

Charter Township of Waterford Oakland County, Michigan

**Financial Report
with Supplemental Information
December 31, 2013**

Charter Township of Waterford

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Charter Township of Waterford

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Charter Township of Waterford

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June 6, 2014

To the Board of Trustees and Citizens
Charter Township of Waterford
Oakland County, Michigan

In accordance with accounting principles generally accepted in the United States, the administration is submitting the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2013. This report has been prepared in conformance with the principles and standards for financial reporting as set forth by the Governmental Accounting Standards Board (GASB) and complies with the requirements of GASB Statement Number 34. It discusses the financial results for the year, provides information on budgetary performance, and includes information on the financial condition of Waterford Township. This report was prepared by and is the responsibility of the Township's management.

This transmittal letter provides information regarding the economy and the governing structure of Waterford Township. An overview of the Township's financial activities for the fiscal year is discussed in detail in the Management's Discussion and Analysis (MD&A) portion of the financial section of the CAFR, which should be read in conjunction with this letter.

GOVERNMENT PROFILE

Waterford Township is a Charter Township organized and regulated by Act 359 of 1947. Policy-making and legislative authority are vested in a seven member Board. The executive function is distributed between the Township Supervisor, Clerk and Treasurer; all of whom are full time, elected officials that also sit on the Board. The remaining four members are elected at large in partisan elections and are part-time legislators. The Board is responsible for passing ordinances, determining policy, and adopting the budget.

This report covers all funds of Waterford Township. The Township provides a full range of services, including, but not limited to, police, fire, library, recreational, water and sewer.

With us there are no boundaries

ECONOMIC CONDITION AND OUTLOOK

The Charter Township of Waterford was established as a Charter Township in 1961 by a vote of the electorate. The Township is located in the center of Oakland County, immediately to the west of the City of Pontiac. The Township has an area of 35.1 square miles and is traversed from east to west by M-59 (Highland Road) and from Southeast to Northwest by US-24 (Dixie Highway).

The Township is the geographic center of Oakland County. A portion of the Oakland County Government campus is located in Waterford. The Oakland Intermediate School District is also headquartered in Waterford. Oakland County International Airport (OCIA) is located in the northwest portion of the Township. The airport serves corporate, charter and private general aviation activity, in addition to providing US Customs Service activity for international flights. The OCIA has approximately 550 based aircraft, with more than 135 corporations basing aircraft at the airport. The OCIA accommodates approximately 128,500 takeoffs and landings annually, ranking it the second busiest airport in Michigan and the thirteenth busiest general aviation airport in the United States.

The Canadian National (formerly the Grand Trunk) Railroad traverses the Township from Southeast to Northwest. The railroad provides shipping access to several Township businesses.

Within the Township there is significant retail and service industry capacity that can provide a substantial employment base; the Township is pursuing incentive programs that should help to revitalize the declining number of retail and service establishments and provide an increase to the employment base over the next five to ten years. The Township has an area wide sewer system which is connected to the Detroit system for treatment. The municipal water system is operated throughout the Township by the Department of Public Works and produces water from 19 wells located at ten different locations throughout Waterford. The Township's water and sewer system can support the economic growth of the community.

Although Waterford is primarily a residential community several industries are located in the Township. Rite Aid Drug Store's regional distribution center, serving six states, operates a quarter million square foot warehouse complex. Other industries within the Township include metal fabricating, screw machine productions, and manufacturers of motor parts, electronic components, industrial computers, and precision measuring instruments. Automotive assembly plants are located within minutes of the Township.

Commercial and Residential Development

While commercial development remained constant, residential development within Waterford Township began to increase significantly in 2013 after suffering from the economic downturn and high unemployment levels that plagued southeastern Michigan since about 2007. Banks are once again willing to loan money for home mortgages and that has helped to rekindle the housing market in Waterford. Most of the vacant and foreclosed properties have been resold and are no longer holding the market down. Existing homes are selling quickly and the prices of these available homes appear to be increasing at a significant rate. Private home builders are once again applying for Building Permits for vacant lots. In 2013 Waterford Township issued as many Building Permits for single family homes as it did in 2008 when the economic crisis was just beginning.

The following table demonstrates building permit activity within the Township over the past ten years:

Building Permits Issued

Calendar Year	Single Family Homes	Condominium Units	New Commercial	Total Permits
2013	31	0	3	408
2012	16	0	3	389
2011	7	0	1	326
2010	9	0	5	491
2009	16	0	5	436
2008	31	14	7	544
2007	38	16	11	585
2006	115	4	12	692
2005	118	12	25	833
2004	130	104	13	974

Area Demographics

Oakland County is located in the southeast portion of Michigan's Lower Peninsula. The County has an area of 910 square miles, which includes 30 cities, 10 villages and 21 townships. Within the county are 5 rivers, 423 inland lakes, numerous small streams and rolling landscapes – all of which make the area attractive to homeowners and builders.

Oakland County private sector employment outperformed the nation, the state and all major labor market areas in the state in the last decade. However, both Oakland County and Waterford Township have been impacted by the trying economic environment of the nation and the state. The County had an annual

Area Demographics (continued)

unemployment rate of 9.1 percent for 2012, which declined to 8.9 percent for 2013. In December of 2013 the County had a monthly unemployment rate of 6.7 percent, while the Township had a rate of 7.7 percent unemployment. Future job growth will be dependent on the economic recovery efforts at both the state and federal levels.

Oakland County has been AAA-Bond Rated since the mid 1990's and is considered a leader in Economic Development in the State of Michigan. Oakland County has consistently scored near the top of 35 U.S. Counties of similar size based on leading economic indicators as compiled and studied by Donald Grimes and George Fulton from the University of Michigan.

Based on the results of the 2010 Census, the economic recession has also had an impact on the population trends in both Oakland County and Waterford Township. The County's population remained virtually unchanged between 2000 and 2010, increasing only 0.68 percent. This is the smallest increase in over a century; the average decade-to-decade population change for Oakland County since 1900 has been a 43.8 percent increase. Waterford Township experienced a two percent population decrease between 2000 and 2010. This is the first decade-to-decade population decrease that Waterford has experienced since the 1900 to 1910 period, when Waterford's population decreased 1.3 percent.

FINANCIAL INFORMATION

Internal and Budgetary Control

Township administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Township are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute assurances, that these objectives are met. The primary financial management control instrument of the Township is the annual budget. It is adopted each year by the Board of Trustees in accordance with the State of Michigan Uniform Budgeting Act, P.A. 621 of 1978, in December for use and implementation for the subsequent year. The Township's fiscal year is January through December. Budget preparation begins in the summer of each year. Departments and Financial Staff assess potential revenues and expenses and submit a request to the Township Supervisor. The Township Supervisor, the Budget Director and the Assistant Budget Director review all

Internal and Budgetary Control (continued)

departmental requests and prepare a final recommended budget for submission to the Township Board. The Board approves appropriations on the departmental basis, which becomes the legal level of control. An encumbrance system is in place to ensure that this control is not violated. All amendments to this budget must be approved by the Board throughout the fiscal year. Amounts appropriated, but not spent by the end of the fiscal year, must be re-appropriated by the Board for the subsequent fiscal year.

Another safeguard is that separate individuals in different departments are charged with reconciling cash statements and transferring funds respectively. Key financial functions are separated to build in safeguards.

All internal control evaluations occur within the above framework. We believe that the Township's internal control structure adequately safeguards assets and provides reasonable assurance of the proper recording of financial information for both internal and external reporting purposes.

Long Term Financial Planning

Waterford continues to monitor financial trends and stays in contact with State, County and Regional authorities to project future trends in major revenues including property taxes, state shared revenue and economic development related fees. A multi-year forecasting tool was completed in late 2011 to assist the Township with the long term financial process. The Township has both of its Pension Funds and Retiree Health Care Trust Valuated by its Actuaries to both stay in reporting compliance and to use in and report on its long-term legacy costs.

The dramatic decline in property values continued through 2013. Property values for 2014 are projected to stabilize and rise slowly over time. The Headlee Amendment will 'dampen' any revenue gains the Township will see going forward in the short and intermediate future. Library and a Fire Millages were renewed in 2012. A 2014 Police Renewal will be vital to our long range plans and the ability to provide services. A modest Parks and Recreation Millage request will be put before the voters in August of 2014. This 'dedicated' Parks and Recreation Millage if successful would shore up and help sustain the non state mandated recreational services provided by the Township's Recreational Department.

The township will be paying close attention to health and pension related expenses. Changes in Federal Health Care policy may have a dramatic impact on future township budgets. The Township began implementing Michigan P.A. 152 in August 2012. This Act relates to health care costs. The Township is implementing the most fiscally conservative option under P.A. 152. The estimated

Long Term Financial Planning (continued)

savings will be \$1.2 million annually once it is fully implemented in its first year for all employee groups. In 2013 the Township changed its Retiree Health Care plan. This change was estimated to save the Township \$350,000 in its first year of implementation. Volatility in the stock market could also impact, either in a positive or negative manner the townships funding for the defined benefit pension plans and the retiree health trust fund. Most employee group new hires are now enrolled in a Defined Contribution Retirement System. These new Systems are more closely aligned with private-sector benefit offerings and are expected to help the Township in its long-range planning.

Waterford Township's Bond Rating was upgraded in the spring of 2014 from A+/Stable to AA/Stable by Standard and Poor's (S&P) Rating Service. A bond rating to a Municipality is like a FICO Credit Score to an individual. If the Township were to issue new debt or refinance existing debt it could do so at more favorable terms. Also, a higher Bond Rating is an indication of underlying financials and financial management choices that have been made.

Relevant Financial Policies

The accounting policies of the Township conform to Generally Accepted Accounting Principles (GAAP) in the United States of America as applicable to government units. Further significant policies are discussed in detail under Note 1 of the Basic Financial Statements section of the financial statements. There were no policies that had a significant or unusual impact on the current period's financial statements.

Cash Management

The Township's nationally certified Investment Policy adopted on April 28, 2008 includes the legal requirements for municipalities covered under Michigan Public Act 20 of 1943, as amended. It is the policy of the Charter Township of Waterford to invest public funds in a manner which will ensure the preservation of capital while providing the best investment return with maximum security, meeting the daily cash flow demands of the Township. Investments are placed with institutions that are approved yearly by the Township Board and deemed to provide minimal risk to the Township's assets. Our investment portfolio currently consists of money market funds, certificates of deposit, CDARS, U.S. Treasury and other obligations of the U.S. and authorized local government pooled funds, in compliance with the Township's investment policy and Public Act 20, as amended.

Due to economic conditions and the events which transpired involving banking and investment institutions in 2008 the Township continues to take a conservative

Cash Management (continued)

approach to investing. There have been many failures in the banking industry and Michigan is not immune from such failures. Risk is being minimized to safeguard deposits and investments during this volatile time. Interest rates have declined significantly resulting in minimal interest earning as a revenue source.

Risk Management

The Charter Township of Waterford is a member of the Michigan Municipal Risk Management Authority (MMRMA). The MMRMA is a self-insured association with a membership of approximately 330 Michigan local governmental units. It provides risk management, claims administration, legal defense, and reinsurance services for its members.

As a member, Waterford Township has liability coverage of up to \$15,000,000 per occurrence. Our self-insured retention is \$100,000 per occurrence. We are actively involved in risk control through supervisory and employee training, facilities inspections, and utilization of the MMRMA Risk Control Staff.

Waterford Township is also self-insured for workers' compensation coverage. The Township has retained the services of Comprehensive Risk Services (CRS) as a third-party administrator to monitor and pay workers' compensation claims on its behalf. The Township, in cooperation with CRS, aggressively manages claims and works to reduce on-the-job injuries through safety training, inspections and an employee safety committee. The Township is self-Insured for the first \$400,000 per occurrence in claims for Worker's Compensation events. The Township has insurance coverage for events that exceed the \$400,000 threshold. As such, the Township has set-aside resources that appear on the Governmental Funds Balance Sheet titled, 'Worker's Compensation' in case the Township should experience large Worker's Compensation events. This is important because the Township engages in Public Safety and Department of Public Works Activities. In 2013 the Township Board moved these funds by resolution from an 'assigned' designation to a 'committed' designation, which shows the intent to leave these resources specifically for Worker's Compensation Events.

By taking on more risk and self-insuring, the Township has realized substantial savings. This also requires the Township to be mindful to have adequate reserves in the event that loss events occur. This is especially challenging in a recession/post-recession environment.

Component Units

Included in the financial statements are three discretely presented component units: Economic Development Corporation (EDC); Waterford Youth Assistance Corporation (WYA); and Veteran's Memorial Fund (VMD). Although considered separate legal entities, the component units are part of the Township's operations and are financially accountable to the Township and the Township Board has the ability to impose its will on each entity.

Independent Audit

As required by State of Michigan law, the Charter Township of Waterford accounts and financial statements have been independently audited by the accounting firm Plante & Moran, PLLC. The goal of the audit is to obtain a reasonable assurance that the financial statements contained within are free of material misstatement and accurately reflect the financial position of the Township. The auditor's report is presented as the first component of the financial section of this report.

In addition, Plante & Moran conducted the federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. This report is issued separately.

While the independent auditor has expressed an unqualified opinion of the financial statements contained in this report, management takes sole responsibility for the contents of the CAFR. To the best of its knowledge, staff believes the CAFR information is accurate in all material respects.

AWARDS AND RECOGNITIONS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the Charter Township of Waterford for its comprehensive annual financial report for the fiscal year ended December 31, 2012. This was the eighth consecutive year that the Township has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

This CAFR reflects the work and commitment of the staff members of the Clerk's Office, Treasurer's Office and the Office of Fiscal & Human Resources. This document could not have been accomplished without their efforts and each contributor deserves sincere appreciation. Management would also like to express its appreciation to Plante & Moran, the Township's independent auditors, who assisted and contributed to the preparation of this Comprehensive Annual Financial Report.

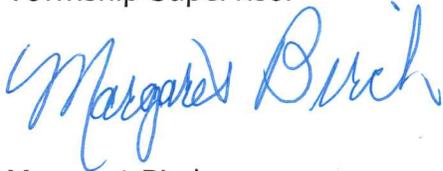
Respectfully submitted,



Gary Wall
Township Supervisor



Sue Camilleri
Township Clerk



Margaret Birch
Township Treasurer



Charter Township of Waterford
Organizational Chart
Updated 12/2013

Citizens of Waterford

Board of Trustees
Gary Wall, Supervisor
Sue Camilleri, Clerk
Margaret Birch, Treasurer
Anthony Bartolotta, Trustee
Julie Brown, Trustee
Karen Joliat, Trustee
Donna Kelley, Trustee

51st District Court

Treasurer's Office

Supervisor's Office

Clerk's Office

Development Services

Public Works
Water-Sewer – Branch
Facilities & Operations - Branch

Library

Fiscal & Human
Resources

Parks & Recreation

Police Department

Fire Department

Assessing

Information Systems



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Charter Township of Waterford
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

**Charter Township of Waterford
List of Principal Officials
Year Ended December 31, 2013**

Supervisor's Office

Supervisor

Gary Wall

Clerk's Office

Clerk

Deputy Clerk

Accounting Manager

Sue Camilleri
Kari L. Vlaeminck
Barbara Miller

Treasurer's Office

Treasurer

Deputy Treasurer

Margaret Birch
Sandy J. Pulk

Assessing

Chief Assessor

Deputy Assessor

Don E. Wood
Larry J. Elliott

Development Services

Director

Assistant Director Building

Assistant Director Engineering and CDBG

Planning Division Head

Douglas Bradley
Brent A. Gibson
Robert A. Merinsky
Larry R. Lockwood

Fire

Chief

Deputy Chief

Ronald R. Spears
Jeffrey Finkbeiner

Fiscal and Human Resources

Human Resources Director

Budget Director

Assistant Budget Director

Louis W. Feurino
Derek C. Diederich
Barbara Miller

Information Systems

Director

Jared W. Black

Library

Director

Joan M. Rogers

Parks and Recreation

Director

Thomas G. Newcombe

Police

Chief

Deputy Chief

Daniel T. McCaw
Jeffery H. James

Public Works

Director

Water and Sewer Superintendent

Administrative Superintendent

Facilities and Operations Superintendent

William A. Fritz
David McKee
Derek Diederich
David M. Papke

**Charter Township of Waterford
Labor Agreements
Year Ended December 31, 2013**

<u>Bargaining Unit</u>	<u>Expiration Date</u>	<u>Number of Employees</u>
Michigan Association of Police - Represents police officers and crime scene investigators	12/31/2016	37
Command Officers Association of Michigan - Represents police sergeants and lieutenants	12/31/2016	12
International Association of Firefighters - Represents all firefighting personnel	12/31/2015	141
Michigan Association of Police - Represents dispatchers	12/31/2015	9
Teamsters State, County, and Municipal Workers - Represents clerical, public works employees, building inspectors, and ordinance officers	12/31/2015	103

**Charter Township of Waterford
Fund Organization Chart**

Fund Name	Fund Number
General Fund	
General	101
Cemetery Care	209
Workers' Compensation	215
Special Revenue Funds	
Fire	206
Police	207
Police Restricted Use	208
Health Benefits	225
Bike Path	247
Cable Commission	250
Community Development Block Grant	260-263
Library	270
Library Donations	271
Nature Center	718
Weed Control and L.I.B.	844-883
Debt Service Funds	
Police and Fire Bond Service Fund	306
Capital Projects Funds	
Improvement Revolving	246
S.A.D. Road Paving	813
Enterprise Funds	
Water and Sewer	590
Internal Service Funds	
Fire Unemployment Costs	316
Motor Pool	360
Trust and Agency Funds	
Tax Collection	703
Regular Employee Pension	731
Police and Fire Pension	732
Retiree Health Fund	733
Other Agency	701-752

Independent Auditor's Report

To the Board of Trustees
Charter Township of Waterford
Oakland County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the Charter Township of Waterford, Michigan (the "Township"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Charter Township of Waterford, Michigan'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 an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Trustees
Charter Township of Waterford
Oakland County, Michigan

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the Charter Township of Waterford, Michigan as of December 31, 2013 and the respective changes in its financial position, and, where applicable, cash flows, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the basic financial statements, during the year ended December 31, 2013, the Township adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Accordingly, the Township now reports a "deferred inflow of resources" for property taxes billed for the following year, and unavailable revenue in governmental funds. 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, pension system and OPEB schedules of funding progress and employer contributions, and the major fund budgetary comparison schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter Township of Waterford, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, and introductory section and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

To the Board of Trustees
Charter Township of Waterford
Oakland County, Michigan

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

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2014 on our consideration of the Charter Township of Waterford, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter Township of Waterford, Michigan's internal control over financial reporting and compliance.

Plante & Morse, PLLC

June 6, 2014

Charter Township of Waterford

Management's Discussion and Analysis

Financial Highlights

The following represents the most significant financial highlights for the year ended December 31, 2013.

- Total 2013 General Fund revenue was \$731,892 above 2012 revenue. Increased revenue was primarily due to a one-time general liability carrier refund. One area where revenue moderately increased was cable franchise fees which were up \$38,998. Property taxes continue to be the largest source of revenue (36.87 percent of all General Fund revenue). Declines in property tax revenue are expected to level off in the short run. However, personal property tax revenue could decline based on the outcome of a proposal that will appear on the August 2014 primary ballot.
- State-shared revenue and grants, despite dramatic cuts over the past 10 years, remains our second largest revenue source. During the Township's 2013 fiscal year, state revenue sources increased \$122,524. State revenue sharing is \$1,807,023 below the amount received in 2001, which is a loss of 23.70 percent.
- Revenue from district court fees and fines increased \$158,159 (12.99 percent) from the previous year. 2013 district court fines and fees revenue was \$1,206,433 below the 2004 amount. This is a reduction of 46.74 percent over the past nine years.
- General Fund expenditures and operating transfers out for fiscal year 2013 were less than 2012 - declining by \$799,676.
- The unassigned General Fund fund balance at year end was \$2,892,642. During fiscal year 2013, the General Fund unassigned fund balance increased a modest \$1,020,217. This constitutes 15.73 percent of total 2013 General Fund expenses. Our minimum fund balance target is 15 percent, though bond agencies and many analysts prefer 20 to 25 percent as a sign of a healthy municipality.
- The Police Fund fund balance increased by \$378,533 in fiscal year 2013. Staff reductions in prior years within the police department were the primary driver of these results.

The Fire Fund fund balance increased by \$24,765 in fiscal year 2013. In 2009, the fire department began patient transport and invested in additional staffing and equipment. In 2010, 2011, and 2012, the department was able to recover some of the investment via fees charged for transport services. In February 2012, the fire department began providing fire suppression services for the City of Pontiac. The new revenues helped offset losses in property tax revenues. The fire department continues to look to grant opportunities to augment its service levels. In February 2013, the Waterford Fire Department was awarded \$7.6 million over a 24-month period to hire 39 additional fire fighters. This was made possible by a federal assistance to fire fighters grant from the federal government. This grant may be renewed at the end of the 24-month period. Waterford Financial Staff conducted an in-house actuarial study that permitted prefunding of separation costs which will protect the Township's future financial interests - an important aspect of the grant as a whole.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Using this Annual Report

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

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

The Township as a Whole

The following table shows, in a condensed format, the net position as of the current date and compared to the prior year (in millions of dollars):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Assets						
Other assets	\$ 39.2	\$ 41.9	\$ 21.5	\$ 24.1	\$ 60.7	\$ 66.0
Capital assets	<u>55.5</u>	<u>53.8</u>	<u>90.6</u>	<u>97.7</u>	<u>146.1</u>	<u>151.5</u>
Total assets	94.7	95.7	112.1	121.8	206.8	217.5
Liabilities						
Current liabilities	3.3	7.3	2.5	5.1	5.8	12.4
Long-term liabilities	<u>27.4</u>	<u>28.1</u>	<u>22.1</u>	<u>24.9</u>	<u>49.5</u>	<u>53.0</u>
Total liabilities	30.7	35.4	24.6	30.0	55.3	65.4
Deferred Inflows of Resources	<u>21.2</u>	<u>21.1</u>	<u>-</u>	<u>-</u>	<u>21.2</u>	<u>21.1</u>
Net Position						
Net investment in capital assets	47.3	46.7	71.3	74.7	118.6	121.4
Restricted	5.2	5.1	2.1	2.1	7.3	7.2
Unrestricted (deficit)	<u>(9.7)</u>	<u>(12.6)</u>	<u>14.1</u>	<u>15.0</u>	<u>4.4</u>	<u>2.4</u>
Total net position	<u>\$ 42.8</u>	<u>\$ 39.2</u>	<u>\$ 87.5</u>	<u>\$ 91.8</u>	<u>\$ 130.3</u>	<u>\$ 131.0</u>

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

The Township's combined net position decreased in 2013. The governmental activities portion of net position decreased approximately \$3.6 million from the prior year. Declines were driven by the continued loss of property tax receivables, which are directly related to lower taxable values on properties located in the Township, and the cost of \$3.7 million to other postemployment benefit obligations. Other Postemployment Employee Benefit Obligations (OPEB, for short) are retiree healthcare benefits promised to employees, but not fully prefunded in 2013 or in years prior.

The Township continues to reduce debt associated with the 1998-1999 Police and Fire Building Construction, 2003 Water and Sewer System rehabilitation projects, and the \$2 million 2005 Capital Improvement debt. The Township utilizes just 3.73 percent of the statutorily allowed debt.

The following table shows the Township's major revenue and expenses as a whole for both the governmental and business-type activities (in millions of dollars). The bottom of the table shows the changes in net position during the current year in comparison to the prior year.

Total revenue for governmental activities in 2013 increased by \$1.6 million from the 2012 fiscal year. A significant decrease was in property taxes, a 1.3 percent reduction from 2012. The largest increase was the federal grant revenue related to the Fire Department (SAFER Grant).

Governmental expenses were up \$1.9 million in 2013. This change was due primary to the SAFER Grant.

In the business-type activities (Water and Sewer Fund), charges for services revenue was up \$800,000. This was due to customer demand changes and home occupancy rates, as well as pass-through sewer rate increases from Oakland County and Detroit Water-Sewer. The business-type activities also recognized \$5.0 million of capital grants and contributions, primarily made up of principal forgiveness on capital debt.

The Water and Sewer Fund saw its overall cash position increase in 2013 compared to 2012. The Water and Sewer Fund increased its year-end cash position by slightly over \$2,700,000 in fiscal year 2013 compared to 2012. 2013 was a positive year for water-sewer but overall cash position is still slightly lower than desired.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Revenue						
Program revenue:						
Charges for services	\$ 13.8	\$ 14.6	\$ 18.5	\$ 19.3	\$ 32.3	\$ 33.9
Operating grants and contributions	1.0	2.9	0.4	-	1.4	2.9
Capital grants and contributions	0.9	-	0.1	5.0	1.0	5.0
General revenue:						
Property taxes	21.6	21.1	-	-	21.6	21.1
State-shared revenue	5.5	5.7	-	-	5.5	5.7
Unrestricted investment earnings	0.1	0.1	0.1	0.1	0.2	0.2
Cable franchise fees	1.0	1.1	-	-	1.0	1.1
Miscellaneous	0.2	0.2	-	-	0.2	0.2
Total revenue	44.1	45.7	19.1	24.4	63.2	70.1
Program Expenses						
General government	6.9	7.5	-	-	6.9	7.5
Public safety:						
Fire and police	29.9	32.0	-	-	29.9	32.0
Building inspection	1.5	1.1	-	-	1.5	1.1
Public works	0.8	0.5	-	-	0.8	0.5
District Court	2.3	2.3	-	-	2.3	2.3
Community and economic development	1.6	1.3	-	-	1.6	1.3
Recreation and culture	4.1	4.4	-	-	4.1	4.4
Interest on long-term debt	0.3	0.2	-	-	0.3	0.2
Water and sewer	-	-	18.9	20.1	18.9	20.1
Total program expenses	47.4	49.3	18.9	20.1	66.3	69.4
Excess (Deficiency) of Revenue Over (Under) Expenses	(3.3)	(3.6)	0.2	4.3	(3.1)	0.7
Special Item - Contribution	1.7	-	-	-	1.7	-
Change in Net Position	<u>\$ (1.6)</u>	<u>\$ (3.6)</u>	<u>\$ 0.2</u>	<u>\$ 4.3</u>	<u>\$ (1.4)</u>	<u>\$ 0.7</u>

Governmental Activities

The Township's governmental revenue totaled approximately \$45.7 million, with the greatest revenue source being property taxes. Property taxes made up approximately 46.17 percent of total governmental revenue in 2013. That percentage is down from approximately 48.97 percent of total governmental revenue in 2012. The Pontiac fire service contract has changed the Township's revenue proportions and the Federal SAFER Grant has had a similar effect. Property taxes had traditionally been a secure and growing revenue source for the Township before 2008. Unfortunately, due to the collapse in the housing market beginning in 2008, this secure source started to decline in 2009 through 2013. Going forward, modest increases are expected in the housing market. However, the Headlee Amendment will limit revenue growth for the Township to 5 percent or inflation, whichever is lower. Inflation is expected to be about 2 percent per year in 2015 and 2016 according to recent studies.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Total 2013 governmental expenses for the Township were approximately \$49.3 million. Of this, 64.9 percent of all expenses were in the area of police and fire service; the same ratio in 2012 was 63.1 percent.

Business-type Activities

The Township's business-type activities consist of the Water and Sewer Fund. The Township provides water through a Township owned and operated ground water system. The water system treats and disinfects water and removes iron through its water treatment and pumping facilities. Sewage conveyance and treatment is provided to customers through the Township's sewer network which discharges into Oakland County's Sewer Interceptor and is then sent onto Detroit's Sewer Treatment Facilities. Traditionally, 40 to 50 percent of the average residential sewer bill in Waterford is sent to Oakland County Drain and Detroit for their services. The County maintains the interceptor sewer that Waterford's smaller mains flow into and Detroit treats and ultimately discharges water back into the Detroit River.

System revenue is primarily from fees paid by customers based on use. User fees made up approximately 79.1 percent of all revenue in 2013. Low interest loans for the Drinking Water Revolving Fund (DWRF) and the State Revolving Fund (SRF) changed this ratio which is usually in the 90 percent user fee range.

The business-type activities expenses totaled approximately \$20.1 million in 2013. Almost more than \$8 million was collected from sewer customers and paid to Oakland County and the City of Detroit for sewage treatment and disposal.

The Township's Funds

An analysis of the Township's major funds begins with the balance sheet presentation 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 created funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major governmental funds for 2013 include the General Fund, the Police Fund, and the Fire Fund. The Township's major business-type fund consists of the Water and Sewer Fund.

General Fund

The General Fund pays for most of the Township's governmental services. The two largest services funded by the General Fund are Police and Fire. The General Fund transferred \$5.3 million to the Police Fund and \$1.9 million to the Fire Fund in 2013.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Other major activities in the General Fund include the 51st District Court, the parks and recreation department, and all general government administrative and central services operations. Some of these activities rely on fees for services to help offset costs and some do not generate any significant service-related revenue. Many of these activities rely heavily on property taxes and state-shared revenue to subsidize their operations. Some of these services are mandated (tax collections, elections, and court), and some are not mandated (parks and recreation and leisure activities).

The Township's General Fund's year-end fund balance is \$4,386,895, of which only \$2,892,642 is unassigned. A total \$4,386,895 represents approximately 23.86 percent of 2013's annual expenditures and net transfers to other funds. Due to an accounting rule change, reassignment of two funds, Workers' Compensation (\$663,320) and Cemetery Care (\$139,803) were moved into the General Fund in 2011. When subtracting those two funds out of the General Fund, the General Fund's fund balance at year end represented 19.5 percent of its annual expenditures in 2013. This is the level that Township planners believe is a more realistic representation of the general funds of available balance. Workers' compensation and Cemetery Care are set aside for specific purposes. This 19.50 percent also includes \$650 thousand in a newly created budget stabilization fund in 2013. These funds were committed by the Township Board for future unforeseen events. A minimum 20 to 25 percent fund balance to annual expenditures ratio is recommended by bond rating agencies and by the Township's financial consultants.

Police Fund

The Police Fund covers the operation of the police department. Major revenue includes \$5.3 million from the Township's General Fund and an additional \$5,662,913 in special millage revenue for 2013, a small overall reduction from 2012. The department receives a small amount of its revenue from fees, grants, and interest on investments.

Over fiscal year 2013, the Police Fund balance modestly increased by \$378,533. This change was due primarily to lower staff levels from traditional levels and foregoing some projects. The police department employed 36 fewer staff in 2013 than it did in 2010.

Fire Fund

The Fire Fund covers the operations of fire prevention, suppression, and emergency medical services. In 2013, the department received \$1.925 million from the General Fund and approximately \$4.9 million from special millages. In February 2012, Waterford Township began a contract with the City of Pontiac to offer fire service protection for the City. The contract is for 10 years and started at \$6.2 million per year. The Fire Fund's fund balance increased by \$24,765. The increase was possible by a larger transfer from the Township's General Fund in 2013.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Water and Sewer Fund

The Water and Sewer Fund continues to maintain a healthy amount of working capital. Because revenue is derived from user fees and fees are adjusted periodically to cover expenses, the fund is relatively secure. Unlike the governmental activities of the Township, the Water and Sewer Fund does not rely on tax dollars and state aid for its financial well-being.

Water rates have remained low as compared to surrounding communities. Waterford is almost unique in Southeastern Michigan in that it has its own water system that does not rely on any other agencies for support.

Sewer increases imposed by Oakland County and the City of Detroit are routinely passed on to customers. Waterford belongs to the Clinton-Oakland Sewer System. Rates have also recently been adjusted to cover debt payments associated with capital improvements. The Township, like other suburban customers along with Oakland County, is monitoring the pending changes at Detroit Sewerage Department.

Increasing costs from regulations, higher standards being placed on the system by both the federal and state governments, and the need to repair and maintain an aging system require the Township to continually monitor revenue and expenditures to ensure revenue remains at an adequate level to support the required expenditures of the systems.

Reductions in staffing through attrition and early retirement incentives have reduced labor costs. In 2013, the Water and Sewer Fund was staffed at 41.5 positions compared to 51 in 2008. Increased technology and automation upgrades and labor contract changes, which encourage attendance and productivity, have allowed the water and sewer division to reduce staff while maintaining service and safety goals. The DPW continues to look for grants and low-interest loans to fund capital improvements. The DPW was awarded a Drinking Water Revolving Fund (DWRF) in 2013 for \$9.4 million. This program included a low-interest loan as well as an estimated \$4 million principal loan forgiveness via a green project reserve from the EPA. This great news means almost a 40 percent savings to the Waterford water rate paying customer!

General Fund Budgetary Highlights

Township officials continue to budget conservatively. Declining property values have put a strain on the Township's primary revenue source - property taxes. State, county, and regional analysis indicates that property values will level off and will modestly increase in 2014 and 2015. The Headlee Amendment will significantly hamper property tax revenue increases going forward. The Headlee Amendment limits increases in taxable value at the rate of inflation or 5 percent; whichever is lower. When the Headlee Amendment was crafted, a sustained devaluation in the housing market like we experienced from 2008 to 2013 had never occurred.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Building activity in the Township is focused primarily on redevelopment, allowing limited growth in taxable values. Reduced construction activity is also reflected in reduced development-based fee revenue. Major revenue sources, including court fees and fines and recreation fees, have not been growing to keep up with inflation.

During 2013, the General Fund departments reduced staffing by three positions after reducing 16 in 2012 and 14.5 in 2011. These reductions were accomplished primarily through retirements and attrition. When subtracting out fire employees hired for Pontiac fire service, and temporary Fire SAFER Grant, the Township is at early 1980s employment levels.

Capital Asset and Debt Administration

There was an overall decrease in governmental-type capital assets of \$1,800,405, net of depreciation. Disposal of assets and excess equipment occurred throughout 2013.

In business-type activity, the Township added \$7,356,755 in new capital assets. This number reflects the Township's continued investment in its over 350 miles of water and sewer mains, as well as numerous water and sewer pump stations.

The Township did not issue any debt for governmental activities in 2013.

New debt for 2013 was solely in the business-type activity funds. New debt was added to the Water and Sewer Fund for bonds issued for the Oakland-Macomb Sewer Interceptor (OMI) and the State Revolving Fund (SRF) and Drinking Water Revolving Fund (DWRF). These projects totaled \$4.1 million in new debt for 2013.

The Township reduced its general obligation and tax-supported debt by \$1.24 million (16.80 percent of total) in fiscal year 2013. The Township maintains a very low amount of debt. The majority of the debt issued (\$6,005,000) is authorized by a vote of the people and supported by a dedicated debt retirement millage. In 2018, the police and fire building debt will be retired. After the winter 2017 tax collections, the police and fire building debt millage will be eliminated, providing further tax relief for Township taxpayers.

Declining property values resulted in the need to increase the 0.5 mill police and fire debt millage to .69 for the winter 2013 tax collections. In 2009, the Township Treasurer went through a process called Refunding of Bonds, which is similar to refinancing. This process saved the taxpayers almost \$900,000 in interest over the remaining life of the debt issuance. Even with this positive stewardship, declining property values have resulted in the need to raise the debt retirement millage slightly to cover the required annual principal and interest payment. Although the millage rate increased, the overall cost to the taxpayers should remain flat as the increased rate is offset by the lower taxable value.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Detailed information on the Township's debt can be found in the statistical section of this report, in the debt capacity and direct and overlapping debt schedules, and in Note 6. Detailed information on the Township's capital assets can be found in Note 4.

Economic Factors

There are several economic factors that challenge the Township. The collapse of the housing market starting in 2008 through 2013 has resulted in dramatic declines in taxable values, which directly affects the Township's property tax collections. These reductions in funding affect staffing and services. The housing market also impacts the demand for new construction which has resulted in a loss of building inspection and licensing fees. Early 2014 building activity does seem to be on an uptick. Unemployment is improving but is still higher than desired. Sales taxes, which are the source of state revenue sharing, are traditionally the Township's second largest source of revenue. The Township has seen small upticks in revenue sharing from the State in the last couple years; however, the Township remains at decade low levels of support from the State in this category.

The economy is seeing an uptick in late 2013 through early 2014, with unemployment declining and housing prices starting to increase. Both sales and income taxes are increasing and should bolster state revenue. Property assessments have leveled off. However, sales studies based on prior years result in a lag behind the improving market. The Headlee Amendment limits increases in property tax revenues going forward at 5 percent or the rate of inflation, whichever is lower. In practical terms, the Township will see very small property tax revenue increases in the short and intermediate term.

State funding priorities continue to shift funding away from local governments in order to maintain state services, particularly in the area of public health and welfare programs. Waterford received over \$2 million more from the State of Michigan in revenue sharing in 2001 than in 2013. The trend of the state divesting itself in local government continues.

The governor has eliminated statutory state revenue sharing and replaced it with an incentive-based program that funds local governments who initiate "best practices." The Economic Vitality Incentive Program (EVIP, for short) looks for municipalities to comply with metric and performance-based goals to receive their full allotment of statutory revenue sharing. The Township has qualified and plans to comply going forward, but reductions in revenue are still possible. All of the EVIP materials for Waterford Township are posted on its website available at: www.waterford.mi.us under the Fiscal and Human Resources section.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Health insurance costs continue to outpace inflation. Savings realized in prior years from employee concessions, including higher co-pays and deductibles, provided temporary relief as increases have eclipsed all savings. Retiree health costs continue to consume a larger percentage of the Township's budget as the numbers of retirees grow and the number of active employees significantly decreased. The Township is implementing a change in retiree health care in 2013 which helped reap savings. The retiree health care change was estimated to save \$300,000 to \$400,000 in the first year.

The Township recognizes this impending problem and will remain cautious and conservative in its budgeting practices. In September 2011, the State of Michigan passed Public Act 152; this act addressed healthcare expenses. The act permits three options for municipalities concerning contributions for employees' health care. The Township took the most fiscally conservative option. This election has compelled employees to contribute more by way of higher deductibles and co-pays. Analysis indicates the Township saved over \$1.2 million once fully implemented with all employee groups in the first year.

During 2010, the Township worked with the police command officers and patrol officers unions on concessions including increased employee contributions toward pension and retiree health benefits. These concessions were bargained along with retirement incentives. The patrol officers union took concessions by way of paying more into their pensions and started an employee contribution into the Township's retiree health trust. The patrol officers union agreed to part-time officers as a cost-saving measure in 2012. As collective bargaining agreements expired in 2012, the Township negotiated additional cost sharing for employee benefits and this trend will continue. Cost reductions for non-union employees are also expected. Changes in employee health care (current and retiree), conversion to defined contribution retirement plans (private sector 401(k) style) and reduced staffing levels have all helped to maintain the Township's financial well being. Consolidating services and contracting out lawn cutting and other miscellaneous services have helped the Township in recent years. Closing the Monteith Parks and Recreations building (on Crescent Lake Road) has also created savings. No wage increases for many years and lower staffing levels in all departments but the Fire Department who took on Pontiac Fire Services in February 2012 have added to the savings as well.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Bond Rating

Bond ratings to municipalities are like credit scores to individuals. The ratings determine the interest rate on any debt issued by the Township, as well as is a third-party view of the Financial Stewardship. In March 2014, Waterford Township had its bond rating upgraded by Standard & Poors (S&P) from A+ to AA. This constituted two moves in the positive direction. Township officials believe the rating agency liked the fact that Waterford created its first Budget Stabilization Fund in 2013. S&P also liked the fact that Waterford is converting its Defined Benefit (DB) retirement offering to new employees to Defined Contributions (DC). S&P also appreciated that Waterford management utilizes a financial forecasting tool. S&P liked that Waterford has created a retiree health care trust, but noted that it is severely underfunded and views this as an intermediate and long-term issue that will have to be overcome.

Contacting the Township's Management

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Office of Fiscal and Human Resources at (248) 674-6252. This report, Township budgets, and other financial information are available on the Township's website at www.twp.waterford.mi.us under the Fiscal & Human Resources Department.

Charter Township of Waterford

Statement of Net Position December 31, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 28,819,217	\$ 14,426,605	\$ 43,245,822	\$ 177,975
Receivables:				
Property taxes receivable	9,756,724	-	9,756,724	-
Receivables from sales to customers on account	-	6,977,434	6,977,434	-
Accrued interest receivable	2,696	20,508	23,204	-
Due from other governmental units	1,169,243	-	1,169,243	-
Rehabilitation revolving	1,418,781	-	1,418,781	-
Other	202,598	-	202,598	3,000
Special assessments receivable	365,061	592,700	957,761	-
Inventory	86,013	-	86,013	-
Prepaid items	70,912	-	70,912	-
Restricted assets (Note 1)	-	2,150,295	2,150,295	-
Capital assets (Note 4):				
Assets not subject to depreciation	27,111,094	16,380,102	43,491,196	-
Assets subject to depreciation	26,725,063	81,291,323	108,016,386	66,111
Total assets	95,727,402	121,838,967	217,566,369	247,086
Liabilities				
Accounts payable	429,095	2,847,254	3,276,349	1,548
Accrued liabilities and other	1,069,112	528,317	1,597,429	-
Unearned revenue	2,400,244	-	2,400,244	-
Noncurrent liabilities (Note 6):				
Due within one year	3,287,791	1,724,065	5,011,856	-
Due in more than one year	28,242,486	24,917,938	53,160,424	-
Total liabilities	35,428,728	30,017,574	65,446,302	1,548
Deferred Inflows of Resources -				
Property taxes levied for the following year	21,114,807	-	21,114,807	-
Net Position				
Net investment in capital assets	46,738,188	74,702,495	121,440,683	66,111
Restricted for:				
Police	1,407,496	-	1,407,496	-
Debt service	7,663	-	7,663	-
Bike path	111,160	-	111,160	-
Community development	1,496,231	-	1,496,231	-
Library	1,266,338	-	1,266,338	-
Weed control	224,239	-	224,239	-
Nature Center	545,853	-	545,853	-
Capital projects	-	2,150,295	2,150,295	-
Unrestricted (deficit)	(12,613,301)	14,968,603	2,355,302	179,427
Total net position	<u>\$ 39,183,867</u>	<u>\$ 91,821,393</u>	<u>\$ 131,005,260</u>	<u>\$ 245,538</u>

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

Charter Township of Waterford

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 7,540,276	\$ 2,807,268	\$ 218,595	\$ -
District Court	2,292,718	1,350,596	-	-
Public safety:				
Fire and police	32,017,761	8,447,612	2,214,336	18,657
Building inspection	1,081,438	444,680	-	-
Public works	507,388	93,480	-	-
Community and economic development	1,326,708	89,110	373,447	-
Recreation and culture	4,426,465	1,353,572	55,453	-
Interest on long-term debt	217,799	-	-	-
Total governmental activities	49,410,553	14,586,318	2,861,831	18,657
Business-type activities - Enterprise Fund - Water and Sewer Fund	20,098,296	19,287,954	-	4,985,654
Total primary government	<u>\$ 69,508,849</u>	<u>\$ 33,874,272</u>	<u>\$ 2,861,831</u>	<u>\$ 5,004,311</u>
Component units:				
Economic Development Corporation	\$ 14,347	\$ 7,446	\$ -	\$ -
Waterford Youth Assistance Corporation	34,345	35,515	21,880	-
Veterans' Memorial Fund	2,745	1,030	-	-
Total component units	<u>\$ 51,437</u>	<u>\$ 43,991</u>	<u>\$ 21,880</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue (unrestricted)				
Investment income				
Cable franchise fees (unrestricted)				
Other miscellaneous income				
Gain on sale of fixed assets				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities
Year Ended December 31, 2013

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (4,514,413)	\$ -	\$ (4,514,413)	\$ -
(942,122)	-	(942,122)	-
(21,337,156)	-	(21,337,156)	-
(636,758)	-	(636,758)	-
(413,908)	-	(413,908)	-
(864,151)	-	(864,151)	-
(3,017,440)	-	(3,017,440)	-
(217,799)	-	(217,799)	-
(31,943,747)	-	(31,943,747)	-
-	4,175,312	4,175,312	-
(31,943,747)	4,175,312	(27,768,435)	-
-	-	-	(6,901)
-	-	-	23,050
-	-	-	(1,715)
-	-	-	14,434
21,072,941	-	21,072,941	-
5,664,103	-	5,664,103	-
145,472	110,795	256,267	847
1,142,999	-	1,142,999	-
250,348	-	250,348	-
-	12,304	12,304	-
28,275,863	123,099	28,398,962	847
(3,667,884)	4,298,411	630,527	15,281
42,851,751	87,522,982	130,374,733	230,257
\$ 39,183,867	\$ 91,821,393	\$ 131,005,260	\$ 245,538

Charter Township of Waterford

Governmental Funds Balance Sheet December 31, 2013

	General Fund	Police Fund	Fire Fund	Nonmajor Governmental Funds	Total
Assets					
Cash and cash equivalents	\$ 8,961,659	\$ 5,686,177	\$ 5,431,516	\$ 8,371,575	\$ 28,450,927
Receivables:					
Property taxes receivable	3,434,851	2,622,530	2,299,086	1,400,257	9,756,724
Special assessments receivable	184,630	-	-	180,431	365,061
Accrued interest receivable	2,696	-	-	-	2,696
Due from other governmental units	954,324	-	118,003	96,916	1,169,243
Rehabilitation loan receivable	-	-	-	1,418,781	1,418,781
Other	202,598	-	-	-	202,598
Prepaid items	41,130	-	8	29,774	70,912
Total assets	\$ 13,781,888	\$ 8,308,707	\$ 7,848,613	\$ 11,497,734	\$ 41,436,942
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 104,939	\$ 122,801	\$ 103,551	\$ 93,816	\$ 425,107
Accrued liabilities and other	300,854	227,938	436,014	69,145	1,033,951
Unearned revenue	595,637	-	1,550,000	254,607	2,400,244
Total liabilities	1,001,430	350,739	2,089,565	417,568	3,859,302
Deferred Inflows of Resources					
Unavailable revenue	1,060,667	-	118,003	1,499,871	2,678,541
Property taxes levied for the following year	7,332,896	5,717,212	5,012,089	3,052,610	21,114,807
Total deferred inflows of resources	8,393,563	5,717,212	5,130,092	4,552,481	23,793,348
Fund Balances					
Nonspendable - Prepays	41,130	-	8	29,774	70,912
Restricted:					
Police	-	-	-	1,377,722	1,377,722
Debt service	-	-	-	7,663	7,663
Bike path	-	-	-	111,160	111,160
Community development	-	-	-	77,450	77,450
Library	-	-	-	1,266,338	1,266,338
Weed control	-	-	-	224,239	224,239
Nature center	-	-	-	545,853	545,853
Committed:					
Cemetery care	139,803	-	-	-	139,803
Workers' compensation	663,320	-	-	-	663,320
Budget stabilization	650,000	-	-	-	650,000
Assigned:					
Cable-related activities	-	-	-	563,137	563,137
Police	-	2,240,756	-	-	2,240,756
Fire	-	-	628,948	-	628,948
Community development	-	-	-	200,000	200,000
Capital projects	-	-	-	2,124,349	2,124,349
Unassigned	2,892,642	-	-	-	2,892,642
Total fund balances	4,386,895	2,240,756	628,956	6,527,685	13,784,292
Total liabilities, deferred inflows of resources, and fund balances	\$ 13,781,888	\$ 8,308,707	\$ 7,848,613	\$ 11,497,734	\$ 41,436,942

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

Charter Township of Waterford

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position December 31, 2013

Fund Balance Reported in Governmental Funds	\$ 13,784,292
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	52,980,826
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	2,678,541
Bonds payable are not due and payable in the current period and are not reported in the funds	(7,097,969)
Accrued interest is not due and payable in the current period and is not reported in the funds	(35,161)
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	(1,711,932)
Other postemployment benefit obligation is not reported in the governmental funds	(21,601,974)
Other long-term liabilities do not present a claim on current financial resources and are not reported as fund liabilities	(961,243)
Internal service funds are included as part of governmental activities	<u>1,148,487</u>
Net Position of Governmental Activities	<u>\$ 39,183,867</u>

Charter Township of Waterford

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2013

	General Fund	Police Fund	Fire Fund	Nonmajor Governmental Funds	Total
Revenue					
Property taxes	\$ 7,397,855	\$ 5,662,913	\$ 4,964,299	\$ 2,663,915	\$ 20,688,982
Licenses and permits	424,410	35,430	-	25,770	485,610
Federal grants	-	177,463	1,716,005	576,385	2,469,853
State-shared revenue and grants	5,816,352	49,908	18,657	154,106	6,039,023
Charges for services	2,245,568	72,589	7,968,086	125,375	10,411,618
Fines and forfeitures	1,374,935	71,611	-	142,230	1,588,776
Investment income	55,495	31,256	26,519	31,114	144,384
Special assessments	501,371	-	-	426,139	927,510
Other revenue:					
Local donations	-	-	-	20,273	20,273
Cable franchise fees	1,017,269	-	-	125,730	1,142,999
Other miscellaneous income	1,230,978	249,999	171,897	29,108	1,681,982
Total revenue	<u>20,064,233</u>	<u>6,351,169</u>	<u>14,865,463</u>	<u>4,320,145</u>	<u>45,601,010</u>
Expenditures					
Current:					
General government	4,989,792	-	-	444,420	5,434,212
District court	2,040,160	-	-	-	2,040,160
Public safety:					
Police	45,818	11,042,802	-	84,820	11,173,440
Fire	-	-	16,641,045	-	16,641,045
Building inspection	985,930	-	-	-	985,930
Public works	-	-	-	43,925	43,925
Community and economic development	942,981	-	-	393,648	1,336,629
Recreation and culture	1,564,624	-	-	2,051,299	3,615,923
Capital outlay	45,106	229,834	124,653	344,750	744,343
Debt service	163,880	-	-	1,159,227	1,323,107
Total expenditures	<u>10,778,291</u>	<u>11,272,636</u>	<u>16,765,698</u>	<u>4,522,089</u>	<u>43,338,714</u>
Excess of Revenue Over (Under) Expenditures	9,285,942	(4,921,467)	(1,900,235)	(201,944)	2,262,296
Other Financing Sources (Uses)					
Transfers in (Note 5)	-	5,300,000	1,925,000	380,000	7,605,000
Transfers out (Note 5)	(7,605,000)	-	-	-	(7,605,000)
Net Change in Fund Balances	1,680,942	378,533	24,765	178,056	2,262,296
Fund Balances - Beginning of year	<u>2,705,953</u>	<u>1,862,223</u>	<u>604,191</u>	<u>6,349,629</u>	<u>11,521,996</u>
Fund Balances - End of year	<u>\$ 4,386,895</u>	<u>\$ 2,240,756</u>	<u>\$ 628,956</u>	<u>\$ 6,527,685</u>	<u>\$ 13,784,292</u>

Charter Township of Waterford

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, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 2,262,296
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	684,405
Depreciation expense	(2,129,029)
Net book value of assets disposed of	(87,030)
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	(402,290)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,095,000
Change in accrued interest payable and other	10,771
Decrease in accumulated employee sick and vacation pay, workers' compensation, and general liability expenses reported in the statement of activities do not require use of current resources, and therefore are not reported in the fund statements until they come due for payment	282,729
Other postemployment benefit obligation expense recognized in the statement of activities, but not in the governmental funds	(5,321,740)
Internal Service Funds are included as part of governmental activities	<u>(62,996)</u>
Change in Net Position of Governmental Activities	<u>\$ (3,667,884)</u>

Charter Township of Waterford

Proprietary Funds Statement of Net Position December 31, 2013

	Enterprise Fund Water and Sewer Fund	Governmental Activities Internal Service Funds
Assets		
Current assets:		
Cash and investments (Note 3)	\$ 14,426,605	\$ 368,290
Receivables:		
Special assessments receivable	592,700	-
Receivables from sales to customers on account	6,977,434	-
Accrued interest receivable	20,508	-
Inventory	-	86,013
Total current assets	<u>22,017,247</u>	<u>454,303</u>
Noncurrent assets:		
Restricted assets (Note 1)	2,150,295	-
Capital assets (Note 4):		
Assets not subject to depreciation	16,380,102	-
Assets subject to depreciation	81,291,323	855,331
Total noncurrent assets	<u>99,821,720</u>	<u>855,331</u>
Total assets	<u>121,838,967</u>	<u>1,309,634</u>
Liabilities		
Current liabilities:		
Accounts payable	2,847,254	3,988
Accrued liabilities and other	528,317	-
Current liabilities payable (Note 6)	1,724,065	-
Total current liabilities	<u>5,099,636</u>	<u>3,988</u>
Noncurrent liabilities:		
Other postemployment benefit obligations (Note 9)	3,332,611	-
Long-term debt - Net of current portion (Note 6)	21,585,327	157,159
Total noncurrent liabilities	<u>24,917,938</u>	<u>157,159</u>
Total liabilities	<u>30,017,574</u>	<u>161,147</u>
Net Position		
Net investment in capital assets	74,702,495	855,331
Restricted - Capital projects	2,150,295	-
Unrestricted	14,968,603	293,156
Total net position	<u>\$ 91,821,393</u>	<u>\$ 1,148,487</u>

Charter Township of Waterford

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended December 31, 2013

	Enterprise Fund Water and Sewer Fund	Governmental Activities Internal Service Funds
Operating Revenue		
Sale of water	\$ 4,680,162	\$ -
Sewage disposal charges	14,273,975	-
Other sales to customers	33,323	-
Charges for services	263,518	381,565
Operating grants	36,976	-
	19,287,954	381,565
Operating Expenses		
Cost of water	1,640,029	-
Cost of sewage treatment	8,294,563	-
Other operation and maintenance	578,010	-
Billing and administrative costs	5,461,724	-
Unemployment costs	-	157,159
Depreciation	3,682,610	278,259
	19,656,936	435,418
Operating Loss	(368,982)	(53,853)
Nonoperating Revenue (Expenses)		
Investment income	110,795	1,088
Interest expense	(441,360)	(463)
Gain (loss) on sale of assets	12,304	(9,768)
	(318,261)	(9,143)
Loss - Before contributions	(687,243)	(62,996)
Capital Contributions - Principal forgiveness on capital debt, tap-in fees, system burden fees, and other	4,985,654	-
Change in Net Position	4,298,411	(62,996)
Net Position - Beginning of year	87,522,982	1,211,483
Net Position - End of year	\$ 91,821,393	\$ 1,148,487

Charter Township of Waterford

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2013

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
Cash Flows from Operating Activities		
Receipts from customers	\$ 18,812,258	\$ 381,565
Payments to suppliers	(10,138,062)	(20,122)
Payments to employees	(3,658,331)	-
	5,015,865	361,443
Net cash provided by operating activities		
Cash Flows from Capital and Related Financing Activities		
Issuance of bonds	2,437,020	-
Receipt of capital grants	4,866,859	-
Special assessment collections	96,604	-
Benefit fees (for the purpose of defraying the cost of capital assets)	108,415	-
Proceeds from sales of capital assets	12,304	3,698
Purchase of capital assets	(8,067,106)	-
Principal and interest paid on capital debt	(2,337,784)	(147,351)
	(2,883,688)	(143,653)
Net cash used in capital and related financing activities		
Cash Flows from Investing Activities		
Interest received on investments	121,708	1,088
Proceeds from sale and maturities of investment securities	475,352	-
	597,060	1,088
Net cash provided by investing activities		
Net Increase in Cash and Cash Equivalents	2,729,237	218,878
Cash and Cash Equivalents - Beginning of year	6,308,405	149,412
Cash and Cash Equivalents - End of year	\$ 9,037,642	\$ 368,290
Balance Sheet Classification of Cash and Cash Equivalents		
Cash and investments	\$ 14,426,605	\$ 368,290
Less amounts classified as investments	(5,388,963)	-
	\$ 9,037,642	\$ 368,290
Total cash and cash equivalents		
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (368,982)	\$ (53,853)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	3,682,610	278,259
Changes in assets and liabilities:		
Receivables	(475,696)	-
Inventories	-	(20,694)
Prepaid and other assets	7,347	-
Accounts payable	1,841,346	572
Estimated claims liability	-	157,159
Accrued and other liabilities	329,240	-
	5,015,865	361,443
Net cash provided by operating activities	\$ 5,015,865	\$ 361,443

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2013, the Water and Sewer Fund received approximately \$10,400 of lines donated by developers. In addition, Oakland County constructed approximately \$2.6 million of sewer lines for the Oakland-Macomb Interceptor project, for which the Township incurred long-term debt of approximately \$1.7 million. Approximately \$66,000 was added to the reserve of amounts paid by the Township to the County.

Charter Township of Waterford

Fiduciary Funds Statement of Fiduciary Net Position December 31, 2013

	Pension and Other Postemployment Benefits	Agency Funds
Assets		
Cash and cash equivalents	\$ 286,629	\$ 2,091,107
Investments:		
U.S. government securities	1,781,223	-
Agency securities	3,754,921	-
Corporate bonds	13,278,973	-
Fixed-income funds	17,566,618	-
Stocks	87,347,785	-
Mutual funds	17,519,919	-
Real estate investment trusts	1,905,418	-
Pension manager short-term debt	9,648,167	-
Securities lending short-term collateral bank investment pool - Mutual funds	2,444,428	-
Due from broker	57,947	-
Prepaid items	692,678	-
Accrued income	264,664	-
	<u>156,549,370</u>	<u>\$ 2,091,107</u>
Liabilities		
Accounts payable	301,281	\$ -
Due to other governmental units	-	1,271,517
Bonds and other deposits	-	707,129
Accrued liabilities and other	-	112,461
Obligations under securities lending agreements	2,575,910	-
	<u>2,877,191</u>	<u>\$ 2,091,107</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 153,672,179</u>	

Charter Township of Waterford

Fiduciary Funds Statement of Changes in Fiduciary Net Position Pension and Other Postemployment Benefits Year Ended December 31, 2013

	Pension and Other Postemployment Benefits
Additions	
Investment income:	
Interest and dividends	\$ 2,867,614
Net increase in fair value of investments	<u>21,502,571</u>
Net investment income	24,370,185
Contributions:	
Employer	10,095,631
Employee	<u>527,006</u>
Total contributions	<u>10,622,637</u>
Total additions	34,992,822
Deductions	
Benefit payments	13,481,843
Administrative expenses	<u>818,266</u>
Total deductions	<u>14,300,109</u>
Net Increase in Net Position Held in Trust	20,692,713
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>132,979,466</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 153,672,179</u></u>

Charter Township of Waterford

Component Units Statement of Net Position December 31, 2013

	Economic Development Corporation	Waterford Youth Assistance Corporation	Veterans' Memorial Fund	Total
Assets				
Cash and cash equivalents	\$ 86,993	\$ 86,067	\$ 4,915	\$ 177,975
Receivables	3,000	-	-	3,000
Capital assets subject to depreciation	-	-	66,111	66,111
Total assets	89,993	86,067	71,026	247,086
Liabilities - Accounts payable				
	-	983	565	1,548
Net Position				
Net investment in capital assets	-	-	66,111	66,111
Unrestricted	89,993	85,084	4,350	179,427
Total net position	<u>\$ 89,993</u>	<u>\$ 85,084</u>	<u>\$ 70,461</u>	<u>\$ 245,538</u>

Charter Township of Waterford

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Economic Development Corporation - General government	\$ 14,347	\$ 7,446	\$ -	\$ -
Waterford Youth Assistance Corporation - Community and economic development	34,345	35,515	21,880	-
Veterans' Memorial Fund - General government	2,745	1,030	-	-
Total component units	<u>\$ 51,437</u>	<u>\$ 43,991</u>	<u>\$ 21,880</u>	<u>\$ -</u>

General revenue - Investment income

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

**Component Units
Statement of Activities
Year Ended December 31, 2013**

Net (Expense) Revenue and Changes in Net Position			
Economic Development Corporation	Waterford Youth Assistance Corporation	Veterans' Memorial Fund	Total
\$ (6,901)	\$ -	\$ -	\$ (6,901)
-	23,050	-	23,050
-	-	(1,715)	(1,715)
(6,901)	23,050	(1,715)	14,434
480	367	-	847
(6,421)	23,417	(1,715)	15,281
96,414	61,667	72,176	230,257
\$ 89,993	\$ 85,084	\$ 70,461	\$ 245,538

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

The Township is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township (see discussion below for description).

The Charter Township of Waterford's Police and Fire Retirement System, the Charter Township of Waterford's General Employees' Retirement System, and Other Postemployment Benefit Trust Fund have been blended into the Township's financial statements. These systems are governed by a five-member pension board that includes the Township treasurer, two elected individuals chosen by the Township board, and two members of the retirement systems that are elected by the members of the systems. The systems are reported as if they were part of the primary government because of the fiduciary responsibility that the Township retains relative to the operations of each system. The operations of the Police and Fire Retirement System, the General Employees' Retirement System, and Other Postemployment Benefit Trust Fund are reported as Pension and Other Postemployment Benefit Trust Funds.

Blended Component Unit - The Cable Commission is governed by a seven-member board appointed by the Township board. Although it is legally separate from the Township, the Cable Commission is reported as if it were part of the primary government because its sole purpose is to perform cable-related activities on behalf of the Township.

Discretely Presented Component Units - The following component units are reported within the component units column in the combined financial statements. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township. The component units do not issue separate financial statements.

- (a) The Waterford Youth Assistance Corporation was created to mobilize community interest and forces toward youth and family adjustment and to aid in the prevention of juvenile delinquency and neglect. The Waterford Youth Assistance Corporation's governing body is appointed by the Township board. The Township also has the ability to impose its will on the component unit.

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

- (b) The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents of the Township. The Economic Development Corporation's governing body, which consists of 11 individuals, is selected by the supervisor and approved by the Township board. The Township also has the ability to impose its will on the component unit.
- (c) The Veterans' Memorial Fund was created for the sole purpose of building and maintaining a memorial to all veterans who have served honorably in the military service of the United States. The Veterans' Memorial Fund's governing body, which consists of five individuals, is selected by the supervisor and approved by the Township board. The Township also has the ability to impose its will on the component unit.

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 Government Accounting Standards Board.

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 that specific revenues were used for. 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, and capital project funds. The Township reports the following funds as "major" governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.
- The Police Fund accounts for the operations of the law enforcement activities of the Township. Funding is provided primarily through a local property tax levy and through transfers in from the General Fund.
- The Fire Fund accounts for the operations of the fire department of the Township. Funding is provided primarily through a local property tax levy and through transfers in from the General Fund.

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

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) and internal service funds (which provide goods or services to other funds of the Township). The Township reports the following fund as a “major” enterprise fund:

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

The Township’s Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments of the Township on a cost reimbursement basis.

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 funds which account for the activities of the employee benefit plans that accumulate resources for pension and other postemployment benefit payments to qualified employees.
- The Agency Funds which record primarily tax collections received and remitted to other units of government (the county, community college, school district, etc.), as well as building bonds and deposits, held for temporary periods. The agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement or results of operations.

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

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note I - Summary of Significant Accounting Policies (Continued)

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.

Report Presentation

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

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

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

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

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note I - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

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

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.

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Prepaid Items - 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 - The Township has \$2,150,295 on deposit at the County that is being held for certain projects of the Water and Sewer Fund.

Unearned Revenue - The Township has a \$1,550,000 liability for cash received by the Fire Fund prior to services being provided. The Township also has a \$254,607 liability related to amounts billed for weed control activities to be performed in the subsequent fiscal year.

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note I - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 for personal property, \$10,000 for infrastructure, \$50,000 for building and improvements, \$75,000 for intangible assets, and no threshold for land, land improvements, telecommunications equipment, and library books with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

<u>Capital Asset Class</u>	<u>Lives</u>
Buildings and improvements	10-40 years
Infrastructure	40 years
Lines and laterals	75 years
Machinery and office equipment, vehicles, and other	3-15 years

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Township has no items that meet the definition of a deferred outflow.

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note I - Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Property taxes levied for the following year qualify for reporting in this category. The governmental funds also report unavailable revenues from grants and other sources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

Sometimes the Township 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 Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the Township 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. It is the Township's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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 Township 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 Waterford

Notes to Financial Statements December 31, 2013

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 Township's highest level of decision-making authority. The Township Board is the highest level of decision-making authority for the Township 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 Township for specific purposes but do not meet the criteria to be classified as committed. The Township Board has by resolution authorized the budget director or assistant budget director 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.

The Township Board has adopted, by ordinance, a Budget Stabilization Fund under Michigan's Public Act 30 of 1978. The board of directors may, with a 2/3 vote, set aside General Fund surplus, up to a maximum of 15 percent of the most recent General Fund budget (or average of the five most recent budgets, if less). An appropriation from the Budget Stabilization Fund, which also requires a 2/3 vote of the board of directors, may only occur to correct a budget shortfall, or in the case of a natural disaster. The balance at December 31, 2013 of the stabilization amount, which is reported in the General Fund, is \$650,000.

Property Tax Revenue

Property taxes are levied on each December 31. The related property taxes are billed and become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

The Township's 2012 tax is levied and collectible on December 1, 2012 and is recognized as revenue in the year ended December 31, 2013, when the proceeds of the levy are budgeted and available for the financing of operations.

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note I - Summary of Significant Accounting Policies (Continued)

The 2012 taxable valuation of the Township totaled \$1.91 billion, on which ad valorem taxes levied consisted of 3.8478 mills for operating purposes, 3.00 mills for the police, 2.63 mills for the fire department, .9118 mills for the library, and .500 mills for debt on the public safety building. This resulted in \$7.32 million for operating, \$5.78 million for the police, \$5.07 million for the fire department, \$1.76 million for the library, and \$963,000 for debt on the public safety building. These amounts are recognized in the respective General, Special Revenue, and Debt Service Fund financial statements as tax revenue.

The delinquent real property taxes of the Township are purchased by Oakland County (the "County"). In approximately April or May, the County treasurer reimburses the local unit for delinquent real property taxes through the County Revolving Fund. If delinquent real taxes cannot be collected by the County, the local unit portion of the tax is invoiced or deducted from the monthly County settlement.

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

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and personal pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. All other accrued compensated absences are reported in the government-wide financial statements; generally the funds that report each employee's compensation (the General Fund, Police Fund, Fire Fund, and Water and Sewer Fund, primarily) are used to liquidate the obligation.

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Shortfall at January 1, 2013		\$ (5,191,613)
Current year building permit revenue		420,382
Related expenses:		
Construction code expenses - Related expenses -		
Direct costs	\$ 875,394	
Estimated indirect costs	-	875,394
Current year shortfall		(455,012)
Cumulative shortfall at December 31, 2013		<u>\$ (5,646,625)</u>

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note 3 - Deposits and Investments

Deposits and investments are reported in the financial statements as follows:

	Governmental Activities	Business-type Activities	Government- wide Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and investments	\$ 28,819,217	\$ 14,426,605	\$ 43,245,822	\$ 157,625,188	\$ 200,871,010	\$ 177,975

These amounts are classified into the following deposits and investment categories:

	Primary Government	Component Units
Deposits with financial institutions	\$ 26,657,710	\$ 177,975
Investments:		
Equity securities or funds	104,867,704	-
Debt securities or funds	37,277,071	-
Short-term funds (2a7-like)	2,948,322	-
Real estate and other	29,120,203	-
Total	<u>\$ 200,871,010</u>	<u>\$ 177,975</u>

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

The Township's pension and other postemployment benefit 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.

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note 3 - Deposits and Investments (Continued)

The Township has designated nine banks for the deposit of its funds. The investment policy adopted by the board for nonpension assets in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

As permitted by state statutes and under the provisions of a securities lending authorization agreement, the Township's Police and Fire Retirement System and Regular Employees' Retirement System (the "Retirement Systems") lend securities to banks for collateral that will be returned for the same securities in the future. The Retirement Systems' custodial bank manages the securities lending program and receives cash as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended December 31, 2013, only United States currency was received as collateral.

The Retirement Systems did not impose any restrictions during the fiscal year on the amount of loans made on their behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

The Township's Retirement Systems and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pools as of December 31, 2013 did not generally match the duration of the investments made with cash collateral. On December 31, 2013, the Retirement Systems had no credit risk exposure to borrowers. The collateral held and the fair market value of the underlying securities on loan for the Retirement Systems as of December 31, 2013 were \$1,783,010 and \$1,804,133, respectively, for the Police and Fire Retirement System and \$661,418 and \$713,084, respectively, for the General Employees' Retirement System. A portion of the cash collateral received on each loan was invested, together with the cash collateral of other lenders, in a pool. The remaining collateral was invested in assets held by each system. The remaining investments held in the pool and the other investments of collateral consist of a floating rate note rated "D" by S&P and mutual funds with an S&P rating of AAAM.

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township and its component units had \$27,477,678 of bank deposits (certificates of deposit, checking, and savings accounts). Of that amount, \$1,547,449 was covered by federal depository insurance and the remainder was 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 does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity.

At year end, the Township had the following investments and maturities:

Government-wide Activities	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Agency securities	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -
Fixed-income pool	18,461,954	18,461,954	-	-	-
Total	\$ 18,961,954	\$ 18,961,954	\$ -	\$ -	\$ -
Fiduciary Funds	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Corporate asset-backed	\$ 828,057	\$ -	\$ 499,049	\$ 329,008	\$ -
Corporate bonds	7,712,514	278,513	2,808,514	2,886,579	1,738,908
Corporate collateralized mortgage obligation	1,052,794	-	-	-	1,052,794
Foreign bonds	1,526,830	60,114	488,836	417,605	560,275
Foreign government bonds	2,158,778	-	-	1,966,778	192,000
U.S. government securities	1,781,223	-	-	581,225	1,199,998
Agency securities	3,754,921	-	137,567	84,698	3,532,656
Total	\$ 18,815,117	\$ 338,627	\$ 3,933,966	\$ 6,265,893	\$ 8,276,631

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Value	Rating	Rating Organization
Government-wide Activities			
	\$ 3,894	Aaa	Moody's
	500,000	AA	S&P
	<u>18,461,954</u>	Not rated	-
Total	<u>\$ 18,965,848</u>		
Fiduciary Funds			
	\$ 3,474,918	AAA	S&P
	1,049,562	AA	S&P
	3,144,641	A	S&P
	5,052,402	BBB	S&P
	2,507,536	BB	S&P
	285,756	B	S&P
	75,075	CCC and below	S&P
	<u>5,669,658</u>	Not rated	-
Total	<u>\$ 21,259,548</u>		

Concentration of Credit Risk - The Township places no limit on the amount it may invest in any one issuer. More than 5 percent of the government-wide activities' cash and investments are in Oakland County (39.75 percent). More than 5 percent of the Township's fiduciary investments are in Comerica and S&P Composite Index Fund (combined 6.12 and 6.07 percent, respectively, between the two retirement systems).

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note 4 - Capital Assets

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

	Balance January 1, 2013	Reclassifications	Additions	Disposals	Balance December 31, 2013
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 27,111,094	\$ -	\$ -	\$ -	\$ 27,111,094
Construction in progress	592,584	(592,584)	-	-	-
Subtotal	27,703,678	(592,584)	-	-	27,111,094
Capital assets being depreciated:					
Infrastructure	13,202,353	592,584	142,287	-	13,937,224
Buildings and improvements	31,082,572	-	40,518	-	31,123,090
Machinery and office equipment, vehicles, and other	28,568,967	-	524,574	(1,048,142)	28,045,399
Subtotal	72,853,892	592,584	707,379	(1,048,142)	73,105,713
Accumulated depreciation:					
Infrastructure	11,186,250	-	381,186	-	11,567,436
Buildings and improvements	11,838,152	-	703,417	-	12,541,569
Machinery and office equipment, vehicles, and other	21,896,606	-	1,322,683	(947,644)	22,271,645
Subtotal	44,921,008	-	2,407,286	(947,644)	46,380,650
Net capital assets being depreciated	27,932,884	592,584	(1,699,907)	(100,498)	26,725,063
Net capital assets	\$ 55,636,562	\$ -	\$ (1,699,907)	\$ (100,498)	\$ 53,836,157
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 3,455,491	\$ -	\$ -	\$ -	\$ 3,455,491
Construction in progress	2,716,117	-	10,208,494	-	12,924,611
Subtotal	6,171,608	-	10,208,494	-	16,380,102
Capital assets being depreciated:					
Lines and laterals	106,666,226	-	408,331	-	107,074,557
Buildings and improvements	25,174,070	-	-	-	25,174,070
Machinery and office equipment, vehicles, and other	7,695,012	-	226,915	(42,675)	7,879,252
Oakland-Macomb Interceptor - Joint assets	6,235,297	-	195,625	-	6,430,922
Subtotal	145,770,605	-	830,871	(42,675)	146,558,801
Accumulated depreciation:					
Water and sewer lines	45,293,934	-	2,611,413	-	47,905,347
Buildings and improvements	9,778,035	-	555,554	-	10,333,589
Machinery and office equipment, vehicles, and other	6,288,742	-	241,034	(42,675)	6,487,101
Oakland-Macomb Interceptor - Joint assets	266,832	-	274,609	-	541,441
Subtotal	61,627,543	-	3,682,610	(42,675)	65,267,478
Net capital assets being depreciated	84,143,062	-	(2,851,739)	-	81,291,323
Net capital assets	\$ 90,314,670	\$ -	\$ 7,356,755	\$ -	\$ 97,671,425

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note 4 - Capital Assets (Continued)

During the year, the Veterans' Memorial Fund, a discretely presented component unit of the Township, had no additions or disposals of capital assets. Therefore, there was no change in the asset balance of \$72,650 in 2013. During the year, depreciation expense of \$2,180 was recorded. Net memorial being depreciated is \$66,111 as of December 31, 2013.

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

Governmental activities:

General government	\$ 959,272
Public safety	1,025,453
District Court	51,990
Community and economic development	3,479
Recreation and culture	367,092
Total governmental activities	<u>\$ 2,407,286</u>

Business-type activities - Water and sewer \$ 3,682,610

Construction Commitments - The Township has active construction projects at December 31, 2013. At year end, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
HVAC System	\$ 11,360	\$ 31,840
Pump Station Upgrades	-	4,364,988
Water Main Replacement Project	883,257	649,872
Water Main Lining Project	2,961,270	486,652
Residential Water Meter Replacement	320,609	1,168,428
Total	<u>\$ 4,176,496</u>	<u>\$ 6,701,780</u>

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note 5 - Interfund Receivables, Payables, and Transfers

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

<u>Funds Providing Resources</u>	<u>Funds Receiving Resources</u>	<u>Amount</u>
General Fund	Fire Fund	\$ 1,925,000
	Police Fund	5,300,000
	Debt Service Fund	30,000
	Improvement Revolving Fund	350,000
	Total General Fund	<u>\$ 7,605,000</u>

The transfers from the General Fund to the Fire Fund and the Police Fund represent transfers of unrestricted resources to finance operations of the fire and police departments in accordance with budgetary authorizations. The transfer from the General Fund to the Debt Service Fund represents a transfer to cover the tax roll adjustments. The transfer from the General Fund to the Improvement Revolving Fund represents transfers to cover repairs and improvements to the Township's infrastructure and General Fund buildings.

Note 6 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the Township) are received.

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General Obligation Unlimited Tax Bond:							
Refunding Bonds - Series 2009:							
Amount of issue - \$9,600,000	2.00% -	\$915,000 -					
Maturing through 2018	3.50%	\$1,360,000	\$ 6,970,000	\$ -	\$ 965,000	\$ 6,005,000	\$ 1,040,000
Capital Improvement Bonds - Series 2005-B:							
Amount of issue - \$2,000,000	3.50% -	\$130,000 -					
Maturing through 2014	4.00%	\$135,000	265,000	-	130,000	135,000	135,000
Capital Improvement Bonds - Series 2009:							
Amount of issue - \$575,000							
Maturing through 2013	3.375%	\$145,000	145,000	-	145,000	-	-
General Obligation Unlimited Tax Bond:							
Refunding Bonds - Series 2012:							
Amount of issue - \$1,151,550	2.00% -	\$85,472 -					
Maturing through 2023	3.00%	\$123,654	957,969	-	-	957,969	-
Total bonds payable			8,337,969	-	1,240,000	7,097,969	1,175,000
Other long-term liabilities:							
Employee compensated absences			1,680,032	1,591,846	1,559,946	1,711,932	1,641,768
Estimated liability for workers' compensation claims (Note 12)			977,046	103,131	252,513	827,664	337,444
Estimated liability for unemployment claims			-	157,159	-	157,159	-
Estimated liability for general liability claims (Note 12)			168,826	60,849	96,096	133,579	133,579
Other postemployment benefit obligations (Note 9)			16,280,234	5,321,740	-	21,601,974	-
Total governmental activities			\$ 27,444,107	\$ 7,234,725	\$ 3,148,555	\$ 31,530,277	\$ 3,287,791

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
Drinking Water Relief Fund, Series 2013A Amount of issue - \$6,994,654 Maturing through 2033	2.00%	\$289,654 - \$420,000	\$ -	\$ 2,216,096	\$ -	\$ 2,216,096	\$ 289,654
Sewer Relief Fund, Series 2013B Amount of issue - \$4,130,000 Maturing through 2035	2.00%	\$170,000 - \$245,000	-	220,924	-	220,924	-
Sewer Relief Fund - Series 2007-B: Amount of issue - \$3,745,000 Maturing through 2027	1.625%	\$160,000 - \$215,000	2,722,393	-	165,000	2,557,393	165,000
Drinking Water Relief Fund - Series 2007-C: Amount of issue - \$8,905,000 Maturing through 2028	2.125%	\$375,000 - \$540,000	7,378,831	-	390,000	6,988,831	400,000
General Obligation Unlimited Tax Bond: Refunding Bonds - Series 2012: Amount of issue - \$3,307,031 Maturing through 2023	2.00% - 3.00%	\$234,528 - \$366,346	3,307,031	-	270,000	3,037,031	275,000
Oakland-Macomb Sewer Interceptor, Series 2010A: Amount of issue - \$3,510,038 Maturing through 2030	2.50%		3,258,598	114,678	140,665	3,232,611	144,031
Oakland-Macomb Sewer Interceptor, Series 2010B: Amount of issue - \$901,874 Maturing through 2030	1.15% - 5.90%		846,011	-	30,960	815,051	32,306
Oakland-Macomb Sewer Interceptor, Series 2011: Amount of issue - \$4,219,251 Maturing through 2033	2.50%		1,330,097	1,614,535	-	2,944,632	165,266
Oakland-Macomb Sewer Interceptor, Series 2013A: Amount of issue - \$9,206,996 Maturing through 2034	2.00%		-	956,362	-	956,362	-
Total bonds payable			18,842,961	5,122,595	996,625	22,968,931	1,471,257
Employee compensated absences			220,005	221,090	203,102	237,993	179,090
Estimated liability for workers' compensation claims (Note 12)			21,132	42,219	14,810	48,541	19,791
Estimated liability for general liability claims (Note 12)			70,796	21,925	38,794	53,927	53,927
Other postemployment benefit obligations (Note 9)			2,494,820	837,791	-	3,332,611	-
Total business-type activities			<u>\$ 21,649,714</u>	<u>\$ 6,245,620</u>	<u>\$ 1,253,331</u>	<u>\$ 26,642,003</u>	<u>\$ 1,724,065</u>

For the governmental activities, claims and judgments, compensated absences, and net other postemployment benefit obligations are generally liquidated by the General, Police, Fire, and Library Funds related to employee salaries and fringes. Additionally, for the business-type activities, claims and judgments and compensated absences are generally liquidated by the Water and Sewer Fund for employee salaries and fringes.

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note 6 - Long-term Debt (Continued)

During 2009, Macomb and Oakland counties jointly established the Oakland-Macomb Interceptor Drain - Drainage District (OMID), an intercounty drainage district, under Chapter 21 of the Drain Code. The OMID was created to acquire, operate, and maintain the Oakland-Macomb Interceptor (OMI); title to the OMI was transferred from the City of Detroit to the OMID as part of a settlement agreement with the City of Detroit reached in May 2009. The OMID apportioned the responsibility to pay the debt required to finance this project to the participating cities, townships, and villages located in the two counties. The Township has tentatively been advised that its assessments to pay the debt related to this project are \$4,411,912 for the Series 2010A and Series 2010B bonds, \$4,219,251 for the Series 2011 bond, and \$9,206,996 for the Series 2013A bond. To date, the Township has incurred \$8.3 million of debt and other liabilities related to the project. As the OMID project is not complete, future payment amounts for the Township's share of the Series 2011 and Series 2013A OMID debt are not yet finalized.

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
2014	\$ 1,175,000	\$ 215,232	\$ 1,390,232	\$ 1,471,257	\$ 899,208	\$ 2,370,465
2015	1,232,932	164,209	1,397,141	1,916,309	869,113	2,785,422
2016	1,311,301	127,448	1,438,749	2,125,230	826,689	2,951,919
2017	1,394,670	86,694	1,481,364	1,851,728	781,534	2,633,262
2018	1,475,793	40,072	1,515,865	1,643,354	500,293	2,143,647
2019-2023	508,273	36,891	545,164	7,478,215	1,725,400	9,203,615
2024-2028	-	-	-	5,702,111	638,366	6,340,477
2029-2033	-	-	-	780,727	32,583	813,310
Total	<u>\$ 7,097,969</u>	<u>\$ 670,546</u>	<u>\$ 7,768,515</u>	<u>\$ 22,968,931</u>	<u>\$ 6,273,186</u>	<u>\$ 29,242,117</u>

Note 7 - Pension Plan - Police and Fire Retirement System

Plan Description - The Police and Fire Retirement System is a single-employer defined benefit pension plan that is administered by the Township. The system covers all full-time police and fire employees of the Township hired before January 1, 2012. Fire employees hired on or after January 1, 2012 are ineligible to participate. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2012, the date of the most recent actuarial valuation, membership consisted of 121 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 108 current active employees. The plan does not issue a separate financial report.

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note 7 - Pension Plan - Police and Fire Retirement System (Continued)

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

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units and requires a contribution from the employees of 5 percent, except for the police patrol union whose contribution is 7 percent of gross wages. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Annual Pension Cost - For the year ended December 31, 2013, the Township's annual pension cost of \$3,251,498 for the plan was equal to the Township's required and actual contribution.

	Fiscal Year Ended December 31		
	2013	2012	2011
Annual pension cost (APC)	\$ 3,251,498	\$ 3,356,274	\$ 2,227,187
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -

Funding Status and Funding Progress - As of December 31, 2012, the most recent actuarial valuation date, the plan was 76.6 percent funded. The actuarial accrued liability for benefits was \$95.8 million, and the actuarial value of assets was \$73.4 million, resulting in an unfunded actuarial accrued liability of \$22.4 million. The covered payroll (annual payroll to active employees covered by the plan) was \$8.8 million and the ratio of the unfunded actuarial accrued liability to the covered payroll was 254.3 percent.

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

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note 7 - Pension Plan - Police and Fire Retirement System (Continued)

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at December 31, 2012, using the entry age actuarial cost method. Significant actuarial assumptions used include a 7.0 percent investment rate of return, and projected salary increases ranging from 4.1 percent to 11.9 percent. The projected salary increases include an inflation factor of 4.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 18 years.

Reserves - As of December 31, 2013, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 6,985,046
Reserve for employer contributions	24,693,288
Reserve for retired benefit payments	53,772,534

Note 8 - Pension Plan - General Employees' Retirement System

Plan Description - The General Employees' Retirement System is a single-employer defined benefit pension plan that is administered by the Township; this plan covers all full-time Township employees hired before certain dates in 2005 and 2006, depending on their employee group. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2012, the date of the most recent actuarial valuation, membership consisted of 149 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 111 current active employees. The plan does not issue a separate financial report.

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

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units and requires a contribution from the employees in order to purchase credit for military time. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note 8 - Pension Plan - General Employees' Retirement System (Continued)

Annual Pension Cost - For the year ended December 31, 2013, the Township's annual pension cost of \$1,922,105 for the plan was equal to the Township's required and actual contribution. The pension cost for the three most recent years is as follows:

	Fiscal Year Ended December 31		
	2013	2012	2011
Annual pension cost (APC)	\$ 1,922,105	\$ 2,017,208	\$ 2,011,374
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -

Funding Status and Funding Progress - As of December 31, 2012, the most recent actuarial valuation date, the plan was 86.4 percent funded. The actuarial accrued liability for benefits was \$59.7 million, and the actuarial value of assets was \$51.5 million, resulting in an unfunded actuarial accrued liability of \$8.2 million. The covered payroll (annual payroll to active employees covered by the plan) was \$5.8 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 141.4 percent.

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

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at December 31, 2012, using the entry age actuarial cost method. Significant actuarial assumptions used include a 7.0 percent investment rate of return, and projected salary increases of 4.5 percent to 7.7 percent per year. The projected salary increase includes an inflation factor of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 20 years.

Reserves - As of December 31, 2013, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 321,217
Reserve for employer contributions	30,056,371
Reserve for retired benefit payments	29,481,911

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note 9 - Other Postemployment Benefits

Plan Description - The Township provides retiree healthcare benefits to all full-time employees upon retirement or to individuals receiving system disability pensions, in accordance with various labor contracts. Currently, the plan has 545 members.

This is a single-employer defined benefit plan administered by the Township. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions. The Township includes pre-Medicare retirees and their dependents in its insured healthcare plan, with no contribution required by the participant. The Township purchases Medicare supplemental insurance for retirees eligible for Medicare.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's collective bargaining units. 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). However, as shown below, the Township has made contributions to advance-fund these benefits, as determined by the Township's board through annual budget resolutions. The costs of administering the plan are borne by the Retiree Health Care Fund. Currently, the retirees are not required to contribute. Generally the funds that report each employee's compensation (the General Fund, Police Fund, Fire Fund, and Water and Sewer Fund, primarily) are used to pay premiums and liquidate the obligation.

Funding Progress - For the year ended December 31, 2013, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2012. 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 costs 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:

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note 9 - Other Postemployment Benefits (Continued)

Annual required contribution (recommended)	\$ 10,816,125
Interest on the prior year's net OPEB obligation	938,753
Less adjustment to the annual required contribution	<u>(673,319)</u>
Annual OPEB cost	11,081,559
Amounts contributed:	
Payments of current premiums	(4,896,428)
Advance funding	<u>(25,600)</u>
Increase in net OPEB obligation	6,159,531
OPEB obligation - Beginning of year	<u>18,775,054</u>
OPEB obligation - End of year	<u>\$ 24,934,585</u>

Employer contributions and annual OPEB cost data for the current and preceding years are as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Annual OPEB Costs	Percentage OPEB Costs Contributed	Net OPEB Obligation
12/31/08	12/31/06	\$ 9,552,379	\$ 9,552,379	97.2	\$ 267,814
12/31/09	12/31/08	8,525,832	8,529,618	56.5	5,085,245
12/31/10	12/31/08	8,909,087	8,980,980	47.7	9,777,880
12/31/11	12/31/10	9,354,307	9,492,542	56.0	14,033,237
12/31/12	12/31/10	9,471,186	9,669,582	51.0	18,775,054
12/31/13	12/31/12	10,816,125	11,081,559	44.4	24,934,585

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
12/31/06	\$ -	\$ 115,524,179	\$ 115,524,179	-	\$ 20,868,379	553.6
12/31/08	5,020,381	130,048,876	125,028,495	3.9	20,631,114	606.0
12/31/10	6,300,318	157,696,179	151,395,861	4.0	18,023,338	840.0
12/31/12	7,164,299	165,582,825	158,418,526	4.3	-	N/A

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note 9 - Other Postemployment Benefits (Continued)

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

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

In the December 31, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Neither rate includes an inflation assumption. The actuarial value of assets was determined based on the market value of investments as of the date of the valuation. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012 is 30 years.

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note 10 - Pension and Other Employee Benefit Trust Funds

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

	Police and Fire Pension	General Employees' Pension	Other Postemployment Benefits
<u>Statement of Net Position</u>			
Investments	\$ 87,123,725	\$ 60,371,153	\$ 8,361,814
Other assets	416,016	276,662	-
Liabilities	<u>(2,088,873)</u>	<u>(788,318)</u>	<u>-</u>
Net position	<u>\$ 85,450,868</u>	<u>\$ 59,859,497</u>	<u>\$ 8,361,814</u>
<u>Statement of Changes in Net Position</u>			
Investment gain	\$ 12,863,991	\$ 10,378,041	\$ 1,128,153
Contributions	3,694,807	1,945,957	4,981,873
Benefit payments	(5,271,097)	(3,314,318)	(4,896,428)
Other deductions	<u>(449,572)</u>	<u>(352,611)</u>	<u>(16,083)</u>
Net change in net position	<u>\$ 10,838,129</u>	<u>\$ 8,657,069</u>	<u>\$ 1,197,515</u>

Note 11 - Defined Contribution Pension Plan

The Township provides pension benefits to full-time employees hired after various dates, depending on the employee group, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by various collective bargaining agreements, the Township contributes a certain percentage of employees' gross earnings and employee contributions. Employer contribution rates and vesting schedules vary based on employee group. In accordance with these agreements, the Township contributed \$768,574 during the current year.

Note 12 - 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 participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to general and auto liability, auto physical damage, and property loss claims; the Township is self-insured for workers' compensation and medical benefit claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note 12 - Risk Management (Continued)

The Michigan Municipal Risk Management Authority (MMRMA) risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the MMRMA and the MMRMA uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Township.

The Township estimates the liability for general liability, workers' compensation, and medical 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. Generally, the funds that report each employee's compensation (the General Fund, Police Fund, Fire Fund, and Water and Sewer Fund, primarily) are used to liquidate the obligations for workers' compensation and medical claims. The obligation for general claims will be primarily liquidated by the General Fund and the Water and Sewer Fund. Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability		Workers' Compensation		Medical Claims	
	2013	2012	2013	2012	2013	2012
Estimated liability - Beginning of year	\$ 239,622	\$ 118,008	\$ 998,178	\$ 712,009	\$ -	\$ -
Estimated claims incurred, including changes in estimates	82,774	211,754	145,350	704,412	4,212,932	4,965,203
Claim payments	(134,890)	(90,140)	(267,323)	(418,243)	(4,212,932)	(4,965,203)
Estimated liability - End of year	<u>\$ 187,506</u>	<u>\$ 239,622</u>	<u>\$ 876,205</u>	<u>\$ 998,178</u>	<u>\$ -</u>	<u>\$ -</u>

Note 13 - Change in Accounting

During the current year, the Township adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources.

Charter Township of Waterford

Notes to Financial Statements December 31, 2013

Note 13 - Change in Accounting (Continued)

As a result of implementing this statement, the following liabilities have been reclassified, as indicated:

<u>Item</u>	<u>Amount</u>	<u>Prior Reporting Classification/Treatment</u>	<u>New Classification After Adoption of GASB Statement No. 65</u>
Property taxes billed, but which were levied for next year's budget	\$ 21,114,807	Liability	Deferred inflow of resources
Revenue in governmental funds not collected within 60 days of year end	3,274,178	Liability	Deferred inflow of resources

Note 14 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued two new pension standards, GASB Statement No. 67, *Financial Reporting for Pension Plans*, and No. 68, *Accounting and Financial Reporting for Pensions*. These new standards significantly revise the current accounting and reporting for pensions, both from an employer perspective as well as from a plan perspective. Employers providing defined benefit pensions to its employees must now, under these new standards, recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised and expanded note disclosures and required supplemental information (RSI). Statement No. 67 is required to be adopted for December 31, 2014 and Statement No. 68 one year later.

Required Supplemental Information

Charter Township of Waterford

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 7,484,659	\$ 7,440,659	\$ 7,397,855	\$ (42,804)
Licenses and permits	375,280	375,280	424,410	49,130
State-shared revenue and grants	5,698,589	5,748,589	5,816,352	67,763
Charges for services	2,267,791	2,279,791	2,238,368	(41,423)
Fines and forfeitures	1,414,500	1,414,500	1,374,935	(39,565)
Investment income	25,000	25,000	52,089	27,089
Special assessments	500,000	500,000	501,371	1,371
Other revenue:				
Cable franchise fees	994,000	994,000	1,017,269	23,269
Other miscellaneous income	246,000	1,265,293	1,230,978	(34,315)
Total revenue	19,005,819	20,043,112	20,053,627	10,515
Expenditures				
Current:				
General government:				
Township board	50,234	50,234	50,950	(716)
Supervisor and assessing	628,102	628,102	648,809	(20,707)
Elections	8,500	8,500	4,097	4,403
Personnel	200,631	200,631	213,360	(12,729)
Information service	304,824	304,824	321,476	(16,652)
Treasurer	554,249	554,249	560,952	(6,703)
General services	1,570,736	1,571,736	1,464,988	106,748
Clerk	571,387	571,387	533,098	38,289
Retiree benefits	1,426,970	1,426,970	1,082,900	344,070
Facilities and operations	108,555	108,555	108,555	-
Total general government	5,424,188	5,425,188	4,989,185	436,003
District Court	2,022,678	2,072,678	2,040,160	32,518
Public safety	1,125,158	1,125,158	1,031,748	93,410
Planning department	1,040,005	1,040,005	942,981	97,024
Parks and recreation	1,584,448	1,584,448	1,564,624	19,824
Capital outlay	34,000	45,000	45,106	(106)
Debt service	164,085	164,085	163,880	205
Total expenditures	11,394,562	11,456,562	10,777,684	678,878
Excess of Revenue Over Expenditures	7,611,257	8,586,550	9,275,943	689,393
Other Financing Uses - Transfers out	(7,365,000)	(7,722,500)	(7,605,000)	117,500
Net Change in Fund Balance	246,257	864,050	1,670,943	806,893
Fund Balance - Beginning of year	1,912,829	1,912,829	1,912,829	-
Fund Balance - End of year	<u>\$ 2,159,086</u>	<u>\$ 2,776,879</u>	<u>\$ 3,583,772</u>	<u>\$ 806,893</u>

Charter Township of Waterford

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Fund Year Ended December 31, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,691,096	\$ 5,651,096	\$ 5,662,913	\$ 11,817
Licenses and permits	35,000	35,000	35,430	430
Federal grants	375,712	375,712	177,463	(198,249)
State-shared revenue and grants	63,252	63,252	49,908	(13,344)
Charges for services	45,000	45,000	72,589	27,589
Fines and forfeitures	77,500	77,500	71,611	(5,889)
Investment income	20,000	20,000	31,256	11,256
Other revenue	208,000	208,000	249,999	41,999
Total revenue	6,515,560	6,475,560	6,351,169	(124,391)
Expenditures				
Current - Public safety	11,970,109	11,926,609	11,042,802	883,807
Capital outlay	257,641	301,141	229,834	71,307
Total expenditures	12,227,750	12,227,750	11,272,636	955,114
Excess of Expenditures Over Revenue	(5,712,190)	(5,752,190)	(4,921,467)	830,723
Other Financing Sources - Transfers in	5,300,000	5,300,000	5,300,000	-
Net Change in Fund Balance	(412,190)	(452,190)	378,533	830,723
Fund Balance - Beginning of year	1,862,223	1,862,223	1,862,223	-
Fund Balance - End of year	<u>\$ 1,450,033</u>	<u>\$ 1,410,033</u>	<u>\$ 2,240,756</u>	<u>\$ 830,723</u>

Charter Township of Waterford

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Fund Year Ended December 31, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 4,999,860	\$ 4,969,060	\$ 4,964,299	\$ (4,761)
Federal grants	-	2,366,445	1,716,005	(650,440)
State-shared revenue and grants	-	148,500	18,657	(129,843)
Charges for services	7,910,000	7,910,000	7,968,086	58,086
Investment income	16,000	16,000	26,519	10,519
Other revenue	116,600	116,600	171,897	55,297
Total revenue	13,042,460	15,526,605	14,865,463	(661,142)
Expenditures				
Current - Public safety	14,782,873	17,149,318	16,641,045	508,273
Capital outlay	12,900	161,400	124,653	36,747
Total expenditures	14,795,773	17,310,718	16,765,698	545,020
Excess of Expenditures Over Revenue	(1,753,313)	(1,784,113)	(1,900,235)	(116,122)
Other Financing Sources - Transfers in	1,925,000	1,925,000	1,925,000	-
Net Change in Fund Balance	171,687	140,887	24,765	(116,122)
Fund Balance - Beginning of year	604,191	604,191	604,191	-
Fund Balance - End of year	<u>\$ 775,878</u>	<u>\$ 745,078</u>	<u>\$ 628,956</u>	<u>\$ (116,122)</u>

Charter Township of Waterford

Required Supplemental Information Pension System Schedule - Police and Fire Retirement System Year Ended December 31, 2013

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/07	\$ 66,900,000	\$ 83,200,000	\$ 16,300,000	80.4	\$ 10,300,000	158.3
12/31/08	60,400,000	87,300,000	26,900,000	69.2	10,900,000	246.8
12/31/09	64,200,000	89,500,000	25,300,000	71.7	11,000,000	230.0
12/31/10	68,200,000	94,400,000	26,200,000	72.2	9,000,000	291.1
12/31/11	70,500,000	91,100,000	20,600,000	77.4	8,100,000	254.3
12/31/12	73,400,000	95,800,000	22,400,000	76.6	8,800,000	254.5

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
12/31/08	\$ 2,638,538	100.0
12/31/09	3,451,506	100.0
12/31/10	3,416,401	100.0
12/31/11	3,227,187	100.0
12/31/12	3,356,274	100.0
12/31/13	3,251,498	100.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2012, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Closed level percentage of payroll
Amortization period (perpetual)	18 years
Asset valuation method	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.0%
Projected salary increases*	4.1% - 11.9%
*Includes inflation at	4.0%

Charter Township of Waterford

Required Supplemental Information Pension System Schedule - General Employees' Retirement System Year Ended December 31, 2013

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/07	\$ 50,800,000	\$ 50,800,000	\$ -	100.0	\$ 8,300,000	-
12/31/08	44,100,000	53,400,000	9,300,000	82.6	8,300,000	112.0
12/31/09	45,400,000	55,000,000	9,600,000	82.5	8,100,000	118.5
12/31/10	47,400,000	56,500,000	9,100,000	83.9	7,000,000	130.0
12/31/11	49,400,000	58,800,000	9,400,000	84.0	6,200,000	151.6
12/31/12	51,500,000	59,700,000	8,200,000	86.3	5,800,000	141.4

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
12/31/08	\$ 1,402,952	100.0
12/31/09	2,204,481	100.0
12/31/10	2,208,556	100.0
12/31/11	2,011,374	100.0
12/31/12	2,017,208	100.0
12/31/13	1,922,105	100.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2012, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Closed level dollar
Amortization period (perpetual)	20 years
Asset valuation method	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.0%
Projected salary increases*	4.5% - 7.7%
*Includes inflation at	4.5%

Charter Township of Waterford

Required Supplemental Information OPEB System Schedule Year Ended December 31, 2013

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/06	\$ -	\$115,524,179	\$115,524,179	-	\$ 20,868,379	553.6
12/31/08	5,020,381	130,048,876	125,028,495	3.9	20,631,114	606.0
12/31/10	6,300,318	157,696,179	151,395,861	4.0	18,023,338	840.0
12/31/12	7,164,299	165,582,825	158,418,526	4.3	-	N/A

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
12/31/08	\$ 9,552,379	97.2
12/31/09	8,525,832	56.5
12/31/10	8,909,087	47.7
12/31/11	9,354,307	56.0
12/31/12	9,471,186	51.0
12/31/13	10,816,125	44.4

Charter Township of Waterford

Note to Required Supplemental Information Year Ended December 31, 2013

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 that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. During the year, the budget was amended in a legally permissible manner.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before September 1, the office of fiscal and human services director and the Township supervisor prepare a proposed operating budget for the fiscal year commencing January 1 and submit it to the board. The budget must be adopted through a passage of a budget resolution no later than November 1.
2. Public hearings are conducted to obtain citizen comments.
3. The legislative budget is adopted by fund on a departmental basis. Line item detail is provided as a general guideline. Throughout the year, the board receives requests to amend the activity budget. All amendments must be approved by a vote of the Township board. Changes in line items within an activity may be made with the approval of the director of fiscal and human resources.

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

	<u>Total Revenue</u>	<u>Total Expenditures</u>
General Fund		
Amounts per operating statement	\$ 20,064,233	\$ 10,778,291
Cemetery Care Fund	(7,903)	-
Workers' Compensation Fund	<u>(2,703)</u>	<u>(607)</u>
Amounts per budget statement	<u>\$ 20,053,627</u>	<u>\$ 10,777,684</u>

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Township did not incur significant expenditures that were in excess of the amounts budgeted.

Charter Township of Waterford

Note to Required Supplemental Information (Continued) Year Ended December 31, 2013

The Community Development Block Grant Fund, Weed Control Fund, Health Benefits Fund, and the S.A.D. Road Paving Fund were not budgeted for in the current year.

At December 31, 2013, the Township had governmental activities unrestricted net deficit of \$10,569,109.

Other Supplemental Information

Charter Township of Waterford

Other Supplemental Information Description of Nonmajor Funds

Special Revenue Funds

These funds are used to account for specific revenue sources, which are legally restricted to expenditures for specific functions or activities. Restrictions may be imposed by state statute, the State Constitution, Township board resolution or action, or the electorate through the approval of special dedicated millages.

Bike Path Fund - This fund accounts for revenue generated by a previous property tax millage for the development of the Township's bike path system through land acquisition and infrastructure development.

Community Development Block Grant Fund - Entitlements received under the federally funded Community Development Block Grant Program are accounted for in this fund. These funds are used to provide approved Block Grant projects and programs.

Library Fund - This fund accounts for specific property taxes and related revenue used to stock books and operate programs in the various Township libraries.

Library Donations Fund - This fund accounts for donations received from the public. These funds are used as needed for children's programs, library furniture, and improvements to the facility.

Weed Control Funds - These funds are used to account for revenue and expenditures related to special assessments for weed control of various lakes within the Township.

Police Restricted Use Fund - This fund is used to account for monies seized in arrests for illegal drug activities and from various grants issued to the police department. Functions and activities include drug enforcement and education, departmental training, and expenses associated with the grants received.

Nature Center Fund - This fund was established in 2005 to account for grant monies used for the maintenance and operation of the Drayton Plains Nature Center.

Cable Commission Fund - This fund was created to account for the cable-related activities of the Township. The Township receives a PEG and franchise fees from cable providers.

Health Benefits Fund - This fund accounts for Early Retiree Reinsurance Program revenue received from the federal government.

Debt Service Fund

This fund is used to account for the accumulation of resources for the periodic payment of principal and interest on police and fire long-term debt.

Charter Township of Waterford

Other Supplemental Information Description of Nonmajor Funds (Continued)

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. Revenue sources include General Fund transfers, grants from other units of government, private contributions, and bond proceeds.

Improvement Revolving Fund - This fund provides accounting and budgeting for resources designated for Township building and equipment improvements and land acquisition. Funding is provided from the General Fund and the sale of capital assets.

S.A.D. Road Paving Fund - This fund accounts for the construction phase of local improvements that benefit property owners and, as such, are ultimately financed through special assessments.

Internal Service Funds

The Township's Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments of the Township on a cost reimbursement basis.

Motor Pool Fund - This fund has been established to account for costs associated with vehicles purchased by the Township and used by all departments within the Township.

Fire Unemployment Costs - This fund has been established to account for grant reimbursements received for unemployment insurance expenses that are expected to be incurred in a future period.

Trust and Agency Funds

Trust funds are used to account for assets held by the government in a trustee capacity. Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments, and/or other funds.

Agency Fund - This fund accounts for the deposit of monies held by the Township government in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Pension and Other Postemployment Trust Funds - The Township operates two retirement systems and one retiree healthcare fund, which are accounted for in three separate funds. These funds include the General Employees' Pension Fund, covering all full-time regular employees (excluding sworn police and fire employees), the Police and Fire Pension Fund, which covers sworn police and fire employees, and the Other Postemployment Benefit Trust Fund, which covers all full-time employees upon retirement or individuals receiving system disability pensions, in accordance with various labor contracts.

Charter Township of Waterford

	Special Revenue Funds					
	Bike Path	Community Development Block Grant	Library	Library Donations	Weed Control	Police Restricted Use
Assets						
Cash and investments	\$ 111,160	\$ 194,876	\$ 2,168,063	\$ 131,807	\$ 377,955	\$ 1,413,315
Receivables:						
Property taxes receivable	-	-	797,075	-	-	-
Special assessments receivable	-	-	-	-	100,941	-
Due from other governmental units	-	96,916	-	-	-	-
Rehabilitation loan receivable	-	1,418,781	-	-	-	-
Prepaid items	-	-	-	-	-	29,774
Total assets	\$ 111,160	\$ 1,710,573	\$ 2,965,138	\$ 131,807	\$ 478,896	\$ 1,443,089
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ 193	\$ 42,949	\$ 56	\$ 50	\$ 35,593
Accrued liabilities and other	-	14,149	49,951	-	-	-
Unearned revenue	-	-	-	-	254,607	-
Total liabilities	-	14,342	92,900	56	254,657	35,593
Deferred Inflows of Resources						
Unavailable revenue	-	1,418,781	-	-	-	-
Property taxes levied for the following year	-	-	1,737,651	-	-	-
Total deferred inflows of resources	-	1,418,781	1,737,651	-	-	-
Fund Balances						
Nonspendable - Prepays	-	-	-	-	-	29,774
Restricted:						
Police	-	-	-	-	-	1,377,722
Debt service	-	-	-	-	-	-
Bike path	111,160	-	-	-	-	-
Community development	-	77,450	-	-	-	-
Library	-	-	1,134,587	131,751	-	-
Weed control	-	-	-	-	224,239	-
Nature center	-	-	-	-	-	-
Assigned:						
Cable related activities	-	-	-	-	-	-
Community development	-	200,000	-	-	-	-
Capital projects	-	-	-	-	-	-
Total fund balances	111,160	277,450	1,134,587	131,751	224,239	1,407,496
Total liabilities, deferred inflows of resources, and fund balances	\$ 111,160	\$ 1,710,573	\$ 2,965,138	\$ 131,807	\$ 478,896	\$ 1,443,089

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2013**

Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
Nature Center	Cable Commission	Health Benefits	Debt Service Fund	Improvement Revolving	S.A.D. Road Paving	
\$ 545,853	\$ 566,595	\$ -	\$ 722,671	\$ 2,056,038	\$ 83,242	\$ 8,371,575
-	-	-	603,182	-	-	1,400,257
-	-	-	-	79,490	-	180,431
-	-	-	-	-	-	96,916
-	-	-	-	-	-	1,418,781
-	-	-	-	-	-	29,774
\$ 545,853	\$ 566,595	\$ -	\$ 1,325,853	\$ 2,135,528	\$ 83,242	\$ 11,497,734
\$ -	\$ 1,644	\$ -	\$ -	\$ 13,331	\$ -	\$ 93,816
-	1,814	-	3,231	-	-	69,145
-	-	-	-	-	-	254,607
-	3,458	-	3,231	13,331	-	417,568
-	-	-	-	81,090	-	1,499,871
-	-	-	1,314,959	-	-	3,052,610
-	-	-	1,314,959	81,090	-	4,552,481
-	-	-	-	-	-	29,774
-	-	-	-	-	-	1,377,722
-	-	-	7,663	-	-	7,663
-	-	-	-	-	-	111,160
-	-	-	-	-	-	77,450
-	-	-	-	-	-	1,266,338
-	-	-	-	-	-	224,239
545,853	-	-	-	-	-	545,853
-	563,137	-	-	-	-	563,137
-	-	-	-	-	-	200,000
-	-	-	-	2,041,107	83,242	2,124,349
545,853	563,137	-	7,663	2,041,107	83,242	6,527,685
\$ 545,853	\$ 566,595	\$ -	\$ 1,325,853	\$ 2,135,528	\$ 83,242	\$ 11,497,734

Charter Township of Waterford

	Special Revenue Funds					
	Bike Path	Community Development Block Grant	Library	Library Donations	Weed Control	Police Restricted Use
Revenue						
Property taxes	\$ -	\$ -	\$ 1,721,150	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Federal grants	-	346,733	-	-	-	229,652
State-shared revenue and grants	-	-	35,930	-	-	40,558
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	142,230	-	-	-
Investment income	590	-	10,777	-	-	6,568
Special assessments	-	-	-	-	296,527	-
Other revenue:						
Local contributions	-	-	-	19,523	-	750
Cable franchise fees	-	-	-	-	-	-
Other miscellaneous income	-	-	2,921	-	-	24,585
Total revenue	590	346,733	1,913,008	19,523	296,527	302,113
Expenditures						
Current:						
General government	-	9,890	-	-	-	-
Public safety	-	-	-	-	-	84,820
Public works	6,668	-	-	-	-	-
Community and economic development	-	356,648	-	-	-	-
Recreation and culture	-	-	1,764,988	12,693	273,618	-
Capital outlay	-	-	101,652	3,997	-	-
Debt service	-	-	-	-	-	-
Total expenditures	6,668	366,538	1,866,640	16,690	273,618	84,820
Excess of Revenue (Under) Over Expenditures	(6,078)	(19,805)	46,368	2,833	22,909	217,293
Other Financing Sources - Transfers in	-	-	-	-	-	-
Net Change in Fund Balances	(6,078)	(19,805)	46,368	2,833	22,909	217,293
Fund Balances - Beginning of year	117,238	297,255	1,088,219	128,918	201,330	1,190,203
Fund Balances - End of year	\$ 111,160	\$ 277,450	\$ 1,134,587	\$ 131,751	\$ 224,239	\$ 1,407,496

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2013

Special Revenue Funds			Capital Projects Fund			Total Nonmajor Governmental Funds
Nature Center	Cable Commission	Health Benefits	Debt Service Fund	Improvement Revolving	S.A.D. Road Paving	
\$ -	\$ -	\$ -	\$ 942,765	\$ -	\$ -	\$ 2,663,915
-	-	-	-	25,770	-	25,770
-	-	-	-	-	-	576,385
-	-	-	-	77,618	-	154,106
-	125,375	-	-	-	-	125,375
-	-	-	-	-	-	142,230
1,130	2,715	61	27	8,718	528	31,114
-	-	-	-	113,042	16,570	426,139
-	-	-	-	-	-	20,273
-	125,730	-	-	-	-	125,730
-	-	-	1,602	-	-	29,108
1,130	253,820	61	944,394	225,148	17,098	4,320,145
-	148,362	272,779	-	13,389	-	444,420
-	-	-	-	-	-	84,820
-	-	-	-	-	37,257	43,925
37,000	-	-	-	-	-	393,648
-	-	-	-	-	-	2,051,299
-	68	-	-	239,033	-	344,750
-	-	-	1,159,227	-	-	1,159,227
37,000	148,430	272,779	1,159,227	252,422	37,257	4,522,089
(35,870)	105,390	(272,718)	(214,833)	(27,274)	(20,159)	(201,944)
-	-	-	30,000	350,000	-	380,000
(35,870)	105,390	(272,718)	(184,833)	322,726	(20,159)	178,056
581,723	457,747	272,718	192,496	1,718,381	103,401	6,349,629
\$ 545,853	\$ 563,137	\$ -	\$ 7,663	\$ 2,041,107	\$ 83,242	\$ 6,527,685

Charter Township of Waterford

Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds December 31, 2013

	Pension Trust Funds			Total Pension Trust Funds
	Police and Fire Pension	General Employees' Pension	Other Postemployment Benefits	
Assets				
Cash and cash equivalents	\$ 240	\$ 8,651	\$ 277,738	\$ 286,629
Investments:				
U.S. government securities	1,781,223	-	-	1,781,223
Agency securities	3,754,921	-	-	3,754,921
Corporate bonds	13,278,973	-	-	13,278,973
Fixed-income funds	5,543,618	12,023,000	-	17,566,618
Stocks	40,290,729	38,972,980	8,084,076	87,347,785
Mutual funds	11,614,439	5,905,480	-	17,519,919
Real estate investment trusts	1,905,418	-	-	1,905,418
Pension manager short-term funds	6,884,778	2,763,389	-	9,648,167
Securities lending short-term collateral bank investment pool - Mutual funds	1,783,010	661,418	-	2,444,428
Due from broker	57,947	-	-	57,947
Prepaid items	416,016	276,662	-	692,678
Accrued income	228,429	36,235	-	264,664
Total assets	<u>87,539,741</u>	<u>60,647,815</u>	<u>8,361,814</u>	<u>156,549,370</u>
Liabilities				
Accounts payable	237,831	63,450	-	301,281
Accrued liabilities and other - Obligations under securities lending agreements	<u>1,851,042</u>	<u>724,868</u>	<u>-</u>	<u>2,575,910</u>
Total liabilities	<u>2,088,873</u>	<u>788,318</u>	<u>-</u>	<u>2,877,191</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 85,450,868</u>	<u>\$ 59,859,497</u>	<u>\$ 8,361,814</u>	<u>\$ 153,672,179</u>

Charter Township of Waterford

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended December 31, 2013

	Police and Fire Pension	General Employees' Pension	Other Postemployment Benefits	Total
Additions				
Investment income:				
Interest and dividends	\$ 1,992,055	\$ 708,614	\$ 166,945	\$ 2,867,614
Net increase in fair value of investments	<u>10,871,936</u>	<u>9,669,427</u>	<u>961,208</u>	<u>21,502,571</u>
Net investment income	12,863,991	10,378,041	1,128,153	24,370,185
Contributions:				
Employer	3,251,498	1,922,105	4,922,028	10,095,631
Employee	<u>443,309</u>	<u>23,852</u>	<u>59,845</u>	<u>527,006</u>
Total contributions	<u>3,694,807</u>	<u>1,945,957</u>	<u>4,981,873</u>	<u>10,622,637</u>
Total additions	16,558,798	12,323,998	6,110,026	34,992,822
Deductions				
Benefit payments	5,271,097	3,314,318	4,896,428	13,481,843
Administrative expenses	<u>449,572</u>	<u>352,611</u>	<u>16,083</u>	<u>818,266</u>
Total deductions	<u>5,720,669</u>	<u>3,666,929</u>	<u>4,912,511</u>	<u>14,300,109</u>
Net Increase in Net Position Held in Trust	10,838,129	8,657,069	1,197,515	20,692,713
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>74,612,739</u>	<u>51,202,428</u>	<u>7,164,299</u>	<u>132,979,466</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 85,450,868</u>	<u>\$ 59,859,497</u>	<u>\$ 8,361,814</u>	<u>\$ 153,672,179</u>

Charter Township of Waterford

Other Supplemental Information Nonmajor Governmental Fund - Bike Path Budgetary Comparison Year Ended December 31, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Investment income	\$ 600	\$ 600	\$ 590	\$ (10)
Expenditures - Current - Public works	<u>36,640</u>	<u>36,640</u>	<u>6,668</u>	<u>29,972</u>
Net Change in Fund Balance	(36,040)	(36,040)	(6,078)	29,962
Fund Balance - Beginning of year	<u>117,238</u>	<u>117,238</u>	<u>117,238</u>	-
Fund Balance - End of year	<u><u>\$ 81,198</u></u>	<u><u>\$ 81,198</u></u>	<u><u>\$ 111,160</u></u>	<u><u>\$ 29,962</u></u>

Charter Township of Waterford

Other Supplemental Information Nonmajor Governmental Fund - Library Budgetary Comparison Year Ended December 31, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,720,757	\$ 1,705,017	\$ 1,721,150	\$ 16,133
State-shared revenue and grants	31,537	31,537	35,930	4,393
Fines and forfeitures	119,000	119,000	142,230	23,230
Investment income	-	-	10,777	10,777
Other revenue	7,500	9,000	2,921	(6,079)
Total revenue	1,878,794	1,864,554	1,913,008	48,454
Expenditures				
Current - Recreation and culture	1,841,556	1,841,556	1,764,988	76,568
Capital outlay	97,588	122,588	101,652	20,936
Total expenditures	1,939,144	1,964,144	1,866,640	97,504
Net Change in Fund Balance	(60,350)	(99,590)	46,368	145,958
Fund Balance - Beginning of year	1,088,219	1,088,219	1,088,219	-
Fund Balance - End of year	<u>\$ 1,027,869</u>	<u>\$ 988,629</u>	<u>\$ 1,134,587</u>	<u>\$ 145,958</u>

Charter Township of Waterford

Other Supplemental Information Nonmajor Governmental Fund - Library Donations Budgetary Comparison Year Ended December 31, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Local donations	\$ 32,000	\$ 32,000	\$ 19,523	\$ (12,477)
Expenditures				
Current - Recreation and culture - Library	29,000	29,000	12,693	16,307
Capital outlay	8,000	8,000	3,997	4,003
Total expenditures	<u>37,000</u>	<u>37,000</u>	<u>16,690</u>	<u>20,310</u>
Net Change in Fund Balance	(5,000)	(5,000)	2,833	7,833
Fund Balance - Beginning of year	<u>128,918</u>	<u>128,918</u>	<u>128,918</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 123,918</u></u>	<u><u>\$ 123,918</u></u>	<u><u>\$ 131,751</u></u>	<u><u>\$ 7,833</u></u>

Charter Township of Waterford

Other Supplemental Information Nonmajor Governmental Fund - Police Restricted Use Budgetary Comparison Year Ended December 31, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ 115,000	\$ 115,000	\$ 229,652	\$ 114,652
State-shared revenue and grants	60,000	60,000	40,558	(19,442)
Investment income	2,500	2,500	6,568	4,068
Other revenue	23,000	23,000	25,335	2,335
Total revenue	200,500	200,500	302,113	101,613
Expenditures - Current - Public safety	113,000	113,000	84,820	28,180
Net Change in Fund Balance	87,500	87,500	217,293	129,793
Fund Balance - Beginning of year	1,190,203	1,190,203	1,190,203	-
Fund Balance - End of year	\$ 1,277,703	\$ 1,277,703	\$ 1,407,496	\$ 129,793

Charter Township of Waterford

Other Supplemental Information Nonmajor Governmental Fund - Nature Center Budgetary Comparison Year Ended December 31, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Investment income	\$ 1,500	\$ 1,500	\$ 1,130	\$ (370)
Expenditures - Current - Community and economic development	<u>25,000</u>	<u>37,000</u>	<u>37,000</u>	<u>-</u>
Net Change in Fund Balance	(23,500)	(35,500)	(35,870)	(370)
Fund Balance - Beginning of year	<u>581,723</u>	<u>581,723</u>	<u>581,723</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 558,223</u></u>	<u><u>\$ 546,223</u></u>	<u><u>\$ 545,853</u></u>	<u><u>\$ (370)</u></u>

Charter Township of Waterford

Other Supplemental Information Nonmajor Governmental Fund - Cable Commission Budgetary Comparison Year Ended December 31, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Charges for services	\$ 100,000	\$ 100,000	\$ 125,375	\$ 25,375
Investment income	-	-	2,715	2,715
Cable franchise fees	43,820	43,820	125,730	81,910
Total revenue	143,820	143,820	253,820	110,000
Expenditures - Current				
General government	143,819	168,819	148,362	20,457
Capital outlay	-	-	68	(68)
Total expenditures	143,819	168,819	148,430	20,389
Net Change in Fund Balance	1	(24,999)	105,390	130,389
Fund Balance - Beginning of year	457,747	457,747	457,747	-
Fund Balance - End of year	<u>\$ 457,748</u>	<u>\$ 432,748</u>	<u>\$ 563,137</u>	<u>\$ 130,389</u>

Charter Township of Waterford

Other Supplemental Information Nonmajor Governmental Fund - Debt Service Fund Budgetary Comparison Year Ended December 31, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 951,183	\$ 945,583	\$ 942,765	\$ (2,818)
Investment income	300	300	27	(273)
Other revenue	1,700	1,700	1,602	(98)
Total revenue	953,183	947,583	944,394	(3,189)
Expenditures - Debt service				
Principal	965,000	965,000	965,000	-
Interest on long-term debt	194,226	194,226	194,227	(1)
Total expenditures	1,159,226	1,159,226	1,159,227	(1)
Excess of Expenditures Over Revenue	(206,043)	(211,643)	(214,833)	(3,190)
Other Financing Sources - Transfers in	22,500	30,000	30,000	-
Net Change in Fund Balance	(183,543)	(181,643)	(184,833)	(3,190)
Fund Balance - Beginning of year	192,496	192,496	192,496	-
Fund Balance - End of year	<u>\$ 8,953</u>	<u>\$ 10,853</u>	<u>\$ 7,663</u>	<u>\$ (3,190)</u>

Charter Township of Waterford

Other Supplemental Information Nonmajor Governmental Fund - Improvement Revolving Budgetary Comparison Year Ended December 31, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Licenses and permits	\$ 25,000	\$ 25,000	\$ 25,770	\$ 770
State-shared revenue and grants	10,000	90,240	77,618	(12,622)
Investment income	10,000	10,000	8,718	(1,282)
Special assessments	-	-	113,042	113,042
Total revenue	45,000	125,240	225,148	99,908
Expenditures				
General government	-	-	13,389	(13,389)
Capital outlay	84,670	266,642	239,033	27,609
Total expenditures	84,670	266,642	252,422	14,220
Excess of Expenditures Over Revenue	(39,670)	(141,402)	(27,274)	114,128
Other Financing Sources - Transfers in	-	350,000	350,000	-
Net Change in Fund Balance	(39,670)	208,598	322,726	114,128
Fund Balance - Beginning of year	1,718,381	1,718,381	1,718,381	-
Fund Balance - End of year	<u>\$ 1,678,711</u>	<u>\$ 1,926,979</u>	<u>\$ 2,041,107</u>	<u>\$ 114,128</u>

Charter Township of Waterford

Other Supplemental Information Schedule of Changes in Assets and Liabilities Agency Funds Year Ended December 31, 2013

	Balance at January 1, 2013	Additions	Reductions	Balance at December 31, 2013
Tax Collections				
Assets - Cash and investments	\$ 1,102,377	\$ 87,939,542	\$ (87,669,352)	\$ 1,372,567
Liabilities				
Due to other governmental units	\$ 1,009,157	\$ 1,276,957	\$ (1,014,597)	\$ 1,271,517
Accrued liabilities and other	93,220	101,050	(93,220)	101,050
Total liabilities	\$ 1,102,377	\$ 1,378,007	\$ (1,107,817)	\$ 1,372,567
Other Agency Funds				
Assets - Cash and investments	\$ 770,220	\$ 1,981,906	\$ (2,033,586)	\$ 718,540
Liabilities				
Bonds and other deposits	\$ 764,542	\$ 562,897	\$ (620,310)	\$ 707,129
Accrued liabilities and other	5,678	1,418,374	(1,412,641)	11,411
Total liabilities	\$ 770,220	\$ 1,981,271	\$ (2,032,951)	\$ 718,540
Total Agency Funds				
Assets - Cash and investments	\$ 1,872,597	\$ 89,921,448	\$ (89,702,938)	\$ 2,091,107
Liabilities				
Due to other governmental units	\$ 1,009,157	\$ 1,276,957	\$ (1,014,597)	\$ 1,271,517
Bonds and other deposits	764,542	562,897	(620,310)	707,129
Accrued liabilities and other	98,898	1,519,424	(1,505,861)	112,461
Total liabilities	\$ 1,872,597	\$ 3,359,278	\$ (3,140,768)	\$ 2,091,107

Charter Township of Waterford

Other Supplemental Information Component Unit - Veterans' Memorial Fund Fund-based Balance Sheet December 31, 2013

	Modified Accrual	Full Accrual Adjustments	Full Accrual
Assets			
Cash and cash equivalents	\$ 4,915	\$ -	\$ 4,915
Capital assets	-	66,111	66,111
Total assets	\$ 4,915	\$ 66,111	\$ 71,026
Liabilities - Accounts payable	\$ 565	\$ -	\$ 565
Equity - Fund balance - Restricted	4,350	(4,350)	
Net Position			
Net investment in capital assets		66,111	66,111
Restricted - Veterans' Memorial		4,350	4,350
Total net position		\$ 66,111	\$ 70,461

Charter Township of Waterford

Other Supplemental Information Component Unit - Veterans' Memorial Fund Fund-based Schedule of Revenue and Expenditures Year Ended December 31, 2013

	Modified Accrual	Full Accrual Adjustments	Full Accrual
Revenue - Charges for services	\$ 1,030	\$ -	\$ 1,030
Expenditures			
Depreciation	-	2,180	2,180
General government	565	-	565
Total expenditures	565	2,180	2,745
Change in Fund Balance/Net Position	465	(2,180)	(1,715)
Fund Balance/Net Position - Beginning of year	3,885	68,291	72,176
Fund Balance/Net Position - End of year	\$ 4,350	\$ 66,111	\$ 70,461

Charter Township of Waterford

Other Supplemental Information Combining Statement of Net Position Internal Service Funds December 31, 2013

	Motor Pool Fund	Fire Unemployment Costs	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 211,131	\$ 157,159	\$ 368,290
Inventory	86,013	-	86,013
Total current assets	297,144	157,159	454,303
Noncurrent assets - Capital assets - Assets subject to depreciation	855,331	-	855,331
Total assets	1,152,475	157,159	1,309,634
Liabilities			
Current liabilities - Accounts payable	3,988	-	3,988
Noncurrent liabilities - Long-term debt - Net of current portion	-	157,159	157,159
Total liabilities	3,988	157,159	161,147
Net Position			
Net investment in capital assets	855,331	-	855,331
Unrestricted	293,156	-	293,156
Total net position	\$ 1,148,487	\$ -	\$ 1,148,487

Charter Township of Waterford

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended December 31, 2013

	Motor Pool Fund	Fire Unemployment Costs	Total
Operating Revenue - Charges for services	\$ 224,406	\$ 157,159	\$ 381,565
Operating Expenses			
Unemployment costs	-	157,159	157,159
Depreciation	278,259	-	278,259
Total operating expenses	278,259	157,159	435,418
Operating Loss	(53,853)	-	(53,853)
Nonoperating Revenue (Expenses)			
Investment income	1,088	-	1,088
Interest expense	(463)	-	(463)
Loss on sale of assets	(9,768)	-	(9,768)
Total nonoperating revenue (expenses)	(9,143)	-	(9,143)
Change in Net Position	(62,996)	-	(62,996)
Net Position - Beginning of year	1,211,483	-	1,211,483
Net Position - End of year	<u>\$ 1,148,487</u>	<u>\$ -</u>	<u>\$ 1,148,487</u>

Charter Township of Waterford

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended December 31, 2013

	Motor Pool Fund	Fire Unemployment Costs	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 224,406	\$ 157,159	\$ 381,565
Payments to suppliers	(20,122)	-	(20,122)
Net cash provided by operating activities	204,284	157,159	361,443
Cash Flows from Capital and Related Financing Activities			
Proceeds from sales of capital assets	3,698	-	3,698
Principal and interest paid on capital debt	(147,351)	-	(147,351)
Net cash used in capital and related financing activities	(143,653)	-	(143,653)
Cash Flows from Investing Activities -			
Interest received on investments	1,088	-	1,088
Net Increase in Cash and Cash Equivalents	61,719	157,159	218,878
Cash and Cash Equivalents - Beginning of year	149,412	-	149,412
Cash and Cash Equivalents - End of year	\$ 211,131	\$ 157,159	\$ 368,290
Balance Sheet Classification of Cash and Cash Equivalents -			
Cash and investments	\$ 211,131	\$ 157,159	\$ 368,290
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities			
Operating (loss) income	\$ (53,853)	\$ -	\$ (53,853)
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	278,259	-	278,259
Changes in assets and liabilities:			
Inventories	(20,694)	-	(20,694)
Accounts payable	572	-	572
Estimated claims liability	-	157,159	157,159
Net cash provided by operating activities	\$ 204,284	\$ 157,159	\$ 361,443

Statistical Section

Charter Township of Waterford

Contents

This part of the Township's Comprehensive Annual Financial Report presents detailed information to assist in understanding what information in the financial statements, note disclosures, and required supplemental information says about the overall financial condition of the Charter Township of Waterford.

1. **Financial Trend Information**

These schedules contain certain trend information to help the reader understand how the Township's financial position and performance have changed over time.

2. **Revenue Capacity Information**

These schedules contain information to help the reader assess the factors affecting the Township's ability to generate its main income source - property taxes.

3. **Debt Capacity Information**

These schedules present information to help the reader assess the affordability of the Township's current level of outstanding debt and the ability to issue additional debt in the future.

4. **Demographic and Economic Information**

These schedules present various demographic and economic indicators for the reader to understand the environment within the Township that affect the Township's financial statements.

5. **Operating Information**

These schedules contain information about the Township's operations and resources to help the reader understand how the Township's financial information relates to the services the Township provides and the activities it performs.

Charter Township of Waterford

	Fiscal Year			
	2004	2005	2006	2007
Governmental Activities				
Net investment in capital assets	\$ 46,760,305	\$ 44,198,627	\$ 46,058,221	\$ 44,981,170
Restricted	4,414,219	4,271,716	4,475,349	4,444,665
Unrestricted	<u>7,867,683</u>	<u>12,528,472</u>	<u>11,093,570</u>	<u>13,253,224</u>
Total net position	<u>\$ 59,042,207</u>	<u>\$ 60,998,815</u>	<u>\$ 61,627,140</u>	<u>\$ 62,679,059</u>
Business-type Activities				
Net investment in capital assets	\$ 72,853,886	\$ 71,907,630	\$ 73,978,739	\$ 75,401,201
Restricted	-	-	-	-
Unrestricted	<u>21,836,410</u>	<u>22,455,525</u>	<u>19,737,391</u>	<u>17,295,329</u>
Total net position	<u>\$ 94,690,296</u>	<u>\$ 94,363,155</u>	<u>\$ 93,716,130</u>	<u>\$ 92,696,530</u>
Primary Government in Total				
Net investment in capital assets	\$ 119,614,191	\$ 116,106,257	\$ 120,036,960	\$ 120,382,371
Restricted	4,414,219	4,271,716	4,475,349	4,444,665
Unrestricted	<u>29,704,093</u>	<u>34,983,997</u>	<u>30,830,961</u>	<u>30,548,553</u>
Total net position	<u>\$ 153,732,503</u>	<u>\$ 155,361,970</u>	<u>\$ 155,343,270</u>	<u>\$ 155,375,589</u>

Source: Township annual financial statements

Financial Trend Information Net Position by Component

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	44,405,669	\$	44,754,072	\$	44,944,850	\$	45,135,692	\$	47,298,593	\$	46,738,188
	4,747,321		4,721,937		5,141,594		5,370,788		5,262,167		5,058,980
	8,271,581		1,800,600		(2,877,686)		(6,048,239)		(9,709,009)		(12,613,301)
\$	57,424,571	\$	51,276,609	\$	47,208,758	\$	44,458,241	\$	42,851,751	\$	39,183,867
\$	73,989,325	\$	71,654,120	\$	73,463,981	\$	71,947,707	\$	71,328,214	\$	74,702,495
	-		1,448,307		1,916,264		2,206,903		2,084,405		2,150,295
	16,345,225		13,946,883		13,185,990		13,185,783		14,110,363		14,968,603
\$	90,334,550	\$	87,049,310	\$	88,566,235	\$	87,340,393	\$	87,522,982	\$	91,821,393
\$	118,394,994	\$	116,408,192	\$	118,408,831	\$	117,083,399	\$	118,626,807	\$	121,440,683
	4,747,321		6,170,244		7,057,858		7,577,691		7,346,572		7,209,275
	24,616,806		15,747,483		10,308,304		7,137,544		4,401,354		2,355,302
\$	147,759,121	\$	138,325,919	\$	135,774,993	\$	131,798,634	\$	130,374,733	\$	131,005,260

Charter Township of Waterford

	Fiscal Year			
	2004	2005	2006	2007
Expenses				
General government	\$ 7,357,935	\$ 5,466,726	\$ 5,985,100	\$ 5,939,155
District Court	2,418,173	2,317,176	2,348,464	2,294,339
Fire and police	23,030,760	23,046,539	24,013,701	23,402,306
Building inspection	1,473,563	1,470,193	1,256,223	1,410,631
Public works activities	610,748	553,056	1,423,014	355,029
Community and economic activities	1,937,745	1,961,479	1,884,356	1,866,519
Recreation and culture	4,290,005	4,981,226	5,431,483	5,643,072
Interest on long-term debt	743,442	629,171	654,854	624,659
Total expenses	41,862,371	40,425,566	42,997,195	41,535,710
Program Revenue				
Charges for services:				
General government	2,112,398	2,457,109	2,947,828	2,976,906
District Court	2,448,511	2,064,928	1,800,703	1,693,652
Fire and police	672,974	630,285	850,170	784,770
Building inspection	713,689	809,922	819,910	604,994
Community and economic activities	262,316	297,423	190,251	167,659
Recreation and culture	1,106,966	936,919	1,063,868	945,881
Other activities	439,569	475,639	452,038	446,262
Total charges for services	7,756,423	7,672,225	8,124,768	7,620,124
Operating grants and contributions	919,783	2,742,244	1,785,443	694,940
Capital grants and contributions	-	-	-	-
Total program revenue	8,676,206	10,414,469	9,910,211	8,315,064
Excess of Expenses Over Program Revenue	(33,186,165)	(30,011,097)	(33,086,984)	(33,220,646)
General Revenue				
Property taxes	23,361,991	24,789,201	26,212,941	26,572,411
State-shared revenue	6,103,011	6,238,324	6,014,902	6,007,200
Investment earnings	412,640	955,972	1,525,435	1,677,529
Franchise fees	653,945	-	-	-
Miscellaneous	219,889	107,725	253,538	113,895
Transfers	-	(123,517)	(123,513)	(98,470)
Total general revenue	30,751,476	31,967,705	33,883,303	34,272,565
Special Items - Contribution of public safety assets	-	-	-	-
Change in Net Position	\$ (2,434,689)	\$ 1,956,608	\$ 796,319	\$ 1,051,919

Source: Township annual financial statements

Financial Trend Information
Changes in Governmental Net Position
(Unaudited)

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	11,429,795	\$	7,255,074	\$	6,997,818	\$	6,705,725	\$	6,941,413	\$	7,540,276
	2,581,511		2,948,594		2,833,152		2,419,633		2,252,893		2,292,718
	24,510,932		28,665,369		27,946,504		24,652,327		29,836,433		32,017,761
	1,456,737		1,488,139		1,392,747		1,240,541		1,499,568		1,081,438
	926,691		674,698		931,781		746,742		831,566		507,388
	1,487,700		3,095,731		2,705,335		2,188,419		1,662,882		1,326,708
	5,806,047		5,868,354		5,571,380		4,897,241		4,138,458		4,426,465
	603,194		802,289		277,941		302,836		284,155		217,799
	<u>48,802,607</u>		<u>50,798,248</u>		<u>48,656,658</u>		<u>43,153,464</u>		<u>47,447,368</u>		<u>49,410,553</u>
	3,129,723		3,537,865		3,095,082		2,130,007		2,730,919		2,807,268
	1,853,358		1,795,195		1,480,037		1,302,460		1,175,963		1,350,596
	794,250		1,426,080		2,058,194		2,026,482		7,580,204		8,447,612
	527,704		376,323		482,410		346,073		344,960		444,680
	218,830		396,331		112,540		79,046		93,411		89,110
	1,040,496		1,174,611		1,221,313		1,268,767		1,289,312		1,353,572
	464,852		470,264		508,384		575,408		575,165		93,480
	<u>8,029,213</u>		<u>9,176,669</u>		<u>8,957,960</u>		<u>7,728,243</u>		<u>13,789,934</u>		<u>14,586,318</u>
	698,365		2,007,831		2,149,749		1,785,418		992,965		2,861,831
	-		-		285,650		-		896,439		18,657
	<u>8,727,578</u>		<u>11,184,500</u>		<u>11,393,359</u>		<u>9,513,661</u>		<u>15,679,338</u>		<u>17,466,806</u>
	(40,075,029)		(39,613,748)		(37,263,299)		(33,639,803)		(31,768,030)		(31,943,747)
	27,913,339		27,751,648		27,303,992		24,615,307		21,598,342		21,072,941
	5,948,420		5,237,324		4,983,146		5,146,592		5,502,059		5,664,103
	953,573		209,413		150,336		125,441		96,075		145,472
	-		72,587		88,087		929,916		978,271		1,142,999
	122,869		194,814		284,228		72,030		237,360		250,348
	(117,659)		-		-		-		-		-
	<u>34,820,542</u>		<u>33,465,786</u>		<u>32,809,789</u>		<u>30,889,286</u>		<u>28,412,107</u>		<u>28,275,863</u>
	-		-		-		-		1,749,433		-
\$	<u>(5,254,487)</u>	\$	<u>(6,147,962)</u>	\$	<u>(4,453,510)</u>	\$	<u>(2,750,517)</u>	\$	<u>(1,606,490)</u>	\$	<u>(3,667,884)</u>

Charter Township of Waterford

	Fiscal Year			
	2004	2005	2006	2007
Operating Revenue				
Water usage billings	\$ 3,538,589	\$ 4,063,895	\$ 4,262,268	\$ 4,485,952
Sewage disposal charges	8,599,796	8,740,176	8,733,548	9,260,007
Other sales to customers	39,365	47,312	40,050	35,705
Charges for services	264,737	157,204	275,271	184,124
Operating grants	14,283	84,496	269,320	509,898
Total operating revenue	12,456,770	13,093,083	13,580,457	14,475,686
Operating Expenses				
Cost of water	1,889,388	1,919,760	1,850,357	1,929,798
Cost of sewage disposal	5,262,612	5,306,515	5,483,009	5,445,964
Operation and maintenance costs	1,159,545	907,518	1,010,788	1,264,007
Billing and administrative costs	4,057,731	4,427,857	4,573,889	4,674,404
Depreciation	2,780,684	3,151,550	3,299,725	3,462,368
Other services and charges	244	-	186	125
Total operating expenses	15,150,204	15,713,200	16,217,954	16,776,666
Operating (Loss) Income	(2,693,434)	(2,620,117)	(2,637,497)	(2,300,980)
Nonoperating Revenue (Expense)				
Gain on sale of assets	-	-	-	-
Investment income	641,651	589,824	1,000,197	721,961
Interest expense	(330,667)	(173,999)	(171,412)	(173,580)
Total nonoperating revenue (expense)	310,984	415,825	828,785	548,381
(Loss) Income - Before contributions	(2,382,450)	(2,204,292)	(1,808,712)	(1,752,599)
Transfers In - Net	-	123,517	123,513	98,470
Capital Contributions	1,120,884	1,753,634	1,038,174	634,529
Change in Net Position	\$ (1,261,566)	\$ (327,141)	\$ (647,025)	\$ (1,019,600)
Change in Primary Government Net Position				
Change in governmental net position	\$ (2,434,689)	\$ 1,956,608	\$ 796,319	\$ 1,051,919
Change in business-type net position	(1,261,566)	(327,141)	(647,025)	(1,019,600)
Total change in primary government net position	\$ (3,696,255)	\$ 1,629,467	\$ 149,294	\$ 32,319

Financial Trend Information
Changes in Business-type Net Position
Last Ten Fiscal Years
(Unaudited)

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	4,433,736	\$	4,271,239	\$	5,178,302	\$	5,092,940	\$	5,411,677	\$	4,680,162
	9,749,175		10,589,084		10,835,754		11,588,492		12,824,921		14,273,975
	21,244		15,400		22,561		25,940		28,365		33,323
	154,716		135,092		262,589		253,699		253,335		263,518
	70,023		33,336		49,046		19,414		373,980		36,976
	<u>14,428,894</u>		<u>15,044,151</u>		<u>16,348,252</u>		<u>16,980,485</u>		<u>18,892,278</u>		<u>19,287,954</u>
	1,877,558		2,073,815		1,750,817		1,667,552		1,671,016		1,640,029
	6,581,257		5,798,600		6,543,296		7,010,894		7,343,946		8,294,563
	730,997		991,427		943,623		708,744		548,469		578,010
	4,747,777		5,702,312		4,485,462		5,272,625		5,270,602		5,461,724
	3,759,641		3,910,157		3,459,145		3,438,847		3,686,911		3,682,610
	1,469		-		-		-		-		-
	<u>17,698,699</u>		<u>18,476,311</u>		<u>17,182,343</u>		<u>18,098,662</u>		<u>18,520,944</u>		<u>19,656,936</u>
	(3,269,805)		(3,432,160)		(834,091)		(1,118,177)		371,334		(368,982)
	-		-		-		9,405		-		12,304
	552,486		292,311		252,947		153,224		66,050		110,795
	<u>(293,178)</u>		<u>(381,215)</u>		<u>(394,572)</u>		<u>(379,396)</u>		<u>(351,397)</u>		<u>(441,360)</u>
	<u>259,308</u>		<u>(88,904)</u>		<u>(141,625)</u>		<u>(216,767)</u>		<u>(285,347)</u>		<u>(318,261)</u>
	(3,010,497)		(3,521,064)		(975,716)		(1,334,944)		85,987		(687,243)
	117,659		-		-		-		-		-
	<u>530,858</u>		<u>235,824</u>		<u>2,492,641</u>		<u>109,103</u>		<u>96,601</u>		<u>4,985,654</u>
\$	<u>(2,361,980)</u>	\$	<u>(3,285,240)</u>	\$	<u>1,516,925</u>	\$	<u>(1,225,841)</u>	\$	<u>182,588</u>	\$	<u>4,298,411</u>
\$	(5,254,487)	\$	(6,147,962)	\$	(4,453,510)	\$	(2,750,517)	\$	(1,606,490)	\$	(3,667,884)
	<u>(2,361,980)</u>		<u>(3,285,240)</u>		<u>1,516,925</u>		<u>(1,225,841)</u>		<u>182,588</u>		<u>4,298,411</u>
\$	<u>(7,616,467)</u>	\$	<u>(9,433,202)</u>	\$	<u>(2,936,585)</u>	\$	<u>(3,976,358)</u>	\$	<u>(1,423,902)</u>	\$	<u>630,527</u>

Charter Township of Waterford

	Fiscal Year			
	2004	2005	2006	2007
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	1,347,204	1,885,305	1,365,898	1,737,438
Nonspendable	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	1,347,204	1,885,305	1,365,898	1,737,438
All Other Governmental Funds				
Reserved	179,293	567,117	575,470	493,090
Unreserved, reported in:				
Special Revenue Funds	9,323,330	12,301,546	12,266,454	12,936,271
Capital Projects Funds	435,036	396,736	259,538	185,125
Debt Service Funds	305,245	286,406	294,627	328,023
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Total General Fund and all other governmental funds	<u>\$ 11,590,108</u>	<u>\$ 15,437,110</u>	<u>\$ 14,761,987</u>	<u>\$ 15,679,947</u>

Source: Township annual financial statements

**Financial Trend Information
Fund Balances - Governmental Funds
Last Ten Fiscal Years (Unaudited)**

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	-	\$	-	\$	131,037	\$	-	\$	-	\$	-
	2,076,456		2,254,966		1,481,735		-		-		-
	-		-		-		41,258		40,404		41,130
	-		-		-		-		-		1,453,123
	-		-		-		1,703,984		793,124		-
	-		-		-		792,173		1,872,425		2,892,642
	2,076,456		2,254,966		1,612,772		2,537,415		2,705,953		4,386,895
	571,938		738,941		954,024		-		-		-
	8,373,298		7,084,171		6,877,134		-		-		-
	146,288		79,198		86,883		-		-		-
	362,295		73,179		331,124		-		-		-
	-		-		-		6,915		3,466		29,782
	-		-		-		3,937,880		3,870,100		3,610,425
	-		-		-		4,606,791		4,942,477		5,757,190
\$	<u>11,530,275</u>	\$	<u>10,230,455</u>	\$	<u>9,861,937</u>	\$	<u>11,089,001</u>	\$	<u>11,521,996</u>	\$	<u>13,784,292</u>

Charter Township of Waterford

	Fiscal Year			
	2004	2005	2006	2007
Revenue				
Property taxes	\$ 23,388,467	\$ 24,586,576	\$ 25,627,849	\$ 26,886,857
Intergovernmental revenue	7,620,465	8,158,010	7,716,269	6,794,515
Licenses and permits	1,170,341	1,316,715	1,377,918	1,151,351
Fines and forfeitures	2,764,971	2,459,084	2,132,806	2,135,331
Charges for services	2,315,956	2,281,763	2,450,490	2,444,256
Special assessments	489,562	475,639	452,038	446,262
Interest and miscellaneous	2,301,714	4,278,487	2,877,024	2,860,554
Total revenue	40,051,476	43,556,274	42,634,394	42,719,126
Expenditures				
Current:				
General government and district court	7,519,259	7,491,459	7,891,992	7,779,594
Public safety	22,184,623	22,227,359	22,875,205	22,941,441
Community and economic development	3,449,228	3,494,062	3,164,900	3,390,156
Recreation and culture	4,045,750	4,073,698	4,342,933	4,548,647
Miscellaneous	140,705	91,876	22,661	29,846
Capital outlay	2,324,405	1,015,745	3,426,996	1,701,797
Debt administration:				
Principal	564,735	601,090	814,805	779,755
Interest	604,949	590,466	646,512	531,460
Total expenditures	40,833,654	39,585,755	43,186,004	41,702,696
Excess of Expenditures (Under) Over Revenue	(782,178)	3,970,519	(551,610)	1,016,430
Other Financing Sources (Uses)				
Face value of debt issue	-	-	-	-
Debt premium	-	-	-	-
Transfers in	10,157,922	9,045,878	9,825,333	8,898,465
Transfers out	(10,157,922)	(9,169,395)	(9,948,846)	(8,996,935)
Payment to bond refunding escrow agent	-	-	-	-
Total other financing (uses) sources	-	(123,517)	(123,513)	(98,470)
Net Change in Fund Balances	(782,178)	3,847,002	(675,123)	917,960
Fund Balances - Beginning of year	12,372,286	11,590,108	15,437,110	14,761,987
Fund Balances - End of year	\$ 11,590,108	\$ 15,437,110	\$ 14,761,987	\$ 15,679,947
Debt service as a percentage of noncapital expenditures	3.04%	3.09%	3.68%	3.28%
Source: Township annual financial statements				

**Change in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Unaudited)**

		Fiscal Year					
		2008	2009	2010	2011	2012	2013
\$	27,972,916	\$ 27,816,321	\$ 27,487,340	\$ 24,217,983	\$ 21,220,749	\$ 20,688,982	
	7,213,496	7,660,834	7,177,942	7,090,287	7,213,657	8,508,876	
	1,207,258	1,164,144	1,366,130	300,769	364,258	485,610	
	2,176,313	2,120,660	1,792,007	1,586,332	1,411,839	1,588,776	
	2,497,863	2,900,239	3,715,399	3,894,382	9,606,043	10,411,618	
	760,745	748,705	808,083	858,299	864,927	927,510	
	<u>2,284,495</u>	<u>1,490,876</u>	<u>1,790,264</u>	<u>1,825,496</u>	<u>2,824,124</u>	<u>2,989,638</u>	
	44,113,086	43,901,779	44,137,165	39,773,548	43,505,597	45,601,010	
	13,800,090	8,277,219	9,070,564	8,470,321	7,615,207	7,534,310	
	23,540,465	26,409,209	26,270,382	22,620,407	27,782,168	28,800,415	
	1,901,477	2,919,236	2,117,054	1,249,546	1,671,165	1,336,629	
	6,229,423	4,858,451	4,722,679	4,138,183	3,412,416	3,615,923	
	13,504	43,954	269,934	142,218	36,378	43,925	
	1,326,510	1,055,415	808,788	648,183	1,258,568	684,405	
	765,225	856,452	904,749	990,000	1,040,000	1,095,000	
	<u>568,405</u>	<u>781,663</u>	<u>341,533</u>	<u>287,626</u>	<u>275,864</u>	<u>228,107</u>	
	48,145,099	45,201,599	44,505,683	38,546,484	43,091,766	43,338,714	
	(4,032,013)	(1,299,820)	(368,518)	1,227,064	413,831	2,262,296	
	-	-	-	-	957,919	-	
	-	-	-	-	27,722	-	
	9,400,000	8,500,000	8,500,000	7,450,000	7,550,000	7,605,000	
	(9,517,659)	(8,500,000)	(8,500,000)	(7,450,000)	(7,550,000)	(7,605,000)	
	-	-	-	-	(966,477)	-	
	<u>(117,659)</u>	-	-	-	19,164	-	
	(4,149,672)	(1,299,820)	(368,518)	1,227,064	432,995	2,262,296	
	<u>15,679,947</u>	<u>11,530,275</u>	<u>10,230,455</u>	<u>9,861,937</u>	<u>11,089,001</u>	<u>11,521,996</u>	
\$	<u>11,530,275</u>	<u>10,230,455</u>	<u>9,861,937</u>	<u>11,089,001</u>	<u>11,521,996</u>	<u>13,784,292</u>	
	2.85%	3.70%	2.85%	3.37%	3.15%	3.10%	

Charter Township of Waterford

Financial Trend Information General Government Revenue History Last Ten Fiscal Years (Unaudited)

Fiscal Year	General Property Taxes	Inter-governmental Revenue	Special Assessments	Licenses and Permits	Fines and Fees	Charges for Services	Interest and Miscellaneous	Total Revenue
2004	\$ 23,388,467	\$ 7,620,465	\$ 489,562	\$ 1,170,341	\$ 2,764,971	\$ 2,315,956	\$ 2,301,714	\$ 40,051,476
2005	24,586,576	8,158,010	475,639	1,316,715	2,459,084	2,281,763	4,278,487	43,556,274
2006	25,627,849	7,716,269	452,038	1,377,918	2,132,806	2,450,490	2,877,024	42,634,394
2007	26,886,857	6,794,515	446,262	1,151,351	2,135,331	2,444,256	2,860,554	42,719,126
2008	27,972,916	7,213,496	760,745	1,207,258	2,176,313	2,497,863	2,284,495	44,113,086
2009	27,816,321	7,660,834	748,705	1,164,144	2,120,660	2,900,239	1,490,876	43,901,779
2010	27,487,340	7,177,942	808,083	1,366,130	1,792,007	3,715,399	1,790,264	44,137,165
2011	24,217,983	7,090,287	858,299	300,769	1,586,332	3,894,382	1,825,496	39,773,548
2012	21,220,749	7,213,657	864,927	364,258	1,411,839	9,606,043	2,824,124	43,505,597
2013	20,688,982	8,508,876	927,510	485,610	1,588,776	10,411,618	2,989,638	45,601,010

Note: Includes all governmental-type funds

Source: Township annual financial statements

General Government Expenditure History Last Ten Fiscal Years (Unaudited)

Fiscal Year	General Government	Public Safety	Community and Economic Development	Recreation and Culture	Capital Outlay	Debt Admin.	Miscellaneous	Total Expenditures
2004	\$ 7,519,259	\$ 22,184,623	\$ 3,449,228	\$ 4,045,750	\$ 2,324,405	\$ 1,169,684	\$ 140,705	\$ 40,833,654
2005	7,491,459	22,227,359	3,494,062	4,073,698	1,015,745	1,191,556	91,876	39,585,755
2006	7,891,992	22,875,205	3,164,900	4,342,933	3,426,996	1,461,317	22,661	43,186,004
2007	7,779,594	22,941,441	3,390,156	4,548,647	1,701,797	1,311,215	29,846	41,702,696
2008	13,800,090	23,540,465	3,349,876	4,781,024	1,326,510	1,333,630	13,504	48,145,099
2009	8,277,219	26,409,209	2,919,236	4,858,451	1,055,415	1,638,115	43,954	45,201,599
2010	9,070,564	26,270,382	2,117,054	4,722,679	808,788	1,246,282	269,934	44,505,683
2011	8,470,321	22,620,407	1,249,546	4,138,183	648,183	1,277,626	142,218	38,546,484
2012	7,615,207	27,782,168	1,671,165	3,412,416	1,258,568	1,315,864	36,378	43,091,766
2013	7,534,310	28,800,415	1,336,629	3,615,923	684,405	1,323,107	43,925	43,338,714

Note: Includes all governmental fund types under modified accrual accounting

Sources: Township annual financial statements

Charter Township of Waterford

Financial Trend Information General Fund Balance Compared to Annual Expenditures Last Ten Years (Unaudited)

Fiscal Year	Nonspendable Fund Balance	Reserved/ Restricted Fund Balance	Unreserved/ Unrestricted Fund Balance	Annual Expenditures and Transfers	Unreserved/ Unrestricted Fund Balance as a Percentage of Expenditures
2004	\$ -	\$ -	\$ 1,347,204	\$ 21,384,170	6.30
2005	-	-	1,885,305	21,247,096	8.87
2006	-	-	1,365,898	22,725,374	6.01
2007	-	-	1,737,438	21,904,553	7.93
2008	-	-	2,076,456	22,584,015	9.19
2009	-	-	2,254,966	21,696,984	10.39
2010	-	131,037	1,481,735	21,719,846	6.82
2011	41,258	-	2,496,157	19,315,121	12.92
2012	40,404	-	2,665,549	19,182,967	13.90
2013	41,130	-	4,345,765	18,383,291	23.64

Note: In 2011, the Township adopted GASB Statement No. 54, which changed fund balance classifications from reserved and unreserved to nonspendable, restricted, and unrestricted.

Source: Township annual financial statements

Charter Township of Waterford

Taxable Value by Property Type (1)

Real Property						
Tax Year	Residential	Commercial	Industrial	Agricultural and Other (2)	Personal	Total Value
2004	\$ 1,847,604,772	\$ 406,505,656	\$ 25,447,140	\$ 1,906,060	\$ 105,809,290	\$ 2,387,272,918
2005	1,944,638,194	427,990,950	27,655,360	1,906,060	94,325,738	2,496,516,302
2006	2,046,492,471	432,424,770	28,434,040	-	93,628,050	2,600,979,331
2007	2,137,418,630	450,182,860	29,799,090	-	94,781,830	2,712,182,410
2008	2,125,112,404	457,052,630	30,686,570	-	93,298,920	2,706,150,524
2009	2,057,927,750	467,377,280	29,925,940	-	93,236,790	2,648,467,760
2010	1,690,296,870	445,073,830	26,411,480	-	98,766,690	2,260,548,870
2011	1,471,957,090	420,006,400	18,957,670	-	85,181,300	1,996,102,460
2012	1,435,293,452	389,745,100	18,253,200	-	87,173,620	1,930,465,372
2013	1,429,379,595	374,448,860	18,688,080	-	83,220,870	1,905,737,405

- (1) Under Michigan law, the revenue base is taxable value. Taxes levied in a particular “tax year” become revenue of the subsequent fiscal year.
- (2) Under Michigan law, in a change in 2006, agricultural land was no longer paid; thus, land value reclassified to commercial.

Source: Township assessing department records

Revenue Capacity Information
Assessed Value and Actual Value of Taxable Property
Last Ten Years
(Unaudited)

Tax Rate (Mills)	Estimated Actual Value	Taxable Value as a Percent of Total
10.31	\$ 6,156,606,896	38.78
10.29	6,334,238,440	39.42
10.29	6,505,309,618	39.98
10.29	6,610,412,160	41.03
10.29	6,313,830,340	42.86
10.39	5,826,266,740	45.46
10.89	4,713,453,340	47.96
10.89	4,100,734,760	48.68
10.89	3,948,172,000	48.90
11.08	3,951,590,330	48.23

Charter Township of Waterford

Tax Year	Millage Rates - Direct Township Taxes			Overlapping Taxes				
	General Operating (1)	Debt	Total Direct Taxes	County Combined (4)	Community College	Intermediate School District	School - Principal (3)	School - Nonprincipal (3)
2004	9.9074	0.4000	10.3074	4.6476	1.5889	3.3789	9.6700	27.6700
2005	9.8910	0.4000	10.2910	4.6461	1.5844	3.3690	9.6700	27.6700
2006	9.8910	0.4000	10.2910	4.6461	1.5844	3.3690	9.6700	27.6700
2007	9.8910	0.4000	10.2910	4.6461	1.5844	3.3690	9.6700	27.6700
2008	9.8910	0.4000	10.2910	4.7461	1.5844	3.3690	9.6700	27.6700
2009	9.8910	0.5000	10.3910	4.7461	1.5844	3.3690	9.6700	27.6700
2010	10.3896	0.5000	10.8896	4.7461	1.5844	3.3690	11.2200	29.2200
2011	10.3896	0.5000	10.8896	4.7461	1.5844	3.3690	11.8500	29.8500
2012	10.3896	0.5000	10.8896	4.9461	1.5844	3.3690	11.8500	29.8500
2013	10.3896	0.6900	11.0796	4.9461	1.5844	3.3690	13.0000	31.0000

(1) Includes general operating, fire, police, library, and police and fire building debt taxes

(2) Previously termed homestead and non-homestead

(3) School rates are based on the Waterford School District, which services a vast majority of the Township's land area

(4) Combined rate includes County operating, County Parks and Recreation, Huron Clinton Metro Authority, and Zoo Authority

Source: Township treasurer's office records

**Direct and Overlapping Property Tax Rates
Last Ten Years
(Unaudited)**

Total Tax Rate (2)

<u>Principal</u>	<u>Nonprincipal</u>
29.5928	47.5928
29.5605	47.5605
29.5605	47.5605
29.5605	47.5605
29.6605	47.6605
29.7605	47.7605
31.8091	49.8091
32.4391	50.4391
32.6391	50.6391
33.9791	51.9791

Charter Township of Waterford

Revenue Capacity Information Principal Property Taxpayers Ten-year Comparison (Unaudited)

Taxpayer	Type of Business	2013 Taxable Value	Percentage of Total	2004 Taxable Value	Percentage of Total	2004 Rank
1 Detroit Edison	Utility	\$ 26,044,410	1.37	\$ 27,497,770	1.15	1
2 Cass Lake Shore Apt.	Apartment	8,107,400	0.43	7,958,100	0.33	6
3 Consumers Energy	Utility	6,380,680	0.33	11,545,080	0.48	4
4 Meijer	Retail	6,048,670	0.32	6,304,230	0.26	9
5 Rite Aid Corporation	Retail	5,931,960	0.31	5,977,830	0.25	-
6 Occidental Development/Rivers Edge Apts	Apartment	5,727,110	0.30	7,719,520	0.32	7
7 General Motors	Manufacturing	4,870,010	0.26	12,985,660	0.54	3
8 Holtzman & Silverman/Village Green	Apartment	4,783,990	0.25	6,874,740	0.29	-
9 Pentastar Aviation	Corporate Aviation	4,435,860	0.23	4,288,321	0.18	-
10 Kmart Corp.	Retail	4,048,080	0.21	5,540,290	0.23	-
Total		\$ 76,378,170	4.01	\$ 96,691,541	4.03	
Total Township taxable value		\$ 1,905,737,405		\$ 2,387,272,918		

Source: Township assessing department records

Charter Township of Waterford

Property Tax Levies and Collections Ten-year Comparison (Unaudited)

Fiscal Year	Total Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy Collected	Delinquent Tax Receivable
2004	\$ 24,583,756	\$ 22,834,339	92.88	\$ 1,601,536	\$ 24,435,875	99.40	\$ 463,904
2005	25,485,596	23,700,073	92.99	1,757,077	25,457,150	99.89	588,556
2006	26,734,270	23,782,945	88.96	1,941,163	25,724,108	96.22	592,432
2007	27,823,546	25,846,835	92.90	1,977,823	27,824,658	100.00	298,298
2008	27,827,874	25,755,435	92.55	2,004,352	27,759,787	99.76	256,398
2009	27,391,906	25,350,622	92.55	1,926,850	27,277,472	99.58	197,208
2010	24,468,429	22,807,481	93.21	1,630,982	24,438,463	99.88	72,706
2011	21,541,187	20,061,285	93.13	1,406,240	21,467,525	99.66	77,752
2012	20,819,579	19,509,375	93.71	1,211,043	20,720,418	99.52	100,959
2013	20,893,494	19,663,238	94.11	1,208,306	20,871,544	99.89	71,193

Source: Township Treasurer's Office records/Treasurer's settlement ad valorem

Charter Township of Waterford

	2004	2005	2006	2007
Governmental Activities				
General obligation bonds	\$ 13,185,000	\$ 14,630,000	\$ 14,175,000	\$ 13,745,000
Installment purchase agreements	-	-	-	-
Special assessment bonds	470,000	380,000	290,000	200,000
Revenue bonds	-	-	-	-
Capital leases	-	-	-	-
Total	13,655,000	15,010,000	14,465,000	13,945,000
Business-type Activities				
General obligation bonds	4,835,000	4,665,000	4,485,000	6,151,308
Installment purchase agreements	-	-	-	-
Special assessment bonds	-	-	-	-
Revenue bonds	-	-	-	-
Capital leases	-	-	-	-
Total	4,835,000	4,665,000	4,485,000	6,151,308
Total debt of the government	\$ 18,490,000	\$ 19,675,000	\$ 18,950,000	\$ 20,096,308
Total taxable value	\$ 2,387,272,918	\$ 2,496,516,302	\$ 2,600,979,331	\$ 2,712,182,410
Ratio of total debt to taxable value	0.77%	0.79%	0.73%	0.74%
Total population	71,234	71,082	72,444	68,258
Total debt per capita	\$ 260	\$ 277	\$ 262	\$ 294
Per capita personal income	(I)	(I)	(I)	(I)
Ratio of debt to personal income	(I)	(I)	(I)	(I)

(I) Not available

Source: Township annual financial statements; population data reported from demographics schedule

**Debt Capacity Information
Ratios of Outstanding Debt
Last Ten Fiscal Years
(Unaudited)**

	2008	2009	2010	2011	2012	2013
\$	13,095,000	\$ 12,485,000	\$ 10,995,000	\$ 9,625,000	\$ 8,337,969	\$ 7,097,969
	-	-	-	-	-	-
	110,000	20,000	10,000	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	13,205,000	12,505,000	11,005,000	9,625,000	8,337,969	7,097,969
	14,577,085	15,471,528	16,529,634	18,263,706	19,328,651	22,968,931
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	14,577,085	15,471,528	16,529,634	18,263,706	19,328,651	22,968,931
\$	27,782,085	\$ 27,976,528	\$ 27,534,634	\$ 27,888,706	\$ 27,666,620	\$ 30,066,900
\$	2,706,150,524	\$ 2,648,467,760	\$ 2,260,548,870	\$ 1,996,102,460	\$ 1,930,465,372	\$ 1,905,737,405
	1.03%	1.06%	1.22%	1.40%	1.43%	1.58%
	74,277	70,678	70,749	71,798	72,171	72,645
\$	374	\$ 396	\$ 389	\$ 388	\$ 383	\$ 414
(1)		28,387	28,518	29,401	26,423	29,523
(1)		1.39%	1.36%	1.32%	1.45%	1.40%

Charter Township of Waterford

Debt Capacity Information Ratios of General Bonded Debt Outstanding Last Ten Years (Unaudited)

Fiscal Year	General Obligation Bonds	Tax-supported Bonds (1)	Less Pledged Debt Service Funds	Net General Bonded Debt	Taxable Value	Debt as a Percentage of Taxable Value	Population	Debt per Capita
2004	\$ 5,770,000	\$ 12,250,000	\$ 305,245	\$ 12,879,755	\$ 2,387,272,918	0.54	71,234	\$ 181
2005	7,470,000	11,825,000	286,406	14,343,594	2,496,516,302	0.57	71,082	202
2006	7,310,000	11,350,000	294,628	13,880,372	2,600,979,331	0.53	72,444	192
2007	9,071,308	10,825,000	328,023	13,416,977	2,712,182,410	0.49	68,258	197
2008	17,422,085	10,250,000	362,295	12,732,705	2,706,150,524	0.47	74,277	171
2009	18,441,528	9,515,000	79,879	12,320,121	2,648,467,760	0.47	70,678	174
2010	18,779,634	8,745,000	331,124	10,663,876	2,260,548,870	0.47	70,749	151
2011	20,003,706	7,885,000	349,877	27,538,829	1,996,102,460	1.38	71,798	384
2012	20,696,620	6,970,000	192,496	27,474,124	1,930,465,372	1.42	72,171	381
2013	24,061,899	6,005,000	7,665	30,059,234	1,905,737,405	1.58	72,645	414

Note: General obligation bonds reported in the Water and Sewer Fund with government commitment and special assessment bonds have been excluded.

(1) Original bonds represented debt issued for construction of the police and fire buildings. Refunding bonds were issued in 2009.

Source: Township annual financial statements

Charter Township of Waterford

Direct and Overlapping Debt Year Ended December 31, 2013 (Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percent Applicable to Waterford	Estimated Share of Overlapping Debt
Oakland County	\$ 463,233,601	3.87	\$ 17,927,140
School districts:			
Waterford School District	92,420,000	86.13	79,601,346
Pontiac School District	21,200,407	2.02	428,248
Clarkston School District	155,558,609	2.06	3,204,507
Oakland Community College	3,765,000	3.90	146,835
Intermediate School District	<u>56,670,000</u>	3.89	<u>2,204,463</u>
Total overlapping debt	792,847,617		103,512,539
Direct Township debt	<u>7,097,969</u>	100.00	<u>7,097,969</u>
Total direct and overlapping debt	<u>\$ 799,945,586</u>		<u>\$ 110,610,508</u>

Note: The percentage of overlapping bonded debt related to each governmental unit was established using the taxable value of assessed property. Percentages were estimated by calculating the portion of each governmental unit's taxable property located within the boundaries of the Township and dividing it by the unit's total taxable value.

Source: Municipal Advisory Council of Michigan

Charter Township of Waterford

	2004	2005	2006	2007
Calculation of Debt Limit (1)				
State equalized valuation	\$ 3,078,303,448	\$ 3,167,119,220	\$ 3,252,654,809	\$ 3,305,206,080
Debt limit (10% of equalized value)	307,830,345	316,711,922	325,265,481	330,520,608
Calculation of Debt Subject to Limit				
Total debt	18,318,479	19,675,000	18,950,000	20,096,308
Special assessment bonds	470,000	380,000	290,000	200,000
Enterprise Fund bonds	<u>4,835,000</u>	<u>4,665,000</u>	<u>4,485,000</u>	<u>6,151,308</u>
Net debt subject to limit	<u>13,013,479</u>	<u>14,630,000</u>	<u>14,175,000</u>	<u>13,745,000</u>
Legal debt margin	<u>\$ 294,816,866</u>	<u>\$ 302,081,922</u>	<u>\$ 311,090,481</u>	<u>\$ 316,775,608</u>
Net debt subject to limit as percentage of debt limit	4.41%	4.84%	4.56%	4.34%

(1) The legal debt limit continues to be derived from state equalized value (SEV), not taxable value (TV).

Source: Township annual financial statements

Debt Capacity Information
Legal Debt Margin
Last Ten Fiscal Years
(Unaudited)

2008	2009	2010	2011	2012	2013
\$ 3,156,915,170	\$ 2,913,133,370	\$ 2,356,726,670	\$ 2,050,367,380	\$ 1,974,086,000	\$ 1,975,795,165
315,691,517	291,313,337	235,672,667	205,036,738	197,408,600	197,579,517
27,782,085	27,976,528	27,534,634	27,888,706	27,666,620	30,066,900
110,000	20,000	10,000	-	-	-
<u>14,577,085</u>	<u>15,471,528</u>	<u>16,529,634</u>	<u>18,263,706</u>	<u>19,328,651</u>	<u>22,968,931</u>
<u>13,095,000</u>	<u>12,485,000</u>	<u>10,995,000</u>	<u>9,625,000</u>	<u>8,337,969</u>	<u>7,097,969</u>
<u>\$ 302,596,517</u>	<u>\$ 278,828,337</u>	<u>\$ 224,677,667</u>	<u>\$ 195,411,738</u>	<u>\$ 189,070,631</u>	<u>\$ 190,481,548</u>
4.33%	4.48%	4.89%	4.93%	4.41%	3.73%

Charter Township of Waterford

Demographic and Economic Information Demographic and Economic Statistics Last Ten Fiscal Years (Unaudited)

Fiscal Year	Population	Personal Income (in thousands)	Estimated Number of Households	Per Capita Personal Income	Median Age	Unemployment Rate
2004	71,234 (2)	(1)	(1)	(1)	(1)	(1)
2005	71,082 (2)	(1)	(1)	(1)	(1)	(1)
2006	72,444 (3)	(1)	30,589	\$ 26,676	41.0	(1)
2007	68,258 (4)	(1)	29,145	29,763	40.6	9.8
2008	74,277 (5)	(1)	31,317	27,366	39.0	8.1
2009	70,678 (6)	\$ 2,006,336	29,316	28,387	41.0	7.9
2010	70,749 (7)	2,017,620	29,140	28,518	38.8	9.0
2011	71,798 (8)	2,110,933	29,892	29,401	39.1	9.3
2012	72,171 (9)	1,906,974	27,700	26,423	37.5	8.8
2013	72,645 (10)	1,899,739	29,523	26,151	39.6	8.9

- (1) Not available
- (2) Southeast Michigan Council of Governments Information Services estimate
- (3) 2005 Census Department - American Community Survey Data Profile Review
- (4) 2006 Census Department - American Community Survey Data Profile Review
- (5) 2007 Census Department - American Community Survey Data Profile Review
- (6) 2008 Census Department - American Community Survey Data Profile Review
- (7) 2009 Census Department - American Community Survey Data Profile Review
- (8) 2010 Census Department - American Community Survey Data Profile Review
- (9) 2011 Census Department - American Community Survey Data Profile Review
- (10) 2012 Census Department - American Community Survey Data Profile Review

Charter Township of Waterford

Principal Employers (Unaudited)

Taxpayer	Enterprise	2013 Employees (2)	Percentage of Total	2004 Employees	Percentage of Total
1 Waterford School District	Education	1,410	5.4%	(1)	(1)
2 Oakland County	Government	1,358	5.2%	(1)	(1)
3 Road Commission for Oakland County	Transportation	423	1.6%	(1)	(1)
4 Township of Waterford	Government	334	1.3%	(1)	(1)
5 Oakland Intermediary Schools	Education	257	1.0%	(1)	(1)
6 Meijer	Retail	253	1.0%	(1)	(1)
7 Pantastar Aviation	Air transportation	231	0.9%	(1)	(1)
8 Canterbury Healthcare, Inc.	Nursing care	227	0.9%	(1)	(1)
9 Kmart Corporation	Retail	179	0.7%	(1)	(1)
10 Oakland Community College	Education	168	0.6%	(1)	(1)
Total		<u>4,840</u>		<u>(1)</u>	
Total Township employment (3)		<u>26,118</u>		<u>(1)</u>	

(1) Not available

(2) Data is from various sources

(3) Southeast Michigan Council of Governments Regional Data

Charter Township of Waterford

Operating Information Full-time Equivalent Government Employees (1) Last Ten Fiscal Years (Unaudited)

Department	2004	2005	2006	2007	2008	2009	2010 (2)	2011	2012	2013
Supervisor/Assessing	9	9	9	9	9	9	7	6	7	6
Clerk's office	6	6	6	6	6	6	6	5	6	6
Treasurer's office	7	7	7	7	7	6	6	6	6	6
Fiscal and human resources	3	3	3	3	3	2	2	2	2	2
5 1st District Court	35	31	31	31	31	30	25	25	23	23
Planning and development	14	12	9	8	7	7	6	5	3	3
Information systems	4	4	5	5	4	5	4	3	3	3
Facilities and operations	11	10	10	10	10	10	8	8	10	10
Building and engineering	11	10	10	10	10	9	9	9	8	7
Parks and recreation	14	13	13	13	13	12	10	9	6	6
Police department	112	107	104	99	99	99	71	64	65	64
Fire department (3) (4)	69	68	68	67	68	71	67	64	106	146
Library	20	20	21	21	21	20	19	13	13	12
Water and sewer	54	54	51	51	51	50	43	42	41	40
Total	<u>369</u>	<u>354</u>	<u>347</u>	<u>340</u>	<u>339</u>	<u>336</u>	<u>283</u>	<u>261</u>	<u>299</u>	<u>334</u>

- (1) Full-time employees reported only; data is not available for equivalent part-time position.
- (2) Numbers reflect retirement of 20 employees on December 31, 2010 (court - 3, police - 15, fire - 1, water and sewer - 1)
- (3) In 2012, the Township began providing fire service to Pontiac, which increased staffing by 42 positions.
- (4) In 2013, the Township was awarded a Federal SAFER grant, which increased the Fire Department staffing by 39 positions

Source: Township personnel records

Charter Township of Waterford

Function/Program	2004	2005	2006	2007
Police:				
Physical arrests	2,367	2,023	2,668	2,144
Traffic violations	10,290	11,288	8,437	8,792
Non-traffic misdemeanors	947	810	761	614
Non-traffic civil infractions	385	357	417	297
Fire:				
Emergency responses	4,777	5,009	5,060	5,540
Fires extinguished	167	173	170	186
Inspections	(1)	572	522	393
Parks and recreation - Recreation programs (estimated)				
	690	676	703	729
Library:				
Circulation (books borrowed)	315,009	357,064	375,251	395,904
Collection volume	132,262	141,518	137,744	174,029
Visits - Walk-ins	(1)	(1)	(1)	264,453
Visits - Website	(1)	(1)	(1)	252,019
Water:				
New connections (2)	165	156	135	70
Water main breaks	25	27	19	13
Total consumption (billed cubic feet)	374,382,629	388,727,883	373,262,721	381,132,096
Average annual consumption per customer (gallons)	68,068	70,582	68,545	69,055

(1) Information not available

(2) 2005 and forward reflect a change in source of data

Source: Township departmental operational reports

Operating Information
Operating Indicators
Last Ten Fiscal Years
(Unaudited)

2008	2009	2010	2011	2012	2013
2,231	1,832	1,492	1,614	1,829	1,626
9,700	10,160	6,359	4,935	6,645	5,698
702	704	527	463	456	497
952	611	272	374	188	49
5,799	5,819	5,953	6,080	10,025	10,502
154	137	166	147	605	545
1,751	1,107	948	550	959	1,038
768	782	795	783	792	814
388,866	412,284	401,022	366,837	347,496	316,764
177,766	158,316	177,320	165,989	179,022	181,265
287,965	308,638	297,142	259,155	235,971	233,477
272,215	227,856	144,139	148,731	149,836	148,346
113	101	67	70	58	67
16	27	15	28	22	24
353,426,861	320,941,837	316,715,587	309,809,655	320,451,892	275,327,916
65,953	60,536	59,339	58,442	58,292	53,714

Charter Township of Waterford

Operating Information Capital Asset Statistics (Unaudited)

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	31	31	31	31	45	51	52	46	49	46
Fire:										
Stations	5	5	5	5	5	5	5	5	10	10
Trucks	15	15	15	15	15	14	14	14	24	27
Parks and recreation:										
Acreage	684	684	684	684	709	714	854	854	854	854
Playgrounds	8	8	9	9	8	8	8	8	8	8
Soccer fields	6	6	6	6	6	6	7	7	7	7
Baseball/Softball diamonds	13	13	13	13	13	14	13	13	13	13
Libraries - Branches	2	2	2	2	2	2	1	1	1	1
Water:										
Mains (miles)	332	350	350	350	350	350	350	350	350	350
Fire hydrants	3,447	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Storage capacity (millions of gallons)	8.25	8.25	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
Sewer - Miles of sanitary sewers	332	350	350	350	350	350	350	350	350	350

Source: Department correspondence