it is designated part of a recovery zone. A “qualified collaborative agreement” is an agreement that demonstrates synergistic opportunities including sales and marketing efforts, development of standardized processes, development of tooling standards, standardized project management methods, and the improved ability for specialized or small niche shops to develop expertise and compete successfully on larger programs. The Michigan Strategic Fund may also add property under the same conditions as the existing recovery zone if the additional real property is contiguous to existing qualified tool and die business property and will become qualified tool and die business property once it is brought into operation and the local municipality also consents to the modification of the recovery zone. The amount of tax foregone as a result of this abatement in 2018 was \$13,679.

**Note 16 - Contingent Liabilities**

In May 2018, a lawsuit requesting class action certification was filed against the Township in circuit court. The lawsuit mainly disputes the inclusion of depreciation expenses and their treatment in the calculation of the water and sewer usage rates charged by the Township to customers. It seeks that a “common fund” pay up to \$13,000,000 to the water and sewer customers. The lawsuit is in the discovery phase; therefore, the Township has not reported a contingent liability at December 31, 2018.

**Note 17 - Change in Accounting Principle**

During the current year, the Township adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the government-wide statements and proprietary funds now include a liability for the unfunded portion of the Township's retiree healthcare costs. Some of the change in this net OPEB liability will be recognized immediately as part of the OPEB expense measure, and part will be deferred and recognized over future years. Refer to the the other postemployment benefit plan footnote for further details. This change does not impact the General Fund or any other governmental funds.

**December 31, 2018**

**Note 17 - Change in Accounting Principle (Continued)**

As a result of implementing this statement, the beginning net position of the governmental activities, Water and Sewer Fund, and business-type activities has been restated as follows:

	Governmental Activities	Water and Sewer Fund	Business-type Activities
Net position - December 31, 2017	\$ 87,436,249	\$ 136,526,416	\$ 136,526,416
GASB 45 - Net OPEB liability	6,343,899	646,078	646,078
GASB 75 - Net OPEB liability	<u>(39,459,743)</u>	<u>(3,011,241)</u>	<u>(3,011,241)</u>
Net position - December 31, 2017 - As restated	<u>\$ 54,320,405</u>	<u>\$ 134,161,253</u>	<u>\$ 134,161,253</u>

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## Required Supplemental Information

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## Charter Township of Shelby

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

Year Ended December 31, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 3,164,460	\$ 3,157,431	\$ 3,156,290	\$ (1,141)
Intergovernmental	6,526,426	6,817,709	6,908,859	91,150
Charges for services	2,036,552	2,041,928	2,003,613	(38,315)
Fines and forfeitures	2,395,112	2,399,310	2,444,250	44,940
Licenses, permits, and fees	1,588,603	2,092,858	2,165,104	72,246
Investment income	237,600	328,800	535,522	206,722
Other revenue	189,655	306,041	338,281	32,240
<b>Total revenue</b>	<b>16,138,408</b>	<b>17,144,077</b>	<b>17,551,919</b>	<b>407,842</b>
<b>Expenditures</b>				
Current services:				
General government	8,286,646	8,332,398	8,035,182	297,216
Public works	284,080	291,080	281,161	9,919
Recreation and culture	3,315,214	3,297,059	3,123,877	173,182
Capital outlay	180,709	222,752	188,046	34,706
<b>Total expenditures</b>	<b>12,066,649</b>	<b>12,143,289</b>	<b>11,628,266</b>	<b>515,023</b>
<b>Excess of Revenue Over Expenditures</b>	<b>4,071,759</b>	<b>5,000,788</b>	<b>5,923,653</b>	<b>922,865</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	550,176	1,705	1,695	(10)
Transfers out	(3,687,686)	(10,718,957)	(10,642,911)	76,046
Sale of capital assets	-	5,950	126,064	120,114
<b>Total other financing uses</b>	<b>(3,137,510)</b>	<b>(10,711,302)</b>	<b>(10,515,152)</b>	<b>196,150</b>
<b>Net Change in Fund Balance</b>	<b>934,249</b>	<b>(5,710,514)</b>	<b>(4,591,499)</b>	<b>1,119,015</b>
<b>Fund Balance - Beginning of year</b>	<b>12,072,276</b>	<b>12,072,276</b>	<b>12,072,276</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 13,006,525</b>	<b>\$ 6,361,762</b>	<b>\$ 7,480,777</b>	<b>\$ 1,119,015</b>

**Charter Township of Shelby**

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

**Year Ended December 31, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 11,789,980	\$ 11,767,322	\$ 11,761,884	\$ (5,438)
Intergovernmental	74,871	118,671	114,439	(4,232)
Charges for services	2,905,956	2,817,550	2,562,181	(255,369)
Investment income	77,600	168,800	201,121	32,321
Other revenue	200	4,500	6,496	1,996
Total revenue	14,848,607	14,876,843	14,646,121	(230,722)
<b>Expenditures</b>				
Current services - Public safety	13,455,803	13,596,753	13,374,829	221,924
Capital outlay	63,850	202,812	198,936	3,876
Debt service	475,025	475,025	475,025	-
Total expenditures	13,994,678	14,274,590	14,048,790	225,800
<b>Excess of Revenue Over Expenditures</b>	853,929	602,253	597,331	(4,922)
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,027,000	-	-	-
Transfers out	(2,527,000)	(1,753,729)	(1,753,729)	-
Sale of capital assets	950,000	25,000	23,235	(1,765)
Total other financing uses	(550,000)	(1,728,729)	(1,730,494)	(1,765)
<b>Net Change in Fund Balance</b>	303,929	(1,126,476)	(1,133,163)	(6,687)
<b>Fund Balance - Beginning of year</b>	9,170,220	9,170,220	9,170,220	-
<b>Fund Balance - End of year</b>	<u>\$ 9,474,149</u>	<u>\$ 8,043,744</u>	<u>\$ 8,037,057</u>	<u>\$ (6,687)</u>

**Charter Township of Shelby**

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

**Year Ended December 31, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 14,392,353	\$ 14,364,378	\$ 14,357,859	\$ (6,519)
Intergovernmental	169,590	240,007	239,734	(273)
Charges for services	643,948	622,231	619,295	(2,936)
Investment income	58,300	130,000	163,694	33,694
Other revenue	64,300	151,000	124,029	(26,971)
Total revenue	15,328,491	15,507,616	15,504,611	(3,005)
<b>Expenditures</b>				
Current services - Public safety	14,423,163	14,190,589	13,904,992	285,597
Capital outlay	495,200	531,545	515,394	16,151
Debt service	514,610	514,610	514,610	-
Total expenditures	15,432,973	15,236,744	14,934,996	301,748
<b>Excess of Revenue (Under) Over Expenditures</b>	(104,482)	270,872	569,615	298,743
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,086,917	10,000	17,854	7,854
Transfers out	(1,061,917)	(19,011)	(19,011)	-
Sale of capital assets	20,000	20,000	28,875	8,875
Total other financing sources	45,000	10,989	27,718	16,729
<b>Net Change in Fund Balance</b>	(59,482)	281,861	597,333	315,472
<b>Fund Balance - Beginning of year</b>	3,922,487	3,922,487	3,922,487	-
<b>Fund Balance - End of year</b>	<u><u>\$ 3,863,005</u></u>	<u><u>\$ 4,204,348</u></u>	<u><u>\$ 4,519,820</u></u>	<u><u>\$ 315,472</u></u>



# Charter Township of Shelby

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

	Last Five Fiscal Years				
	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ 1,898,375	\$ 1,892,677	\$ 1,909,981	\$ 1,909,981	\$ 2,244,535
Interest	7,976,193	7,769,229	7,535,660	7,098,747	6,948,342
Changes in benefit terms	65,243	-	-	-	(6,650)
Differences between expected and actual experience	1,123,624	(479,021)	132,801	621,041	2,622,717
Changes in assumptions	(181,898)	(135,422)	(304,910)	1,921,395	-
Benefit payments, including refunds	(6,211,818)	(6,375,484)	(5,908,456)	(5,542,845)	(5,213,225)
<b>Net Change in Total Pension Liability</b>	4,669,719	2,671,979	3,365,076	6,008,319	6,595,719
<b>Total Pension Liability - Beginning of year</b>	107,556,770	104,884,791	101,519,715	95,511,396	88,915,677
<b>Total Pension Liability - End of year</b>	<b>\$ 112,226,489</b>	<b>\$ 107,556,770</b>	<b>\$ 104,884,791</b>	<b>\$ 101,519,715</b>	<b>\$ 95,511,396</b>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 1,944,693	\$ 1,971,756	\$ 1,826,359	\$ 1,841,300	\$ 27,671,584
Contributions - Member	518,053	525,566	531,588	536,954	593,046
Net investment (loss) income	(6,039,273)	17,304,401	7,994,188	(117,265)	4,900,289
Administrative expenses	(53,998)	(39,752)	(39,382)	(29,671)	(40,613)
Benefit payments, including refunds	(6,211,818)	(6,375,484)	(5,908,456)	(5,542,845)	(5,213,225)
<b>Net Change in Plan Fiduciary Net Position</b>	(9,842,343)	13,386,487	4,404,297	(3,311,527)	27,911,081
<b>Plan Fiduciary Net Position - Beginning of year</b>	111,331,018	97,944,531	93,540,234	96,851,761	68,940,680
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 101,488,675</b>	<b>\$ 111,331,018</b>	<b>\$ 97,944,531</b>	<b>\$ 93,540,234</b>	<b>\$ 96,851,761</b>
<b>Township's Net Pension Liability (Asset) - Ending</b>	<b>\$ 10,737,814</b>	<b>\$ (3,774,248)</b>	<b>\$ 6,940,260</b>	<b>\$ 7,979,481</b>	<b>\$ (1,340,365)</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	90.43 %	103.51 %	93.38 %	92.14 %	101.40 %
<b>Covered Payroll</b>	\$ 9,888,486	\$ 10,158,694	\$ 10,180,063	\$ 10,326,125	\$ 10,780,667
<b>Township's Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	108.59 %	(37.15)%	68.18 %	77.27 %	(12.43)%

# Charter Township of Shelby

## Required Supplemental Information Schedule of Pension Contributions

### Last Ten Fiscal Years Years Ended December 31

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 1,944,693	\$ 1,971,756	\$ 1,826,359	\$ 1,841,300	\$ 4,043,780	\$ 4,097,277	\$ 4,558,181	\$ 4,937,379	\$ 4,611,275	\$ 3,600,027
Contributions in relation to the actuarially determined contribution	1,944,693	1,971,756	1,826,359	1,841,300	27,671,584	4,097,277	4,558,181	4,937,379	4,612,070	3,666,139
<b>Contribution Excess</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,627,804</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 795</b>	<b>\$ 66,112</b>
<b>Covered Payroll</b>	<b>\$ 9,888,486</b>	<b>\$ 10,158,694</b>	<b>\$ 10,180,063</b>	<b>\$ 10,326,125</b>	<b>\$ 10,780,667</b>	<b>\$ 10,962,530</b>	<b>\$ 10,940,963</b>	<b>\$ 11,259,348</b>	<b>\$ 10,915,185</b>	<b>\$ 10,939,120</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>19.67 %</b>	<b>19.41 %</b>	<b>17.94 %</b>	<b>17.83 %</b>	<b>256.68 %</b>	<b>37.38 %</b>	<b>41.66 %</b>	<b>43.85 %</b>	<b>42.25 %</b>	<b>33.51 %</b>

#### Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry age cost method percentage of pay
Amortization method	10-year closed level dollar amortization of unfunded actuarial accrued liability
Remaining amortization period	10 years
Asset valuation method	25 percent write-up method. Expected actuarial value of assets, adjusted by 25 percent of the difference between expected actuarial value and actual market value
Inflation	3.50 percent
Salary increase	3.50 to 8.75 percent
Investment rate of return	7.50 percent, net of administrative expenses
Mortality	RP-2014 Blue Collar Mortality with generational improvements projected beginning in 2006 based on the Social Security Administration's assumptions from the 2016 Trustees' Report

**Charter Township of Shelby**

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	(4.84)%	18.90 %	8.70 %	0.10 %	7.00 %

**Charter Township of Shelby**

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

	<b>Last Two Fiscal Years</b>	
	2018	2017
<b>Total OPEB Liability</b>		
Service cost	\$ 1,277,181	\$ 1,495,309
Interest	5,585,818	6,317,058
Differences between expected and actual experience	(10,278,171)	(8,527,386)
Changes in assumptions	-	(7,311,609)
Benefit payments, including refunds	(2,597,960)	(2,579,187)
<b>Net Change in Total OPEB Liability</b>	(6,013,132)	(10,605,815)
<b>Total OPEB Liability - Beginning of year</b>	82,753,454	93,359,269
<b>Total OPEB Liability - End of year</b>	<b>\$ 76,740,322</b>	<b>\$ 82,753,454</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 8,379,343	\$ 9,927,224
Net investment (loss) income	(2,807,834)	4,095,976
Benefit payments, including refunds	(2,597,960)	(2,579,187)
<b>Net Change in Plan Fiduciary Net Position</b>	2,973,549	11,444,013
<b>Plan Fiduciary Net Position - Beginning of year</b>	40,282,470	28,838,457
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 43,256,019</b>	<b>\$ 40,282,470</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 33,484,303</b>	<b>\$ 42,470,984</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	56.37 %	48.68 %
<b>Covered Employee Payroll</b>	\$ 14,269,367	\$ 13,753,607
<b>Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	234.66 %	308.80 %

# Charter Township of Shelby

## Required Supplemental Information Schedule of OPEB Contributions

### Last Ten Fiscal Years Years Ended December 31

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 4,127,952	\$ 4,488,364	\$ 5,815,278	\$ 5,773,353	\$ 5,773,353	\$ 5,079,690	\$ 5,079,690	\$ 6,431,625	\$ 7,552,905	\$ 7,552,905
Contributions in relation to the actuarially determined contribution	8,379,343	9,927,224	5,142,960	4,599,525	3,527,026	4,416,806	3,725,396	15,992,910	1,595,651	2,144,206
<b>Contribution Excess (Deficiency)</b>	<b>\$ 4,251,391</b>	<b>\$ 5,438,860</b>	<b>\$ (672,318)</b>	<b>\$ (1,173,828)</b>	<b>\$ (2,246,327)</b>	<b>\$ (662,884)</b>	<b>\$ (1,354,294)</b>	<b>\$ 9,561,285</b>	<b>\$ (5,957,254)</b>	<b>\$ (5,408,699)</b>
<b>Covered Employee Payroll</b>	\$ 14,269,367	\$ 13,753,607	\$ 13,897,076	\$ 14,554,860	\$ 14,554,860	\$ 16,179,279	\$ 16,179,279	\$ 16,719,112	\$ 16,431,686	\$ 16,431,686
<b>Contributions as a Percentage of Covered Employee Payroll</b>	58.72 %	72.18 %	37.01 %	31.60 %	24.23 %	27.30 %	23.03 %	95.66 %	9.71 %	13.05 %

#### Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of salary
Remaining amortization period	24 years
Asset valuation method	Market value
Inflation	3.75 percent
Healthcare cost trend rates	3.0 to 8.0 percent depending on the year and type of cost
Salary increase	3.0 percent
Investment rate of return	6.75 percent
Retirement age	Varies depending on employee's years of service
Mortality	RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017

Required Supplemental Information  
Schedule of OPEB Investment Returns

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**Last Two Fiscal Years  
Years Ended December 31**

	2018	2017
Annual money-weighted rate of return, net of investment expense	(5.87)%	15.11 %

**December 31, 2018**

***Budgetary Information***

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

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

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

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

	<u>Total Revenue</u>	<u>Total Expenditures</u>
Amounts per operating statement	\$ 19,193,360	\$ 23,784,859
Transfers and other financing sources	(127,759)	(10,642,911)
Community Relations Fund budgeted separately from the General Fund	<u>(1,513,682)</u>	<u>(1,513,682)</u>
Amounts per budget statement	<u>\$ 17,551,919</u>	<u>\$ 11,628,266</u>

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## Other Supplemental Information

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# Charter Township of Shelby

	Special Revenue Funds		
	Emergency Response	Street Lighting	Building Authority
<b>Assets</b>			
Cash and investments	\$ 65,108	\$ 56,002	\$ 14,809
Receivables:			
Other receivables	-	29,171	-
Due from other governmental units	6,159	9,398	-
Prepaid expenses and other assets	138	-	-
<b>Total assets</b>	<b>\$ 71,405</b>	<b>\$ 94,571</b>	<b>\$ 14,809</b>
<b>Liabilities</b>			
Accounts payable	\$ 2,405	\$ 43,667	\$ -
Due to other funds	-	4,250	-
Accrued liabilities and other	-	6	-
Unearned revenue	-	1,718	-
<b>Total liabilities</b>	<b>2,405</b>	<b>49,641</b>	<b>-</b>
<b>Deferred Inflows of Resources - Unavailable revenue</b>	<b>-</b>	<b>9,398</b>	<b>-</b>
<b>Fund Balances</b>			
Nonspendable	138	-	-
Restricted:			
Police and fire	68,862	-	-
Grants	-	-	-
Street lighting	-	35,532	-
Community development	-	-	14,809
Assigned - Equipment replacement	-	-	-
<b>Total fund balances</b>	<b>69,000</b>	<b>35,532</b>	<b>14,809</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 71,405</b>	<b>\$ 94,571</b>	<b>\$ 14,809</b>

Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

**December 31, 2018**

Special Revenue Funds					Capital Project Fund		Total Nonmajor Governmental Funds
Michigan Justice Training Grant	Community Block Grant	Federal Forfeiture	Drug Forfeiture	Michigan Indigent Defense Commission	Equipment Replacement		
\$ 7,287	\$ -	\$ 91,932	\$ 47,820	\$ 204,507	\$ 831	\$ 488,296	
-	-	212,109	-	-	-	241,280	
-	4,745	-	-	-	-	20,302	
-	-	-	964	-	-	1,102	
<b>\$ 7,287</b>	<b>\$ 4,745</b>	<b>\$ 304,041</b>	<b>\$ 48,784</b>	<b>\$ 204,507</b>	<b>\$ 831</b>	<b>\$ 750,980</b>	
\$ 916	\$ -	\$ -	\$ 5,081	\$ 5,329	\$ -	\$ 57,398	
-	4,745	-	-	-	-	8,995	
-	-	-	-	92	-	98	
-	-	-	-	199,086	-	200,804	
916	4,745	-	5,081	204,507	-	267,295	
-	-	212,109	-	-	-	221,507	
-	-	-	964	-	-	1,102	
-	-	91,932	42,739	-	-	203,533	
6,371	-	-	-	-	-	6,371	
-	-	-	-	-	-	35,532	
-	-	-	-	-	-	14,809	
-	-	-	-	-	831	831	
6,371	-	91,932	43,703	-	831	262,178	
<b>\$ 7,287</b>	<b>\$ 4,745</b>	<b>\$ 304,041</b>	<b>\$ 48,784</b>	<b>\$ 204,507</b>	<b>\$ 831</b>	<b>\$ 750,980</b>	

# Charter Township of Shelby

	Special Revenue Funds		
	Emergency Response	Street Lighting	Building Authority
<b>Revenue</b>			
Intergovernmental:			
Federal grants	\$ -	\$ -	\$ -
State sources	132,829	-	-
Charges for services	-	321,034	-
Fines and forfeitures	-	-	-
Investment income	721	337	159
Other revenue	-	18	-
Total revenue	133,550	321,389	159
<b>Expenditures</b>			
Current services:			
General government	-	-	167
District court	-	-	-
Public safety	19,048	-	-
Public works	-	398,191	-
Recreation and culture	-	-	-
Capital outlay	-	-	-
Debt service	100,000	-	-
Total expenditures	119,048	398,191	167
<b>Excess of Revenue Over (Under) Expenditures</b>	14,502	(76,802)	(8)
<b>Other Financing Sources</b> - Transfers in	-	45,445	-
<b>Net Change in Fund Balances</b>	14,502	(31,357)	(8)
<b>Fund Balances</b> - Beginning of year	54,498	66,889	14,817
<b>Fund Balances</b> - End of year	<u>\$ 69,000</u>	<u>\$ 35,532</u>	<u>\$ 14,809</u>

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

Year Ended December 31, 2018

Special Revenue Funds				Capital Project Fund		Total Nonmajor Governmental Funds
Michigan Justice Training Grant	Community Block Grant	Federal Forfeiture	Drug Forfeiture	Michigan Indigent Defense Commission	Equipment Replacement	
\$ -	\$ 123,645	\$ -	\$ -	\$ -	\$ -	\$ 123,645
11,101	-	-	-	18,021	-	161,951
-	-	-	-	-	-	321,034
-	-	47,600	59,146	-	-	106,746
-	-	928	44	-	-	2,189
-	-	-	-	-	-	18
11,101	123,645	48,528	59,190	18,021	-	715,583
-	-	-	-	-	-	167
-	-	-	-	18,021	-	18,021
10,016	-	22,923	60,693	-	-	112,680
-	-	-	-	-	-	398,191
-	6,255	-	-	-	-	6,255
-	105,299	-	-	-	2,025	107,324
-	-	-	-	-	-	100,000
10,016	111,554	22,923	60,693	18,021	2,025	742,638
1,085	12,091	25,605	(1,503)	-	(2,025)	(27,055)
-	-	-	-	-	-	45,445
1,085	12,091	25,605	(1,503)	-	(2,025)	18,390
5,286	(12,091)	66,327	45,206	-	2,856	243,788
<b>\$ 6,371</b>	<b>\$ -</b>	<b>\$ 91,932</b>	<b>\$ 43,703</b>	<b>\$ -</b>	<b>\$ 831</b>	<b>\$ 262,178</b>

# Charter Township of Shelby

	Pension and OPEB Funds		
	Police and Fire Retirement Systems Trust Fund	Retiree Healthcare Trust Fund	Total Pension and OPEB Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 200,006	\$ -	\$ 200,006
Investments:			
Short-term funds	4,875,012	1,505,520	6,380,532
Stocks	38,176,622	5,556,286	43,732,908
Collective index and mutual funds - Fixed income	20,905,814	11,445,296	32,351,110
Collective index and mutual funds - Equity	20,735,156	17,649,500	38,384,656
Limited partnerships	16,567,910	7,569,356	24,137,266
Receivables:			
Accrued interest	190,273	42,925	233,198
Other receivables	-	-	-
Prepaid expenses and other assets	3,751	-	3,751
Total assets	101,654,544	43,768,883	145,423,427
<b>Liabilities</b>			
Accounts payable	74,494	14,075	88,569
Refundable deposits, bonds, etc.	-	-	-
Accrued liabilities and other liabilities	91,375	498,789	590,164
Total liabilities	165,869	512,864	678,733
<b>Net Position Restricted for Pensions and Other Employee Benefits</b>	<b>\$ 101,488,675</b>	<b>\$ 43,256,019</b>	<b>\$ 144,744,694</b>

Other Supplemental Information  
Combining Statement of Fiduciary Net Position  
Fiduciary Funds

**December 31, 2018**

Agency Funds			Private Purpose Funds			
Trust and Agency	Treasurer's Agency	Total Investment Trust Funds	41st District Court	Accounts Payable Imprest	Total Private Purpose Funds	Total Agency Funds
\$ 1,300,254	\$ -	\$ 1,300,254	\$ 101,776	\$ -	\$ 101,776	\$ 1,602,036
-	-	-	-	-	-	6,380,532
-	-	-	-	-	-	43,732,908
-	-	-	-	-	-	32,351,110
-	-	-	-	-	-	38,384,656
-	-	-	-	-	-	24,137,266
-	378,262	378,262	-	-	-	611,460
-	279,912	279,912	-	-	-	279,912
-	-	-	-	-	-	3,751
1,300,254	658,174	1,958,428	101,776	-	101,776	147,483,631
-	-	-	-	-	-	88,569
1,300,254	-	1,300,254	101,776	-	101,776	1,402,030
-	658,174	658,174	-	-	-	1,248,338
1,300,254	658,174	1,958,428	101,776	-	101,776	2,738,937
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 144,744,694</b>

## Charter Township of Shelby

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

**Year Ended December 31, 2018**

	Police and Fire Retirement Systems Trust Fund	Retiree Healthcare Trust Fund	Total Fiduciary Funds
<b>Additions</b>			
Investment income (loss):			
Interest and dividends	\$ 2,486,495	\$ 1,339,255	\$ 3,825,750
Net realized and unrealized loss on investments	(7,751,213)	(3,856,373)	(11,607,586)
Investment-related expenses	(774,555)	(290,716)	(1,065,271)
Total investment loss	(6,039,273)	(2,807,834)	(8,847,107)
Contributions:			
Employer contributions	1,944,693	8,379,343	10,324,036
Employee contributions	518,053	-	518,053
Total contributions	2,462,746	8,379,343	10,842,089
Total additions	(3,576,527)	5,571,509	1,994,982
<b>Deductions</b>			
Benefit payments	6,211,818	2,597,960	8,809,778
Administrative expenses	53,998	-	53,998
Total deductions	6,265,816	2,597,960	8,863,776
<b>Net (Decrease) Increase in Net Position Held in Trust</b>	(9,842,343)	2,973,549	(6,868,794)
<b>Net Position Restricted for Pensions and Other Employee Benefits - Beginning of year</b>	111,331,018	40,282,470	151,613,488
<b>Net Position Restricted for Pensions and Other Employee Benefits - End of year</b>	<b>\$ 101,488,675</b>	<b>\$ 43,256,019</b>	<b>\$ 144,744,694</b>