

**Charter Township of Waterford
Oakland County, Michigan**

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

Charter Township of Waterford

Contents

Introductory Section

Letter of Transmittal	i-ix
Organization Chart	x
Certificate of Achievement	xi
List of Principal Officials	xii
Labor Agreements	xiii
Fund Organizational Chart	xiv

Financial Section

Report Letter	1-3
Management's Discussion and Analysis	4-14
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16-17
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	18
Reconciliation of the Balance Sheet to the Statement of Net Position	19
Statement of Revenue, Expenditures, and Changes in Fund Balances	20
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Proprietary Funds:	
Statement of Net Position	22
Statement of Revenue, Expenses, and Changes in Net Position	23
Statement of Cash Flows	24

Charter Township of Waterford

Contents (Continued)

Basic Financial Statements (Continued)

Fund Financial Statements (Continued):

Fiduciary Funds:

Statement of Fiduciary Net Position	25
Statement of Changes in Fiduciary Net Position - Pension and Other Postemployment Benefits	26

Component Units:

Statement of Net Position	27
Statement of Activities	28-29

Notes to Financial Statements	30-66
-------------------------------	-------

Required Supplemental Information 67

Budgetary Comparison Schedule - General Fund	68
--	----

Budgetary Comparison Schedule - Major Special Revenue Funds:

Police Fund	69
Fire Fund	70

Note to Required Supplemental Information	71-72
---	-------

Pension System Schedule - Police and Fire Retirement System	73
---	----

Police and Fire Retirement System:

Schedule of Changes in the Net Pension Liability and Related Ratios	74
Schedule of Investment Returns	75
Schedule of Township Contributions	76

Pension System Schedule - General Employees' Retirement System	77
--	----

General Employees' Retirement System

Schedule of Changes in the Net Pension Liability and Related Ratios	78
Schedule of Investment Returns	79
Schedule of Township Contributions	80

OPEB System Schedule	81
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Charter Township of Waterford

Contents (Continued)

Other Supplemental Information	82
Description of Nonmajor Funds	83-84
Nonmajor Governmental Funds:	
Combining Balance Sheet	85-86
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	87-88
Budgetary Comparison	89-96
Internal Service Funds:	
Combining Statement of Net Position	97
Combining Statement of Revenue, Expenses, and Changes in Net Position	98
Combining Statement of Cash Flows	99
Fiduciary Funds:	
Statement of Assets and Liabilities	100
Combining Statement of Changes in Fiduciary Net Position	101
Schedule of Changes in Assets and Liabilities	102
Component Unit - Veterans' Memorial Fund:	
Fund-based Balance Sheet	103
Fund-based Schedule of Revenue and Expenditures	104

Charter Township of Waterford

Contents (Continued)

<u>Statistical Section</u>	105
Contents	106
Financial Trend Information:	
Net Position by Component	107-108
Changes in Governmental Net Position	109-110
Changes in Business-type Net Position	111-112
Fund Balances - Governmental Funds	113-114
Changes in Fund Balances - Governmental Funds	115-116
General Government Revenue History	117
General Government Expenditure History	117
General Fund Balance Compared to Annual Expenditures	118
Revenue Capacity Information:	
Assessed Value and Actual Value of Taxable Property	119-120
Direct and Overlapping Property Tax Rates	121-122
Principal Property Taxpayers	123
Property Tax Levies and Collections	124
Debt Capacity Information:	
Ratios of Outstanding Debt	125-126
Ratios of General Bonded Debt Outstanding	127
Direct and Overlapping Debt	128
Legal Debt Margin	129-130
Demographic and Economic Information:	
Demographic and Economic Statistics	131
Principal Employers	132
Operating Information:	
Full-time Equivalent Government Employees	133
Operating Indicators	134-135
Capital Asset Statistics	136



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June 22, 2015

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, 2014. 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 35.3 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 is a designated general aviation reliever airport serving individuals, businesses and industries in Oakland County, the State of Michigan and the nation. OCIA is ranked as the world's twelfth busiest general aviation airport with an average of approximately 120,000 takeoffs and landings annually. More than 150 corporations base aircraft at OCIA, many with several aircraft. Over 554 aircraft are based at the airport, and their value is in excess of \$200 million.

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. Safety Technology International is a family owned company that is a worldwide supplier of products for the fire and safety industry. 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 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 2014 Waterford Township issued almost twice as many Building Permits for single family homes as it did in 2013 or approximately seven times as many as were issued in 2011 when the economic crisis was at its peak.

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
2014	52	0	4	442
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

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

Area Demographics (continued)

Oakland County and Waterford Township have been impacted by the trying economic environment of the nation and the state. The County had an annual unemployment rate of 8.0 percent for 2013, which declined to 6.8 percent for 2014. In December of 2014 the County had a monthly unemployment rate of 5.0 percent, while the Township had a rate of 5.5 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 was 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 was 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. Per the US Census Bureau, however, the percent change in population for all of Oakland County between April 2010 and July 2013 was estimated to be about 3 percent. For Waterford Township, the percent change in population during this same time period was about half of that, or 1.7 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, rather than absolute assurance, that these objectives are met because the cost of a control should not exceed the benefits derived. The primary financial management control instrument of the Township is the annual budget. It is adopted each year by the Board of Trustees in

Internal and Budgetary Control (continued)

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 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 and that the financial statements are free of any material misstatements.

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 valued 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 2015 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. The Library and a Fire Millage were renewed in 2012. The 2014 Police Renewal was vital to our long range plans and the ability to provide services. A modest Parks and Recreation Millage request was passed by voters in August of 2014. This 'dedicated' Parks and Recreation Millage will shore up and help sustain the non state mandated recreational services provided by the Township's Parks and Recreation Department.

Long Term Financial Planning (continued)

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 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. Subsequently, the Township has changed its Retiree Prescription plan which is estimated to save \$400,000 over previous plan offerings. 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. All 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 issues new debt or refinances existing debt it can 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

Cash Management (continued)

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 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. 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 \$50,000 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. 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

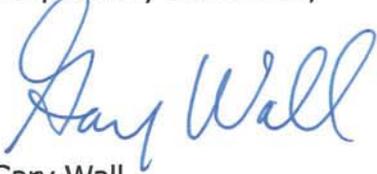
The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the Charter Township of Waterford for its comprehensive annual financial report for the fiscal year ended December 31, 2013. This was the ninth 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.

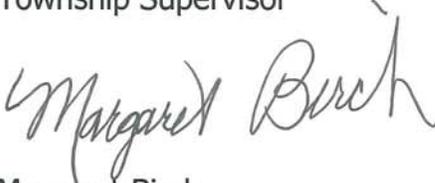
Respectfully submitted,



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, 2013

Executive Director/CEO

**Charter Township of Waterford
List of Principal Officials
Year Ended December 31, 2014**

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
John Lyman

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, 2014**

<u>Bargaining Unit</u>	<u>Expiration Date</u>	<u>Number of Employees</u>
Michigan Association of Police - Represents police officers and crime scene investigators	12/31/2017	36
Command Officers Association of Michigan - Represents police sergeants and lieutenants	12/31/2017	12
International Association of Firefighters - Represents all firefighting personnel	12/31/2015	135
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	104

**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
Bike Path	247
Cable Commission	250
Community Development Block Grant	260-263
Library	270
Library Donations	271
Parks and Recreation	280
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, 2014 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

Opinions

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, 2014 and the respective changes in its financial position, and, where applicable, cash flows, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 13 to the basic financial statements, during the year ended December 31, 2014, the Township adopted the provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. As a result, these statements include substantial new disclosures and required supplemental information. 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, the major fund budgetary comparison schedules, the pension system schedules, and OPEB system 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 1, 2015 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 & Moran, PLLC

June 22, 2015

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, 2014.

- Total 2014 General Fund revenue was \$164,557 below 2013 revenue. One area where revenue moderately increased was cable franchise fees which were up \$45,075. 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 followed by modest increases.
- State-shared revenue and grants, despite dramatic cuts over the past 10 years, remains our second largest revenue source. During the Township's 2014 fiscal year, state revenue sources increased \$142,748. State revenue sharing is \$1,664,275 below the amount received in 2001, which is a loss of 21.83 percent.
- Revenue from district court fees and fines decreased \$113,570 (9.2 percent) from the previous year. 2014 district court fines and fees revenue was \$1,335,102 below the 2004 amount. This is a reduction of 54.52 percent over the past 10 years.
- General Fund expenditures and operating transfers out for fiscal year 2014 were less than 2013 - declining by \$401,636.
- The unassigned General Fund fund balance at year end was \$4,412,750. During fiscal year 2014, the General Fund unassigned fund balance increased a modest \$1,520,108. The December 31, 2014 unassigned fund balance for the General Fund is 24.39 percent of total 2014 General Fund expenses including transfers to public safety. Our minimum fund balance target is 15 percent, though bond agencies and many analysts prefer 20 to 30 percent as a sign of a financially healthy municipality; though this cash-position has to be tempered with a community's longer-range outlook and debt ratio.
- The Police Fund fund balance increased modestly by \$59,563 in fiscal year 2014. Staff reductions in prior years within the police department were the primary driver of these results. The Police Fund fund balance at December 31, 2014 is \$2,300,319 or 20 percent of annual expenses.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

The Fire Fund fund balance increased by \$893,729 in fiscal year 2014. In 2009, the fire department began patient transport and invested in additional staffing and equipment. In subsequent years, 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 some 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 was extended to October 2015 and the Fire Department is waiting to hear from the Federal Government if a new grant will be awarded. 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. The Fire Fund fund balance at December 31, 2014 is \$1,522,685 or 8.6 percent of annual expenses. While the Fund Balance is lower than desired, the Fire Department had a positive year.

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.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

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):

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Assets						
Other assets	\$ 41.9	\$ 44.4	\$ 24.1	\$ 22.4	\$ 66.0	\$ 66.8
Capital assets	53.8	52.7	97.7	109.1	151.5	161.8
Total assets	95.7	97.1	121.8	131.5	217.5	228.6
Liabilities						
Current liabilities	7.3	5.6	5.1	4.7	12.4	10.3
Long-term liabilities	28.1	32.0	24.9	34.9	53.0	66.9
Total liabilities	35.4	37.6	30.0	39.6	65.4	77.2
Deferred Inflows of Resources	21.1	22.0	-	-	21.1	22.0
Net Position						
Net investment in capital assets	46.7	46.8	74.7	76.6	121.4	123.4
Restricted	5.1	5.3	2.1	0.8	7.2	6.1
Unrestricted (deficit)	(12.6)	(14.6)	15.0	14.5	2.4	(0.1)
Total net position	<u>\$ 39.2</u>	<u>\$ 37.5</u>	<u>\$ 91.8</u>	<u>\$ 91.9</u>	<u>\$ 131.0</u>	<u>\$ 129.4</u>

The Township's combined net position decreased in 2014. The governmental activities portion of net position decreased approximately \$1.7 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 \$5.6 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 2014 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 2.96 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.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Total revenue for governmental activities in 2014 increased by \$2.4 million from the 2013 fiscal year. A revenue decrease was in property taxes, a 0.3 percent reduction from 2013. The largest increase was the federal grant revenue related to the Fire Department (SAFER Grant).

Governmental expenses were up \$448,000 in 2014. This change was due primarily to the SAFER Grant.

In the business-type activities (Water and Sewer Fund), charges for services revenue was up \$1,164,749. 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. There was also a water rate increase to help pay for capital improvements. The last previous water rate adjustment was in 2010.

The Water and Sewer Fund saw its overall cash position decrease in 2014 compared to 2013. The Water and Sewer Fund decreased its year-end cash position by \$784,751 in fiscal year 2014. However, in August 2014 the water-sewer fund paid off slightly over \$1 million of Oakland Macomb Interceptor (OMI) Debt. This move saved water-sewer rate payers over \$400,000 in long-term interest savings.

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Revenue						
Program revenue:						
Charges for services	\$ 14.6	\$ 15.2	\$ 19.3	\$ 20.4	\$ 33.9	\$ 35.6
Operating grants and contributions	2.9	4.5	-	-	2.9	4.5
Capital grants and contributions	-	0.1	5.0	0.4	5.0	0.5
General revenue:						
Property taxes	21.1	21.0	-	-	21.1	21.0
State-shared revenue	5.7	5.8	-	-	5.7	5.8
Unrestricted investment earnings	0.1	0.2	0.1	0.1	0.2	0.3
Cable franchise fees	1.1	1.2	-	-	1.1	1.2
Miscellaneous	0.2	0.2	-	-	0.2	0.2
Total revenue	45.7	48.2	24.4	20.9	70.1	69.1
Program Expenses						
General government	7.5	7.4	-	-	7.5	7.4
Public safety:						
Fire and police	32.0	32.8	-	-	32.0	32.8
Building inspection	1.1	1.1	-	-	1.1	1.1
Public works	0.5	0.4	-	-	0.5	0.4
District Court	2.3	2.4	-	-	2.3	2.4
Community and economic development	1.3	1.4	-	-	1.3	1.4
Recreation and culture	4.4	4.2	-	-	4.4	4.2
Interest on long-term debt	0.2	0.2	-	-	0.2	0.2
Water and sewer	-	-	20.1	20.8	20.1	20.8
Total program expenses	49.3	49.9	20.1	20.8	69.4	70.7
Change in Net Position	\$ (3.6)	\$ (1.7)	\$ 4.3	\$ 0.1	\$ 0.7	\$ (1.6)

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Governmental Activities

The Township's governmental revenue totaled approximately \$48.2 million, with the greatest revenue source being property taxes. Property taxes made up approximately 43.56 percent of total governmental revenue in 2014. That percentage is down from approximately 46.17 percent of total governmental revenue in 2013. 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 2014. 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.

Total 2014 governmental expenses for the Township were approximately \$49.9 million. Of this, 65.73 percent of all expenses were in the area of police and fire service; the same ratio in 2013 was 64.9 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 97.60 percent of all revenue in 2014.

The business-type activities expenses totaled approximately \$20.8 million in 2014. Almost more than \$8.5 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 2014 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.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

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 \$5.125 million to the Police Fund and \$1.775 million to the Fire Fund in 2014.

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 \$6,334,916, of which only \$4,412,750 is unassigned. A total of \$6,334,916 represents approximately 35.22 percent of 2014's annual expenditures; net transfers to other funds. Due to an accounting rule change, reassignment of two funds, Workers' Compensation (\$668,172) and Cemetery Care (\$151,876) 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 30.67 percent of its annual expenditures in 2014. This is the level that Township planners believe is a more realistic representation of the General Fund's available balance. Workers' Compensation and Cemetery Care are set aside for specific purposes. This 30.67 percent also includes \$1,000,000 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 30 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 \$5.1 million from the Township's General Fund and an additional \$5,638,737 in special millage revenue for 2014, a small overall reduction from 2013. The department receives a small amount of its revenue from fees, grants, and interest on investments.

Over fiscal year 2014, the Police Fund balance modestly increased by \$59,563. This change was due primarily to lower staff levels from traditional levels and foregoing some projects. The police department employed 36 fewer staff in 2014 than it did in 2010.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Fire Fund

The Fire Fund covers the operations of fire prevention, suppression, and emergency medical services. In 2014, the department received \$1.775 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 \$893,729. The increase was possible by more revenue from Emergency Medical Runs (EMS), lower pension costs, not using contingency funds, and slightly lower overtime and open positions being backfilled slower. While a positive financial year, the Fire Fund's fund balance at 8.6 percent of annual expenditures still remains lower than desired.

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 that 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. Although the fund does look for grants and low-interest loan programs to augment system capital improvements.

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 and the development of the regional water-sewer authority.

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.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Reductions in staffing through attrition and early retirement incentives have reduced labor costs. In 2014, the Water and Sewer Fund was staffed at 41.5 positions compared to 52 in 2009. 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! In 2014, the Water-Sewer Fund paid off nearly \$1.1 million of its Oakland Macomb Interceptor (OMI) Debt and saved nearly \$400,000 in long term interest; more good news for the Waterford Sewer 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 2015 and 2016. 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 2014 had never occurred. It remains uncertain at best if the Headlee Amendment will be modified by the State of Michigan. Slow growth and slow recovery of lost property tax revenues seem likely in the short run.

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. License and permits revenue increased \$174,340 in 2014 over 2013.

During 2014, the General Fund departments reduced staffing by 1 position in 2014 and 3 positions in 2013, 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 \$1.1 million, net of depreciation. Disposal of assets and excess equipment occurred throughout 2014.

In business-type activities, the Township added \$11.4 million 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.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

The Township did not issue any debt for governmental activities in 2014.

New debt for 2014 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).

The Township reduced its general obligation and tax-supported debt by \$1.175 million (16.55 percent of total) in fiscal year 2014. The Township maintains a very low amount of general government debt. The majority of the general government debt remaining (\$4,965,000) was 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. The .69 rate was held constant for 2014. 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 in 2013 and held constant in 2014, the overall cost to the taxpayers should remain flat as the increased rate is offset by the lower taxable value.

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 2014 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. In 2014, building activity saw 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.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

The economy is seeing an uptick in late 2014 through early 2015, with unemployment declining and housing prices starting to increase. Both sales and income taxes are increasing and should bolster state revenue. How the State of Michigan elects to distribute any new revenues remains to be seen. 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 2014. The overall trend of the state divesting itself in local government continues.

The Township maintains a Citizen's Guide to Local Government Finances on its website which is located at: www.twp.waterford.mi.us This is another tool to help the citizen and interested parties understand where taxes and fees are directed and utilized.

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 has significantly decreased in recent years. The Township implemented 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. Starting on January 1, 2015 a prescription change for retiree health care started as well. The Township remains committed to making dollars stretch as far as possible.

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 for current employees. 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. Future expenses are 'capped' via a medical Consumer Price Index (CPI) cost containment factor on an annual basis going forward.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

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 have helped the Township financially. 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. In December 2014, the Police Patrol unit agreed to close their pension retirement system for a more modernized defined contribution (401-(k)) style plan. Therefore, all of Waterford's Pension Systems are now closed to new hires. Similar changes have been made in the auto industry, other industries, and with other units of government. This change and cooperation should help Waterford in the intermediate and long run.

Bond Rating

Bond ratings to municipalities are like credit scores to individuals. The ratings help determine the interest rate on any debt issued by the Township, as well as are 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) pension retirement offerings to new employees to defined contributions (DC), 401(k) style plans. 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. The Township posts its budgets, financial statements, citizen dashboard and pension actuarial studies on its website for viewing by all interested parties.

Charter Township of Waterford

Statement of Net Position December 31, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 29,265,899	\$ 13,641,854	\$ 42,907,753	\$ 171,382
Receivables:				
Property taxes receivable	11,140,229	-	11,140,229	-
Receivables from sales to customers on account	-	7,403,488	7,403,488	-
Accrued interest receivable	-	41,406	41,406	-
Due from other governmental units	1,754,180	-	1,754,180	-
Rehabilitation revolving	1,428,590	-	1,428,590	-
Other receivables	192,916	-	192,916	-
Special assessments receivable	475,031	496,752	971,783	-
Inventory	58,205	-	58,205	-
Prepaid items	102,125	-	102,125	-
Restricted assets (Note 1)	-	813,588	813,588	-
Capital assets (Note 4):				
Assets not subject to depreciation	27,190,359	30,297,310	57,487,669	-
Assets subject to depreciation	25,532,366	78,800,795	104,333,161	63,931
Total assets	97,139,900	131,495,193	228,635,093	235,313
Liabilities				
Accounts payable	646,874	1,220,145	1,867,019	706
Accrued liabilities and other	346,594	1,191,468	1,538,062	-
Unearned revenue	863,361	-	863,361	-
Noncurrent liabilities (Note 6):				
Due within one year	3,704,619	2,258,631	5,963,250	-
Due in more than one year	32,053,200	34,869,217	66,922,417	-
Total liabilities	37,614,648	39,539,461	77,154,109	706
Deferred Inflows of Resources -				
Property taxes levied for the following year	22,040,601	-	22,040,601	-
Net Position				
Net investment in capital assets	46,799,756	76,598,026	123,397,782	63,931
Restricted for:				
Police	1,399,996	-	1,399,996	-
Debt service	80,092	-	80,092	-
Bike path	86,418	-	86,418	-
Community development	1,500,547	-	1,500,547	-
Library	1,415,826	-	1,415,826	-
Weed control	239,262	-	239,262	-
Nature center	546,045	-	546,045	-
Cable commission	31,376	-	31,376	-
Capital projects	-	813,588	813,588	-
Unrestricted (deficit)	(14,614,667)	14,544,118	(70,549)	170,676
Total net position	<u>\$ 37,484,651</u>	<u>\$ 91,955,732</u>	<u>\$ 129,440,383</u>	<u>\$ 234,607</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	\$ 7,371,411	\$ 2,642,128	\$ 86,122	\$ -
District Court	2,382,795	1,282,052	-	-
Public safety:				
Fire and police	32,860,164	8,567,130	3,957,293	117,289
Building inspection	1,091,307	636,514	-	-
Public works	378,338	592,061	-	-
Community and economic development	1,407,689	131,987	400,654	-
Recreation and culture	4,172,091	1,311,791	71,040	-
Interest on long-term debt	194,547	-	-	-
Total governmental activities	49,858,342	15,163,663	4,515,109	117,289
Business-type activities - Enterprise Fund - Water and Sewer Fund	20,885,589	20,452,703	-	419,660
Total primary government	<u>\$ 70,743,931</u>	<u>\$ 35,616,366</u>	<u>\$ 4,515,109</u>	<u>\$ 536,949</u>
Component units:				
Economic Development Corporation	\$ 1,150	\$ 74	\$ -	\$ -
Waterford Youth Assistance Corporation	24,362	395	14,504	-
Veterans' Memorial Fund	2,180	250	-	-
Total component units	<u>\$ 27,692</u>	<u>\$ 719</u>	<u>\$ 14,504</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, 2014

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (4,643,161)	\$ -	\$ (4,643,161)	\$ -
(1,100,743)	-	(1,100,743)	-
(20,218,452)	-	(20,218,452)	-
(454,793)	-	(454,793)	-
213,723	-	213,723	-
(875,048)	-	(875,048)	-
(2,789,260)	-	(2,789,260)	-
(194,547)	-	(194,547)	-
(30,062,281)	-	(30,062,281)	-
-	(13,226)	(13,226)	-
(30,062,281)	(13,226)	(30,075,507)	-
-	-	-	(1,076)
-	-	-	(9,463)
-	-	-	(1,930)
-	-	-	(12,469)
21,006,495	-	21,006,495	-
5,784,757	-	5,784,757	-
237,100	135,605	372,705	1,538
1,193,645	-	1,193,645	-
141,068	-	141,068	-
-	11,960	11,960	-
28,363,065	147,565	28,510,630	1,538
(1,699,216)	134,339	(1,564,877)	(10,931)
39,183,867	91,821,393	131,005,260	245,538
\$ 37,484,651	\$ 91,955,732	\$ 129,440,383	\$ 234,607

Charter Township of Waterford

Governmental Funds Balance Sheet December 31, 2014

	General Fund	Police Fund	Fire Fund	Nonmajor Governmental Funds	Total
Assets					
Cash and cash equivalents	\$ 10,319,405	\$ 5,266,495	\$ 3,723,130	\$ 9,189,684	\$ 28,498,714
Receivables:					
Property taxes receivable	3,736,231	2,869,563	2,515,650	2,018,785	11,140,229
Special assessments receivable	209,889	-	-	265,142	475,031
Due from other governmental units	991,886	137,491	480,444	144,359	1,754,180
Rehabilitation revolving	-	-	-	1,428,590	1,428,590
Other receivables	192,916	-	-	-	192,916
Due from other funds	-	-	-	747	747
Prepaid items	102,118	-	7	-	102,125
Total assets	\$ 15,552,445	\$ 8,273,549	\$ 6,719,231	\$ 13,047,307	\$ 43,592,532
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 161,657	\$ 159,440	\$ 69,761	\$ 236,788	\$ 627,646
Due to other funds	747	-	-	-	747
Accrued liabilities and other	59,721	103,592	120,845	32,255	316,413
Unearned revenue	596,019	-	-	267,342	863,361
Total liabilities	818,144	263,032	190,606	536,385	1,808,167
Deferred Inflows of Resources					
Unavailable revenue	1,075,486	-	-	1,571,685	2,647,171
Property taxes levied for the following year	7,323,899	5,710,198	5,005,940	4,000,564	22,040,601
Total deferred inflows of resources	8,399,385	5,710,198	5,005,940	5,572,249	24,687,772
Fund Balances					
Nonspendable - Prepays	102,118	-	7	-	102,125
Restricted:					
Police	-	-	-	1,399,996	1,399,996
Debt service	-	-	-	80,092	80,092
Bike path	-	-	-	86,418	86,418
Community development	-	-	-	71,957	71,957
Library	-	-	-	1,415,826	1,415,826
Weed control	-	-	-	239,262	239,262
Nature center	-	-	-	546,045	546,045
Cable commission	-	-	-	31,376	31,376
Committed:					
Cemetery care	151,876	-	-	-	151,876
Workers' compensation	668,172	-	-	-	668,172
Budget stabilization	1,000,000	-	-	-	1,000,000
Assigned:					
Cable related activities	-	-	-	699,992	699,992
Police	-	2,300,319	-	-	2,300,319
Fire	-	-	1,522,678	-	1,522,678
Community development	-	-	-	200,000	200,000
Capital projects	-	-	-	2,167,709	2,167,709
Unassigned	4,412,750	-	-	-	4,412,750
Total fund balances	6,334,916	2,300,319	1,522,685	6,938,673	17,096,593
Total liabilities, deferred inflows of resources, and fund balances	\$ 15,552,445	\$ 8,273,549	\$ 6,719,231	\$ 13,047,307	\$ 43,592,532

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, 2014

Fund Balance Reported in Governmental Funds	\$ 17,096,593
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	52,113,079
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	2,647,171
Bonds payable are not due and payable in the current period and are not reported in the funds	(5,922,969)
Accrued interest is not due and payable in the current period and is not reported in the funds	(30,181)
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	(1,968,167)
Other postemployment benefit obligation is not reported in the governmental funds	(26,493,603)
Other long-term liabilities do not present a claim on current financial resources and are not reported as fund liabilities	(973,482)
Internal service funds are included as part of governmental activities	<u>1,016,210</u>
Net Position of Governmental Activities	<u>\$ 37,484,651</u>

Charter Township of Waterford

Governmental Funds

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

	General Fund	Police Fund	Fire Fund	Nonmajor Governmental Funds	Total
Revenue					
Property taxes	\$ 7,324,921	\$ 5,638,737	\$ 4,943,271	\$ 3,025,230	\$ 20,932,159
Licenses and permits	598,750	35,663	-	23,564	657,977
Federal grants	-	198,525	3,365,159	447,609	4,011,293
State-shared revenue and grants	5,959,100	81,189	117,289	501,802	6,659,380
Charges for services	2,169,397	51,374	8,143,001	272,945	10,636,717
Fines and forfeitures	1,308,825	84,932	-	150,248	1,544,005
Investment income	76,708	55,900	45,568	55,807	233,983
Special assessments	500,933	-	-	329,351	830,284
Other revenue:					
Local donations	-	-	-	29,019	29,019
Cable franchise fees	1,062,344	-	-	131,301	1,193,645
Refunds, rebates, and reimbursements	814,962	-	2,210	-	817,172
Other miscellaneous income	83,736	195,042	135,475	32,393	446,646
Total revenue	<u>19,899,676</u>	<u>6,341,362</u>	<u>16,751,973</u>	<u>4,999,269</u>	<u>47,992,280</u>
Expenditures					
Current:					
General government	4,933,284	-	-	260,746	5,194,030
District court	2,078,968	-	-	-	2,078,968
Public safety:					
Police	38,228	11,083,902	-	475,524	11,597,654
Fire	-	-	17,364,820	-	17,364,820
Building inspections	991,367	-	-	-	991,367
Public works	-	-	-	68,175	68,175
Community and economic development	971,879	-	-	387,096	1,358,975
Recreation and culture	1,419,271	-	-	2,007,013	3,426,284
Capital outlay	70,541	322,897	268,424	563,317	1,225,179
Debt service	163,117	-	-	1,211,410	1,374,527
Total expenditures	<u>10,666,655</u>	<u>11,406,799</u>	<u>17,633,244</u>	<u>4,973,281</u>	<u>44,679,979</u>
Excess of Revenue Over (Under) Expenditures	9,233,021	(5,065,437)	(881,271)	25,988	3,312,301
Other Financing Sources (Uses)					
Transfers in (Note 5)	30,000	5,125,000	1,775,000	415,000	7,345,000
Transfers out (Note 5)	(7,315,000)	-	-	(30,000)	(7,345,000)
Net Change in Fund Balances	1,948,021	59,563	893,729	410,988	3,312,301
Fund Balances - Beginning of year	4,386,895	2,240,756	628,956	6,527,685	13,784,292
Fund Balances - End of year	<u>\$ 6,334,916</u>	<u>\$ 2,300,319</u>	<u>\$ 1,522,685</u>	<u>\$ 6,938,673</u>	<u>\$ 17,096,593</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, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 3,312,301
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,148,223
Depreciation expense	(1,946,327)
Net book value of assets disposed of	(69,642)
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	(31,370)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,175,000
Change in accrued interest payable and other	4,980
Increase 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	(268,475)
Other postemployment benefit obligation expense recognized in the statement of activities, but not in the governmental funds	(4,891,629)
Internal Service Funds are included as part of governmental activities	(132,277)
Change in Net Position of Governmental Activities	<u>\$ (1,699,216)</u>

Charter Township of Waterford

Proprietary Funds Statement of Net Position December 31, 2014

	Enterprise Fund Water and Sewer Fund	Governmental Activities Internal Service Funds
Assets		
Current assets:		
Cash and investments (Note 3)	\$ 13,641,854	\$ 767,185
Receivables:		
Special assessments receivable	496,752	-
Receivables from sales to customers on account	7,403,488	-
Accrued interest receivable	41,406	-
Inventory	-	58,205
Total current assets	<u>21,583,500</u>	<u>825,390</u>
Noncurrent assets:		
Restricted assets (Note 1)	813,588	-
Capital assets (Note 4):		
Assets not subject to depreciation	30,297,310	-
Assets subject to depreciation	78,800,795	609,646
Total noncurrent assets	<u>109,911,693</u>	<u>609,646</u>
Total assets	<u>131,495,193</u>	<u>1,435,036</u>
Liabilities		
Current liabilities:		
Accounts payable	1,220,145	19,228
Accrued liabilities and other	1,191,468	-
Current portion of long-term debt (Note 6)	2,258,631	-
Total current liabilities	<u>4,670,244</u>	<u>19,228</u>
Noncurrent liabilities:		
Provision for claims	-	399,598
Net OPEB obligation (Note 9)	4,124,991	-
Long-term debt (Note 6)	30,744,226	-
Total noncurrent liabilities	<u>34,869,217</u>	<u>399,598</u>
Total liabilities	<u>39,539,461</u>	<u>418,826</u>
Net Position		
Net investment in capital assets	76,598,026	609,646
Restricted - Capital projects	813,588	-
Unrestricted	14,544,118	406,564
Total net position	<u>\$ 91,955,732</u>	<u>\$ 1,016,210</u>

Charter Township of Waterford

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

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
Operating Revenue		
Sale of water	\$ 4,916,805	\$ -
Sewage disposal charges	15,211,866	-
Other sales to customers	24,770	-
Other charges for services	288,726	415,595
Operating grants	10,536	-
	20,452,703	415,595
Operating Expenses		
Cost of water	1,658,724	-
Cost of sewage treatment	9,005,056	-
Other operation and maintenance	730,739	-
Billing and administrative costs	5,525,326	62,940
Unemployment costs	-	242,439
Depreciation	3,586,054	236,190
	20,505,899	541,569
	(53,196)	(125,974)
Operating Loss		
Nonoperating Revenue (Expenses)		
Investment income	135,605	3,192
Interest expense	(379,690)	-
Gain (loss) on sale of assets	11,960	(9,495)
	(232,125)	(6,303)
Total nonoperating (expenses) revenue		
Loss - Before contributions	(285,321)	(132,277)
Capital Contributions - Principal forgiveness on capital debt, tap-in fees, system burden fees, and other	419,660	-
Change in Net Position	134,339	(132,277)
Net Position - Beginning of year	91,821,393	1,148,487
Net Position - End of year	\$ 91,955,732	\$ 1,016,210

Charter Township of Waterford

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

	Enterprise Fund Water and Sewer Fund	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities		
Receipts from customers	\$ 19,973,327	\$ 415,595
Payments to suppliers	(13,377,666)	(19,892)
Payments to employees	(3,595,319)	-
	3,000,342	395,703
Net cash provided by operating activities		
Cash Flows from Capital and Related Financing Activities		
Issuance of bonds	2,437,020	-
Receipt of capital grants	234,843	-
Special assessment collections	95,948	-
Benefit fees (for the purpose of defraying the cost of capital assets)	137,745	-
Proceeds from sales of capital assets	11,960	-
Purchase of capital assets	(7,241,449)	-
Principal and interest paid on capital debt	1,257,463	-
Payments to the County for future capital projects	(833,330)	-
	(3,899,800)	-
Net cash used in capital and related financing activities		
Cash Flows from Investing Activities		
Interest received on investments	114,707	3,192
Proceeds from sale and maturities of investment securities	(1,763,525)	-
	(1,648,818)	3,192
Net cash (used in) provided by investing activities		
Net (Decrease) Increase in Cash and Cash Equivalents	(2,548,276)	398,895
Cash and Cash Equivalents - Beginning of year	9,037,642	368,290
Cash and Cash Equivalents - End of year	\$ 6,489,366	\$ 767,185
Balance Sheet Classification of Cash and Cash Equivalents		
Cash and investments	\$ 13,641,854	\$ 767,185
Less amounts classified as investments	(7,152,488)	-
	\$ 6,489,366	\$ 767,185
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (53,196)	\$ (125,974)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	3,586,054	236,190
Changes in assets and liabilities:		
Receivables	(479,376)	-
Inventories	-	27,808
Accounts payable	(675,494)	15,240
Estimated claims liability	-	242,439
Accrued and other liabilities	622,354	-
	622,354	-
Net cash provided by operating activities	\$ 3,000,342	\$ 395,703

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2014, the Water and Sewer Fund received approximately \$47,100 of lines donated by developers. In addition, Oakland County constructed approximately \$6.4 million of sewer lines for the Oakland-Macomb Interceptor project, for which the Township incurred long-term debt of approximately \$5.5 million. Approximately \$36,500 was added to the reserve of amounts paid by the Township to the County. The County also spent approximately \$2.2 million of cash reserves to construct capital assets within the Clinton Oakland Sewage Disposal System.

Charter Township of Waterford

Fiduciary Funds Statement of Fiduciary Net Position December 31, 2014

	Pension and Other Postemployment Benefits	Agency Funds
Assets		
Cash and cash equivalents	\$ 301,351	\$ 2,498,805
Investments:		
Fixed-income funds	37,473,894	-
Stocks	90,146,032	-
Mutual funds	18,594,662	-
Real estate investment trusts	2,538,393	-
Pension manager short-term debt	9,086,659	-
Securities lending short-term collateral bank investment pool - Mutual funds	2,627,880	-
Due from broker	127,823	-
Prepaid items	728,982	-
Accrued income	75,653	-
	<u>161,701,329</u>	<u>\$ 2,498,805</u>
Liabilities		
Accounts payable	253,824	\$ -
Due to other governmental units	-	1,678,589
Bonds and other deposits	-	729,669
Accrued liabilities and other	-	90,547
Obligations under securities lending agreements	2,738,257	-
	<u>2,992,081</u>	<u>\$ 2,498,805</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 158,709,248</u>	

Charter Township of Waterford

Fiduciary Funds Statement of Changes in Fiduciary Net Position Pension and Other Postemployment Benefits Year Ended December 31, 2014

	Pension and Other Postemployment Benefits
Additions	
Investment income:	
Interest and dividends	\$ 3,362,507
Net increase in fair value of investments	<u>6,145,389</u>
Net investment income	9,507,896
Securities lending income	21,105
Contributions:	
Employer	10,608,686
Employee	<u>531,024</u>
Total contributions	<u>11,139,710</u>
Total additions	20,668,711
Deductions	
Benefit payments	14,610,913
Administrative expenses	<u>1,020,729</u>
Total deductions	<u>15,631,642</u>
Net Increase in Net Position Held in Trust	5,037,069
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>153,672,179</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 158,709,248</u></u>

Charter Township of Waterford

Component Units Statement of Net Position December 31, 2014

	Economic Development Corporation	Waterford Youth Assistance Corporation	Veterans' Memorial Fund	Total
Assets				
Cash and cash equivalents	\$ 89,689	\$ 77,093	\$ 4,600	\$ 171,382
Capital assets subject to depreciation	-	-	63,931	63,931
Total assets	89,689	77,093	68,531	235,313
Liabilities - Accounts payable	-	706	-	706
Net Position				
Net investment in capital assets	-	-	63,931	63,931
Unrestricted	89,689	76,387	4,600	170,676
Total net position	<u>\$ 89,689</u>	<u>\$ 76,387</u>	<u>\$ 68,531</u>	<u>\$ 234,607</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	\$ 1,150	\$ 74	\$ -	\$ -
Waterford Youth Assistance Corporation - Community and economic development	24,362	395	14,504	-
Veterans' Memorial Fund - General government	2,180	250	-	-
Total component units	<u>\$ 27,692</u>	<u>\$ 719</u>	<u>\$ 14,504</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, 2014**

Net (Expense) Revenue and Changes in Net Position			
Economic Development Corporation	Waterford Youth Assistance Corporation	Veterans' Memorial Fund	Total
\$ (1,076)	\$ -	\$ -	\$ (1,076)
-	(9,463)	-	(9,463)
-	-	(1,930)	(1,930)
(1,076)	(9,463)	(1,930)	(12,469)
772	766	-	1,538
(304)	(8,697)	(1,930)	(10,931)
89,993	85,084	70,461	245,538
\$ 89,689	\$ 76,387	\$ 68,531	\$ 234,607

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

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 Units - 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.

The 51st District Court is governed by a Chief Judge. Although it is legally separate from the Township, the 51st District Court is reported as if it were part of the primary government because its sole purpose is to perform court-related activities on behalf of the Township.

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

Note I - Summary of Significant Accounting Policies (Continued)

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.
- (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 Governmental Accounting Standards Board.

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

Note I - Summary of Significant Accounting Policies (Continued)

Report Presentation

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

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

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

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

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:

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

Note I - Summary of Significant Accounting Policies (Continued)

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.

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 Township'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.

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

Note I - Summary of Significant Accounting Policies (Continued)

Interfund Activity - During the course of operations, the Township has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (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.

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.

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."

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

Note I - Summary of Significant Accounting Policies (Continued)

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

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 \$813,588 on deposit at the County that is being held for certain projects of the Water and Sewer Fund.

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

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

Note I - Summary of Significant Accounting Policies (Continued)

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.

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.

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

Note I - Summary of Significant Accounting Policies (Continued)

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).

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.

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

Note I - Summary of Significant Accounting Policies (Continued)

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, 2014 of the stabilization amount, which is reported in the General Fund, is \$1,000,000.

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 2013 tax is levied and collectible on December 1, 2013 and is recognized as revenue in the year ended December 31, 2014, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2013 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 .690 mills for debt on the public safety building. This resulted in \$7.21 million for operating, \$5.67 million for the police, \$4.97 million for the fire department, \$1.72 million for the library, and \$1.32 million 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.

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

Note I - Summary of Significant Accounting Policies (Continued)

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.

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.

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

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, 2014		\$ (5,646,625)
Current year building permit revenue		595,697
Related expenses:		
Construction code expenses - Related expenses -		
Direct costs	\$ 928,684	
Estimated indirect costs	-	928,684
Current year shortfall		<u>(332,987)</u>
Cumulative shortfall at December 31, 2014		<u>\$ (5,979,612)</u>

Note 3 - Deposits and Investments

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Government- wide Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and investments	<u>\$ 29,265,899</u>	<u>\$ 13,641,854</u>	<u>\$ 42,907,753</u>	<u>\$ 163,267,676</u>	<u>\$ 206,175,429</u>	<u>\$ 171,382</u>

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

	<u>Primary Government</u>	<u>Component Units</u>
Deposits with financial institutions	\$ 19,684,520	\$ 171,382
Investments:		
Equity securities or funds	108,740,694	-
Debt securities or funds	63,497,283	-
Short-term funds (2a7-like)	2,627,880	-
Real estate and other	<u>11,625,052</u>	<u>-</u>
Total	<u>\$ 206,175,429</u>	<u>\$ 171,382</u>

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

Note 3 - Deposits and Investments (Continued)

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.

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, 2014, 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.

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

Note 3 - Deposits and Investments (Continued)

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, 2014 did not generally match the duration of the investments made with cash collateral. On December 31, 2014, 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, 2014 were \$1,979,145 and \$1,963,097, respectively, for the Police and Fire Retirement System and \$648,735 and \$681,720, 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 not rated by S&P and mutual funds with an S&P rating of AAAm.

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 \$22,425,646 of bank deposits (certificates of deposit, checking, and savings accounts). Of that amount, \$2,037,938 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	\$ 2,086,319	\$ -	\$ 2,086,319	\$ -	\$ -
Fixed-income pool	23,937,070	-	23,937,070	-	-
Total	\$ 26,023,389	\$ -	\$ 26,023,389	\$ -	\$ -

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

Note 3 - Deposits and Investments (Continued)

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

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Government-wide Activities			
	\$ 2,086,319	AA+	S&P
	<u>23,937,070</u>	Not rated	-
Total	<u>\$ 26,023,389</u>		
Fiduciary Funds			
	<u>\$ 2,627,880</u>	AAA	S&P

Concentration of Credit Risk - The Township places no limit on the amount it may invest in any one issuer. More than 49 percent of the Township's government-wide activities cash and investments are in the Oakland County Local Government Investment Pool (the "LGIP"). The LGIP is not registered with the SEC and does not issue a separate report. The LGIP is managed as a 2(a)7 fund with its net asset value maintained at \$1. Fair value of the position in the pool is the same as the value of the pool shares.

More than 5 percent of the Township's fiduciary investments are in a Comerica short-term fund, S&P Composite Index Fund, and Loomis Sayles Core Plus (combined 5.75, 6.63, and 7.54 percent, respectively, between the two retirement systems).

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

Note 4 - Capital Assets

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

	Balance January 1, 2014	Additions	Disposals	Balance December 31, 2014
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 27,111,094	\$ -	\$ -	\$ 27,111,094
Construction in progress	-	79,265	-	79,265
Subtotal	27,111,094	79,265	-	27,190,359
Capital assets being depreciated:				
Infrastructure	13,937,224	362,024	-	14,299,248
Buildings and improvements	31,123,090	110,917	-	31,234,007
Machinery and office equipment, vehicles, and other	28,045,399	596,017	(1,096,406)	27,545,010
Subtotal	73,105,713	1,068,958	(1,096,406)	73,078,265
Accumulated depreciation:				
Infrastructure	11,567,436	393,254	-	11,960,690
Buildings and improvements	12,541,569	704,580	-	13,246,149
Machinery and office equipment, vehicles, and other	22,271,645	1,084,683	(1,017,268)	22,339,060
Subtotal	46,380,650	2,182,517	(1,017,268)	47,545,899
Net capital assets being depreciated	26,725,063	(1,113,559)	(79,138)	25,532,366
Net capital assets	\$ 53,836,157	\$ (1,034,294)	\$ (79,138)	\$ 52,722,725
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 3,455,491	\$ -	\$ -	\$ 3,455,491
Construction in progress	12,924,611	14,371,413	(454,205)	26,841,819
Subtotal	16,380,102	14,371,413	(454,205)	30,297,310
Capital assets being depreciated:				
Lines and laterals	107,074,557	450,911	-	107,525,468
Buildings and improvements	25,174,070	-	-	25,174,070
Machinery and office equipment, vehicles, and other	7,879,252	191,494	(117,671)	7,953,075
Oakland-Macomb Interceptor - Joint assets	6,430,922	453,121	-	6,884,043
Subtotal	146,558,801	1,095,526	(117,671)	147,536,656
Accumulated depreciation:				
Water and sewer lines	47,905,347	2,569,150	-	50,474,497
Buildings and improvements	10,333,589	555,554	-	10,889,143
Machinery and office equipment, vehicles, and other	6,487,101	197,466	(117,671)	6,566,896
Oakland-Macomb Interceptor - Joint assets	541,441	263,884	-	805,325
Subtotal	65,267,478	3,586,054	(117,671)	68,735,861
Net capital assets being depreciated	81,291,323	(2,490,528)	-	78,800,795
Net capital assets	\$ 97,671,425	\$ 11,880,885	\$ (454,205)	\$ 109,098,105

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

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 2014. During the year, depreciation expense of \$2,180 was recorded. Net memorial being depreciated is \$63,931 as of December 31, 2014.

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

Governmental activities:

General government	\$ 870,121
Public safety	856,261
District Court	51,990
Community and economic development	3,479
Recreation and culture	400,666
Total governmental activities	<u>\$ 2,182,517</u>

Business-type activities - Water and sewer \$ 3,586,054

Construction Commitments - The Township has active construction projects at December 31, 2014. At year end, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Pump Station Upgrades	\$ 2,792,134	\$ 740,366
Water Main Replacement Project	1,694,272	11,465
Water Main Lining Project	4,037,055	162,531
Residential Water Meter Replacement	936,303	552,734
Total	<u>\$ 9,459,764</u>	<u>\$ 1,467,096</u>

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

Note 5 - Interfund Receivables, Payables, and Transfers

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
Other nonmajor governmental funds	General Fund	\$ 747

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

Funds Providing Resources	Funds Receiving Resources	Amount
General Fund	Fire Fund	\$ 1,775,000
	Police Fund	5,125,000
	Other nonmajor governmental funds	<u>415,000</u>
	Total General Fund	<u>\$ 7,315,000</u>
Debt Service Fund	General Fund	<u>\$ 30,000</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 Debt Service Fund to the General Fund represents a reimbursement for the prior year transfer to cover the tax roll adjustments. The transfer from the General Fund to the other nonmajor governmental fund represents a transfer to the Improvement Revolving Fund 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, 2014

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	3.00% -	\$1,040,000 -					
Maturing through 2018	3.50%	\$1,360,000	\$ 6,005,000	\$ -	\$ 1,040,000	\$ 4,965,000	\$ 1,125,000
Capital Improvement Bonds - Series 2005-B:							
Amount of issue - \$2,000,000							
Maturing through 2014	3.50%	\$135,000	135,000	-	135,000	-	-
General Obligation Unlimited Tax Bond:							
Refunding Bonds - Series 2012:							
Amount of issue - \$1,151,550	2.00% -	\$107,932 -					
Maturing through 2023	3.00%	\$123,654	957,969	-	-	957,969	107,932
Total bonds payable			7,097,969	-	1,175,000	5,922,969	1,232,932
Other long-term liabilities:							
Employee compensated absences			1,711,932	2,761,932	2,505,697	1,968,167	1,887,472
Estimated liability for workers' compensation claims (Note 12)			827,664	98,458	222,657	703,465	314,198
Estimated liability for unemployment claims			157,159	242,439	-	399,598	-
Estimated liability for general liability claims (Note 12)			133,579	375,796	239,358	270,017	270,017
Other postemployment benefit obligations (Note 9)			21,601,974	4,891,629	-	26,493,603	-
Total governmental activities			<u>\$ 31,530,277</u>	<u>\$ 8,370,254</u>	<u>\$ 4,142,712</u>	<u>\$ 35,757,819</u>	<u>\$ 3,704,619</u>

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

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	\$ 2,784,884	\$ 289,654	\$ 4,711,326	\$ 295,000
Sewer Relief Fund, Series 2013B: Amount of issue - \$4,130,000 Maturing through 2035	2.00%	\$170,000 - \$245,000	220,924	2,716,667	-	2,937,591	-
Sewer Relief Fund - Series 2007-B: Amount of issue - \$3,745,000 Maturing through 2027	1.625%	\$160,000 - \$215,000	2,557,393	-	165,000	2,392,393	170,000
Drinking Water Relief Fund - Series 2007-C: Amount of issue - \$8,905,000 Maturing through 2028	2.125%	\$375,000 - \$540,000	6,988,831	-	400,000	6,588,831	410,000
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	3,037,031	-	275,000	2,762,031	312,068
Oakland-Macomb Sewer Interceptor, Series 2010A: Amount of issue - \$3,510,038 Maturing through 2030	2.50%	\$147,396 - \$220,084	3,232,611	-	144,031	3,088,580	147,396
Oakland-Macomb Sewer Interceptor, Series 2010B: Amount of issue - \$901,874 Maturing through 2030	1.15% - 5.90%	\$33,652 - \$69,996	815,051	-	32,306	782,745	33,652
Oakland-Macomb Sewer Interceptor, Series 2011: Amount of issue - \$4,219,251 Maturing through 2033	2.50%	\$169,398 - \$245,421	2,944,632	722,549	165,266	3,501,915	169,398
Oakland-Macomb Sewer Interceptor, Series 2013A: Amount of issue - \$9,206,996 Maturing through 2034	2.00%	\$360,749 - \$480,562	956,362	4,778,306	-	5,734,668	360,749
Total bonds payable			22,968,931	11,002,406	1,471,257	32,500,080	1,898,263
Employee compensated absences			237,993	386,670	383,589	241,074	181,408
Estimated liability for workers' compensation claims (Note 12)			48,541	148,317	47,328	149,530	66,787
Estimated liability for general liability claims (Note 12)			53,927	156,763	98,517	112,173	112,173
Other postemployment benefit obligations (Note 9)			3,332,611	792,380	-	4,124,991	-
Total business-type activities			<u>\$ 26,642,003</u>	<u>\$ 12,486,536</u>	<u>\$ 2,000,691</u>	<u>\$ 37,127,848</u>	<u>\$ 2,258,631</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, 2014

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 \$3,871,325 for the Series 2010A and Series 2010B bonds, \$4,776,534 for the Series 2011 bond, and \$13,985,301 for the Series 2013A bond. To date, the Township has incurred \$13.8 million of debt and other liabilities related to the project. The Township prefunded the Series 2014 obligation; therefore, it is not included in the debt. 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
2015	\$ 1,232,932	\$ 164,209	\$ 1,397,141	\$ 1,898,263	\$ 869,113	\$ 2,767,376
2016	1,311,301	127,448	1,438,749	2,125,231	826,689	2,951,920
2017	1,394,670	86,694	1,481,364	2,179,151	781,534	2,960,685
2018	1,475,793	40,072	1,515,865	2,220,471	735,189	2,955,660
2019	119,162	13,206	132,368	2,275,065	684,198	2,959,263
2020-2024	389,111	23,684	412,795	11,346,745	2,632,306	13,979,051
2025-2029	-	-	-	9,256,812	1,327,405	10,584,217
2030-2034	-	-	-	1,198,341	83,918	1,282,259
Total	<u>\$ 5,922,969</u>	<u>\$ 455,313</u>	<u>\$ 6,378,282</u>	<u>\$ 32,500,079</u>	<u>\$ 7,940,352</u>	<u>\$ 40,440,431</u>

Note 7 - Pension Plan - Police and Fire Retirement System

Plan Administration - The Police and Fire Pension Board administers the Police and Fire Retirement System - a single employer defined benefit pension plan that provides pensions for all permanent full-time police and fire employees of the Township. Benefit terms have been established by contractual agreements between the Township and the various employee union representation; amendments are subject to the same process.

Management of the Plan is vested in the Pension Board, which consists of five members-two members elected by plan members, two citizens appointed by the Township Board, and the Township Treasurer.

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

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

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

Retirees and beneficiaries	122
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>107</u>
Total	<u><u>231</u></u>

Benefits Provided - The Pension Plan provides retirement, disability, and death benefits. Benefit terms are established by Township ordinances and negotiations with the Township's collective bargaining units and may be amended through negotiations with the Township's collective bargaining units.

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by Township ordinances and negotiations with the Township's collective bargaining units. For the year ended December 31, 2014, the average active member contribution rate was 5 percent, except for the police patrol union whose contribution is 7 percent of gross wages. The Township's average contribution rate was 36.26 percent of annual payroll.

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

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

Deferred Retirement Option Program (DROP)

All plan members (except Police Officer Union and Police Supervisors) may participate in the DROP after attaining the minimum requirements for a normal service retirement. A monthly amount equal to the amount that would have been paid had the member retired and current member contributions accumulate in the DROP account. The account is credited with the system's prior calendar year's market value rate of return (but not greater than 4 percent interest) each year. Additions cease at the earlier of five years of DROP participation or separation from services, although interest on the DROP account will continue to accrue during such time. Management DROP participants may continue in covered employment after five years of participation, but do not accumulate additional service credit or make member contributions. DROP service for management participants is included for purposes of eligibility for the escalator. Fire DROP participants may continue in covered employment after five years of participation or until their 33rd year of service, but do not accumulate additional service credit. Upon actual retirement, the member may receive the DROP account balance in the form of a lump sum or as an additional annuity. Member contributions during the DROP period are not included in the computation of the annuity withdrawal reduction. Upon exit from the DROP, the original monthly amount established upon entry in the DROP continues in addition to any other benefits or adjustments.

Pension Plan Investments - Policy and Rate of Return

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

<u>Asset class</u>	<u>Target Allocation</u>
Domestic equity	57%
Fixed income	26%
International equity	12%
Real estate	5%

Rate of Return - For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.1 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

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

Pension Plan Reserves

In accordance with plan documents, the following reserves are required to be set aside within the pension plan:

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

The employee reserve is credited as employee contributions are received throughout the year; the Plan maintains a record of the amount contributed by each employee, and credits interest annually at a rate earned by the retirement system for that fiscal year. For any employee who terminates before vesting in the pension plan, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

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

	<u>Required reserve</u>	<u>Amount funded</u>
Retiree reserve	\$ 50,181,928	\$ 50,181,928
Employee reserve	5,607,078	5,607,078
Employer reserve	323,157,93	32,315,793

Net Pension Liability of the Township

The Township reports pension expense based on funding requirements, as directed by GASB 27. Beginning next year, the Township will adopt GASB 68 which will require the measurement of pension expense as it is earned, rather than as it is funded. The net pension liability of the Township has been measured as of December 31, 2014 and is composed of the following:

Total pension liability	\$ 104,247,639
Plan fiduciary net position	<u>(88,104,799)</u>
Township's net pension liability	<u>\$ 16,142,840</u>

Plan fiduciary net position as a percentage of the total pension liability	84.5 %
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Charter Township of Waterford

Notes to Financial Statements December 31, 2014

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

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2013, which used update procedures to roll forward the estimated liability to December 31, 2014. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 %	
Salary increases	4.0 - 11.9 %	average, including inflation
Investment rate of return	7.0 %	net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected 17 years using scale BB.

Discount Rate - The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

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

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

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

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

Asset class	Long-term expected real rate of return
Domestic equity	6.2%
International equity	6.1%
U.S. government or agency fixed income	1.7%
Corporate bonds	4.9%
Private equity	9.4%
Real estate	6.2%
Cash or cash equivalents	0.8%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 7.0 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% decrease (6.0%)	Current discount rate (7.0%)	1% increase (8.0%)
Net pension liability of the Township	\$ 27,942,509	\$ 16,142,840	\$ 6,259,324

Pension Cost

The pension plan does not issue a separate financial report.

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

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

Annual Pension Cost - For the year ended December 31, 2014, the Township's annual pension cost of \$3,386,289 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		
	2014	2013	2012
Annual pension cost (APC)	\$ 3,386,289	\$ 3,251,498	\$ 3,356,274
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	-	-	-

Funding Status and Funding Progress - As of December 31, 2013, the most recent actuarial valuation date, the plan was 79 percent funded. The actuarial accrued liability for benefits was \$100.3 million, and the actuarial value of assets was \$79.4 million, resulting in an unfunded actuarial accrued liability of \$20.9 million. The covered payroll (annual payroll to active employees covered by the plan) was \$8.5 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 245.8 percent.

The schedule of funding progress, presented as RSI 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.

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at December 31, 2013, using the entry age actuarial cost method. Significant actuarial assumptions used include a 7.0 percent investment rate of return, and projected salary increases ranging from 4.0 percent to 11.9 percent per year. The projected salary increases include an inflation component of 3.0 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 21 years.

Note 8 - Pension Plan - General Employees' Retirement System

Plan Administration - The General Employees Pension Board administers the General Employees' Retirement System - a single employer defined benefit pension plan that provides pensions for all permanent full-time Township employees hired before certain dates in 2005 and 2006, depending on their employee group. Benefit terms have been established by contractual agreements between the Township and the various employee union representation; amendments are subject to the same process.

Management of the Plan is vested in the Pension Board, which consists of five members - two members elected by plan members, two citizens appointed by the Township Board, and the Township Treasurer.

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

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

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

Retirees and beneficiaries	152
Inactive plan members entitled to but not yet receiving benefits	31
Active plan members	107
	<hr/>
Total	290
	<hr/>

Benefits Provided - The Pension Plan provides retirement, disability, and death benefits. Benefit terms are established by Township ordinances and negotiations with the Township's collective bargaining units and may be amended through negotiations with the Township's collective bargaining units.

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by Township ordinances and negotiations with the Township's collective bargaining units. For the year ended December 31, 2014, the average active member contribution rate was 5.0 percent of annual pay, and the Township's average contribution rate was 28.58 percent of annual payroll.

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

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

Deferred Retirement Option Program (DROP)

Employees in the Dispatch Union are eligible to participate in the DROP. There are currently eight members in this group. Effective January 1, 2008, any member of the Waterford Township Dispatchers Association hired on or before June 30, 2006 may participate in the DROP after attaining the minimum requirements for a normal service retirement. A monthly amount equal to the amount that would have been paid had the member retired and current member contributions accumulate in the DROP account. The account is credited with the system's prior calendar year's market rate of return (but not greater than 4 percent interest) each year. Additions cease at the earlier of five years of DROP participation or separation from service, although interest on the DROP account will continue to accrue during such time. Participants may continue in covered employment after five years of participation or until their 33rd year of service, but do not accumulate additional service credit. Upon actual retirement, the member may receive the DROP account balance in the form of a lump sum or as an additional annuity. Member contributions continue during the DROP period. Upon exit from the DROP, the original monthly amount established upon entry in the DROP continues in addition to any other benefits or adjustments. Member contributions made during the DROP period are added to the DROP account. There was one DROP member at December 31, 2014.

Pension Plan Investments - Policy and Rate of Return

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

<u>Asset class</u>	<u>Target Allocation</u>
Domestic equity	59.5%
Fixed income	25%
International equities	10%
Alternative investments	5%
Cash or cash equivalents	0.5%

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

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

Rate of Return - For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.25 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Reserves

In accordance with plan documents, the following reserves are required to be set aside within the pension plan:

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

The employee reserve is credited as employee contributions are received throughout the year; the Plan maintains a record of the amount contributed by each employee, and credits interest annually at a rate earned by the retirement system for that fiscal year. For any employee who terminates before vesting in the pension plan, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

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

	<u>Required reserve</u>	<u>Amount funded</u>
Retiree reserve	\$ 30,326,049	\$ 30,326,049
Employee reserve	263,027	263,027
Employer reserve	30849163	30,849,163

Net Pension Liability of the Township

The Township reports pension expense based on funding requirements, as directed by GASB 27. Beginning next year, the Township will adopt GASB 68 which will require the measurement of pension expense as it is earned, rather than as it is funded. The net pension liability of the Township has been measured as of December 31, 2014 and is composed of the following:

Total pension liability	\$ 63,090,909
Plan fiduciary net position	<u>(61,438,239)</u>
Township's net pension liability	<u>\$ 1,652,670</u>

Plan fiduciary net position as a percentage of the total pension liability 97.4 %

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

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

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2013, which used update procedures to roll forward the estimated liability to December 31, 2014. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 - 3.5 %	
Salary increases	4.5 - 7.7 %	average, including inflation
Investment rate of return	7.0 %	net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected 17 years using scale BB.

Discount Rate - The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

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

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of December 31, 2013 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

Asset class	Long-term expected real rate of return
Domestic equity	6.2%
International equity	6.1%
U.S. government or agency fixed income	1.7%
Corporate bonds	4.9%
Private equity	9.4%
Real estate	6.2%
Cash or cash equivalents	0.8%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 7.0 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% decrease (6.0%)	Current discount rate (7.0%)	1% increase (8.0%)
Net pension liability/(asset) of the Township	\$ 9,011,847	\$ 1,652,670	\$ (4,588,896)

Pension Cost

The pension plan does not issue a separate financial report.

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

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

Annual Pension Cost - For the year ended December 31, 2014, the Township's annual pension cost of \$1,729,217 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		
	2014	2013	2012
Annual pension cost (APC)	\$ 1,729,217	\$ 1,922,105	\$ 2,017,208
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	-	-	-

Funding Status and Funding Progress - As of December 31, 2013, the most recent actuarial valuation date, the plan was 89.7 percent funded. The actuarial accrued liability for benefits was \$61.4 million, and the actuarial value of assets was \$55.1 million, resulting in an unfunded actuarial accrued liability of \$6.3 million. The covered payroll (annual payroll to active employees covered by the plan) was \$5.6 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 112.5 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are 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, 2013, 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 19 years.

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.

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

Note 9 - Other Postemployment Benefits (Continued)

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, 2014, 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:

Annual required contribution (recommended)	\$ 10,824,674
Interest on the prior year's net OPEB obligation	1,246,730
Less adjustment to the annual required contribution	<u>(894,215)</u>
Annual OPEB cost	11,177,189
Amounts contributed:	
Payments of current premiums	(5,416,980)
Advance funding	<u>(76,200)</u>
Increase in net OPEB obligation	5,684,009
OPEB obligation - Beginning of year	<u>24,934,585</u>
OPEB obligation - End of year	<u>\$ 30,618,594</u>

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

Note 9 - Other Postemployment Benefits (Continued)

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
12/31/09	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
12/31/14	12/31/12	10,824,675	11,177,189	49.1	30,618,594

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
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	16,215,437	977.0

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.

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

Note 9 - Other Postemployment Benefits (Continued)

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.

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	\$ 89,905,113	\$ 61,901,024	\$ 9,166,210
Other assets	436,502	292,480	-
Liabilities	(2,236,816)	(755,265)	-
Net position	<u>\$ 88,104,799</u>	<u>\$ 61,438,239</u>	<u>\$ 9,166,210</u>
<u>Statement of Changes in Net Position</u>			
Investment gain	\$ 5,093,530	\$ 3,720,145	\$ 715,326
Contributions	3,832,437	1,746,826	5,560,447
Benefit payments	(5,711,968)	(3,481,965)	(5,416,980)
Other deductions	(560,068)	(406,264)	(54,397)
Net change in net position	<u>\$ 2,653,931</u>	<u>\$ 1,578,742</u>	<u>\$ 804,396</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 \$985,701 during the current year.

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

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.

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	
	2014	2013	2014	2013	2014	2013
Estimated liability - Beginning of year	\$ 187,506	\$ 239,622	\$ 876,205	\$ 998,178	\$ -	\$ -
Estimated claims incurred, including changes in estimates	530,347	82,774	246,775	145,350	4,296,004	4,212,932
Claim payments	(335,663)	(134,890)	(269,984)	(267,323)	(4,296,004)	(4,212,932)
Estimated liability - End of year	<u>\$ 382,190</u>	<u>\$ 187,506</u>	<u>\$ 852,996</u>	<u>\$ 876,205</u>	<u>\$ -</u>	<u>\$ -</u>

Note 13 - Change in Accounting

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

Charter Township of Waterford

Notes to Financial Statements December 31, 2014

Note 14 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability 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 note disclosures and required supplemental information (RSI). The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending December 31, 2015.

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

Required Supplemental Information

Charter Township of Waterford

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 7,311,502	\$ 7,358,423	\$ 7,324,921	\$ (33,502)
Licenses and permits	377,280	377,280	598,750	221,470
State-shared revenue and grants	5,752,210	5,752,210	5,959,100	206,890
Charges for services	2,272,691	2,276,031	2,163,597	(112,434)
Fines and forfeitures	1,409,500	1,409,500	1,308,825	(100,675)
Investment income	25,000	25,000	74,901	49,901
Special assessments	500,000	500,000	500,933	933
Other revenue:				
Cable franchise fees	1,006,385	1,006,385	1,062,344	55,959
Refunds, rebates, and reimbursements	197,000	814,962	814,962	-
Other miscellaneous income	86,000	86,000	83,736	(2,264)
Total revenue	18,937,568	19,605,791	19,892,069	286,278
Expenditures				
Current:				
General government:				
Township board	51,672	51,672	47,273	4,399
Supervisor and assessing	634,584	634,584	595,921	38,663
Elections	84,285	84,285	82,518	1,767
Personnel	210,575	210,575	220,334	(9,759)
Information service	323,191	323,191	290,741	32,450
Treasurer	558,326	558,326	543,453	14,873
General services	1,618,285	1,608,285	1,391,471	216,814
Clerk	562,253	562,253	544,857	17,396
Retiree benefits	1,446,306	1,446,306	1,107,479	338,827
Facilities and operations	108,555	108,555	108,555	-
Total general government	5,598,032	5,588,032	4,932,602	655,430
District Court	2,164,189	2,164,189	2,078,968	85,221
Public safety	1,125,595	1,125,596	1,029,595	96,001
Planning department	1,003,004	1,003,004	971,879	31,125
Parks and recreation	1,392,519	1,465,869	1,419,271	46,598
Capital outlay	61,645	71,645	70,541	1,104
Debt service	163,345	163,345	163,117	228
Total expenditures	11,508,329	11,581,680	10,665,973	915,707
Excess of Revenue Over Expenditures	7,429,239	8,024,111	9,226,096	1,201,985
Other Financing (Uses) Sources				
Transfers out	(7,230,000)	(7,480,000)	(7,315,000)	165,000
Transfers in	20,000	20,000	20,000	-
Total other financing uses	(7,210,000)	(7,460,000)	(7,295,000)	165,000
Net Change in Fund Balance	219,239	564,111	1,931,096	1,366,985
Fund Balance - Beginning of year	3,583,772	3,583,772	3,583,772	-
Fund Balance - End of year	\$ 3,803,011	\$ 4,147,883	\$ 5,514,868	\$ 1,366,985

Charter Township of Waterford

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,558,229	\$ 5,594,118	\$ 5,638,737	\$ 44,619
Licenses and permits	35,000	35,000	35,663	663
Federal grants	348,512	348,512	198,525	(149,987)
State-shared revenue and grants	63,252	63,252	81,189	17,937
Charges for services	45,000	45,000	51,374	6,374
Fines and forfeitures	77,500	77,500	84,932	7,432
Investment income	29,500	29,500	55,900	26,400
Other revenue	429,000	429,000	195,042	(233,958)
Total revenue	6,585,993	6,621,882	6,341,362	(280,520)
Expenditures				
Current - Public safety	11,747,761	11,659,861	11,083,902	575,959
Capital outlay	280,641	407,751	322,897	84,854
Total expenditures	12,028,402	12,067,612	11,406,799	660,813
Excess of Expenditures Over Revenue	(5,442,409)	(5,445,730)	(5,065,437)	380,293
Other Financing Sources - Transfers in	5,125,000	5,125,000	5,125,000	-
Net Change in Fund Balance	(317,409)	(320,730)	59,563	380,293
Fund Balance - Beginning of year	2,240,756	2,240,756	2,240,756	-
Fund Balance - End of year	<u>\$ 1,923,347</u>	<u>\$ 1,920,026</u>	<u>\$ 2,300,319</u>	<u>\$ 380,293</u>

Charter Township of Waterford

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 4,883,532	\$ 4,937,868	\$ 4,943,271	\$ 5,403
Federal grants	2,934,392	3,331,283	3,365,159	33,876
State-shared revenue and grants	148,500	148,500	117,289	(31,211)
Charges for services	7,910,000	7,910,000	8,143,001	233,001
Investment income	20,000	20,000	45,568	25,568
Other revenue	116,600	116,600	137,685	21,085
Total revenue	<u>16,013,024</u>	<u>16,464,251</u>	<u>16,751,973</u>	<u>287,722</u>
Expenditures				
Current - Public safety	17,783,174	17,929,794	17,364,820	564,974
Capital outlay	4,750	309,118	268,424	40,694
Total expenditures	<u>17,787,924</u>	<u>18,238,912</u>	<u>17,633,244</u>	<u>605,668</u>
Excess of Expenditures Over Revenue	(1,774,900)	(1,774,661)	(881,271)	893,390
Other Financing Sources - Transfers in	<u>1,775,000</u>	<u>1,775,000</u>	<u>1,775,000</u>	<u>-</u>
Net Change in Fund Balance	100	339	893,729	893,390
Fund Balance - Beginning of year	<u>628,956</u>	<u>628,956</u>	<u>628,956</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 629,056</u></u>	<u><u>\$ 629,295</u></u>	<u><u>\$ 1,522,685</u></u>	<u><u>\$ 893,390</u></u>

Charter Township of Waterford

Note to Required Supplemental Information Year Ended December 31, 2014

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, except 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	\$ 19,899,676	\$ 10,666,655
Cemetery Care Fund	(7,073)	-
Workers' Compensation Fund	<u>(534)</u>	<u>(682)</u>
Amounts per budget statement	<u>\$ 19,892,069</u>	<u>\$ 10,665,973</u>

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Township incurred expenditures that were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Personnel	\$ 210,575	\$ 220,334	\$ (9,759)
Improvement Revolving Fund - General government	-	27,239	(27,239)

Charter Township of Waterford

Note to Required Supplemental Information (Continued) Year Ended December 31, 2014

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

At December 31, 2014, the Township had governmental activities unrestricted net deficit of \$14,614,667.

Charter Township of Waterford

Required Supplemental Information Pension System Schedule - Police and Fire Retirement System Year Ended December 31, 2014

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
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
12/31/13	79,400,000	100,300,000	20,900,000	79.2	8,500,000	245.9

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
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
12/31/14	3,386,289	100.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2013, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Closed level percentage of payroll
Amortization period (perpetual)	21 years
Asset valuation method	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.0%
Projected salary increases*	4.0% - 11.9%
*Includes inflation at	3.0%

Charter Township of Waterford

Required Supplemental Information Police and Fire Retirement System Schedule of Changes in the Net Pension Liability and Related Ratios Last Fiscal Year

	2014
Total pension liability	
Service cost	\$ 1,738,314
Interest	6,949,918
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds	(5,711,969)
Net change in total pension liability	2,976,263
Total pension liability - Beginning of year	101,271,376
Total pension liability - End of year	\$ 104,247,639
Plan fiduciary net position	
Contributions - Employer	\$ 3,386,289
Contributions - Member	446,148
Net investment income	5,093,530
Administrative expenses	(560,067)
Benefit payments, including refunds	(5,711,969)
Other	-
Net change in plan fiduciary net position	2,653,931
Plan fiduciary net position - Beginning of year	85,450,868
Plan fiduciary net position - End of year	\$ 88,104,799
Township's net pension liability - Ending	\$ 16,142,840
Plan fiduciary net position as a % of total pension liability	84.51 %
Covered employee payroll	\$ 7,273,279
Township's net pension liability as a % of covered employee payroll	221.9 %

Charter Township of Waterford, Michigan

Required Supplemental Information Police and Fire Retirement System Schedule of Investment Returns Last Fiscal Year

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Annual money-weighted rate of return, net of investment expense	6.1 %	- %	- %	- %	- %	- %	- %	- %	- %	- %

Charter Township of Waterford, Michigan

Required Supplemental Information Police and Fire Retirement Systems Schedule of Township Contributions Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 3,386,289	\$ 3,251,498	\$ 3,356,274	\$ 3,227,187	\$ 3,416,401	\$ 3,451,506	\$ 2,638,538	\$ 2,775,163	\$ 2,968,691	\$ 2,975,839
Contributions in relation to the actuarially determined contribution	3,386,289	3,251,498	3,356,274	3,227,187	3,416,401	3,451,506	2,638,538	2,775,163	2,968,691	2,975,839
Contribution deficiency	\$ -									
Covered employee payroll	\$ 7,273,279	\$ 8,800,000	\$ 8,100,000	\$ 9,000,000	\$11,000,000	\$10,900,000	\$10,300,000	\$ 9,900,000	\$10,100,000	\$10,000,000
Contributions as a percentage of covered employee payroll	46.6 %	36.9 %	41.4 %	35.9 %	31.1 %	31.7 %	25.6 %	28.0 %	29.4 %	29.8 %

Notes to Schedule of Township Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation Date	Actuarially determined contribution amounts are calculated as of the December 31 that is 12 months after the valuation date.
Methods and assumptions used to determine contribution rates	
Actuarial cost method	Entry-Age Normal
Amortization method	Level Percent of Payroll, Closed
Remaining amortization period	20 Years
Asset valuation method	Four-Year smoothed market, with 20% corridor
Inflation	3.0%; No explicit price inflation assumption is used in the valuation.
Salary increases	4.0% to 11.9% including inflation
Investment rate of return	7.00%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Combined Healthy Mortality Table projected 17 years using scale BB.
Other information	The mortality table used in the calculation of the Total Pension Liability was first used in the December 31, 2013 valuation

Charter Township of Waterford

Required Supplemental Information Pension System Schedule - General Employees' Retirement System Year Ended December 31, 2014

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/08	\$ 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
12/31/13	55,100,000	61,400,000	6,300,000	89.7	5,600,000	112.5

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
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
12/31/14	1,729,217	100.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2013, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Closed level dollar
Amortization period (perpetual)	19 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 General Employees' Retirement System Schedule of Changes in the Net Pension Liability and Related Ratios Last Fiscal Year

	2014
Total pension liability	
Service cost	\$ 983,329
Interest	4,209,174
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds	(3,481,965)
Net change in total pension liability	1,710,538
Total pension liability - Beginning of year	61,380,371
Total pension liability - End of year	\$ 63,090,909
Plan fiduciary net position	
Contributions - Employer	\$ 1,729,217
Contributions - Member	17,609
Net investment income	3,720,145
Administrative expenses	(406,264)
Benefit payments, including refunds	(3,481,965)
Other	-
Net change in plan fiduciary net position	1,578,742
Plan fiduciary net position - Beginning of year	59,859,497
Plan fiduciary net position - End of year	\$ 61,438,239
Township's net pension liability - Ending	\$ 1,652,670
Plan fiduciary net position as a % of total pension liability	97.38 %
Covered employee payroll	\$ 5,664,337
Township's net pension liability as a % of covered employee payroll	29.2 %

Charter Township of Waterford, Michigan

Required Supplemental Information General Employees' Retirement System Schedule of Investment Returns Last Fiscal Year

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Annual money-weighted rate of return, net of investment expense	6.3 %	- %	- %	- %	- %	- %	- %	- %	- %	- %

Charter Township of Waterford, Michigan

Required Supplemental Information General Employees' Retirement System Schedule of Township Contributions Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 1,729,217	\$ 1,922,105	\$ 2,017,208	\$ 2,011,374	\$ 2,208,556	\$ 2,204,481	\$ 1,402,952	\$ 1,475,885	\$ 1,574,175	\$ 1,696,164
Contributions in relation to the actuarially determined contribution	<u>1,729,217</u>	<u>1,922,105</u>	<u>2,017,208</u>	<u>2,011,374</u>	<u>2,208,556</u>	<u>2,204,481</u>	<u>1,402,952</u>	<u>1,475,885</u>	<u>1,574,175</u>	<u>1,696,164</u>
Contribution deficiency	<u>\$ -</u>									
Covered employee payroll	\$ 5,664,337	\$ 5,800,000	\$ 6,200,000	\$ 7,000,000	\$ 8,100,000	\$ 8,300,000	\$ 8,300,000	\$ 8,200,000	\$ 8,200,000	\$ 9,000,000
Contributions as a percentage of covered employee payroll	30.5 %	33.1 %	32.5 %	28.7 %	27.3 %	26.6 %	16.9 %	18.0 %	19.2 %	18.8 %

Notes to Schedule of Township Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution amounts are calculated as of the December 31 that is 12 months after the valuation date.
Methods and assumptions used to determine contribution rates	
Actuarial cost method	Entry-Age Normal
Amortization method	Level Dollar, Closed
Remaining amortization period	18 years
Asset valuation method	Four-year smoothed market, with 25% corridor.
Inflation	The implied price inflation is consistent with a range of 3.0% to 3.5%; No explicit price inflation assumption is used in the valuation.
Salary increases	4.5% to 7.7% including inflation
Investment rate of return	7.00%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Combined Healthy Mortality Table projected 17 years using scale BB.
Other information	The mortality table used in the calculation of the Total Pension Liability was first used in the December 31, 2013 valuation

Charter Township of Waterford

Required Supplemental Information OPEB System Schedule Year Ended December 31, 2014

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/06	\$ -	\$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	16,215,437	977.0

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
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
12/31/14	10,824,675	50.7

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.

Parks and Recreation Fund - This fund accounts for the operations of the parks and recreation activities of the Township. Funding is provided primarily through a local property tax levy.

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	\$ 86,418	\$ 143,498	\$ 2,164,304	\$ 139,195	\$ 383,122	\$ 1,554,270
Receivables:						
Property taxes receivable	-	-	872,156	-	-	8,370
Special assessments receivable	-	-	-	-	123,527	-
Due from other governmental units	-	144,359	-	-	-	-
Rehabilitation loan receivable	-	1,428,590	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	\$ 86,418	\$ 1,716,447	\$3,036,460	\$ 139,195	\$ 506,649	\$1,562,640
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ 151	\$ 10,713	\$ 123	\$ 45	\$ 162,644
Accrued liabilities and other	-	15,749	13,474	-	-	-
Unearned revenue	-	-	-	-	267,342	-
Total liabilities	-	15,900	24,187	123	267,387	162,644
Deferred Inflows of Resources						
Unavailable revenue	-	1,428,590	-	-	-	-
Property taxes levied for the following year	-	-	1,735,519	-	-	-
Total deferred inflows of resources	-	1,428,590	1,735,519	-	-	-
Fund Balances						
Restricted:						
Police	-	-	-	-	-	1,399,996
Debt service	-	-	-	-	-	-
Bike path	86,418	-	-	-	-	-
Community development	-	71,957	-	-	-	-
Library	-	-	1,276,754	139,072	-	-
Weed control	-	-	-	-	239,262	-
Nature center	-	-	-	-	-	-
Cable commission	-	-	-	-	-	-
Assigned:						
Cable related activities	-	-	-	-	-	-
Community development	-	200,000	-	-	-	-
Capital projects	-	-	-	-	-	-
Total fund balances	86,418	271,957	1,276,754	139,072	239,262	1,399,996
Total liabilities, deferred inflows of resources, and fund balances	\$ 86,418	\$ 1,716,447	\$3,036,460	\$ 139,195	\$ 506,649	\$1,562,640

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

Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
Nature Center	Cable Commission	Parks and Recreation	Debt Service Fund	Improvement Revolving	S.A.D. Road Paving	
\$ 546,045	\$ 731,368	\$ 473,440	\$ 736,470	\$ 2,215,897	\$ 15,657	\$ 9,189,684
-	-	478,260	659,999	-	-	2,018,785
-	-	-	-	141,615	-	265,142
-	-	-	-	-	-	144,359
-	-	-	-	-	-	1,428,590
-	-	747	-	-	-	747
\$ 546,045	\$ 731,368	\$ 952,447	\$ 1,396,469	\$ 2,357,512	\$ 15,657	\$ 13,047,307
\$ -	\$ -	\$ 747	\$ -	\$ 62,365	\$ -	\$ 236,788
-	-	-	3,032	-	-	32,255
-	-	-	-	-	-	267,342
-	-	747	3,032	62,365	-	536,385
-	-	-	-	143,095	-	1,571,685
-	-	951,700	1,313,345	-	-	4,000,564
-	-	951,700	1,313,345	143,095	-	5,572,249
-	-	-	-	-	-	1,399,996
-	-	-	80,092	-	-	80,092
-	-	-	-	-	-	86,418
-	-	-	-	-	-	71,957
-	-	-	-	-	-	1,415,826
-	-	-	-	-	-	239,262
546,045	-	-	-	-	-	546,045
-	31,376	-	-	-	-	31,376
-	699,992	-	-	-	-	699,992
-	-	-	-	-	-	200,000
-	-	-	-	2,152,052	15,657	2,167,709
546,045	731,368	-	80,092	2,152,052	15,657	6,938,673
\$ 546,045	\$ 731,368	\$ 952,447	\$ 1,396,469	\$ 2,357,512	\$ 15,657	\$ 13,047,307

Charter Township of Waterford

	Special Revenue Funds					
	Bike Path	Community Development Block Grant	Library	Library Donations	Weed Control	Police Restricted Use
Revenue						
Property taxes	\$ -	\$ -	\$ 1,713,691	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Federal grants	-	390,845	-	-	-	56,764
State-shared revenue and grants	-	-	42,434	-	-	373,246
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	150,248	-	-	-
Investment income	921	-	19,466	-	-	11,859
Special assessments	-	-	-	-	292,948	-
Other revenue:						
Local contributions	-	-	-	28,606	-	413
Cable franchise fees	-	-	-	-	-	-
Other miscellaneous income	-	-	4,387	-	-	25,742
Total revenue	921	390,845	1,930,226	28,606	292,948	468,024
Expenditures						
Current:						
General government	-	9,242	-	-	-	-
Public safety	-	-	-	-	-	475,524
Public works	63	-	-	-	-	-
Community and economic development	-	387,096	-	-	-	-
Recreation and culture	-	-	1,708,001	21,087	277,925	-
Capital outlay	25,600	-	80,058	198	-	-
Debt service	-	-	-	-	-	-
Total expenditures	25,663	396,338	1,788,059	21,285	277,925	475,524
Excess of Revenue (Under) Over Expenditures	(24,742)	(5,493)	142,167	7,321	15,023	(7,500)
Other Financing (Uses) Sources						
Transfers out	-	-	-	-	-	-
Total other financing (uses) sources	-	-	-	-	-	-
Net Change in Fund Balances	(24,742)	(5,493)	142,167	7,321	15,023	(7,500)
Fund Balances - Beginning of year	111,160	277,450	1,134,587	131,751	224,239	1,407,496
Fund Balances - End of year	\$ 86,418	\$ 271,957	\$ 1,276,754	\$ 139,072	\$ 239,262	\$ 1,399,996

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

Special Revenue Funds				Capital Projects Fund		Total
Nature Center	Cable Commission	Parks and Recreation	Debt Service Fund	Improvement Revolving	S.A.D. Road Paving	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 1,311,539	\$ -	\$ -	\$ 3,025,230
-	-	-	-	23,564	-	23,564
-	-	-	-	-	-	447,609
-	-	-	-	86,122	-	501,802
-	272,945	-	-	-	-	272,945
-	-	-	-	-	-	150,248
192	5,554	-	36	17,252	527	55,807
-	-	-	-	36,403	-	329,351
-	-	-	-	-	-	29,019
-	131,301	-	-	-	-	131,301
-	-	-	2,264	-	-	32,393
192	409,800	-	1,313,839	163,341	527	4,999,269
-	224,265	-	-	27,239	-	260,746
-	-	-	-	-	-	475,524
-	-	-	-	-	68,112	68,175
-	-	-	-	-	-	387,096
-	-	-	-	-	-	2,007,013
-	17,304	-	-	440,157	-	563,317
-	-	-	1,211,410	-	-	1,211,410
-	241,569	-	1,211,410	467,396	68,112	4,973,281
192	168,231	-	102,429	(304,055)	(67,585)	25,988
-	-	-	-	415,000	-	415,000
-	-	-	(30,000)	-	-	(30,000)
-	-	-	(30,000)	415,000	-	385,000
192	168,231	-	72,429	110,945	(67,585)	410,988
545,853	563,137	-	7,663	2,041,107	83,242	6,527,685
\$ 546,045	\$ 731,368	\$ -	\$ 80,092	\$ 2,152,052	\$ 15,657	\$ 6,938,673

Charter Township of Waterford

Other Supplemental Information Nonmajor Governmental Fund - Bike Path Budgetary Comparison Year Ended December 31, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Investment income	\$ 500	\$ 500	\$ 921	\$ 421
Expenditures -				
Current - Public works	14,550	14,550	63	14,487
Capital outlay	97,000	97,000	25,600	71,400
Total expenditures	<u>111,550</u>	<u>111,550</u>	<u>25,663</u>	<u>85,887</u>
Net Change in Fund Balance	(111,050)	(111,050)	(24,742)	86,308
Fund Balance - Beginning of year	<u>111,160</u>	<u>111,160</u>	<u>111,160</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 110</u></u>	<u><u>\$ 110</u></u>	<u><u>\$ 86,418</u></u>	<u><u>\$ 86,308</u></u>

Charter Township of Waterford

Other Supplemental Information Nonmajor Governmental Fund - Library Budgetary Comparison Year Ended December 31, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,680,248	\$ 1,691,156	\$ 1,713,691	\$ 22,535
State-shared revenue and grants	31,537	31,537	42,434	10,897
Fines and forfeitures	137,000	137,000	150,248	13,248
Investment income	6,800	6,800	19,466	12,666
Other revenue	5,000	5,000	4,387	(613)
Total revenue	<u>1,860,585</u>	<u>1,871,493</u>	<u>1,930,226</u>	<u>58,733</u>
Expenditures				
Current - Recreation and culture	1,966,793	1,966,793	1,708,001	258,792
Capital outlay	<u>142,588</u>	<u>142,588</u>	<u>80,058</u>	<u>62,530</u>
Total expenditures	<u>2,109,381</u>	<u>2,109,381</u>	<u>1,788,059</u>	<u>321,322</u>
Net Change in Fund Balance	(248,796)	(237,888)	142,167	380,055
Fund Balance - Beginning of year	<u>1,134,587</u>	<u>1,134,587</u>	<u>1,134,587</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 885,791</u></u>	<u><u>\$ 896,699</u></u>	<u><u>\$ 1,276,754</u></u>	<u><u>\$ 380,055</u></u>

Charter Township of Waterford

Other Supplemental Information Nonmajor Governmental Fund - Library Donations Budgetary Comparison Year Ended December 31, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Local donations	\$ 18,000	\$ 28,000	\$ 28,606	\$ 606
Expenditures				
Current - Recreation and culture - Library	35,115	35,115	21,087	14,028
Capital outlay	4,000	14,000	198	13,802
Total expenditures	<u>39,115</u>	<u>49,115</u>	<u>21,285</u>	<u>27,830</u>
Net Change in Fund Balance	(21,115)	(21,115)	7,321	28,436
Fund Balance - Beginning of year	<u>131,751</u>	<u>131,751</u>	<u>131,751</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 110,636</u></u>	<u><u>\$ 110,636</u></u>	<u><u>\$ 139,072</u></u>	<u><u>\$ 28,436</u></u>

Charter Township of Waterford

Other Supplemental Information Nonmajor Governmental Fund - Police Restricted Use Budgetary Comparison Year Ended December 31, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ 160,000	\$ 160,000	\$ 56,764	\$ (103,236)
State-shared revenue and grants	90,000	90,000	373,246	283,246
Investment income	2,500	2,500	11,859	9,359
Other revenue	23,000	23,000	26,155	3,155
Total revenue	275,500	275,500	468,024	192,524
Expenditures - Current - Public safety	451,021	717,369	475,524	241,845
Net Change in Fund Balance	(175,521)	(441,869)	(7,500)	434,369
Fund Balance - Beginning of year	1,407,496	1,407,496	1,407,496	-
Fund Balance - End of year	<u>\$ 1,231,975</u>	<u>\$ 965,627</u>	<u>\$ 1,399,996</u>	<u>\$ 434,369</u>

Charter Township of Waterford

Other Supplemental Information Nonmajor Governmental Fund - Nature Center Budgetary Comparison Year Ended December 31, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Investment income	\$ 1,500	\$ 1,500	\$ 192	\$ (1,308)
Net Change in Fund Balance	1,500	1,500	192	(1,308)
Fund Balance - Beginning of year	545,853	545,853	545,853	-
Fund Balance - End of year	<u>\$ 547,353</u>	<u>\$ 547,353</u>	<u>\$ 546,045</u>	<u>\$ (1,308)</u>

Charter Township of Waterford

Other Supplemental Information Nonmajor Governmental Fund - Cable Commission Budgetary Comparison Year Ended December 31, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Charges for services	\$ 122,370	\$ 272,945	\$ 272,945	\$ -
Investment income	-	-	5,554	5,554
Cable franchise fees	124,385	124,385	131,301	6,916
Total revenue	246,755	397,330	409,800	12,470
Expenditures - Current				
General government	151,808	242,749	224,265	18,484
Capital outlay	-	21,148	17,304	3,844
Total expenditures	151,808	263,897	241,569	22,328
Net Change in Fund Balance	94,947	133,433	168,231	34,798
Fund Balance - Beginning of year	563,137	563,137	563,137	-
Fund Balance - End of year	\$ 658,084	\$ 696,570	\$ 731,368	\$ 34,798

Charter Township of Waterford

Other Supplemental Information Nonmajor Governmental Fund - Debt Service Fund Budgetary Comparison Year Ended December 31, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,287,519	\$ 1,294,848	\$ 1,311,539	\$ 16,691
Investment income	225	225	36	(189)
Other revenue	1,600	1,600	2,264	664
Total revenue	1,289,344	1,296,673	1,313,839	17,166
Expenditures - Debt service				
Principal	1,040,000	1,040,000	1,040,000	-
Interest on long-term debt	171,410	171,410	171,410	-
Total expenditures	1,211,410	1,211,410	1,211,410	-
Transfers Out	(30,000)	(30,000)	(30,000)	-
Net Change in Fund Balance	47,934	55,263	72,429	17,166
Fund Balance - Beginning of year	7,663	7,663	7,663	-
Fund Balance - End of year	<u>\$ 55,597</u>	<u>\$ 62,926</u>	<u>\$ 80,092</u>	<u>\$ 17,166</u>

Charter Township of Waterford

Other Supplemental Information Nonmajor Governmental Fund - Improvement Revolving Budgetary Comparison Year Ended December 31, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Licenses and permits	\$ 25,000	\$ 25,000	\$ 23,564	\$ (1,436)
State-shared revenue and grants	84,944	84,944	86,122	1,178
Investment income	8,000	8,000	17,252	9,252
Special assessments	-	-	36,403	36,403
Total revenue	<u>117,944</u>	<u>117,944</u>	<u>163,341</u>	<u>45,397</u>
Expenditures				
General government	-	-	27,239	(27,239)
Capital outlay	<u>438,597</u>	<u>621,342</u>	<u>440,157</u>	<u>181,185</u>
Total expenditures	<u>438,597</u>	<u>621,342</u>	<u>467,396</u>	<u>153,946</u>
Excess of Expenditures Over Revenue	(320,653)	(503,398)	(304,055)	199,343
Other Financing Sources - Transfers in	<u>165,000</u>	<u>415,000</u>	<u>415,000</u>	<u>-</u>
Net Change in Fund Balance	(155,653)	(88,398)	110,945	199,343
Fund Balance - Beginning of year	<u>2,041,107</u>	<u>2,041,107</u>	<u>2,041,107</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 1,885,454</u></u>	<u><u>\$ 1,952,709</u></u>	<u><u>\$ 2,152,052</u></u>	<u><u>\$ 199,343</u></u>

Charter Township of Waterford

Other Supplemental Information Combining Statement of Net Position Internal Service Funds December 31, 2014

	Motor Pool Fund	Fire Unemployment Costs	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 367,587	\$ 399,598	\$ 767,185
Inventory	58,205	-	58,205
Total current assets	425,792	399,598	825,390
Noncurrent assets - Capital assets - Assets subject to depreciation	609,646	-	609,646
Total assets	1,035,438	399,598	1,435,036
Liabilities			
Current liabilities - Accounts payable	19,228	-	19,228
Provision for claims	-	399,598	399,598
Total liabilities	19,228	399,598	418,826
Net Position			
Net investment in capital assets	609,646	-	609,646
Unrestricted	406,564	-	406,564
Total net position	\$ 1,016,210	\$ -	\$ 1,016,210

Charter Township of Waterford

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended December 31, 2014

	Motor Pool Fund	Fire Unemployment Costs	Total
Operating Revenue - Charges for services	\$ 173,231	\$ 242,364	\$ 415,595
Operating Expenses			
Billing and administrative costs	62,940	-	62,940
Unemployment costs	-	242,439	242,439
Depreciation	236,190	-	236,190
Total operating expenses	<u>299,130</u>	<u>242,439</u>	<u>541,569</u>
Operating Loss	(125,899)	(75)	(125,974)
Nonoperating Revenue (Expenses)			
Investment income	3,117	75	3,192
Loss on sale of assets	(9,495)	-	(9,495)
Total nonoperating (expenses) revenue	<u>(6,378)</u>	<u>75</u>	<u>(6,303)</u>
Change in Net Position	(132,277)	-	(132,277)
Net Position - Beginning of year	<u>1,148,487</u>	<u>-</u>	<u>1,148,487</u>
Net Position - End of year	<u><u>\$ 1,016,210</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,016,210</u></u>

Charter Township of Waterford

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended December 31, 2014

	Motor Pool Fund	Fire Unemployment Costs	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 173,231	\$ 242,364	\$ 415,595
Payments to suppliers	(19,892)	-	(19,892)
Net cash provided by operating activities	153,339	242,364	395,703
Cash Flows from Investing Activities -			
Interest received on investments	3,117	75	3,192
Net Increase in Cash and Cash Equivalents	156,456	242,439	398,895
Cash and Cash Equivalents - Beginning of year	211,131	157,159	368,290
Cash and Cash Equivalents - End of year	\$ 367,587	\$ 399,598	\$ 767,185
Balance Sheet Classification of Cash and Cash Equivalents -			
Cash and investments	\$ 367,587	\$ 399,598	\$ 767,185
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (125,899)	\$ (75)	\$ (125,974)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	236,190	-	236,190
Changes in assets and liabilities:			
Inventories	27,808	-	27,808
Accounts payable	15,240	-	15,240
Estimated claims liability	-	242,439	242,439
Net cash provided by operating activities	\$ 153,339	\$ 242,364	\$ 395,703

Charter Township of Waterford

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

	Pension Trust Funds			
	Police and Fire Pension	General Employees' Pension	Other Postemployment Benefits	Total Pension Trust Funds
Assets				
Cash and cash equivalents	\$ 11,172	\$ 88,067	\$ 202,112	\$ 301,351
Investments:				
Fixed-income funds	22,991,953	14,481,941	-	37,473,894
Stocks	43,233,178	37,948,756	8,964,098	90,146,032
Mutual funds	12,811,885	5,782,777	-	18,594,662
Real estate investment trusts	2,301,232	237,161	-	2,538,393
Pension manager short-term funds	6,397,372	2,689,287	-	9,086,659
Securities lending short-term collateral bank investment pool - Mutual funds	1,979,145	648,735	-	2,627,880
Due from broker	127,823	-	-	127,823
Prepaid items	436,502	292,480	-	728,982
Accrued income	51,353	24,300	-	75,653
Total assets	<u>90,341,615</u>	<u>62,193,504</u>	<u>9,166,210</u>	<u>161,701,329</u>
Liabilities				
Accounts payable	200,559	53,265	-	253,824
Accrued liabilities and other - Obligations under securities lending agreements	<u>2,036,257</u>	<u>702,000</u>	<u>-</u>	<u>2,738,257</u>
Total liabilities	<u>2,236,816</u>	<u>755,265</u>	<u>-</u>	<u>2,992,081</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 88,104,799</u>	<u>\$ 61,438,239</u>	<u>\$ 9,166,210</u>	<u>\$ 158,709,248</u>

Charter Township of Waterford

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

	Police and Fire Pension	General Employees' Pension	Other Postemployment Benefits	Total
Additions				
Investment income:				
Interest and dividends	\$ 2,404,756	\$ 760,360	\$ 197,391	\$ 3,362,507
Net increase in fair value of investments	<u>2,677,854</u>	<u>2,949,600</u>	<u>517,935</u>	<u>6,145,389</u>
Net investment income	5,082,610	3,709,960	715,326	9,507,896
Securities lending income	10,920	10,185	-	21,105
Contributions:				
Employer	3,386,289	1,729,217	5,493,180	10,608,686
Employee	<u>446,148</u>	<u>17,609</u>	<u>67,267</u>	<u>531,024</u>
Total contributions	<u>3,832,437</u>	<u>1,746,826</u>	<u>5,560,447</u>	<u>11,139,710</u>
Total additions	8,925,967	5,466,971	6,275,773	20,668,711
Deductions				
Benefit payments	5,711,968	3,481,965	5,416,980	14,610,913
Administrative expenses	<u>560,068</u>	<u>406,264</u>	<u>54,397</u>	<u>1,020,729</u>
Total deductions	<u>6,272,036</u>	<u>3,888,229</u>	<u>5,471,377</u>	<u>15,631,642</u>
Net Increase in Net Position Held in Trust	2,653,931	1,578,742	804,396	5,037,069
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>85,450,868</u>	<u>59,859,497</u>	<u>8,361,814</u>	<u>153,672,179</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 88,104,799</u>	<u>\$ 61,438,239</u>	<u>\$ 9,166,210</u>	<u>\$ 158,709,248</u>

Charter Township of Waterford

Other Supplemental Information Schedule of Changes in Assets and Liabilities Agency Funds Year Ended December 31, 2014

	Balance at January 1, 2014	Additions	Reductions	Balance at December 31, 2014
Tax Collections				
Assets - Cash and investments	\$ 1,372,567	\$ 118,387,827	\$ (118,007,030)	\$ 1,753,364
Liabilities				
Due to other governmental units	\$ 1,271,517	\$ 2,948,080	\$ (2,541,008)	\$ 1,678,589
Accrued liabilities and other	101,050	74,776	(101,051)	74,775
Total liabilities	\$ 1,372,567	\$ 3,022,856	\$ (2,642,059)	\$ 1,753,364
Other Agency Funds				
Assets - Cash and investments	\$ 718,540	\$ 2,150,665	\$ (2,123,764)	\$ 745,441
Liabilities				
Bonds and other deposits	\$ 707,129	\$ 523,804	\$ (501,264)	\$ 729,669
Accrued liabilities and other	11,411	1,592,837	(1,588,476)	15,772
Total liabilities	\$ 718,540	\$ 2,116,641	\$ (2,089,740)	\$ 745,441
Total Agency Funds				
Assets - Cash and investments	\$ 2,091,107	\$ 120,538,492	\$ (120,130,794)	\$ 2,498,805
Liabilities				
Due to other governmental units	\$ 1,271,517	\$ 2,948,080	\$ (2,541,008)	\$ 1,678,589
Bonds and other deposits	707,129	523,804	(501,264)	729,669
Accrued liabilities and other	112,461	1,667,613	(1,689,527)	90,547
Total liabilities	\$ 2,091,107	\$ 5,139,497	\$ (4,731,799)	\$ 2,498,805

Charter Township of Waterford

Other Supplemental Information Component Unit - Veterans' Memorial Fund Fund-based Balance Sheet December 31, 2014

	Modified Accrual	Full Accrual Adjustments	Full Accrual
Assets			
Cash and cash equivalents	\$ 4,600	\$ -	\$ 4,600
Capital assets	-	63,931	63,931
Total assets	<u>\$ 4,600</u>	<u>\$ 63,931</u>	<u>\$ 68,531</u>
Equity - Fund balance - Restricted	<u>4,600</u>	<u>(4,600)</u>	
Net Position			
Net investment in capital assets		63,931	63,931
Restricted - Veterans' Memorial		4,600	4,600
Total net position		<u>\$ 63,931</u>	<u>\$ 68,531</u>

Charter Township of Waterford

Other Supplemental Information Component Unit - Veterans' Memorial Fund Fund-based Schedule of Revenue and Expenditures Year Ended December 31, 2014

	Modified Accrual	Full Accrual Adjustments	Full Accrual
Revenue - Charges for services	\$ 250	\$ -	\$ 250
Expenditures - Depreciation	-	2,180	2,180
Change in Fund Balance/Net Position	250	(2,180)	(1,930)
Fund Balance/Net Position - Beginning of year	4,350	66,111	70,461
Fund Balance/Net Position - End of year	<u>\$ 4,600</u>	<u>\$ 63,931</u>	<u>\$ 68,531</u>

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			
	2005	2006	2007	2008
Governmental Activities				
Net investment in capital assets	\$ 44,198,627	\$ 46,058,221	\$ 44,981,170	\$ 44,405,669
Restricted	4,271,716	4,475,349	4,444,665	4,747,321
Unrestricted	<u>12,528,472</u>	<u>11,093,570</u>	<u>13,253,224</u>	<u>8,271,581</u>
Total net position	<u>\$ 60,998,815</u>	<u>\$ 61,627,140</u>	<u>\$ 62,679,059</u>	<u>\$ 57,424,571</u>
Business-type Activities				
Net investment in capital assets	\$ 71,907,630	\$ 73,978,739	\$ 75,401,201	\$ 73,989,325
Restricted	-	-	-	-
Unrestricted	<u>22,455,525</u>	<u>19,737,391</u>	<u>17,295,329</u>	<u>16,345,225</u>
Total net position	<u>\$ 94,363,155</u>	<u>\$ 93,716,130</u>	<u>\$ 92,696,530</u>	<u>\$ 90,334,550</u>
Primary Government in Total				
Net investment in capital assets	\$ 116,106,257	\$ 120,036,960	\$ 120,382,371	\$ 118,394,994
Restricted	4,271,716	4,475,349	4,444,665	4,747,321
Unrestricted	<u>34,983,997</u>	<u>30,830,961</u>	<u>30,548,553</u>	<u>24,616,806</u>
Total net position	<u>\$ 155,361,970</u>	<u>\$ 155,343,270</u>	<u>\$ 155,375,589</u>	<u>\$ 147,759,121</u>

Source: Township annual financial statements

Financial Trend Information Net Position by Component

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 44,754,072	\$ 44,944,850	\$ 45,135,692	\$ 47,298,593	\$ 46,738,188	\$ 46,799,756
4,721,937	5,141,594	5,370,788	5,262,167	5,058,980	5,299,562
1,800,600	(2,877,686)	(6,048,239)	(9,709,009)	(12,613,301)	(14,614,667)
<u>\$ 51,276,609</u>	<u>\$ 47,208,758</u>	<u>\$ 44,458,241</u>	<u>\$ 42,851,751</u>	<u>\$ 39,183,867</u>	<u>\$ 37,484,651</u>
\$ 71,654,120	\$ 73,463,981	\$ 71,947,707	\$ 71,328,214	\$ 74,702,495	\$ 76,598,026
1,448,307	1,916,264	2,206,903	2,084,405	2,150,295	813,588
13,946,883	13,185,990	13,185,783	14,110,363	14,968,603	14,544,118
<u>\$ 87,049,310</u>	<u>\$ 88,566,235</u>	<u>\$ 87,340,393</u>	<u>\$ 87,522,982</u>	<u>\$ 91,821,393</u>	<u>\$ 91,955,732</u>
\$ 116,408,192	\$ 118,408,831	\$ 117,083,399	\$ 118,626,807	\$ 121,440,683	\$ 123,397,782
6,170,244	7,057,858	7,577,691	7,346,572	7,209,275	6,113,150
15,747,483	10,308,304	7,137,544	4,401,354	2,355,302	(70,549)
<u>\$ 138,325,919</u>	<u>\$ 135,774,993</u>	<u>\$ 131,798,634</u>	<u>\$ 130,374,733</u>	<u>\$ 131,005,260</u>	<u>\$ 129,440,383</u>

Charter Township of Waterford

	Fiscal Year			
	2005	2006	2007	2008
Expenses				
General government	\$ 5,466,726	\$ 5,985,100	\$ 5,939,155	\$ 11,429,795
District Court	2,317,176	2,348,464	2,294,339	2,581,511
Fire and police	23,046,539	24,013,701	23,402,306	24,510,932
Building inspection	1,470,193	1,256,223	1,410,631	1,456,737
Public works activities	553,056	1,423,014	355,029	926,691
Community and economic activities	1,961,479	1,884,356	1,866,519	1,487,700
Recreation and culture	4,981,226	5,431,483	5,643,072	5,806,047
Interest on long-term debt	629,171	654,854	624,659	603,194
Total expenses	40,425,566	42,997,195	41,535,710	48,802,607
Program Revenue				
Charges for services:				
General government	2,457,109	2,947,828	2,976,906	3,129,723
District Court	2,064,928	1,800,703	1,693,652	1,853,358
Fire and police	630,285	850,170	784,770	794,250
Building inspection	809,922	819,910	604,994	527,704
Community and economic activities	297,423	190,251	167,659	218,830
Recreation and culture	936,919	1,063,868	945,881	1,040,496
Other activities	475,639	452,038	446,262	464,852
Total charges for services	7,672,225	8,124,768	7,620,124	8,029,213
Operating grants and contributions	2,742,244	1,785,443	694,940	698,365
Capital grants and contributions	-	-	-	-
Total program revenue	10,414,469	9,910,211	8,315,064	8,727,578
Excess of Expenses Over Program Revenue	(30,011,097)	(33,086,984)	(33,220,646)	(40,075,029)
General Revenue				
Property taxes	24,789,201	26,212,941	26,572,411	27,913,339
State-shared revenue	6,238,324	6,014,902	6,007,200	5,948,420
Investment earnings	955,972	1,525,435	1,677,529	953,573
Franchise fees	-	-	-	-
Miscellaneous	107,725	253,538	113,895	122,869
Transfers	(123,517)	(123,513)	(98,470)	(117,659)
Total general revenue	31,967,705	33,883,303	34,272,565	34,820,542
Special Items - Contribution of public safety assets	-	-	-	-
Change in Net Position	\$ 1,956,608	\$ 796,319	\$ 1,051,919	\$ (5,254,487)

Source: Township annual financial statements

Financial Trend Information
Changes in Governmental Net Position
(Unaudited)

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 7,255,074	\$ 6,997,818	\$ 6,705,725	\$ 6,941,413	\$ 7,540,276	\$ 7,371,411
2,948,594	2,833,152	2,419,633	2,252,893	2,292,718	2,382,795
28,665,369	27,946,504	24,652,327	29,836,433	32,017,761	32,860,164
1,488,139	1,392,747	1,240,541	1,499,568	1,081,438	1,091,307
674,698	931,781	746,742	831,566	507,388	378,338
3,095,731	2,705,335	2,188,419	1,662,882	1,326,708	1,407,689
5,868,354	5,571,380	4,897,241	4,138,458	4,426,465	4,172,091
802,289	277,941	302,836	284,155	217,799	194,547
50,798,248	48,656,658	43,153,464	47,447,368	49,410,553	49,858,342
3,537,865	3,095,082	2,130,007	2,730,919	2,807,268	2,642,128
1,795,195	1,480,037	1,302,460	1,175,963	1,350,596	1,282,052
1,426,080	2,058,194	2,026,482	7,580,204	8,447,612	8,567,130
376,323	482,410	346,073	344,960	444,680	636,514
396,331	112,540	79,046	93,411	89,110	131,987
1,174,611	1,221,313	1,268,767	1,289,312	1,353,572	1,311,791
470,264	508,384	575,408	575,165	93,480	592,061
9,176,669	8,957,960	7,728,243	13,789,934	14,586,318	15,163,663
2,007,831	2,149,749	1,785,418	992,965	2,861,831	4,515,109
-	285,650	-	896,439	18,657	117,289
11,184,500	11,393,359	9,513,661	15,679,338	17,466,806	19,796,061
(39,613,748)	(37,263,299)	(33,639,803)	(31,768,030)	(31,943,747)	(30,062,281)
27,751,648	27,303,992	24,615,307	21,598,342	21,072,941	21,006,495
5,237,324	4,983,146	5,146,592	5,502,059	5,664,103	5,784,757
209,413	150,336	125,441	96,075	145,472	237,100
72,587	88,087	929,916	978,271	1,142,999	1,193,645
194,814	284,228	72,030	237,360	250,348	141,068
-	-	-	-	-	-
33,465,786	32,809,789	30,889,286	28,412,107	28,275,863	28,363,065
-	-	-	1,749,433	-	-
<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>	<u>\$ (1,699,216)</u>

Charter Township of Waterford

	Fiscal Year			
	2005	2006	2007	2008
Operating Revenue				
Water usage billings	\$ 4,063,895	\$ 4,262,268	\$ 4,485,952	\$ 4,433,736
Sewage disposal charges	8,740,176	8,733,548	9,260,007	9,749,175
Other sales to customers	47,312	40,050	35,705	21,244
Charges for services	157,204	275,271	184,124	154,716
Operating grants	84,496	269,320	509,898	70,023
Total operating revenue	13,093,083	13,580,457	14,475,686	14,428,894
Operating Expenses				
Cost of water	1,919,760	1,850,357	1,929,798	1,877,558
Cost of sewage disposal	5,306,515	5,483,009	5,445,964	6,581,257
Operation and maintenance costs	907,518	1,010,788	1,264,007	730,997
Billing and administrative costs	4,427,857	4,573,889	4,674,404	4,747,777
Depreciation	3,151,550	3,299,725	3,462,368	3,759,641
Other services and charges	-	186	125	1,469
Total operating expenses	15,713,200	16,217,954	16,776,666	17,698,699
Operating (Loss) Income	(2,620,117)	(2,637,497)	(2,300,980)	(3,269,805)
Nonoperating Revenue (Expense)				
Gain on sale of assets	-	-	-	-
Investment income	589,824	1,000,197	721,961	552,486
Interest expense	(173,999)	(171,412)	(173,580)	(293,178)
Total nonoperating revenue (expense)	415,825	828,785	548,381	259,308
(Loss) Income - Before contributions	(2,204,292)	(1,808,712)	(1,752,599)	(3,010,497)
Transfers In - Net	123,517	123,513	98,470	117,659
Capital Contributions	1,753,634	1,038,174	634,529	530,858
Change in Net Position	\$ (327,141)	\$ (647,025)	\$ (1,019,600)	\$ (2,361,980)
Change in Primary Government Net Position				
Change in governmental net position	\$ 1,956,608	\$ 796,319	\$ 1,051,919	\$ (5,254,487)
Change in business-type net position	(327,141)	(647,025)	(1,019,600)	(2,361,980)
Total change in primary government net position	\$ 1,629,467	\$ 149,294	\$ 32,319	\$ (7,616,467)

Source: Township annual financial statements

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

		Fiscal Year					
		2009	2010	2011	2012	2013	2014
	\$	4,271,239	\$ 5,178,302	\$ 5,092,940	\$ 5,411,677	\$ 4,680,162	\$ 4,916,805
		10,589,084	10,835,754	11,588,492	12,824,921	14,273,975	15,211,866
		15,400	22,561	25,940	28,365	33,323	24,770
		135,092	262,589	253,699	253,335	263,518	288,726
		33,336	49,046	19,414	373,980	36,976	10,536
		15,044,151	16,348,252	16,980,485	18,892,278	19,287,954	20,452,703
		2,073,815	1,750,817	1,667,552	1,671,016	1,640,029	1,658,724
		5,798,600	6,543,296	7,010,894	7,343,946	8,294,563	9,005,056
		991,427	943,623	708,744	548,469	578,010	730,739
		5,702,312	4,485,462	5,272,625	5,270,602	5,461,724	5,525,326
		3,910,157	3,459,145	3,438,847	3,686,911	3,682,610	3,586,054
		-	-	-	-	-	-
		18,476,311	17,182,343	18,098,662	18,520,944	19,656,936	20,505,899
		(3,432,160)	(834,091)	(1,118,177)	371,334	(368,982)	(53,196)
		-	-	9,405	-	12,304	11,960
		292,311	252,947	153,224	66,050	110,795	135,605
		(381,215)	(394,572)	(379,396)	(351,397)	(441,360)	(379,690)
		(88,904)	(141,625)	(216,767)	(285,347)	(318,261)	(232,125)
		(3,521,064)	(975,716)	(1,334,944)	85,987	(687,243)	(285,321)
		-	-	-	-	-	-
		235,824	2,492,641	109,103	96,601	4,985,654	419,660
		\$ (3,285,240)	\$ 1,516,925	\$ (1,225,841)	\$ 182,588	\$ 4,298,411	\$ 134,339
		\$ (6,147,962)	\$ (4,453,510)	\$ (2,750,517)	\$ (1,606,490)	\$ (3,667,884)	\$ (1,699,216)
		(3,285,240)	1,516,925	(1,225,841)	182,588	4,298,411	134,339
		\$ (9,433,202)	\$ (2,936,585)	\$ (3,976,358)	\$ (1,423,902)	\$ 630,527	\$ (1,564,877)

Charter Township of Waterford

	Fiscal Year			
	2005	2006	2007	2008
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	1,885,305	1,365,898	1,737,438	2,076,456
Nonspendable	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	1,885,305	1,365,898	1,737,438	2,076,456
All Other Governmental Funds				
Reserved	567,117	575,470	493,090	571,938
Unreserved, reported in:				
Special Revenue Funds	12,301,546	12,266,454	12,936,271	8,373,298
Capital Projects Funds	396,736	259,538	185,125	146,288
Debt Service Funds	286,406	294,627	328,023	362,295
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Total General Fund and all other governmental funds	<u>\$ 15,437,110</u>	<u>\$ 14,761,987</u>	<u>\$ 15,679,947</u>	<u>\$ 11,530,275</u>

Source: Township annual financial statements

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

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ -	\$ 131,037	\$ -	\$ -	\$ -	\$ -
2,254,966	1,481,735	-	-	-	-
-	-	41,258	40,404	41,130	102,118
-	-	-	-	1,453,123	1,820,048
-	-	1,703,984	793,124	-	-
-	-	792,173	1,872,425	2,892,642	4,412,750
2,254,966	1,612,772	2,537,415	2,705,953	4,386,895	6,334,916
738,941	954,024	-	-	-	-
7,084,171	6,877,134	-	-	-	-
79,198	86,883	-	-	-	-
73,179	331,124	-	-	-	-
-	-	6,915	3,466	29,782	7
-	-	3,937,880	3,870,100	3,610,425	3,870,972
-	-	4,606,791	4,942,477	5,757,190	6,890,698
<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>	<u>\$ 17,096,593</u>

Charter Township of Waterford

	Fiscal Year			
	2005	2006	2007	2008
Revenue				
Property taxes	\$ 24,586,576	\$ 25,627,849	\$ 26,886,857	\$ 27,972,916
Intergovernmental revenue	8,158,010	7,716,269	6,794,515	7,213,496
Licenses and permits	1,316,715	1,377,918	1,151,351	1,207,258
Fines and forfeitures	2,459,084	2,132,806	2,135,331	2,176,313
Charges for services	2,281,763	2,450,490	2,444,256	2,497,863
Special assessments	475,639	452,038	446,262	760,745
Interest and miscellaneous	4,278,487	2,877,024	2,860,554	2,284,495
Total revenue	43,556,274	42,634,394	42,719,126	44,113,086
Expenditures				
Current:				
General government and district court	7,491,459	7,891,992	7,779,594	13,800,090
Public safety	22,227,359	22,875,205	22,941,441	23,540,465
Community and economic development	3,494,062	3,164,900	3,390,156	1,901,477
Recreation and culture	4,073,698	4,342,933	4,548,647	6,229,423
Miscellaneous	91,876	22,661	29,846	13,504
Capital outlay	1,015,745	3,426,996	1,701,797	1,326,510
Debt administration:				
Principal	601,090	814,805	779,755	765,225
Interest	590,466	646,512	531,460	568,405
Total expenditures	39,585,755	43,186,004	41,702,696	48,145,099
Excess of Expenditures Over (Under) Revenue	3,970,519	(551,610)	1,016,430	(4,032,013)
Other Financing Sources (Uses)				
Face value of debt issue	-	-	-	-
Debt premium	-	-	-	-
Transfers in	9,045,878	9,825,333	8,898,465	9,400,000
Transfers out	(9,169,395)	(9,948,846)	(8,996,935)	(9,517,659)
Payment to bond refunding escrow agent	-	-	-	-
Total other financing (uses) sources	(123,517)	(123,513)	(98,470)	(117,659)
Net Change in Fund Balances	3,847,002	(675,123)	917,960	(4,149,672)
Fund Balances - Beginning of year	11,590,108	15,437,110	14,761,987	15,679,947
Fund Balances - End of year	\$ 15,437,110	\$ 14,761,987	\$ 15,679,947	\$ 11,530,275
Debt service as a percentage of noncapital expenditures	3.09%	3.68%	3.28%	2.85%
Source: Township annual financial statements				

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

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 27,816,321	\$ 27,487,340	\$ 24,217,983	\$ 21,220,749	\$ 20,688,982	\$ 20,932,159
7,660,834	7,177,942	7,090,287	7,213,657	8,508,876	10,670,673
1,164,144	1,366,130	300,769	364,258	485,610	657,977
2,120,660	1,792,007	1,586,332	1,411,839	1,588,776	1,544,005
2,900,239	3,715,399	3,894,382	9,606,043	10,411,618	10,636,717
748,705	808,083	858,299	864,927	927,510	830,284
<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>	<u>2,720,465</u>
43,901,779	44,137,165	39,773,548	43,505,597	45,601,010	47,992,280
8,277,219	9,070,564	8,470,321	7,615,207	7,534,310	7,349,954
26,409,209	26,270,382	22,620,407	27,782,168	28,800,415	29,953,841
2,919,236	2,117,054	1,249,546	1,671,165	1,336,629	1,358,975
4,858,451	4,722,679	4,138,183	3,412,416	3,615,923	3,426,284
43,954	269,934	142,218	36,378	43,925	68,175
<u>1,055,415</u>	<u>808,788</u>	<u>648,183</u>	<u>1,258,568</u>	<u>684,405</u>	<u>1,148,223</u>
856,452	904,749	990,000	1,040,000	1,095,000	1,175,000
<u>781,663</u>	<u>341,533</u>	<u>287,626</u>	<u>275,864</u>	<u>228,107</u>	<u>199,527</u>
<u>45,201,599</u>	<u>44,505,683</u>	<u>38,546,484</u>	<u>43,091,766</u>	<u>43,338,714</u>	<u>44,679,979</u>
(1,299,820)	(368,518)	1,227,064	413,831	2,262,296	3,312,301
-	-	-	957,919	-	-
-	-	-	27,722	-	-
8,500,000	8,500,000	7,450,000	7,550,000	7,605,000	7,345,000
(8,500,000)	(8,500,000)	(7,450,000)	(7,550,000)	(7,605,000)	(7,345,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(966,477)</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>19,164</u>	<u>-</u>	<u>-</u>
(1,299,820)	(368,518)	1,227,064	432,995	2,262,296	3,312,301
<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>
<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>	<u>\$ 17,096,593</u>
3.70%	2.85%	3.37%	3.15%	3.10%	3.16%

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
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
2014	20,932,159	10,670,673	830,284	657,977	1,544,005	10,636,717	2,720,465	47,992,280

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
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
2014	7,349,954	29,953,841	1,358,975	3,426,284	1,148,223	1,374,527	68,175	44,679,979

NOTE: Includes all governmental fund types under modified accrual accounting

Source: 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
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
2014	102,118	-	6,232,798	17,981,655	34.66

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 Property	Total Value
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
2014	1,456,683,719	358,646,790	15,849,700	-	72,869,590	1,904,049,799

(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, a change in 2006, Agricultural land 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 % of Actual
10.29	\$ 6,334,238,440	39.41%
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%
11.58	4,114,381,038	46.28%

Charter Township of Waterford

Tax Year	Millage Rates - Direct Township Taxes (1)			Overlapping taxes				
	General Operating	Debt	Total Direct Taxes	County Combined (4)	Community College	Intermediate School District	School: Principal (3)	School: Non-Principal (3)
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
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
2014	10.8896	0.6900	11.5796	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 Rec, Huron Clinton Metro Authority and Zoo Authority.

Source: Township Assessing Department records

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

(2) Total tax rate:

<u>Principal</u>	<u>Non-principal</u>
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
32.6391	50.6391
33.9791	51.9791
34.4791	52.4791

Charter Township of Waterford

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

Taxpayer	Type of Business	2014 Taxable Value	Percentage of		2005 Taxable Value	Percentage of Total	2005 Rank
			Total				
1 Detroit Edison	Utility	\$ 26,808,090	1.41%		\$ 21,979,100	0.88%	1
2 Cass Lake Shore Apts	Apartment	8,027,130	0.42%		8,141,130	0.33%	4
3 Consumers Energy	Utility	6,592,750	0.35%		5,847,740	0.23%	7
4 General Motors	Manufacturing	6,435,350	0.34%		13,082,120	0.52%	2
5 Meijer	Retail	5,984,300	0.31%		6,381,820	0.26%	6
6 Rite Aid Corporation	Retail	5,930,800	0.31%		4,314,500	0.17%	N/A
7 Rivers Edge Apts/Occidental Development	Apartment	5,670,970	0.30%		7,897,360	0.32%	5
8 Pentastar Aviation	Corporate Aviation	5,383,480	0.28%		4,270,918	0.17%	N/A
9 Village Green/Holtzman & Silverman	Apartment	4,764,080	0.25%		4,227,339	0.17%	N/A
10 Kmart/Sears & Roebuck	Retail	4,419,460	0.23%		5,003,880	0.20%	8
Total		\$ 80,016,410	4.20%		\$ 81,145,907	3.25%	
Total Township Taxable Value		<u>\$ 1,904,049,799</u>			<u>\$ 2,496,516,302</u>		

Source: Waterford Township Assessing Department records

Charter Township of Waterford

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

Fiscal Year	Total Levy	Collections	Percent Collected	Delinquent Collections (Real)	Total Tax Collections	Percent of Levy Collected
2005	\$ 25,485,596	\$ 23,700,073	92.99%	\$ 1,757,077	\$ 25,457,150	99.89%
2006	26,734,270	23,782,945	88.96%	1,941,163	25,724,108	96.22%
2007	27,823,546	25,846,835	92.90%	1,977,823	27,824,659	100.00%
2008	27,827,874	25,755,435	92.55%	2,004,352	27,759,788	99.76%
2009	27,391,906	25,350,622	92.55%	1,926,850	27,277,473	99.58%
2010	24,468,429	22,807,481	93.21%	1,630,982	24,438,464	99.88%
2011	21,541,187	20,061,285	93.13%	1,406,240	21,467,525	99.66%
2012	20,819,579	19,509,375	93.71%	1,211,043	20,720,418	99.52%
2013	20,893,494	19,663,238	94.11%	1,208,306	20,871,545	99.89%
2014	21,967,753	20,771,999	94.56%	1,163,240	21,935,239	99.85%

Source: Township Treasurer's Office records

Charter Township of Waterford

	2005	2006	2007	2008	2009
Governmental Activities:					
General obligation bonds	\$ 14,630,000	\$ 14,175,000	\$ 13,745,000	\$ 13,095,000	\$ 12,485,000
Installmt purchase agreements	-	-	-	-	-
Special assessment bonds	380,000	290,000	200,000	110,000	20,000
Revenue bonds	-	-	-	-	-
Capital leases	-	-	-	-	-
Total	15,010,000	14,465,000	13,945,000	13,205,000	12,505,000
Business-type Activities:					
General obligation bonds	4,665,000	4,485,000	6,151,308	14,577,085	15,471,528
Installmt purchase agreements	-	-	-	-	-
Special assessment bonds	-	-	-	-	-
Revenue bonds	-	-	-	-	-
Capital leases	-	-	-	-	-
Total	4,665,000	4,485,000	6,151,308	14,577,085	15,471,528
Total Debt of the Government	19,675,000	18,950,000	20,096,308	27,782,085	27,976,528
Total Taxable Value	2,496,516,302	2,600,979,331	2,712,182,410	2,706,150,524	2,648,467,760
Ratio of Total Debt to Taxable Value	0.79%	0.73%	0.74%	1.03%	1.06%
Total Population	71,082	72,444	68,258	74,277	70,678
Total debt per capita	277	262	294	374	396
Per Capita Personal Income	(1)	(1)	(1)	(1)	28,387
Ratio of debt to Personal Income	(1)	(1)	(1)	(1)	1.39%

(1) 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)**

	2010	2011	2012	2013	2014
\$	10,995,000	\$ 9,625,000	\$ 8,337,969	\$ 7,097,969	\$ 5,922,969
	-	-	-	-	-
	10,000	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	11,005,000	9,625,000	8,337,969	7,097,969	5,922,969
	16,529,634	18,263,706	19,328,651	22,968,930	32,500,078
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	16,529,634	18,263,706	19,328,651	22,968,930	32,500,078
	27,534,634	27,888,706	27,666,620	30,066,899	38,423,047
	2,260,548,870	1,996,102,460	1,930,465,372	1,905,737,405	1,904,049,799
	1.22%	1.40%	1.43%	1.58%	2.02%
	70,749	71,798	72,171	72,645	72,181
	389	388	383	414	532
	28,518	29,401	26,423	29,523	29,612
	1.36%	1.32%	1.45%	1.40%	1.80%

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
2005	\$ 7,470,000	\$ 11,825,000	\$ 286,406	\$ 19,008,594	\$ 2,496,516,302	0.76%	71,082	267
2006	7,310,000	11,350,000	294,628	18,365,372	2,600,979,331	0.71%	72,444	254
2007	9,071,308	10,825,000	328,023	19,568,285	2,712,182,410	0.72%	68,258	287
2008	17,422,085	10,250,000	362,295	27,309,790	2,706,150,524	1.01%	74,277	368
2009	18,441,528	9,515,000	79,879	27,876,649	2,648,467,760	1.05%	70,678	394
2010	18,779,634	8,745,000	331,124	27,193,510	2,260,548,870	1.20%	70,749	384
2011	20,003,707	7,885,000	349,877	27,538,830	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
2014	33,458,047	4,965,000	80,092	38,342,955	1,904,049,799	2.01%	72,181	531

Note: 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, 2014 (Unaudited)

Governmental unit	Debt Outstanding	Estimated % Applicable to Waterford	Estimated Share of Overlapping Debt
Oakland County	\$ 448,667,894	3.81%	\$ 17,094,247
School Districts:			
Clarkston school district	149,808,107	2.06%	3,086,047
Pontiac school district	28,276,135	2.02%	571,178
Waterford school district	98,790,000	85.93%	84,890,247
Oakland Community College	3,075,000	3.83%	117,773
Intermediate school district	<u>55,625,000</u>	3.82%	<u>2,124,875</u>
Total overlapping debt	784,242,136		107,884,367
Direct Township debt, governmental activities	<u>5,922,969</u>	100.00%	<u>5,922,969</u>
Total direct and overlapping debt	<u><u>\$ 790,165,105</u></u>		<u><u>\$ 113,807,336</u></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

	2005	2006	2007	2008	2009
Calculation of debt limit:(1)					
State equalized valuation	\$ 3,167,119,220	\$ 3,252,654,809	\$ 3,305,206,080	\$ 3,156,915,170	\$ 2,913,133,370
Debt limit (10% of equalized value)	316,711,922	325,265,481	330,520,608	315,691,517	291,313,337
Calculation of debt subject to limit:					
Total debt	19,675,000	18,950,000	20,096,308	27,782,085	27,976,528
Less debt not subject to limit:					
Special assessment bonds	380,000	290,000	200,000	110,000	20,000
Revenue bonds	-	-	-	-	-
Enterprise fund bonds	4,665,000	4,485,000	6,151,308	14,577,085	15,471,528
Net debt subject to limit	14,630,000	14,175,000	13,745,000	13,095,000	12,485,000
Legal debt margin	\$ 302,081,922	\$ 311,090,481	\$ 316,775,608	\$ 302,596,517	\$ 278,828,337
Net debt subject to limit as percentage of debt limit	4.84%	4.56%	4.34%	4.33%	4.48%

(1) The legal debt limit continues to be derived from State Equalized Value (SEV), not Taxable Value (TV).

Source: Township annual financial statements, Total SEV Township Assessing Department records

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

2010	2011	2012	2013	2014
\$ 2,356,726,670	\$ 2,050,367,380	\$ 1,974,086,000	\$ 1,975,795,165	\$ 2,057,190,519
235,672,667	205,036,738	197,408,600	197,579,517	205,719,052
27,534,634	27,888,707	27,666,620	30,066,899	38,423,047
10,000	-	-	-	-
-	-	-	-	-
16,529,634	18,263,707	19,328,651	22,968,930	32,500,078
10,995,000	9,625,000	8,337,969	7,097,969	5,922,969
<u>\$ 224,677,667</u>	<u>\$ 195,411,738</u>	<u>\$ 189,070,631</u>	<u>\$ 190,481,548</u>	<u>\$ 199,796,083</u>
4.89%	4.93%	4.41%	3.73%	2.96%

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 (Percentage)
2005	71,082	(1)	n/a	n/a	n/a	n/a	n/a
2006	72,444	(2)	n/a	30,589	26,676	41.0	n/a
2007	68,258	(3)	n/a	29,145	29,763	40.6	9.8
2008	74,277	(4)	n/a	31,317	27,366	39.0	8.1
2009	70,678	(5)	2,006,336	29,316	28,387	40.8	7.9
2010	70,749	(6)	2,017,620	29,140	28,518	38.8	9.0
2011	71,798	(7)	2,110,933	29,892	29,401	39.1	9.3
2012	72,171	(8)	1,906,974	27,700	26,423	37.5	8.8
2013	72,645	(9)	1,899,739	29,523	26,151	39.6	8.9
2014	72,181	(10)	2,072,822	29,612	28,717	40.0	6.8

(1) Southeast Michigan Council of Governments Information Services estimate

(2) 2005 Census Department - American Community Survey Data Profile Review

(3) 2006 Census Department - American Community Survey Data Profile Review

(4) 2007 Census Department - American Community Survey Data Profile Review

(5) 2008 Census Department - American Community Survey Data Profile Review

(6) 2009 Census Department - American Community Survey Data Profile Review

(7) 2010 Census Department - American Community Survey Data Profile Review

(8) 2011 Census Department - American Community Survey Data Profile Review

(9) 2012 Census Department - American Community Survey Data Profile Review

(10) 2013 Census Department - American Community Survey Data Profile Review

n/a - Not available

Charter Township of Waterford

Principal Employers (Unaudited)

Taxpayer	Enterprise	2014 Employees (1)	Percentage of Total	2005	Percentage of Total
1 Oakland County	Government	1,394	5.0%	N/A	N/A
2 Waterford School District	Education	1,247	4.5%	1951	N/A
3 Road Commission Of Oakland Cty	Transportation	433	1.6%	N/A	N/A
4 Township Of Waterford	Government	328	1.2%	375	N/A
5 Meijers	Retail	263	0.9%	645	N/A
6 Oakland Intermediary Schools	Education	252	0.9%	300	N/A
7 Pentastar Aviation, LLC	Air Transportation	239	0.9%	N/A	N/A
8 Canterbury Healthcare, Inc.	Nursing Care	230	0.8%	N/A	N/A
9 Kmart Corporation	Retail	176	0.6%	395	N/A
10 Oakland Community College	Education	<u>167</u>	0.6%	N/A	N/A
Total		<u>4,729</u>		N/A	
Total Township Employment (1)		<u>27,694</u>		<u>N/A</u>	

(1) Data is from various sources including:
 Oakland County Planning and Economic Development
 SEMCOG Regional Data

Charter Township of Waterford

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

Department	2005	2006	2007	2008	2009	2010 (2)	2011	2012	2013	2014
Supervisor/Assessing	9	9	9	9	9	7	6	7	6	6
Clerk's office	6	6	6	6	6	6	5	6	6	6
Treasurer's office	7	7	7	7	6	6	6	6	6	6
Fiscal and human resources	3	3	3	3	2	2	2	2	2	2
51st District Court	31	31	31	31	30	25	25	23	23	23
Planning and development	12	9	8	7	7	6	5	3	3	3
Information systems	4	5	5	4	5	4	3	3	3	3
Facilities and operations	10	10	10	10	10	8	8	10	10	10
Building and engineering	10	10	10	10	9	9	9	8	7	7
Parks and recreation	13	13	13	13	12	10	9	6	6	5
Police department	107	104	99	99	99	71	64	65	64	63
Fire department (3) (4)	68	68	67	68	71	67	64	106	146	140
Library	20	21	21	21	20	19	13	13	12	13
Water and sewer	54	51	51	51	50	43	42	41	40	41
Total	354	347	340	339	336	283	261	299	334	328

(1) Full-time employees reported only, data are not available for equivalent part-time positions.

(2) Numbers reflect retirement of 20 employees on 12/31/10 (Retirements: Court-3, Police-15, Fire-1, Water & Sewer-1).

(3) In 2012 Waterford Township began providing Fire Service to Pontiac which increased staffing by 42 positions.

(4) In 2013 Waterford Township was awarded a Federal Safer Grant which increased the Fire department staffing by 39 positions.

Source: Payroll & Benefit department and other records

Charter Township of Waterford

Function/Program	2005	2006	2007	2008	2009
Police:					
Physical arrests	2,023	2,668	2,144	2,231	1,832
Traffic violations	11,288	8,437	8,792	9,700	10,160
Nontraffic misdemeanors	810	761	614	702	704
Nontraffic civil infractions	357	417	297	952	611
Fire:					
Emergency responses	5,009	5,060	5,540	5,799	5,819
Fires extinguished	173	170	186	154	137
Inspections	572	522	393	1751	1107
Parks and recreation:					
Recreation programs (estimated)	676	703	729	768	782
Library:					
Circulation (books borrowed)	357,064	375,251	395,904	388,866	412,284
Collection volume	141,518	137,744	174,029	177,766	158,316
Visits: Walk-ins	(1)	(1)	264,453	287,965	308,638
Visits: Website	(1)	(1)	252,019	272,215	227,856
Water:					
New connections (2)	190	257	167	102	86
Water main breaks	27	19	13	16	27
Total consumption (billed-cubic feet)	388,727,883	373,262,721	381,132,096	353,426,861	320,941,837
Average annual consumption per customer (gallons)	70,582	68,545	69,055	65,953	60,536

(1) Information not available

Source: Township Departmental correspondence

Operating Information
Operating Indicators
Last Ten Fiscal Years
(Unaudited)

2010	2011	2012	2013	2014
1,492	1,614	1,829	1,626	1,062
6,359	4,935	6,645	5,698	3,391
527	463	456	497	310
272	374	188	256	315
5,953	6,080	10,025	10,502	11,276
166	147	605	545	542
948	550	959	1038	750
795	783	792	814	810
401,022	366,837	347,496	316,764	317,510
177,320	165,989	179,022	181,265	188,328
297,142	259,155	235,971	233,477	198,183
144,139	148,731	149,836	148,346	185,378
67	70	58	67	74
15	28	22	24	45
316,715,587	309,809,655	320,451,892	275,327,916	258,557,800
59,339	58,442	58,292	53,714	50,601

Charter Township of Waterford

Operating Information Capital Asset Statistics (Unaudited)

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	31	31	31	45	51	52	46	49	46	44
Fire:										
Stations	5	5	5	5	5	5	5	10	10	9
Trucks	15	15	15	15	14	14	14	24	27	27
Parks and recreation:										
Acreage	684	684	684	709	714	854	854	854	854	854
Playgrounds	8	9	9	8	8	8	8	8	8	6
Soccer fields	6	6	6	6	6	7	7	7	7	8
Baseball/ softball diamonds	13	13	13	13	13	13	13	13	13	13
Libraries:										
Branches	2	2	2	2	2	1	1	1	1	1
Water:										
Mains (miles)	350	350	350	350	350	350	350	350	350	350
Fire hydrants	3,500	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	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
Sewer:										
Miles of sanitary sewers	350	350	350	350	350	350	350	350	350	350

(1) Information not available

Source: Departmental correspondence