

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

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**Financial Report  
with Supplemental Information  
December 31, 2015**

# Charter Township of Shelby

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## Contents

<b>Report Letter</b>	1-2
<b>Management's Discussion and Analysis</b>	3-8
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10-11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of the Balance Sheet to the Statement of Net Position	13
Statement of Revenue, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Funds:	
Statement of Net Position	16
Statement of Revenue, Expenses, and Changes in Net Position	17
Statement of Cash Flows	18-19
Fiduciary Funds:	
Statement of Fiduciary Net Position	20
Statement of Changes in Fiduciary Net Position	21
Notes to Financial Statements	22-55
<b>Required Supplemental Information</b>	56
Budgetary Comparison Schedule - General Fund	57
Budgetary Comparison Schedule - Major Special Revenue Funds	58-59
Note to Required Supplemental Information	60
Schedule of Changes in the Township Net Pension Liability and Related Ratios	61
Schedule of Township Contributions	62
Schedule of Investment Returns	63
OPEB System Schedule of Funding Progress	64

# Charter Township of Shelby

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## Contents (Continued)

<b>Other Supplemental Information</b>	65
Nonmajor Governmental Funds:	
Combining Balance Sheet	66-67
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	68-69
Fiduciary Funds:	
Combining Statement of Assets and Liabilities - Pension and Other Employee Benefit Trust Funds and Agency Funds	70-71
Combining Statement of Changes in Fiduciary Net Position	72

## 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, 2015 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 opinion.

### ***Opinion***

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, 2015 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees  
Charter Township of Shelby

***Emphasis of Matter***

As described in Note 15 to the financial statements, during the year ended December 31, 2015, the Township adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of adopting this standard, the Township's net pension liability has been recognized on the government-wide statements. Our opinion is not modified with respect to this matter.

As explained in Note 3, the financial statements include investments valued at approximately \$11.0 million at year end (8.5 percent of the equity in the aggregate remaining funds) whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by fund managers. Our opinion is not modified with respect to this matter.

**Other Matters**

***Required Supplemental Information***

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

***Other Information***

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

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

*Plante & Morse, PLLC*

June 6, 2016

# Charter Township of Shelby

## Management's Discussion and Analysis

### Using this Annual Report

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

In a condensed format, the table below shows the comparison of net position (in millions of dollars) as of December 31, 2015 to the prior year:

	Governmental Activities				Business-type Activities				Total			
	2014 - As		\$ Diff	% Diff	2015	2014	\$ Diff	% Diff	2014 - As		\$ Diff	% Diff
	2015	Restated							2015	Restated		
<b>Assets</b>												
Other assets	\$ 66.0	\$ 63.6	\$ 2.4	3.8%	\$ 45.5	\$ 44.1	\$ 1.4	3.2%	\$ 111.5	\$ 107.7	\$ 3.8	3.5%
Restricted assets	-	-	-		1.5	1.9	(0.4)	-21.1%	1.5	1.9	(0.4)	-21.1%
Capital assets	49.6	49.3	0.3	0.6%	119.0	119.6	(0.6)	-0.5%	168.6	168.9	(0.3)	-0.2%
Total assets	115.6	112.9	2.7	2.4%	166.0	165.6	0.4	0.2%	281.6	278.5	3.1	1.1%
<b>Deferred Outflows of Resources</b>	7.9	-	7.9	0.0%	-	-	0.0%	0.0%	7.9	-	7.9	0.0%
<b>Liabilities</b>												
Current liabilities	2.3	2.0	0.3	15.0%	6.5	6.3	0.2	3.2%	8.8	8.3	0.5	6.0%
Long-term liabilities	27.4	18.9	8.5	45.0%	20.3	22.0	(1.7)	-7.7%	47.7	40.9	6.8	16.6%
Total liabilities	29.7	20.9	8.8	42.1%	26.8	28.3	(1.5)	-5.3%	56.5	49.2	7.3	14.8%
<b>Deferred Inflows of Resources</b>	27.6	26.6	1.0	3.8%	-	-	-	0.0%	27.6	26.6	1.0	3.8%
<b>Net Position</b>												
Net investment in capital assets	49.6	49.3	0.3	0.6%	99.1	98.4	0.7	0.7%	148.7	147.7	1.0	0.7%
Restricted	12.9	12.0	0.9	7.5%	1.3	1.3	-	0.0%	14.2	13.3	0.9	6.8%
Unrestricted	3.7	4.1	(0.4)	-9.8%	38.8	37.6	1.2	3.2%	42.5	41.7	0.8	1.9%
Total net position	\$ 66.2	\$ 65.4	\$ 0.8	1.2%	\$ 139.2	\$ 137.3	\$ 1.9	1.4%	\$ 205.4	\$ 202.7	\$ 2.7	1.3%

Beginning with the 2015 financial statements, the Township has complied with the requirements set forth in Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of adopting these new standards, the tables included in this year's report show restated amounts for 2014. This can be seen above as the amounts reported for other assets for governmental activities has changed to \$63.6 million (down from \$86.3 million initially reported in the 2014 financial statements) and unrestricted net position has changed to \$4.1 million (down from \$26.8 million). The entire amount of this change is attributable to a reduction in the net pension asset relating to the Township's fire and police pension system from \$24 million to \$1.3 million.

# Charter Township of Shelby

## Management's Discussion and Analysis (Continued)

Using this restated information for 2014 for comparison purposes, the Township's combined net position increased by \$2.7 million from a year ago, increasing from \$202.7 million to \$205.4 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$800,000 in net position, or 1.2 percent, during 2015. This increase is a result of a few different factors. The amount of available cash and investments increased by \$3.5 million as the Township had a positive operating cash flow in 2015. This increase was offset by a net increase in other postemployment benefit obligation (OPEB) and pension liability of \$2.6 million as the Township adopted GASB Statement No. 68 standards and incurred additional OPEB liability. Unrestricted net position (the portion of net position available to finance day-to-day operations and future growth of the Township) decreased \$.4 million, or 9.8 percent, to \$3.7 million. This decrease is offset by a \$.9 million increase to restricted net position, mainly attributable to an increase in money restricted for police and fire, and an increase in net investment in capital assets of \$.3 million. The increase in restricted net position is a direct result of the Township's activities in 2014 relating to the fire and police pension system. The system was closed to new hires in 2014 and saw a significant reduction in the pension liability from previous years. This reduced the amount of money coming from the Fire Fund and the Police Fund for pension-related expenses and saw the Police Fund have its first surplus since 2009. The business-type activities net position increased \$1.9 million, or 1.4 percent, to \$139.2 million. This increase was attributable to an increase in net investment of capital assets of \$700,000 as debt used to finance the purchase of capital assets was paid down and an increase in unrestricted net position of \$1.2 million as both the Water and Sewer Fund and the Shelby Manor Fund saw a positive cash flow from operations. Total assets increased \$400,000 and total liabilities decreased \$1.5 million. This decrease was mainly due to a reduction in long-term liabilities.

# Charter Township of Shelby

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net position (in millions of dollars) for the year ended December 31, 2015 and the prior year:

	Governmental Activities				Business-type Activities				Total			
	2014 - As				2014 - As				2014 - As			
	2015	Restated	\$ Diff	% Diff	2015	2014	\$ Diff	% Diff	2015	Restated	\$ Diff	% Diff
<b>Revenue</b>												
Program revenue:												
Charges for services	\$ 9.2	\$ 8.4	\$ 0.8	9.5%	\$ 24.9	\$ 23.1	\$ 1.8	7.8%	\$ 34.1	\$ 31.5	\$ 2.6	8.3%
Operating grants and contributions	0.7	0.6	0.1	16.7%	-	-	-	0.0%	0.7	0.6	0.1	16.7%
Capital grants and contributions	-	-	-	0.0%	2.8	1.8	1.0	55.6%	2.8	1.8	1.0	55.6%
General revenue:												
Property taxes	26.7	26.1	0.6	2.3%	-	-	-	0.0%	26.7	26.1	0.6	2.3%
State-shared revenue	5.7	5.8	(0.1)	-1.7%	-	-	-	0.0%	5.7	5.8	(0.1)	-1.7%
Interest	0.2	0.1	0.1	100.0%	0.2	0.1	0.1	100.0%	0.4	0.2	0.2	100.0%
Other	2.1	2.0	0.1	5.0%	-	-	-	0.0%	2.1	2.0	0.1	5.0%
Extraordinary item	-	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%
Total revenue	44.6	43.0	1.6	3.7%	27.9	25.0	2.9	11.6%	72.5	68.0	4.5	6.6%
<b>Program Expenses</b>												
General government	7.8	8.1	(0.3)	-3.7%	-	-	-	0.0%	7.8	8.1	(0.3)	-3.7%
Public safety	27.4	27.8	(0.4)	-1.4%	-	-	-	0.0%	27.4	27.8	(0.4)	-1.4%
Public works	1.6	1.5	0.1	6.7%	-	-	-	0.0%	1.6	1.5	0.1	6.7%
41st District Court	2.6	2.6	-	0.0%	-	-	-	0.0%	2.6	2.6	-	0.0%
Recreation and culture	4.0	3.9	0.1	2.6%	-	-	-	0.0%	4.0	3.9	0.1	2.6%
Interest on long-term debt	0.4	-	0.4	0.0%	-	-	-	0.0%	0.4	-	0.4	0.0%
Shelby Manor senior housing	-	-	-	0.0%	1.3	1.3	-	0.0%	1.3	1.3	-	0.0%
Water and sewer	-	-	-	0.0%	24.7	23.4	1.3	5.6%	24.7	23.4	1.3	5.6%
Total program expenses	43.8	43.9	(0.1)	-0.2%	26.0	24.7	1.3	5.3%	69.8	68.6	1.2	1.7%
<b>Transfers</b>	-	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%
<b>Change in Net Position</b>	0.8	(0.9)	1.7	188.9%	1.9	0.3	1.6	533.3%	2.7	(0.6)	3.3	550.0%
<b>Net Position - Beginning of year</b>	65.4	66.3	(0.9)	-1.4%	137.3	137.0	0.3	0.2%	202.7	203.3	(0.6)	-0.3%
<b>Net Position - End of year</b>	<u>\$ 66.2</u>	<u>\$ 65.4</u>	<u>\$ 0.8</u>	1.2%	<u>\$ 139.2</u>	<u>\$ 137.3</u>	<u>\$ 1.9</u>	1.4%	<u>\$ 205.4</u>	<u>\$ 202.7</u>	<u>\$ 2.7</u>	1.3%

### Governmental Activities

The Township's total governmental revenue increased by approximately \$1.6 million, or 3.7 percent, from last year. An increase in charges for services of \$800,000, or 9.5 percent, and property taxes of \$600,000, or 2.3 percent, accounted for the majority of the increase. The increase in charges for services was due to an increase in permits of \$300,000, ambulance billings of \$200,000, and fines and forfeitures of \$150,000. Property tax revenue increased as property values have continued to expand on the increases first seen in 2014 after the downturn in the market.

Total governmental expenses decreased approximately \$100,000, or .2 percent, continuing the trend of previous years as the Township has continued to attempt to seek out new ways to reduce expenses. Cost reductions due to retirements, changes in employee benefits, and a dedicated effort to analyze and reduce all operating expenditures have all contributed to the decrease in expenses. The Township continued to build upon its infrastructure as major road improvements continued to be undertaken and additional trails were added to the extensive system of biking and hiking paths throughout the Township.



# **Charter Township of Shelby**

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

### **Business-type Activities**

The Township's business-type activities are recorded in the Water and Sewer Fund and Shelby Manor Fund. The Water and Sewer Fund provides water, which is purchased from the City of Detroit Water and Sewerage Department (DWSD), to 26,786 accounts. The Township also provides sewer service to 15,449 accounts. The sewage service is primarily provided by the DWSD. The Water and Sewer Fund also receives charges from the Oakland and Macomb Interceptor District (OMID) and the Macomb County Interceptor Drain District (MIDD) for its share of the operations and maintenance costs of major facilities in which the Water and Sewer Fund has a beneficial interest. The Macomb County Waste Water Disposal District (MCWWDD) acts as an intermediary for the DWSD, OMID, and MIDD. The Shelby Manor Fund represents the operation results of the Township's Shelby Manor senior living facility. The facility is made up of three buildings with a total of 264 units.

The Township's business-type activities' revenue increased by \$2.9 million, or 11.6 percent, to \$27.9 million primarily as a result of an increase in charges for services due to increased water and sewer rates and an increase in capital contributions. Shelby Manor rental rates remained unchanged in 2015, so revenue for their operations remained flat.

Expenses for 2015 increased by \$1.3 million, or 5.3 percent, to \$26 million. This increase is primarily attributable to an increase in the cost of water and sewer purchases from last year. The Shelby Manor Fund's expense increased by \$100,000, as additional money was spent for needed capital repairs and improvements.

### **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 2015 include the General Fund, Police Fund, Fire Fund, Water and Sewer Fund, and Shelby Manor Fund. Per GASB Statement No. 54, as of 2011, the District Court and Cable Television Funds, formerly special revenue funds, were incorporated into the General Fund.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township board and administration monitor and amend the budget to take into account unanticipated events that occur during 2015 and acceleration of multiyear capital projects. The General Fund experienced a \$920,000, or 5.66 percent, decrease in revenue from 2014. The most significant influence on revenue during 2014 was a decrease in state-shared revenue of over \$900,000, or 13.4 percent. The decrease was due to a revenue recognition change that allowed for seven state-shared revenue payments to be recognized as revenue in 2014 as opposed to the normal six payments. Other major changes were a \$440,000 decrease in property taxes as .18 mills was shifted to the Police Fund in 2015 and an increase in licenses and permits of \$300,000 due to permit levels seeing their third highest year since 2000.

# Charter Township of Shelby

## Management's Discussion and Analysis (Continued)

The General Fund ended the year with a favorable revenue budget variance of \$212,001 mostly attributed to state-shared revenue coming in higher than expected.

The General Fund experienced a 1.1 percent decrease in expenditures from 2014. Minor reductions in general government, public works, and recreation and culture were offset by a slight increase in capital outlay.

The General Fund ended the year with a favorable expenditure budget variance of \$708,231. All Township departments finished the year under budget, with personnel costs, maintenance costs, and senior/recreation programs being the largest contributors to the favorable variance.

When comparing the 2015 original General Fund budget with the 2015 amended budget, the amended budget increased revenue by approximately \$935,000. A large increase was required in licenses and permits as Township growth was larger than originally anticipated. On the expenditure side, the amended budget decreased expenditures by approximately \$440,000. The largest decreases are in general government and recreation and culture as personnel costs were lower than originally anticipated due to employee retirements and no wage increases, and auto-related expenses were lower than first thought due to a steep reduction in gasoline prices in 2015.

### Capital Assets and Debt Administration

At the end of 2015, the Township's governmental and business activities combined had approximately \$264.6 million in historical cost invested in a wide range of capital assets, including land, buildings, fire equipment, computer equipment, water and sewer lines, library books, and Township infrastructure such as roads and bridges. The infrastructure represents a usage right to these assets. The value of the infrastructure assets for governmental funds, net of depreciation contained in this report, is \$20.0 million for 2015 and 2014. The Enterprise Funds' infrastructure for 2015 and 2014 (including construction in progress), net of depreciation, is \$104.6 million and \$104.8 million, respectively. Additionally, the value of buildings and improvements for the governmental activities, net of depreciation, is \$11.6 million and \$12.0 million for 2015 and 2014, respectively. The Enterprise Funds' buildings and improvements, net of depreciation, are \$12.6 million for 2015 and \$13.0 million for 2014. See Note 4 for additional information.

In 2014 the Township issued \$9.3 million in pension obligation bonds to help fund the Township's Police and Fire Pension System. This debt is scheduled to be paid through 2027 and has \$8.7 million outstanding as of the end of 2015. The remaining debt reported in these financial statements is related to the construction of the above-mentioned buildings and infrastructure and is reported as a liability on the statement of net position (see Note 7 for additional information).

# **Charter Township of Shelby**

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

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

The Charter Township of Shelby will maintain the same property tax millage rate for 2016 that applied in 2015 (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 2015, property taxes made up approximately 59.6 percent of the Township's governmental funds' overall revenue. As the Township is slowly recovering from the economic downturn that occurred over the last several years, the ad valorem taxable value experienced an increase of approximately \$105 million, or 3.7 percent, between the 2014 and 2015 assessment years. State-shared revenue represented approximately 16.4 percent of the Township's governmental funds' overall 2015 revenue. In preparing the 2016 budget, it was assumed that there would be a slight increase in state-shared revenue based upon the State of Michigan's projections.

On the expenditure side, the Township continues to control personnel costs through attrition and labor negotiations with the goal of maintaining essential services and an efficient labor force. It is anticipated that due to rising healthcare costs and contractual wage increases, personnel costs will experience a slight increase in 2016. The Township board aggressively pursues a permanent solution to healthcare funding to spare future taxpayers the cost of funding present benefits.

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

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

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

# Charter Township of Shelby

## Statement of Net Position December 31, 2015

	Primary Government			Component Unit - DDA
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 61,819,206	\$ 25,323,009	\$ 87,142,215	\$ 219,454
Receivables:				
Property taxes receivable	13,237,530	-	13,237,530	-
Customers	-	6,217,857	6,217,857	-
Accrued interest receivable - Special assessment	-	42,733	42,733	-
Other receivables	1,157,850	27,017	1,184,867	-
Due from other governmental units	979,018	10,349	989,367	-
Special assessments receivable	-	1,235,053	1,235,053	-
Allowance for doubtful accounts	(297,226)	-	(297,226)	-
Internal balances (Note 5)	(12,285,025)	12,285,025	-	-
Inventories	-	229,150	229,150	-
Prepaid costs and other assets	1,369,323	160,730	1,530,053	-
Restricted assets (Note 8)	-	1,489,780	1,489,780	-
Capital assets:				
Assets not subject to depreciation (Note 4)	12,060,779	1,929,656	13,990,435	-
Assets subject to depreciation - Net (Note 4)	37,586,759	117,071,791	154,658,550	-
<b>Total assets</b>	<b>115,628,214</b>	<b>166,022,150</b>	<b>281,650,364</b>	<b>219,454</b>
<b>Deferred Outflows of Resources</b> - Deferred outflows related to pensions (Note 13)	7,927,862	-	7,927,862	-
<b>Liabilities</b>				
Accounts payable	633,221	2,453,854	3,087,075	-
Accrued liabilities and other	835,891	2,196,147	3,032,038	-
Unearned revenue (Note 6)	-	22,694	22,694	-
Due to fiduciary fund	-	163,011	163,011	-
Noncurrent liabilities (Note 7):				
Due within one year:				
Compensated absences	119,223	9,754	128,977	-
Provision for property tax refunds	47,437	-	47,437	-
Current portion of long-term debt	640,510	1,693,751	2,334,261	-
Due in more than one year:				
Compensated absences	724,496	68,916	793,412	-
Unearned revenue (Note 6)	-	780,261	780,261	-
Other postemployment benefit obligations (Note 10)	10,678,324	973,185	11,651,509	-
Net pension liability (Note 13)	7,979,481	-	7,979,481	-
Long-term debt - Net of current portion	8,045,510	18,467,834	26,513,344	-
<b>Total liabilities</b>	<b>29,704,093</b>	<b>26,829,407</b>	<b>56,533,500</b>	<b>-</b>
<b>Deferred Inflows of Resources</b> - Property taxes levied for the following year	27,650,542	-	27,650,542	-
<b>Net Position</b>				
Net investment in capital assets	49,626,518	99,075,166	148,701,684	-
Restricted for:				
Police and fire	12,808,887	-	12,808,887	-
Community development	14,984	-	14,984	-
Street lighting	78,778	-	78,778	-
Grants	5,324	-	5,324	-
Assets held at County	-	1,254,476	1,254,476	-
Unrestricted	3,666,950	38,863,101	42,530,051	219,454
<b>Total net position</b>	<b>\$ 66,201,441</b>	<b>\$ 139,192,743</b>	<b>\$ 205,394,184</b>	<b>\$ 219,454</b>

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

# Charter Township of Shelby

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 7,798,234	\$ 2,851,602	\$ 240,683	\$ 4,930
41A District Court	2,585,238	2,154,548	45,724	-
Public safety	27,443,643	3,074,952	253,161	16,801
Public works	1,585,894	315,804	37,138	-
Recreation and culture	3,978,640	828,170	79,043	-
Interest on long-term debt	430,773	-	-	-
Total governmental activities	<u>43,822,422</u>	<u>9,225,076</u>	<u>655,749</u>	<u>21,731</u>
Business-type activities:				
Water and sewer	24,661,826	23,023,241	-	2,728,195
Shelby Manor senior housing	1,337,041	1,891,144	-	-
Total business-type activities	<u>25,998,867</u>	<u>24,914,385</u>	<u>-</u>	<u>2,728,195</u>
Total primary government	<u>\$ 69,821,289</u>	<u>\$ 34,139,461</u>	<u>\$ 655,749</u>	<u>\$ 2,749,926</u>
Component unit - Downtown Development Authority	<u>\$ 47,289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenue:  
 Property taxes  
 State-shared revenue  
 Investment income  
 Cable franchise fees  
 Other miscellaneous income

Total general revenue

### Change in Net Position

**Net Position** - As restated - Beginning of year (Note 15)

**Net Position** - End of year

**Statement of Activities**  
**Year Ended December 31, 2015**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit - Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (4,701,019)	\$ -	\$ (4,701,019)	\$ -
(384,966)	-	(384,966)	-
(24,098,729)	-	(24,098,729)	-
(1,232,952)	-	(1,232,952)	-
(3,071,427)	-	(3,071,427)	-
(430,773)	-	(430,773)	-
(33,919,866)	-	(33,919,866)	-
-	1,089,610	1,089,610	-
-	554,103	554,103	-
-	1,643,713	1,643,713	-
(33,919,866)	1,643,713	(32,276,153)	-
-	-	-	(47,289)
26,737,786	-	26,737,786	-
5,740,968	-	5,740,968	-
165,337	238,900	404,237	334
1,469,251	-	1,469,251	-
625,615	-	625,615	-
34,738,957	238,900	34,977,857	334
819,091	1,882,613	2,701,704	(46,955)
65,382,350	137,310,130	202,692,480	266,409
<b>\$ 66,201,441</b>	<b>\$ 139,192,743</b>	<b>\$ 205,394,184</b>	<b>\$ 219,454</b>

# Charter Township of Shelby

## Governmental Funds Balance Sheet December 31, 2015

	General Fund	Fire Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 14,817,085	\$ 21,123,529	\$ 15,978,590	\$ 9,900,002	\$ 61,819,206
Receivables:					
Taxes	1,429,589	5,336,274	6,471,667	-	13,237,530
Other receivables	498,290	299,728	309,954	49,878	1,157,850
Due from other governmental units	973,954	-	-	5,064	979,018
Allowance for doubtful accounts	(38,220)	(135,806)	(123,200)	-	(297,226)
Advances to other funds (Note 5)	-	-	-	296,741	296,741
Prepaid expenses and other assets	57,894	28,596	38,200	1,244,633	1,369,323
<b>Total assets</b>	<b>\$ 17,738,592</b>	<b>\$ 26,652,321</b>	<b>\$ 22,675,211</b>	<b>\$ 11,496,318</b>	<b>\$ 78,562,442</b>
<b>Liabilities</b>					
Accounts payable	\$ 212,415	\$ 85,444	\$ 174,539	\$ 160,823	\$ 633,221
Due to other funds (Note 5)	5,583	1,029	154	-	6,766
Advances from other funds (Note 5)	-	6,036,000	6,539,000	-	12,575,000
Accrued and other liabilities	232,572	298,709	196,677	-	727,958
Provision for property tax refunds	5,275	19,127	23,035	-	47,437
<b>Total liabilities</b>	<b>455,845</b>	<b>6,440,309</b>	<b>6,933,405</b>	<b>160,823</b>	<b>13,990,382</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	7,019	1,095	1,570	44,562	54,246
Property taxes levied for the following year	2,973,180	11,112,382	13,564,980	-	27,650,542
<b>Total deferred inflows of resources</b>	<b>2,980,199</b>	<b>11,113,477</b>	<b>13,566,550</b>	<b>44,562</b>	<b>27,704,788</b>
<b>Fund Balances</b>					
Nonspendable - Prepaids	57,894	28,596	38,200	1,244,633	1,369,323
Restricted:					
Police and fire	-	9,069,939	2,137,056	2,005,572	13,212,567
Grants	-	-	-	5,324	5,324
Street lighting	-	-	-	76,576	76,576
Community development	-	-	-	14,984	14,984
Assigned:					
Subsequent year's budget	1,251,118	-	-	-	1,251,118
Public improvement	-	-	-	7,908,366	7,908,366
Equipment replacement	-	-	-	35,478	35,478
Recycling committee	12,250	-	-	-	12,250
Special rec donation	5,582	-	-	-	5,582
Beautification	863	-	-	-	863
Unassigned	12,974,841	-	-	-	12,974,841
<b>Total fund balances</b>	<b>14,302,548</b>	<b>9,098,535</b>	<b>2,175,256</b>	<b>11,290,933</b>	<b>36,867,272</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 17,738,592</b>	<b>\$ 26,652,321</b>	<b>\$ 22,675,211</b>	<b>\$ 11,496,318</b>	<b>\$ 78,562,442</b>

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

# Charter Township of Shelby

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position December 31, 2015

<b>Fund Balance Reported in Governmental Funds</b>	\$ 36,867,272
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	49,647,538
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	54,246
Bonds payable and other long-term liabilities are not due and payable in the current period and are not reported in the funds	(8,686,020)
Other liabilities that do not present a claim on current financial resources are not reported as fund liabilities	(107,933)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(843,719)
Net pension liability is not due and payable in the current period and is not reported in the funds	(7,979,481)
Certain changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are not reported in the funds	7,927,862
Long-term liabilities, such as net OPEB obligations, are not due and payable in the current period and are not reported in the fund	<u>(10,678,324)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 66,201,441</u></b>



# Charter Township of Shelby

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2015

	General Fund	Fire Fund	Police Fund	Nonmajor Governmental Funds	Total
<b>Revenue</b>					
Property taxes	\$ 2,884,552	\$ 10,742,010	\$ 13,111,224	\$ -	\$ 26,737,786
Licenses and permits	1,470,880	-	-	-	1,470,880
Federal grants	4,930	24,018	7,936	10,881	47,765
State-shared revenue and grants	6,052,959	-	78,123	207,502	6,338,584
Charges for services:					
Charges to other funds	1,065,682	-	-	-	1,065,682
Charges for services to external parties	1,052,129	2,392,133	585,384	311,897	4,341,543
Fines and forfeitures	2,255,055	-	-	97,435	2,352,490
Investment income	115,980	27,006	19,698	1,364	164,048
Cable franchise fees	1,469,251	-	-	-	1,469,251
Other revenue	518,951	11,015	325,299	20,054	875,319
<b>Total revenue</b>	<b>16,890,369</b>	<b>13,196,182</b>	<b>14,127,664</b>	<b>649,133</b>	<b>44,863,348</b>
<b>Expenditures</b>					
Current:					
General government	7,042,918	-	-	32,343	7,075,261
District Court	2,316,957	-	-	-	2,316,957
Public safety	-	11,531,007	12,272,620	307,803	24,111,430
Public works	269,749	-	-	449,109	718,858
Recreation and culture	3,448,596	-	-	43,041	3,491,637
Capital outlay	167,711	321,449	306,688	2,678,850	3,474,698
Debt service	-	481,709	521,852	-	1,003,561
<b>Total expenditures</b>	<b>13,245,931</b>	<b>12,334,165</b>	<b>13,101,160</b>	<b>3,511,146</b>	<b>42,192,402</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>3,644,438</b>	<b>862,017</b>	<b>1,026,504</b>	<b>(2,862,013)</b>	<b>2,670,946</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	1,775	-	29,460	-	31,235
Transfers in (Note 5)	56,409	-	14,483	3,257,512	3,328,404
Transfers out (Note 5)	(2,989,579)	(250,000)	(32,416)	(56,409)	(3,328,404)
<b>Total other financing (uses) sources</b>	<b>(2,931,395)</b>	<b>(250,000)</b>	<b>11,527</b>	<b>3,201,103</b>	<b>31,235</b>
<b>Net Change in Fund Balances</b>	<b>713,043</b>	<b>612,017</b>	<b>1,038,031</b>	<b>339,090</b>	<b>2,702,181</b>
<b>Fund Balances - Beginning of year</b>	<b>13,589,505</b>	<b>8,486,518</b>	<b>1,137,225</b>	<b>10,951,843</b>	<b>34,165,091</b>
<b>Fund Balances - End of year</b>	<b>\$ 14,302,548</b>	<b>\$ 9,098,535</b>	<b>\$ 2,175,256</b>	<b>\$ 11,290,933</b>	<b>\$ 36,867,272</b>

# Charter Township of Shelby

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2015

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 2,702,181
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	3,185,224
Depreciation expense	(2,736,123)
Net book value of adjustments and assets disposed of	(97,589)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(231,016)
Repayment of long-term liabilities is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	645,510
Other liabilities do not present a claim on current financial resources and are not reported as fund liabilities	(60,453)
Changes in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	(6,269)
Net pension liabilities and related deferred outflows reported in the statement of activities do not require the use of current resources and therefore are not reported in the fund statements	(1,391,984)
Net other postemployment benefit obligations reported in the statement of activities do not require the use of current resources and therefore are not reported in the fund statements	(1,190,390)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 819,091</u></b>

# Charter Township of Shelby

## Proprietary Funds Statement of Net Position December 31, 2015

	Enterprise Funds		
	Water and Sewer	Shelby Manor	Total
<b>Assets</b>			
Current assets:			
Cash and investments (Note 3)	\$ 24,739,305	\$ 583,704	\$ 25,323,009
Receivables:			
Special assessments receivable	183,900	-	183,900
Customers	6,217,857	-	6,217,857
Accrued interest receivable	42,733	-	42,733
Other receivables	26,992	25	27,017
Due from other governmental units	10,349	-	10,349
Due from other funds (Note 5)	27,842	-	27,842
Inventory	229,150	-	229,150
Prepaid expenses and other assets	54,381	106,349	160,730
	<u>31,532,509</u>	<u>690,078</u>	<u>32,222,587</u>
Total current assets			
Noncurrent assets:			
Restricted assets (Note 8)	1,489,780	-	1,489,780
Advances to other funds (Note 5)	12,575,000	-	12,575,000
Special assessment receivables	1,051,153	-	1,051,153
Capital assets:			
Assets not subject to depreciation (Note 4)	609,656	1,320,000	1,929,656
Assets subject to depreciation (Note 4)	107,417,111	9,654,680	117,071,791
	<u>123,142,700</u>	<u>10,974,680</u>	<u>134,117,380</u>
Total noncurrent assets			
	<u>154,675,209</u>	<u>11,664,758</u>	<u>166,339,967</u>
Total assets			
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	2,443,809	10,045	2,453,854
Due to other funds (Note 5)	-	21,076	21,076
Accrued liabilities and other	1,993,612	202,535	2,196,147
Unearned revenue (Note 6)	-	22,694	22,694
Due to fiduciary fund	163,011	-	163,011
Compensated absences (Note 7)	9,754	-	9,754
Current portion of long-term debt (Note 7)	893,171	800,580	1,693,751
	<u>5,503,357</u>	<u>1,056,930</u>	<u>6,560,287</u>
Total current liabilities			
Noncurrent liabilities:			
Advances from other funds (Note 5)	-	296,741	296,741
Compensated absences (Note 7)	68,916	-	68,916
Unearned revenue (Note 6)	780,261	-	780,261
Other postemployment benefit obligations (Note 10)	973,185	-	973,185
Long-term debt - Net of current portion (Note 7)	17,691,194	776,640	18,467,834
	<u>19,513,556</u>	<u>1,073,381</u>	<u>20,586,937</u>
Total noncurrent liabilities			
	<u>25,016,913</u>	<u>2,130,311</u>	<u>27,147,224</u>
Total liabilities			
<b>Net Position</b>			
Net investment in capital assets	89,677,706	9,397,460	99,075,166
Restricted - Assets held at County	1,254,476	-	1,254,476
Unrestricted	38,726,114	136,987	38,863,101
	<u>\$ 129,658,296</u>	<u>\$ 9,534,447</u>	<u>139,192,743</u>
Total net position			
<b>Net Position of Business-type Activities</b>			<u><u>\$ 139,192,743</u></u>

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

# Charter Township of Shelby

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended December 31, 2015

	Enterprise Funds		
	Water and Sewer	Shelby Manor	Total
<b>Operating Revenue</b>			
Sale of water	\$ 12,472,986	\$ -	\$ 12,472,986
Sewage disposal charges	8,547,274	-	8,547,274
Other sales to customers	1,924,107	-	1,924,107
Other miscellaneous income	78,874	-	78,874
Rental income	-	1,891,144	1,891,144
Total operating revenue	23,023,241	1,891,144	24,914,385
<b>Operating Expenses</b>			
Cost of water	11,731,309	-	11,731,309
Cost of sewage treatment	5,469,607	-	5,469,607
Other operation and maintenance	2,742,713	944,530	3,687,243
Billing and administrative costs	348,158	-	348,158
Depreciation	3,710,440	309,474	4,019,914
Total operating expenses	24,002,227	1,254,004	25,256,231
<b>Operating (Loss) Income</b>	(978,986)	637,140	(341,846)
<b>Nonoperating Revenue (Expenses)</b>			
Investment income	237,334	1,566	238,900
Interest expense	(659,599)	(83,037)	(742,636)
Total nonoperating expenses	(422,265)	(81,471)	(503,736)
<b>(Loss) Income - Before capital contributions</b>	(1,401,251)	555,669	(845,582)
<b>Capital Contributions</b>	2,728,195	-	2,728,195
<b>Change in Net Position</b>	1,326,944	555,669	1,882,613
<b>Net Position - Beginning of year</b>	128,331,352	8,978,778	137,310,130
<b>Net Position - End of year</b>	<u>\$ 129,658,296</u>	<u>\$ 9,534,447</u>	<u>\$ 139,192,743</u>

# Charter Township of Shelby

## Proprietary Funds Statement of Cash Flows Year Ended December 31, 2015

	Business-type Activities		
	Water and Sewer	Shelby Manor	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 22,607,021	\$ 1,880,856	\$ 24,487,877
Payments to suppliers	(17,727,035)	(933,498)	(18,660,533)
Payments to employees	(2,451,216)	-	(2,451,216)
Internal activity - Payments from other funds	-	3,255	3,255
Other receipts	36,176	-	36,176
Net cash provided by operating activities	2,464,946	950,613	3,415,559
<b>Cash Flows from Noncapital Financing Activities -</b>			
Repayments on advance to other funds	425,000	-	425,000
<b>Cash Flows from Capital and Related Financing Activities</b>			
Special assessment collections	366,782	-	366,782
Collection of capital charges and front foot assessments	1,256,246	-	1,256,246
Purchase of capital assets	(599,615)	-	(599,615)
Principal and interest paid on capital debt	(1,454,584)	(895,675)	(2,350,259)
Pre-payment of OMID Segment 4	(952,820)	-	(952,820)
Net cash used in capital and related financing activities	(1,383,991)	(895,675)	(2,279,666)
<b>Cash Flows from Investing Activities</b>			
Interest received on investments	201,158	1,566	202,724
Net purchase of investment securities	(2,992,695)	-	(2,992,695)
Net cash (used in) provided by investing activities	(2,791,537)	1,566	(2,789,971)
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(1,285,582)	56,504	(1,229,078)
<b>Cash and Cash Equivalents - Beginning of year</b>	15,825,832	527,200	16,353,032
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 14,540,250</b>	<b>\$ 583,704</b>	<b>\$ 15,123,954</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>			
Cash and investments	\$ 24,739,305	\$ 583,704	\$ 25,323,009
Less amounts classified as investments	(10,199,055)	-	(10,199,055)
Total cash and cash equivalents	<b>\$ 14,540,250</b>	<b>\$ 583,704</b>	<b>\$ 15,123,954</b>

# Charter Township of Shelby

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended December 31, 2015

	Business-type Activities		
	Water and Sewer	Shelby Manor	Total
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>			
Operating (loss) income	\$ (978,986)	\$ 637,140	\$ (341,846)
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	3,710,440	309,474	4,019,914
Changes in assets and liabilities:			
Receivables	(380,044)	240	(379,804)
Due from other funds	11,280	-	11,280
Inventories	(88,785)	-	(88,785)
Prepaid and other assets	4,233	12,563	16,796
Accounts payable	(141,289)	(1,531)	(142,820)
Due to other funds	-	3,255	3,255
Accrued and other liabilities	381,931	(5,946)	375,985
Unearned revenue	(53,834)	(4,582)	(58,416)
	<b>\$ 2,464,946</b>	<b>\$ 950,613</b>	<b>\$ 3,415,559</b>
Net cash provided by operating activities	<b>\$ 2,464,946</b>	<b>\$ 950,613</b>	<b>\$ 3,415,559</b>

**Noncash Transactions** - During the year ended December 31, 2015, developers constructed water and sewer lines with an estimated value of \$1,405,722 and donated them to the Township Water and Sewer Fund. In addition, the Township recorded approximately \$1,232,710 of capital assets, representing the Township's portion of the Oakland Macomb Interceptor Drainage District project and \$217,731 of capital assets, representing the Township's portion of the Clintondale Pump Station project and the North Gratiot Interceptor project.

# Charter Township of Shelby

## Fiduciary Funds Statement of Fiduciary Net Position December 31, 2015

	Pension and Other Employee Benefit Trust Funds	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 1,799,352	\$ 7,036,235
Investments (Note 3):		
Common stock	11,635,214	-
Limited partnership	11,030,522	-
Short-term funds	5,861,296	-
Collective index and mutual funds	87,041,111	-
Receivables:		
Accrued interest receivable	111,384	56,430
Other receivables	-	106,904
Due from other governmental units	-	690
Due from primary government	163,011	-
Prepaid expenses and other assets	<u>467,956</u>	<u>11,680</u>
Total assets	118,109,846	<u><b>\$ 7,211,939</b></u>
<b>Liabilities</b>		
Accounts payable	24,520	\$ 117,461
Refundable deposits, bonds, etc.	-	1,070,674
Accrued and other liabilities	83,135	366,648
Advance tax collections	<u>-</u>	<u>5,657,156</u>
Total liabilities	<u>107,655</u>	<u><b>\$ 7,211,939</b></u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<u><b>\$ 118,002,191</b></u>	

# Charter Township of Shelby

## Fiduciary Funds Statement of Changes in Fiduciary Net Position Year Ended December 31, 2015

	Pension and Other Employee Benefit Trust Funds
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 2,001,403
Net realized and unrealized loss on investments	(1,446,514)
Investment-related expenses	(515,048)
Net investment income	39,841
Contributions:	
Employer	6,440,825
Employee	536,954
Total contributions	6,977,779
Total additions	7,017,620
<b>Deductions</b>	
Benefit payments	8,203,812
Administrative expenses	76,319
Total deductions	8,280,131
<b>Net Decrease in Net Position Held in Trust</b>	(1,262,511)
<b>Net Position Held in Trust for Pension and Other Employee Benefits -     Beginning of year</b>	119,264,702
<b>Net Position Held in Trust for Pension and Other Employee Benefits -     End of year</b>	<u><u>\$ 118,002,191</u></u>



# Charter Township of Shelby

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## Notes to Financial Statements December 31, 2015

### Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the Charter Township of Shelby (the "Township"):

#### **Reporting Entity**

The Township was organized on November 20, 1978 under the provisions of Act 359 of P.A. 1947, as amended (the "Charter Township Act"). The Township is governed by an elected seven-member board of trustees composed of the supervisor, clerk, treasurer, and four other trustees. The Township provides the following services as authorized by its charter: public safety (police and fire), highway and streets, sanitation, water and sewer, culture, recreation, public improvements, planning and zoning, and general administrative services. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Township's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

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

- a. The police and fire retirement system (the "System") has been blended into the Township's financial statements. The System is governed by a five-member pension board, which includes the treasurer of the Township's board, two members elected individually by the police officers and firefighters, and two members appointed by the board of trustees. The System is reported as if it were part of the primary government because of the fiduciary responsibility that the Township retains relative to the operations of the retirement system.
- b. The Shelby Township Building Authority is governed by a five-member board that is appointed by the Township's board of trustees. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its primary purpose is to provide certain facilities necessary for the operation of the Township's government and to finance and construct the Township's public buildings.

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

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

#### Accounting and Reporting Principles

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

#### 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.

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

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

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

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

#### **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:

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

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

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

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

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

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

- The pension and other employee benefits trust fund accounts for the activities of employee benefit plans, which accumulate resources for pension and other postemployment benefit payments to qualified employees.
- The agency funds account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, and other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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

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

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

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

#### Specific Balances and Transactions

**Cash and Cash Equivalents** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less as of December 31, 2015.

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

Approximately \$11 million of the assets held by the Shelby Township Police and Fire Pension Plan at December 31, 2015 are not publicly traded and therefore do not always have a readily determinable market value. Management's estimates of these values are based on information provided by investment managers, general partners, real estate advisors, and other means. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed.

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

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

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

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

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

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

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

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

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has one item that qualifies for reporting in this category, which is the deferred outflows of resources related to the defined benefit pension plan. The deferred outflows of resources related to the defined benefit pension plan are reported in the government-wide financial statements. The deferred outflows of resources result from differences in assumed and actual plan experience, changes in plan assumptions, and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

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

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

#### Net Position Flow Assumption

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

#### Fund Balance Flow Assumption

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

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

#### 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).

# Charter Township of Shelby

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## Notes to Financial Statements December 31, 2015

### Note I - Summary of 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 Township board of trustees is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

#### **Property Tax Revenue**

Properties are assessed as of December 31. The related property taxes become a lien and are billed on December 1 of the following year. These taxes are due on February 28 with the final collection date of March 1 before they are added to the county tax rolls. Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred inflows in each respective fund at December 31.

The 2014 taxable valuation of the Township totaled approximately \$2,860,000,000 on which ad valorem taxes levied consisted of 1.0000 mills for operating purposes, 4.0424 mills for police protection, 3.2575 mills for fire operating purposes, and 1.0000 mill for police and fire pension. The ad valorem taxes raised approximately \$2,860,000 for general operations, \$11,563,000 for police protection, \$9,318,000 for fire operations, and \$2,860,000 for police and fire pension. These amounts are recorded in their respective funds as tax revenue.



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

**Pension Costs** - The Township offers pension benefits to retirees. 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 pension, pension expense, information about the fiduciary net position of the pension plan, 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 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.

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

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

**Proprietary Funds Operating Classification** - Proprietary funds distinguish operating 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 revenues of the Water and Sewer Fund and Shelby Manor Fund are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of capital charges intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

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

**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.

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

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

Shortfall at January 1, 2015		\$ (2,775,982)
Current year permit revenue		1,464,495
Related expenses:		
Direct costs	\$ 1,067,039	
Estimated indirect costs	<u>207,043</u>	<u>1,274,082</u>
Current year surplus		<u>190,413</u>
Cumulative shortfall at December 31, 2015		<u>\$ (2,585,569)</u>

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

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

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

The Township has designated 14 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments allowed by state statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

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 \$51,957,129 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

Investment	Fair Value	Weighted Average Maturity
Bank investment pool	\$ 1,354,573	365 days
Agency bonds	18,781,937	196 days
Commercial paper	14,343,644	150 days
U.S. Treasury securities	4,534,389	111 days
Short-term investments (Pension Trust)	3,196,272	46 days
Short-term investments (Other Postemployment Benefits Trust)	2,665,024	46 days
Fixed Income Collective Index Fund (Pension Trust)	25,153,593	7.6 years
Fixed Income Collective Fund (Other Postemployment Benefits Trust)	6,698,826	7.7 years

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

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

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

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pool	\$ 31,537,905	Not rated	
Agency bonds	18,781,937	AA+	S&P
Commercial paper	14,343,644	AI	S&P
Short-term investment fund (Pension Trust)	3,196,272	AI	S&P
Short-term investment fund (Other Postemployment Benefits Trust)	2,665,024	AI	S&P
Fixed Income Collective Index Fund (Pension Trust)	25,153,593	AA1/AA2	S&P
Fixed Income Collective Index Fund (Other Postemployment Benefits Trust)	6,698,826	AA1/AA2	S&P

**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, 2015, there were no investments in a single issuer in excess of 50 percent of the Township's total portfolio. The Township is invested in the Comerica Bond Index Fund and the Comerica S&P 500 Index Fund, each of which exceed 5 percent of the Township's total portfolio.

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

### Note 4 - Capital Assets

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

	Balance January 1, 2015	Transfers/ Adjustments	Additions	Disposals	Balance December 31, 2015
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 11,461,828	\$ -	\$ 235,000	\$ -	\$ 11,696,828
Construction in progress	123,643	(2,205)	242,513	-	363,951
Subtotal	11,585,471	(2,205)	477,513	-	12,060,779
Capital assets being depreciated:					
Infrastructure	34,363,413	2,205	1,475,052	-	35,840,670
Buildings and improvements	17,688,216	-	-	-	17,688,216
Machinery and equipment	8,685,876	-	416,060	(2,738,332)	6,363,604
Vehicles	7,234,822	-	816,599	(886,479)	7,164,942
Library books	2,000,000	-	-	-	2,000,000
Subtotal	69,972,327	2,205	2,707,711	(3,624,811)	69,057,432
Accumulated depreciation:					
Infrastructure	14,567,578	-	1,272,266	-	15,839,844
Buildings and improvements	5,656,764	-	417,338	-	6,074,102
Machinery and equipment	6,194,433	-	451,291	(2,662,193)	3,983,531
Vehicles	4,842,997	-	595,228	(865,029)	4,573,196
Library books	1,000,000	-	-	-	1,000,000
Subtotal	32,261,772	-	2,736,123	(3,527,222)	31,470,673
Net capital assets being depreciated	37,710,555	2,205	(28,412)	(97,589)	37,586,759
Net capital assets	\$ 49,296,026	\$ -	\$ 449,101	\$ (97,589)	\$ 49,647,538

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

### Note 4 - Capital Assets (Continued)

	Balance January 1, 2015	Transfers/ Adjustments	Additions	Disposals	Balance December 31, 2015
<b>Business-type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 1,525,441	\$ -	\$ -	\$ -	\$ 1,525,441
Construction in progress	124,557	-	279,658	-	404,215
Subtotal	1,649,998	-	279,658	-	1,929,656
Capital assets being depreciated:					
Buildings and improvements	19,505,595	-	-	-	19,505,595
Vehicles	693,472	-	61,220	-	754,692
Furniture and fixtures	1,018,920	-	-	-	1,018,920
Water systems	40,638,246	-	1,030,096	-	41,668,342
Sewer systems	116,499,046	-	2,058,471	-	118,557,517
Subtotal	178,355,279	-	3,149,787	-	181,505,066
Accumulated depreciation:					
Buildings and improvements	6,501,169	-	391,532	-	6,892,701
Vehicles	616,920	-	14,723	-	631,643
Furniture and fixtures	820,734	-	42,057	-	862,791
Water systems	17,318,564	-	997,053	-	18,315,617
Sewer systems	35,155,974	-	2,574,549	-	37,730,523
Subtotal	60,413,361	-	4,019,914	-	64,433,275
Net capital assets being depreciated	117,941,918	-	(870,127)	-	117,071,791
Net capital assets	\$ 119,591,916	\$ -	\$ (590,469)	\$ -	\$ 119,001,447

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

#### Governmental activities:

General government	\$ 586,797
Public safety	996,801
Public works	850,025
Recreation and culture	292,213
41A District Court	10,287
Total governmental activities	<u>\$ 2,736,123</u>

#### Business-type activities:

Water and sewer	\$ 3,710,440
Shelby Manor	309,474
Total business-type activities	<u>\$ 4,019,914</u>

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

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

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
Water and Sewer Fund	General Fund	\$ 5,583
	Police Fund	154
	Fire Fund	1,029
	Shelby Manor Fund	<u>21,076</u>
	Total Water and Sewer Fund	<u>\$ 27,842</u>
Receivable Fund	Payable Fund	Amount
<b>Advances from/to Other Funds</b>		
Water and Sewer Fund	Police Fund	\$ 6,539,000
	Fire Fund	<u>6,036,000</u>
	Total Water and Sewer Fund	12,575,000
Nonmajor governmental funds	Shelby Manor Fund	<u>296,741</u>
	Total	<u>\$ 12,871,741</u>

Interfund balances generally represent routine transactions and temporary cash flow assistance until amounts are available. 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.

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

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

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

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 2,975,096
	Police Fund	14,483
	Total General Fund	<u>\$ 2,989,579</u>
Police Fund	Nonmajor governmental funds	\$ 32,416
Fire Fund	Nonmajor governmental funds	250,000
Nonmajor governmental funds	General Fund	56,409

### Note 6 - Unearned Revenue

Unearned revenue in the Water and Sewer Fund represents redeemable certificates issued to developers to be applied as payment on future capital charges. Unearned revenue in the Shelby Manor Housing Fund represents 2016 rent payments made by residents during 2015.

### Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Installment purchase agreements are also general obligations of the government. Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund, Police Fund, Fire Fund, or other nonmajor fund from which the individual employee's salaries are paid. The net pension liability has generally been liquidated from the Police Fund and Fire Fund. The net OPEB obligation has generally been liquidated from the General Fund, Police Fund, and Fire Fund from which the individual employee's benefits are paid.



# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

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

Description	Amount
<b>Governmental Activities:</b>	
General obligations:	
Installment purchase agreement - Computer software	\$ 21,020
Pension Obligation Bonds Series 2014A:	
Amount of issue - \$9,300,000	
Maturing through 2027	
Interest rate range - 2.00% - 3.60%	
Principal maturity range - \$635,000 - \$860,000	<u>8,665,000</u>
Total	<u>\$ 8,686,020</u>
<b>Business-type Activities:</b>	
General obligations:	
2006 B.A. Refunding Bonds:	
Amount of issue - \$3,730,000	
Maturing through 2024	
Interest rate range - 4.00% - 5.50%	
Principal maturity ranges - \$140,000 - \$300,000	\$ 2,455,000
2008 N. Gratiot Drainage Assessment:	
Amount of issue - \$750,485	
Maturing through 2033	
Interest rate range - 3.25% - 4.75%	
Principal maturity range - \$18,000 - \$42,000	645,031
2008 B.A. Refunding Bonds:	
Amount of issue - \$7,325,000	
Plus bond premium of \$355,000	
Maturing through 2017	
Interest rate range - 3.00% - 5.50%	
Principal maturity range - \$540,000 - \$810,000	1,577,220
2009 State Revolving Fund (SRF) Clean Water:	
General Obligation Bond - Project 5343-01:	
Amount of issue - \$128,150	
Maturing through 2029	
Interest rate - 2.50%	
Principal maturity range - \$5,000 - \$10,000	103,150
2010 Clintondale Pump Station Debt:	
Amount of issue - \$2,849,191	
Maturing through 2031	
Interest rate - 2.50% - 5.00%	
Principal maturity range - \$65,000 - \$231,000	2,548,546

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

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

Description	Amount
<b>Business-type Activities (Continued):</b>	
General obligations (Continued):	
2010 OMID Series 2010B:	
Amount of issue - \$319,195	
Maturing through 2030	
Interest rate range - 1.15% - 5.90%	
Principal maturity range - \$9,000 - \$25,000	\$ 265,122
2010 OMID Series 2010A (SRF):	
Amount of issue - \$1,242,274	
Maturing through 2031	
Interest rate - 2.50%	
Principal maturity range - \$48,000 - \$78,000	1,040,945
2010 MID Series 2010A:	
Amount of issue - \$7,721,197	
Maturing through 2035	
Interest rate range - 1.25% - 5.50%	
Principal maturity range - \$241,000 - \$455,000	6,740,907
2010 N. Gratiot Drainage Assessment:	
Amount of issue - \$73,021	
Maturing through 2035	
Interest rate range - 1.00% - 6.35%	
Principal maturity range - \$1,000 - \$4,000	62,562
2010 MID Series 2010A (Garfield Interceptor):	
Amount of issue - \$4,861,206	
Maturing through 2035	
Interest rate range - 1.25% - 5.375%	
Principal maturity range - \$152,000 - \$286,000	4,244,042
2014 OMID Drain Bonds Series 2014A:	
Amount of issue - \$476,441	
Maturing through 2034	
Interest rate range - 2.00% - 3.125%	
Principal maturity range - \$18,000 - \$31,000	458,002
2015 MID SRF 5624-01	
Amount of issue - \$355,314	
Maturing through 2035	
Interest rate - 2.50%	
Principal maturity range - \$14,019 - \$22,237	21,058
Total business-type activity debt	<u>\$ 20,161,585</u>

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

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

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Installment purchase agreement	\$ 31,530	\$ -	\$ 10,510	\$ 21,020	\$ 10,510
General obligations	9,300,000	-	635,000	8,665,000	630,000
Subtotal	9,331,530	-	645,510	8,686,020	640,510
Accumulated compensated absences	837,450	6,269	-	843,719	119,223
Total governmental activities	<u>\$ 10,168,980</u>	<u>\$ 6,269</u>	<u>\$ 645,510</u>	<u>\$ 9,529,739</u>	<u>\$ 759,733</u>
<b>Business-type Activities</b>					
General obligations	\$ 21,762,150	\$ 21,058	\$ 1,621,623	\$ 20,161,585	\$ 1,693,751
Compensated absences	59,645	19,025	-	78,670	9,754
Total business-type activities	<u>\$ 21,821,795</u>	<u>\$ 40,083</u>	<u>\$ 1,621,623</u>	<u>\$ 20,240,255</u>	<u>\$ 1,703,505</u>

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
2016	\$ 640,510	\$ 248,848	\$ 889,358	\$ 1,693,751	\$ 763,260	\$ 2,457,011
2017	650,510	236,248	886,758	1,687,912	689,818	2,377,730
2018	650,000	223,448	873,448	920,085	619,126	1,539,211
2019	665,000	210,448	875,448	950,531	587,921	1,538,452
2020	680,000	197,148	877,148	969,073	554,669	1,523,742
2021-2025	3,715,000	665,535	4,380,535	5,164,292	2,197,091	7,361,383
2026-2030	1,685,000	90,795	1,775,795	4,742,006	1,254,509	5,996,515
2031-2035	-	-	-	4,033,935	370,823	4,404,758
Total	<u>\$ 8,686,020</u>	<u>\$ 1,872,470</u>	<u>\$ 10,558,490</u>	<u>\$ 20,161,585</u>	<u>\$ 7,037,217</u>	<u>\$ 27,198,802</u>

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

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

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

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

#### Macomb Interceptor Drainage District (MID)

	County Portion	Township Portion	Tax Credit
MID Series 2010A	\$ 95,955,000	\$ 12,582,422	\$ 1,899,080
North Gratiot Interceptor 2010	16,965,000	73,021	26,000
North Gratiot Interceptor 2008	22,340,000	750,485	-
Clintondale Pump Station 2011	30,800,000	2,849,191	-
MID SRF 5624-01	217,800	21,058	-

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

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

**Advance and Current Refundings** - In prior years, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At December 31, 2015, \$4,170,000 of bonds outstanding is considered defeased.

### Note 8 - Restricted Assets

The Township has \$235,304 of restricted assets at December 31, 2015 related to unspent bond proceeds which are held by Macomb and Oakland counties in connection with the OMID, North Gratiot, and Clintondale Pump Station Interceptor projects described in Note 7. The remaining \$1,254,476 of restricted assets relates to prepayments made to the counties for the Township's portion of OMID Segments 2, 3, and 4.

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

### 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 as well as those that have not yet been reported. Changes in the estimated liability for the past fiscal year were as follows:

	Medical Claims	
	2015	2014
Unpaid claims - Beginning of year	\$ 716,888	\$ 751,864
Incurred claims, including claims incurred but not reported	3,719,899	3,520,349
Claim payments	<u>(3,677,392)</u>	<u>(3,555,325)</u>
Unpaid claims - End of year	<u>\$ 759,395</u>	<u>\$ 716,888</u>

### Note 10 - Other Postemployment Benefits

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

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

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

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

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

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

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

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

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

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

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

Healthcare benefits provided cover the retired employee, as well as his or her spouse and any eligible dependents. All benefits listed are paid in full by the Township until a covered person is eligible for Medicare coverage. Upon eligibility for Medicare coverage, the covered person must apply for Medicare and the Township then supplies a complementary coverage policy per the applicable bargaining unit. Currently, 179 retirees are eligible.

**Funding Policy** - The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). As shown below, the Township has made contributions to advance-fund a portion of these benefits as of December 31, 2015.

**Funding Progress** - For the year ended December 31, 2015, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of January 1, 2014. The valuation computes an annual required contribution which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution	\$ 5,773,353
Interest on the prior year's net OPEB obligation	676,913
Less adjustment to the annual required contribution	<u>(613,274)</u>
Annual OPEB cost	5,836,992
Amounts contributed:	
Payments of current premiums	(2,660,967)
Prefunding contribution	<u>(1,938,558)</u>
Increase in net OPEB obligation	1,237,467
OPEB obligation - Beginning of year	<u>10,414,042</u>
OPEB obligation - End of year	<u>\$ 11,651,509</u>

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

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

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

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
12/31/15	1/1/14	\$ 5,773,353	79.7	\$ 11,651,509
12/31/14	1/1/14	5,773,353	61.1	10,414,042
12/31/13	1/1/12	5,079,690	87.0	8,107,695
12/31/12	1/1/12	5,079,690	73.3	7,295,926
12/31/11	1/1/11	6,431,625	248.6	5,884,488

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
1/1/14	\$ 19,855,870	\$ 84,443,078	\$ 64,587,208	23.5	\$ 14,554,860	443.8
1/1/12	13,948,217	70,380,755	56,432,538	19.8	16,179,279	348.8
1/1/11	-	84,004,736	84,004,736	-	16,719,112	502.4

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

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



# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

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

In the January 1, 2014 actuarial valuation, the projected unit credit with linear proration to decrement method was used. The actuarial assumptions included a 6.5 percent investment rate of return (net of administrative expenses), which is a blended rate consisting of the expected long-term investment return on plan assets and that of employer assets, and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent by 2022. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2015 was 27 years.

### Note 11 - Pension and Other Employee Benefit Trust Funds

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

	Police and Fire Retirement System	Retiree Healthcare Trust
<b>Statement of Net Position</b>		
Investments	\$ 93,078,580	\$ 22,489,563
Other assets	567,629	1,974,074
Liabilities	<u>(105,975)</u>	<u>(1,680)</u>
Net position	<u>\$ 93,540,234</u>	<u>\$ 24,461,957</u>
<b>Statement of Changes in Net Position</b>		
Investment (loss) income	\$ (70,617)	\$ 110,458
Contributions	2,378,254	4,599,525
Benefit payments	(5,542,845)	(2,660,967)
Other deductions	<u>(76,319)</u>	<u>-</u>
Net change in net position	<u>\$ (3,311,527)</u>	<u>\$ 2,049,016</u>

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

### Note 12 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time employees, except those employees covered by the Police and Fire Retirement System, through a defined contribution plan administered by John Hancock. 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, 2015, the Township made contributions of \$763,865 and the plan members contributed \$406,021 to the plan.

### Note 13 - Defined Benefit 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 permanent full-time firefighters hired prior to May 2, 2014 and all police officers hired prior to April 2, 2014 of the Township. Benefit terms have been established by contractual agreements between the Township and the various employee union representation; amendments are subject to the same process.

The financial statements of the 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 pension board, which consists of five members - two elected by plan members, two appointed by the Township, and the Township treasurer, who serves as an ex-officio member.

**Employees Covered by Benefit Terms** - At December 31, 2015, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	109
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>111</u>
Total employees covered by the plan	<u><u>223</u></u>

### Note 13 - Defined Benefit Pension Plan (Continued)

**Benefits Provided** - The pension plan 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.

**Contributions** - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the Township Charter, union contracts, and plan provisions. For the year ended December 31, 2015, the average active member contribution rate was 5 percent of annual pay and the Township's average contribution rate was 17.8 percent of annual payroll.

### Note 13 - Defined Benefit Pension Plan (Continued)

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

**Investment Policy** - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the pension board's adopted asset allocation policy as of December 31, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	41 %
Global fixed income	31
International equity	16
Real estate	5
Alternatives	5
Cash or cash equivalents	2

**Rate of Return** - For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.13 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### 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, their balance is returned to them upon their 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.

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

### Note 13 - Defined Benefit Pension Plan (Continued)

The balances of the reserve accounts at December 31, 2015 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 61,154,879	\$ 61,154,879
Employee reserve	7,941,240	7,941,240
Employer reserve	N/A	24,444,115

#### Net Pension Liability

The components of the net pension liability of the Township at December 31, 2015 were as follows:

Total pension liability	\$ 101,519,715
Plan fiduciary net position	<u>(93,540,234)</u>
Township's net pension liability	<u>\$ 7,979,481</u>

Plan fiduciary net position as a percentage of the total pension liability 92.1 %

The Township has chosen to use December 31, 2015 as its measurement date for the net pension liability. The December 31, 2015 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
<b>Balance at December 31, 2014</b>	\$ 95,511,396	\$ 96,851,761	\$ (1,340,365)
Service cost	1,909,981	-	1,909,981
Interest	7,098,747	-	7,098,747
Differences between expected and actual experience	621,041	-	621,041
Changes in assumptions	1,921,395	-	1,921,395
Contributions - Employer	-	1,841,300	(1,841,300)
Contributions - Employee	-	536,954	(536,954)
Net investment (loss) income	-	(70,617)	70,617
Benefit payments, including refunds	(5,542,845)	(5,542,845)	-
Administrative expenses	-	(76,319)	76,319
Net changes	<u>6,008,319</u>	<u>(3,311,527)</u>	<u>9,319,846</u>
<b>Balance at December 31, 2015</b>	<u>\$ 101,519,715</u>	<u>\$ 93,540,234</u>	<u>\$ 7,979,481</u>

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

### Note 13 - Defined Benefit Pension Plan (Continued)

**Assumption Changes** - The mortality rates used to measure funding liability have been changed from the SOA UP-1994 Mortality Table for males and females to the RP-2014 Blue Collar with 2015 Social Security Generational Improvement Scale from 2006. This change resulted in an increase in the liabilities and normal cost.

The base salary scale schedule has been changed from a 4.25 percent salary increase beginning with the 2016 expected pay to a 3.50 percent salary increase. This change resulted in a decrease in the liabilities and normal cost.

The assumption to adjust the final average pay at retirement for police command members hired before 1995 and police patrol members has been reduced from 10.0 to 5.0 percent. The assumption to adjust the final average pay at retirement for police command members hired after 1995 has been reduced from 10.0 to 0.0 percent. These changes resulted in a decrease in the liabilities and normal cost.

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

For the year ended December 31, 2015, the Township recognized pension expense of \$3,233,284. At December 31, 2015, 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	\$ 517,534	\$ -
Changes in assumptions	1,601,162	-
Net difference between projected and actual earnings on pension plan investments	<u>5,809,166</u>	<u>-</u>
Total	<u>\$ 7,927,862</u>	<u>\$ -</u>

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

Years Ending December 31	Amount
2016	\$ 1,876,032
2017	1,876,032
2018	1,876,032
2019	1,846,032
2020	423,734

### Note 13 - Defined Benefit Pension Plan (Continued)

**Actuarial Assumptions** - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 %	
Salary increases	3.5 - 8.75 %	Average, including inflation
Investment rate of return	7.50 %	Net of pension plan investment expense, compounded annually

Mortality rates were based on the RP-2014 Blue Collar with 2015 Social Security Generational Improvement Scale from 2006.

**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.

#### **Projected Cash Flows**

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

# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

### Note 13 - Defined Benefit Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of December 31, 2015 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 table.

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	8.00 %
Global fixed income	7.60
International equity	3.00
Real estate	4.50
Alternatives	6.90
Cash and cash equivalents	1.00

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability (asset) of the Township, calculated using the discount rate of 7.5 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	<u>1 Percent Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1 Percent Increase (8.5%)</u>
Net pension liability of the Township	\$ 20,342,989	\$ 7,979,481	\$ (3,041,807)



# Charter Township of Shelby

## Notes to Financial Statements December 31, 2015

### Note 14 - Future Minimum Lease Revenue

The Township leases a portion of its land to a private operator through the year 2053 for use as a golf course. During 2015, the Township recognized no revenue related to this lease.

Future annual minimum lease payments are as follows:

<u>Year</u>	<u>Percent of Gross Revenue</u>	<u>Minimum Rent</u>
2016-2020	- %	\$ -
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 - Change in Accounting

During the current year, the Township adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the government-wide statements now include a liability for unfunded pension costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. The restatement of deferred inflows and outflows was not practical as all necessary information for such a restatement was not available from the pension plan. Refer to the pension note for further details. This change does not impact the General Fund or any other governmental fund.

Net position - December 31, 2014 - As previously reported	\$ 88,082,438
Adjustment to remove net pension asset previously recorded in accordance with GASB Statement No. 27	(24,040,453)
Adjustment to record net pension asset in accordance with GASB Statement No. 68	<u>1,340,365</u>
Net position - December 31, 2014 - As restated	<u>\$ 65,382,350</u>

### Note 16 - Upcoming Accounting Pronouncements

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

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

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement will require governments to disclose in their financial statements information related to tax abatement agreements. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016 fiscal year.

In January 2016, the Governmental Accounting Standards Board issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*. The requirements of this statement enhance the comparability of financial statements among governments by clarifying the financial statement presentation requirements for certain component units. GASB Statement No. 80 is required to be adopted for years beginning after June 15, 2016. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the Township's 2017 fiscal year.

## **Required Supplemental Information**

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# Charter Township of Shelby

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual
<b>Revenue</b>			
Property taxes	\$ 2,890,888	\$ 2,882,464	\$ 2,884,552
Licenses and permits	828,000	1,450,869	1,470,880
Federal grants	-	-	4,930
State-shared revenue and grants	5,829,210	5,946,724	6,052,959
Charges for services	1,997,738	2,077,888	2,043,221
Fines and forfeitures	2,087,442	2,208,032	2,255,055
Investment income	50,000	70,000	115,831
Other revenue:			
Local donations	31,700	36,843	45,464
Other miscellaneous income	483,968	461,558	473,487
Total revenue	14,198,946	15,134,378	15,346,379
<b>Expenditures</b>			
Current:			
General government	7,347,845	7,053,533	6,645,255
Public works	285,725	275,725	269,749
Recreation and culture	3,206,580	3,055,227	2,818,047
Capital outlay	92,163	106,914	50,117
Total expenditures	10,932,313	10,491,399	9,783,168
<b>Excess of Revenue Over Expenditures</b>	3,266,633	4,642,979	5,563,211
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of capital assets	600	4,000	1,100
Transfers in	19,600	68,408	64,376
Transfers out	(3,257,801)	(4,972,257)	(4,915,644)
Total other financing uses	(3,237,601)	(4,899,849)	(4,850,168)
<b>Net Change in Fund Balance</b>	29,032	(256,870)	713,043
<b>Fund Balance - Beginning of year</b>	13,365,640	13,365,640	13,365,640
<b>Fund Balance - End of year</b>	<b>\$ 13,394,672</b>	<b>\$ 13,108,770</b>	<b>\$ 14,078,683</b>

# Charter Township of Shelby

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Fund Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual
<b>Revenue</b>			
Property taxes	\$ 10,764,331	\$ 10,731,417	\$ 10,742,010
Federal grants	-	20,675	24,018
Charges for services	2,284,150	2,595,890	2,392,133
Investment income	13,400	28,000	27,006
Other revenue	11,800	3,500	11,015
Total revenue	13,073,681	13,379,482	13,196,182
<b>Expenditures</b>			
Current - Public safety	11,148,024	11,234,458	10,971,947
Capital outlay	110,843	322,374	321,449
Debt service	484,871	511,571	481,709
Total expenditures	11,743,738	12,068,403	11,775,105
<b>Excess of Revenue Over Expenditures</b>	1,329,943	1,311,079	1,421,077
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of capital assets	5,000	-	-
Transfers out	(586,344)	(809,060)	(809,060)
Total other financing uses	(581,344)	(809,060)	(809,060)
<b>Net Change in Fund Balance</b>	748,599	502,019	612,017
<b>Fund Balance - Beginning of year</b>	8,486,518	8,486,518	8,486,518
<b>Fund Balance - End of year</b>	<b>\$ 9,235,117</b>	<b>\$ 8,988,537</b>	<b>\$ 9,098,535</b>

# Charter Township of Shelby

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Fund Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual
<b>Revenue</b>			
Property taxes	\$ 13,139,508	\$ 13,098,837	\$ 13,111,224
Federal grants	-	12,276	7,936
State-shared revenue and grants	70,000	75,276	78,123
Charges for services	530,527	597,991	585,384
Investment income	13,400	21,400	19,698
Other revenue	38,550	58,050	325,299
Total revenue	13,791,985	13,863,830	14,127,664
<b>Expenditures</b>			
Current - Public safety	11,928,003	11,928,024	11,578,880
Capital outlay	256,319	277,136	306,688
Debt service	525,278	554,202	521,852
Total expenditures	12,709,600	12,759,362	12,407,420
<b>Excess of Revenue Over Expenditures</b>	1,082,385	1,104,468	1,720,244
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of capital assets	13,000	10,000	29,460
Transfers in	35,000	10,000	14,483
Transfers out	(696,601)	(726,156)	(726,156)
Total other financing uses	(648,601)	(706,156)	(682,213)
<b>Net Change in Fund Balance</b>	433,784	398,312	1,038,031
<b>Fund Balance - Beginning of year</b>	1,137,225	1,137,225	1,137,225
<b>Fund Balance - End of year</b>	<u>\$ 1,571,009</u>	<u>\$ 1,535,537</u>	<u>\$ 2,175,256</u>

# Charter Township of Shelby

## Note to Required Supplemental Information Year Ended December 31, 2015

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

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

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

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

	<u>Total Revenue and Transfers</u>	<u>Total Expenditures and Transfers</u>
<b>General Fund</b>		
Amounts per operating statement	\$ 16,948,553	\$ 16,235,510
Cable Television Fund budgeted separately from the General Fund	<u>(1,536,698)</u>	<u>(1,536,698)</u>
Amounts per budget statement	<u>\$ 15,411,855</u>	<u>\$ 14,698,812</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Police Fund - Capital outlay	\$ 277,136	\$ 306,688	\$ (29,552)

# Charter Township of Shelby

## Required Supplemental Information Schedule of Changes in the Township Net Pension Liability and Related Ratios Years Ended December 31

	2015	2014
<b>Total Pension Liability</b>		
Service cost	\$ 1,909,981	\$ 2,244,535
Interest	7,098,747	6,948,342
Changes in benefit terms	-	(6,650)
Differences between expected and actual experience	621,041	2,622,717
Changes in assumptions	1,921,395	-
Benefit payments, including refunds	(5,542,845)	(5,213,225)
<b>Net Change in Total Pension Liability</b>	6,008,319	6,595,719
<b>Total Pension Liability - Beginning of year</b>	95,511,396	88,915,677
<b>Total Pension Liability - End of year</b>	<b>\$ 101,519,715</b>	<b>\$ 95,511,396</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 1,841,300	\$ 27,671,584
Contributions - Member	536,954	593,046
Net investment income	(70,617)	4,898,111
Administrative expenses	(76,319)	(38,435)
Benefit payments, including refunds	(5,542,845)	(5,213,225)
<b>Net Change in Plan Fiduciary Net Position</b>	(3,311,527)	27,911,081
<b>Plan Fiduciary Net Position - Beginning of year</b>	96,851,761	68,940,680
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 93,540,234</b>	<b>\$ 96,851,761</b>
<b>Township's Net Pension Liability - End</b>	<b>\$ 7,979,481</b>	<b>\$ (1,340,365)</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	92.14 %	101.40 %
<b>Covered Employee Payroll</b>	<b>\$ 10,326,125</b>	<b>\$ 10,780,667</b>
<b>Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	77.27 %	(12.43)%



# Charter Township of Shelby

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 1,841,300	\$ 4,043,780	\$ 4,097,277	\$ 4,558,181	\$ 4,937,379	\$ 4,611,275	\$ 3,600,027	\$ 3,292,075	\$ 3,422,222	\$ 3,091,200
Contributions in relation to the actuarially determined contribution	<u>1,841,300</u>	<u>27,671,584</u>	<u>4,097,277</u>	<u>4,558,181</u>	<u>4,937,379</u>	<u>4,612,070</u>	<u>3,666,139</u>	<u>3,691,071</u>	<u>3,515,092</u>	<u>3,272,387</u>
<b>Contribution Deficiency (Excess)</b>	<b>\$ -</b>	<b>\$ (23,627,804)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (795)</b>	<b>\$ (66,112)</b>	<b>\$ (398,996)</b>	<b>\$ (92,870)</b>	<b>\$ (181,187)</b>
<b>Covered Employee Payroll</b>	\$ 10,326,125	\$ 10,780,667	\$ 10,962,530	\$ 10,940,963	\$ 11,259,348	\$ 10,915,185	\$ 10,939,120	\$ 10,815,600	\$ 10,447,198	\$ 9,888,910
<b>Contributions as a Percentage of Covered Employee Payroll</b>	17.83 %	256.68 %	37.38 %	41.66 %	43.85 %	42.25 %	33.51 %	34.13 %	33.65 %	33.09 %

### Notes to Schedule of Township Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, which is 12 months prior to the beginning of the fiscal year during which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age normal. This method produces a normal cost as a level percentage of pay over the service life of each participant and amortization of the Unfunded Actuarial Accrued Liability (UAAL). Gains and losses are reflected in the UAAL and are included in the amortization.

Amortization method Level dollar, closed

Remaining amortization period 12 year

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 increases 3.50 to 8.75 percent

Investment rate of return 7.50 percent

Retirement age Age and experience-based tables that are specific to the type of eligibility condition.

Mortality RP-2014 Blue Collar with 2015 Social Security Generational Improvement Scale from 2006.

Other information Changes to the benefit provisions and actuarial assumptions are reflected in the TPL as of December 31, 2015.

**Charter Township of Shelby**

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**Required Supplemental Information  
Schedule of Investment Returns  
Years Ended December 31**

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return - Net of investment expense	0.1 %	7.0 %

# Charter Township of Shelby

## Required Supplemental Information OPEB System Schedule of Funding Progress Year Ended December 31, 2015

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
1/1/14	\$ 19,855,870	\$ 84,443,078	\$ 64,587,208	23.5	\$ 14,554,860	443.8
1/1/12	13,948,217	70,380,755	56,432,538	19.8	16,179,279	348.8
1/1/11	-	84,004,736	84,004,736	-	16,719,112	502.4

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
12/31/15	1/1/14	\$ 5,773,353	79.7
12/31/14	1/1/14	5,773,353	61.1
12/31/13	1/1/12	5,079,690	87.0

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

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

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

## **Other Supplemental Information**

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# Charter Township of Shelby

## Nonmajor Special Revenue Funds

	Emergency Response	Street Lighting	Building Authority	Michigan Justice Training Grant	Community Block Grant	Federal Forfeiture
<b>Assets</b>						
Cash and cash equivalents	\$ 111,309	\$ 112,006	\$ 14,984	\$ 5,324	\$ -	\$ 1
Receivables:						
Other receivables	-	7,403	-	-	-	-
Due from other governmental units	-	2,202	-	-	2,862	-
Advances to other funds	-	-	-	-	-	-
Prepaid expenses and other assets	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 111,309</b>	<b>\$ 121,611</b>	<b>\$ 14,984</b>	<b>\$ 5,324</b>	<b>\$ 2,862</b>	<b>\$ 1</b>
<b>Liabilities - Accounts payable</b>	<b>\$ 13,875</b>	<b>\$ 42,833</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,862</b>	<b>\$ -</b>
<b>Deferred Inflows of Resources -</b>						
Unavailable revenue	-	2,202	-	-	-	-
<b>Fund Balances</b>						
Nonspendable - Prepays	-	-	-	-	-	-
Restricted:						
Police and fire	97,434	-	-	-	-	1
Grants	-	-	-	5,324	-	-
Street lighting	-	76,576	-	-	-	-
Community development	-	-	14,984	-	-	-
Assigned:						
Public improvement	-	-	-	-	-	-
Equipment replacement	-	-	-	-	-	-
<b>Total fund balances</b>	<b>97,434</b>	<b>76,576</b>	<b>14,984</b>	<b>5,324</b>	<b>-</b>	<b>1</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 111,309</b>	<b>\$ 121,611</b>	<b>\$ 14,984</b>	<b>\$ 5,324</b>	<b>\$ 2,862</b>	<b>\$ 1</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2015**

Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds			Total Nonmajor Governmental Funds
	Drug Forfeiture	Public Improvement	Equipment Replacement	
\$ 168,207	\$ 9,445,708	\$ 42,463	\$ 9,900,002	
115	42,360	-	49,878	
-	-	-	5,064	
-	296,741	-	296,741	
-	1,244,633	-	1,244,633	
<b>\$ 168,322</b>	<b>\$ 11,029,442</b>	<b>\$ 42,463</b>	<b>\$ 11,496,318</b>	
\$ 45,363	\$ 48,905	\$ 6,985	\$ 160,823	
-	42,360	-	44,562	
-	1,244,633	-	1,244,633	
122,959	1,785,178	-	2,005,572	
-	-	-	5,324	
-	-	-	76,576	
-	-	-	14,984	
-	7,908,366	-	7,908,366	
-	-	35,478	35,478	
122,959	10,938,177	35,478	11,290,933	
<b>\$ 168,322</b>	<b>\$ 11,029,442</b>	<b>\$ 42,463</b>	<b>\$ 11,496,318</b>	

# Charter Township of Shelby

	Nonmajor Special Revenue Funds						
			Michigan				
	Emergency Response	Street Lighting	Building Authority	Justice Training Grant	Community Block Grant	Federal Forfeiture	Drug Forfeiture
<b>Revenue</b>							
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ 10,881	\$ -	\$ -
State-shared revenue and grants	158,196	-	-	12,168	-	-	-
Charges for services	-	308,414	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	97,435
Investment income	258	183	-	-	-	-	86
Other revenue	-	22	-	-	-	-	-
<b>Total revenue</b>	<b>158,454</b>	<b>308,619</b>	<b>-</b>	<b>12,168</b>	<b>10,881</b>	<b>-</b>	<b>97,521</b>
<b>Expenditures</b>							
Current:							
General government	-	-	-	-	-	-	-
Public safety	184,838	-	-	13,395	-	-	109,570
Public works	-	295,938	-	-	-	-	-
Recreation and culture	-	-	-	-	9,585	-	-
Capital outlay	-	-	-	-	1,296	-	-
<b>Total expenditures</b>	<b>184,838</b>	<b>295,938</b>	<b>-</b>	<b>13,395</b>	<b>10,881</b>	<b>-</b>	<b>109,570</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(26,384)</b>	<b>12,681</b>	<b>-</b>	<b>(1,227)</b>	<b>-</b>	<b>-</b>	<b>(12,049)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	-	-	-	-	-	24,593
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,593</b>
<b>Net Change in Fund Balances</b>	<b>(26,384)</b>	<b>12,681</b>	<b>-</b>	<b>(1,227)</b>	<b>-</b>	<b>-</b>	<b>12,544</b>
<b>Fund Balances - Beginning of year</b>	<b>123,818</b>	<b>63,895</b>	<b>14,984</b>	<b>6,551</b>	<b>-</b>	<b>1</b>	<b>110,415</b>
<b>Fund Balances - End of year</b>	<b>\$ 97,434</b>	<b>\$ 76,576</b>	<b>\$ 14,984</b>	<b>\$ 5,324</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 122,959</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2015**

<u>Nonmajor Capital Project Funds</u>		Total Nonmajor
Public Improvement	Equipment Replacement	Governmental Funds
\$ -	\$ -	\$ 10,881
37,138	-	207,502
3,483	-	311,897
-	-	97,435
837	-	1,364
<u>20,032</u>	<u>-</u>	<u>20,054</u>
61,490	-	649,133
32,343	-	32,343
-	-	307,803
153,171	-	449,109
19,692	13,764	43,041
<u>2,555,783</u>	<u>121,771</u>	<u>2,678,850</u>
<u>2,760,989</u>	<u>135,535</u>	<u>3,511,146</u>
(2,699,499)	(135,535)	(2,862,013)
3,232,919	-	3,257,512
<u>(56,409)</u>	<u>-</u>	<u>(56,409)</u>
<u>3,176,510</u>	<u>-</u>	<u>3,201,103</u>
477,011	(135,535)	339,090
<u>10,461,166</u>	<u>171,013</u>	<u>10,951,843</u>
<b><u>\$ 10,938,177</u></b>	<b><u>\$ 35,478</u></b>	<b><u>\$ 11,290,933</u></b>



# Charter Township of Shelby

	<u>Pension and Other Employee Benefit Trust Funds</u>		
	Police and Fire		
	Retirement		
	Systems Trust	Retiree Health	Total Pension
	Fund	Care Trust	and OPEB
<b>Assets</b>			
Cash and cash equivalents	\$ 23,805	\$ 1,775,547	\$ 1,799,352
Investments	93,078,580	22,489,563	115,568,143
Receivables:			
Accrued interest receivable	75,868	35,516	111,384
Other receivables	-	-	-
Due from other governmental units	-	-	-
Due from primary government	-	163,011	163,011
Prepaid expenses and other assets	467,956	-	467,956
Total assets	93,646,209	24,463,637	118,109,846
<b>Liabilities</b>			
Accounts payable	22,840	1,680	24,520
Refundable deposits, bonds, etc.	-	-	-
Accrued and other liabilities	83,135	-	83,135
Advance tax collections	-	-	-
Total liabilities	105,975	1,680	107,655
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<b>\$ 93,540,234</b>	<b>\$ 24,461,957</b>	<b>\$ 118,002,191</b>

**Other Supplemental Information**  
**Combining Statement of Assets and Liabilities**  
**Fiduciary Funds**  
**December 31, 2015**

Agency Funds

Trust and Agency	Treasurer's Agency	Current Tax Collection	41st District Court	Accounts Payable Imprest	Payroll Imprest	Total Agency Funds
\$ 992,139	\$ 185,443	\$ 5,657,156	\$ 201,842	\$ -	\$ (345)	\$ 7,036,235
-	-	-	-	-	-	-
-	56,430	-	-	-	-	56,430
-	106,896	-	8	-	-	106,904
-	-	-	-	-	690	690
-	-	-	-	-	-	-
-	-	-	11,680	-	-	11,680
<b>\$ 992,139</b>	<b>\$ 348,769</b>	<b>\$ 5,657,156</b>	<b>\$ 213,530</b>	<b>\$ -</b>	<b>\$ 345</b>	<b>\$ 7,211,939</b>
\$ 783	\$ 300	\$ -	\$ 116,033	\$ -	\$ 345	\$ 117,461
991,356	-	-	79,318	-	-	1,070,674
-	348,469	-	18,179	-	-	366,648
-	-	5,657,156	-	-	-	5,657,156
<b>\$ 992,139</b>	<b>\$ 348,769</b>	<b>\$ 5,657,156</b>	<b>\$ 213,530</b>	<b>\$ -</b>	<b>\$ 345</b>	<b>\$ 7,211,939</b>

# Charter Township of Shelby

## Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended December 31, 2015

	Police and Fire Retirement Systems Trust Fund	Retiree Health Care Trust	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 1,453,626	\$ 547,777	\$ 2,001,403
Net realized and unrealized loss on investments	(1,112,273)	(334,241)	(1,446,514)
Investment-related expenses	(411,970)	(103,078)	(515,048)
Contributions:			
Employer	1,841,300	4,599,525	6,440,825
Employee	536,954	-	536,954
Total contributions	<u>2,378,254</u>	<u>4,599,525</u>	<u>6,977,779</u>
Total additions	2,307,637	4,709,983	7,017,620
<b>Deductions</b>			
Benefit payments	5,542,845	2,660,967	8,203,812
Administrative expenses	76,319	-	76,319
Total deductions	<u>5,619,164</u>	<u>2,660,967</u>	<u>8,280,131</u>
<b>Net (Decrease) Increase in Net Position Held in Trust</b>	(3,311,527)	2,049,016	(1,262,511)
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	<u>96,851,761</u>	<u>22,412,941</u>	<u>119,264,702</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<u><u>\$ 93,540,234</u></u>	<u><u>\$ 24,461,957</u></u>	<u><u>\$ 118,002,191</u></u>