

Charter Township of Waterford, Michigan

Comprehensive Annual Financial Report



**For the Fiscal Year Ended
December 31, 2017**

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June 15, 2018

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, 2017. 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.

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 nation's thirteenth busiest general aviation airport with an average of approximately 131,000 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.

According to SEMCOG 2045 Regional Development Forecast, the major industry sectors within Waterford Township are retail trade; information and financial activities; leisure and hospitality; administrative, support, & waste services; healthcare services; education services; and public administration. The industry sectors with highest percentage increase in this forecast are professional and technical services & corporate headquarters and healthcare services. Community leaders recognize there is significant retail capacity within the region and the Township will aggressively pursue opportunities to revitalize this space and increase employment options over the next five to ten years. Further, 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 major businesses 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 2017 Waterford Township issued approximately 16 per cent more new residential permits as it did in 2016; which is over 11 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
2017	80	0	5	582
2016	69	0	4	470
2015	72	0	5	511
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

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 were impacted by the trying economic environment of the nation and the state. There are signs of improvement in the local economy as the annual unemployment rate for Oakland County continues to improve going down about 4.5 per cent in 2016 and 2015 to 3.4 per cent in 2017. 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 2014 was estimated to be about 3 percent. For Waterford Township, the percent change in population during this same time period was slightly lower than that, or 2 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 is 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 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.

Internal and Budgetary Control (continued)

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 control feature 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 stay in reporting compliance and to use in and report on its long-term legacy costs. Both of Waterford’s Pension Systems (General Employees and Police and Fire) are now closed to new hires. New hires participate in 401-K Style Defined Contribution Plans. These changes were made to help the Township curtail some of its long-term obligations and develop a more predictable financial model. Additionally, the Township has closed its employer sponsored retiree health care system to all but one bargaining unit. The Township also has a retiree health care trust. The trust is vastly underfunded and is a challenge for the Township for both the short and near term future.

There was a dramatic decline in property values that continued through 2013. Property values for 2018 are projected to rise modestly over time. The Headlee Amendment will ‘dampen’ any revenue gains the Township will see going forward in the short and intermediate future due to a continued low inflationary cycle. The Library and a Fire

Long Term Financial Planning (continued)

Millage were renewed in 2012. The 2014 Police Renewal was vital to the Township's 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 helped shore up and help sustain the non state mandated recreational services that are provided by the Township's Parks and Recreation Department. Public Safety had (3) millage renewals in 2016. These millage renewals were vital for Waterford's Public Safety Departments to provide essential services.

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 was 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 Township's funding for the defined benefit pension plans and the retiree health trust fund. All employee group new hires are now enrolled in Defined Contribution Retirement Plans. These new DC plans 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. 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. The Township continues to work closely with its auditors and actuaries and strives to adhere to all applicable accounting principles.

Cash Management

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

Due to economic conditions and the events which transpired involving banking and investment institutions in 2008 the Township continues to take a conservative 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 \$100,000 per occurrence. We are actively involved in risk control through supervisory and employee training, facilities inspections, and utilization of the MMRMA Risk Control Staff.

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

Risk Management (continued)

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 and 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 unmodified 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 (CAFR) for the fiscal year ended December 31, 2016. This was the twelfth consecutive year that the Township has achieved this prestigious award. In order to be awarded a

AWARDS AND RECOGNITIONS (continued)

Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR). 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 Supervisor's Office, the Clerk's Office, the 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.

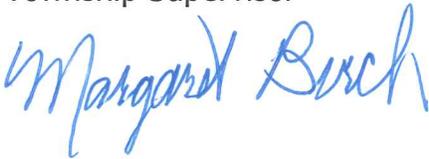
Respectfully submitted,



Gary Wall
Township Supervisor



Sue Camilleri
Township Clerk



Margaret Birch
Township Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Charter Township of Waterford
Michigan**

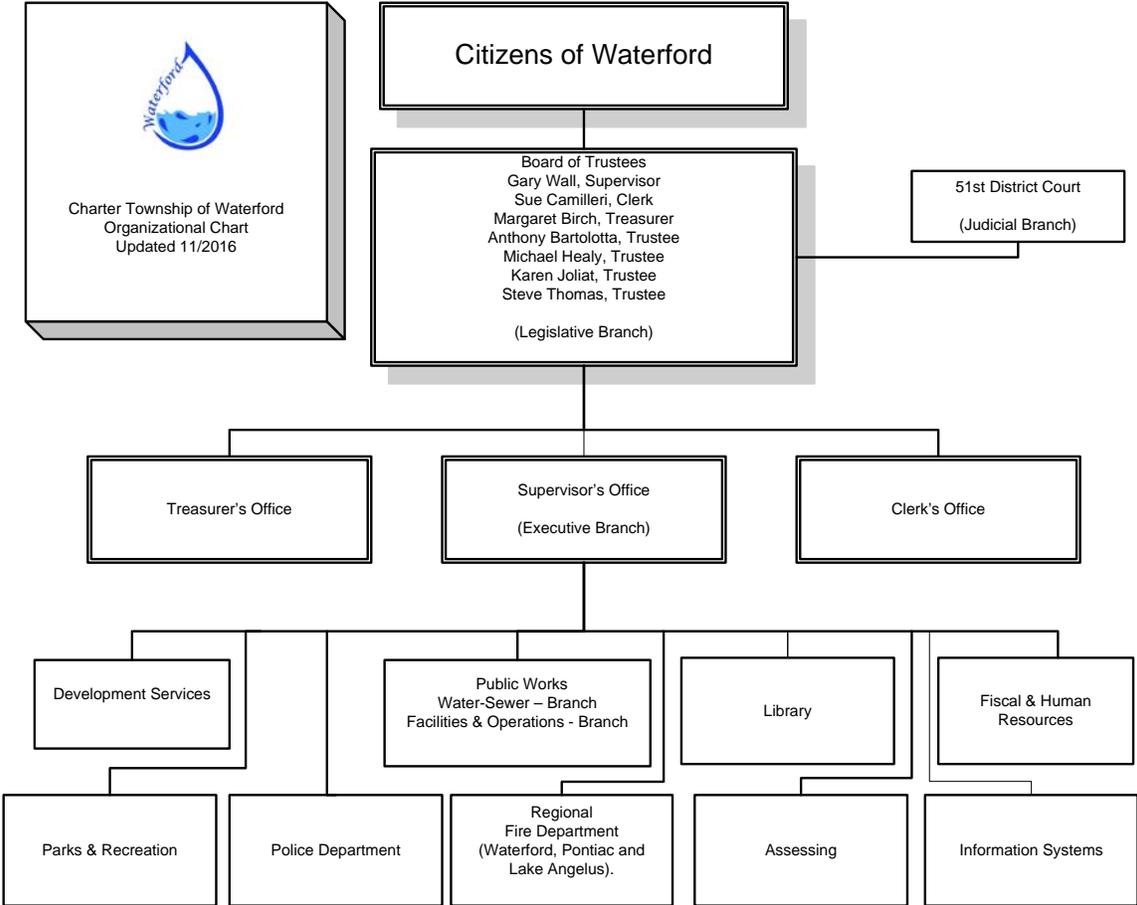
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morill

Executive Director/CEO

Organizational Chart



**Charter Township of Waterford
List of Principal Officials
Year Ended December 31, 2017**

Supervisor's Office

Supervisor

Gary Wall

Clerk's Office

Clerk

Sue Camilleri

Deputy Clerk

Kari Vlaeminck

Accounting Manager

Barbara Miller

Treasurer's Office

Treasurer

Margaret Birch

Deputy Treasurer

Sandy Pulk

Assessing

Chief Assessor

Carol Hargan

Deputy Assessor

Paula Moore

Development Services

Director and CDBG

Robert Merinsky

Superintendent of Building

Brent Gibson

Superintendent of Planning and

Larry Lockwood

Zoning

Fire

Chief

John Lyman

Deputy Chief

Matthew Covey

Fiscal and Human Resources

Human Resources Director

Louis Feurino

Budget Director

Derek Diederich

Assistant Budget Director

Barbara Miller

Information Systems

Director

Jared Black

Library

Director

Joan Rogers

Parks and Recreation

Director

Alison Swanson

Police

Chief

Scott Underwood

Deputy Chief

Kevin Kazyak

Public Works

Director

Russell Williams

Water and Sewer Superintendent

Joseph Ashley

Administrative Superintendent

Derek Diederich

Facilities and Operations Superintendent

Hugo Cardenas

**Charter Township of Waterford
Labor Agreements
Year Ended December 31, 2017**

<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	42
Command Officers Association of Michigan - Represents police sergeants and lieutenants	12/31/2017	10
International Association of Firefighters - Represents all firefighting personnel	12/31/2015	134
Michigan Association of Police - Represents dispatchers	12/31/2018	12
Teamsters State, County, and Municipal Workers - Represents clerical, public works employees, building inspectors, and ordinance officers	12/31/2018	105

**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
Cable Commission	250
Community Development Block Grant	260-263
Library	270
Library Donations	271
Parks & 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
Capital Project Allocation	330
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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the Charter Township of Waterford (the "Township") as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the Charter Township of Waterford's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the Charter Township of Waterford as of December 31, 2017 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Charter Township of Waterford

Required Supplemental Information

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

Other Information

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

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 and statistical sections 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 15, 2018 on our consideration of the Charter Township of Waterford'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's internal control over financial reporting and compliance.



June 15, 2018

Financial Highlights

The following represents the most significant financial highlights for the year ended December 31, 2017.

- Total 2017 General Fund revenue was \$626,877 below 2016 revenue and \$1,221,795 below 2010 revenue. The majority of the current year decrease was attributable to a one-time adjustment to the recording of state-shared revenue in 2016. Otherwise, revenue was somewhat flat as compared to 2016. Property taxes continued to be the largest source of revenue (37.85 percent of all General Fund revenue). Going forward, property tax revenue is expected to produce very modest increases, due to the limitations of the Headlee Amendment.
- State-shared revenue and grants, despite dramatic cuts over the past 10 years, remain an important portion of the Charter Township of Waterford's (the "Township") revenue sources. During the Township's 2017 fiscal year, state revenue sources increased by \$487,829 compared to 2016. State revenue sharing is \$1,314,012 below the amount received in 2001, which is a loss of 17.24 percent. The reader should note that these numbers are not adjusted for inflation. The State has continued to divest itself from local governments when looking at longer trends.
- Revenue from district court fees and fines increased by \$17,357 (1.6 percent) from the previous year. District court fines and fees revenue for 2017 was \$1,358,714 below the 2004 amount. This is a reduction of 55.49 percent over the past 13 years.
- General Fund expenditures and operating transfers out for fiscal year 2017 were more than 2016, increasing by \$1,496,985. The General Fund's largest expenditures are transfers to public safety. In 2017, the General Fund transferred \$7,652,500 to public safety (police and fire).
- The unassigned General Fund fund balance at year end was \$6,154,494. During fiscal year 2017, the General Fund unassigned fund balance decreased by \$1,099,722; keep in mind that a one-time legal settlement of \$1,400,000 played a role in this outcome. The December 31, 2017 unassigned fund balance for the General Fund is 30.47 percent of total 2017 General Fund expenses, including transfers to public safety. Our bare minimum fund balance target is 15 percent, though bond agencies and many analysts prefer 20 to 30 percent or higher as a sign of a financially healthy municipality; this cash position has to be tempered with a community's longer-range outlook, debt ratio, and unfunded long-term liabilities, and deferred maintenance activities.
- The Police Fund fund balance increased by \$290,466 in fiscal year 2017. Staff reductions in prior years within the police department were the primary driver of these results. The Police Fund fund balance at December 31, 2017 is \$3,306,931, or 27.62 percent of annual expenses.
- The Fire Fund fund balance decreased by \$403,358 in fiscal year 2017. In 2009, the fire department began EMS 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, Michigan and, therefore, became a regional fire department. The new revenue helped offset some losses in property tax revenue. The Fire Department continues to look to grant opportunities to augment its service levels. In 2016, the Waterford Fire Department was awarded \$8.6 million over a 24-month period to hire 39 additional firefighters. This was made possible by a federal assistance to firefighters grant from the federal government. The Township's financial staff conducted an in-house actuarial study that permitted prefunding of separation costs, which helped protect the Township's future financial interests - an important aspect of the grant as a whole. The Fire Fund fund balance at December 31, 2017 is \$1,642,543, or 8.82 percent of annual expenses. While the fund balance is a little lower than desired, the fire department and Township remain vigilant in the financial planning process.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Using this Annual Report

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

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

Township's Net Position

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 52,767,683	\$ 51,404,369	\$ 27,766,309	\$ 25,612,569	\$ 80,533,992	\$ 77,016,938
Capital assets	52,659,056	52,069,419	110,078,980	111,079,188	162,738,036	163,148,607
Total assets	105,426,739	103,473,788	137,845,289	136,691,757	243,272,028	240,165,545
Deferred Outflows of Resources	181,004	3,271,756	-	1,112,887	181,004	4,384,643
Liabilities						
Current liabilities	1,078,638	1,396,228	1,439,259	1,412,751	2,517,897	2,808,979
Noncurrent liabilities	61,061,308	67,667,276	40,080,966	42,915,003	101,142,274	110,582,279
Total liabilities	62,139,946	69,063,504	41,520,225	44,327,754	103,660,171	113,391,258
Deferred Inflows of Resources	32,165,258	24,967,144	1,196,410	280,855	33,361,668	25,247,999
Net Position						
Net investment in capital assets	49,917,271	47,755,197	77,300,259	76,149,383	127,217,530	123,904,580
Restricted	5,006,923	5,573,050	2,342,415	1,098,158	7,349,338	6,671,208
Unrestricted	(43,621,655)	(40,613,351)	15,485,980	15,948,494	(28,135,675)	(24,664,857)
Total net position	\$ 11,302,539	\$ 12,714,896	\$ 95,128,654	\$ 93,196,035	\$ 106,431,193	\$ 105,910,931

The Township's combined net position increased in 2017. The governmental activities portion of net position decreased by approximately \$1.4 million from the prior year. The reader should keep in mind that other postemployment employee benefit obligations (OPEB, for short) are retiree healthcare benefits promised to employees, but not fully prefunded in 2017 or in years prior. In 2018, the full OPEB obligation will be represented in the chart above and will substantially change the metrics above.

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 .74 percent of the statutorily allowed debt. In 2018, the Township will make the final principal and interest payments for the 1998-1999 Police and Fire Building Construction. The associated 20-year bond for this construction will be paid off.

The following table shows the Township's major revenue and expenses as a whole for both the governmental and business-type activities. 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 for the year 2017 increased by \$3,561,982 from the 2016 fiscal year. The reader should keep in mind that the Federal SAFER Grant in the fire department had an impact on this outcome. Looking line to line will give the reader a better understanding of the changes per activity group.

Governmental expenses were up \$502,627 in 2017. This change was in the general government category, which included \$1.4 million related to a lawsuit settlement. In late spring/early summer 2017, the Waterford Township Board of Trustees approved a class action settlement in the case of Mason v. Waterford. In the fire department, the Federal SAFER Grant also impacted expenses. The reader should keep in mind that the SAFER Grant has corresponding revenue and expenses.

In the business-type activities (Water and Sewer Fund), revenue was up approximately \$1.6 million in 2017. This was due to the capital grant category. In addition, the Water and Sewer Fund also partially prepaid \$1.5 million in 2017 for debt issued by the Water Resource Commission (WRC). This move was estimated to save the Waterford water-sewer rate payer some \$378,000 in interest over the life of the loan.

Township's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue						
Program revenue:						
Charges for services	\$ 13,161,248	\$ 12,450,399	\$ 23,007,438	\$ 23,010,690	\$ 36,168,686	\$ 35,461,089
Operating grants	4,241,920	2,185,090	469,295	-	4,711,215	2,185,090
Capital grants	5,000	-	1,131,554	219,089	1,136,554	219,089
General revenue:						
Property taxes	22,825,673	22,549,154	-	-	22,825,673	22,549,154
Intergovernmental	6,403,176	6,946,348	-	-	6,403,176	6,946,348
Investment earnings	262,207	195,136	146,368	107,899	408,575	303,035
Other revenue	2,135,271	1,146,386	101,451	(95,143)	2,236,722	1,051,243
Total revenue	49,034,495	45,472,513	24,856,106	23,242,535	73,890,601	68,715,048
Expenses						
General government	9,566,130	9,692,104	-	-	9,566,130	9,692,104
District court	1,950,465	2,060,646	-	-	1,950,465	2,060,646
Public safety:						
Police	12,675,761	13,922,805	-	-	12,675,761	13,922,805
Fire	18,472,622	16,213,977	-	-	18,472,622	16,213,977
Building inspection	1,299,693	1,128,343	-	-	1,299,693	1,128,343
Public works	644,788	622,955	-	-	644,788	622,955
Community and economic development	1,237,013	1,436,840	-	-	1,237,013	1,436,840
Recreation and culture	4,457,445	4,721,848	-	-	4,457,445	4,721,848
Debt service	142,935	144,707	-	-	142,935	144,707
Water and sewer	-	-	22,923,487	22,164,690	22,923,487	22,164,690
Total expenses	50,446,852	49,944,225	22,923,487	22,164,690	73,370,339	72,108,915
Change in Net Position	\$ (1,412,357)	\$ (4,471,712)	\$ 1,932,619	\$ 1,077,845	\$ 520,262	\$ (3,393,867)

Governmental Activities

The Township's governmental revenue totaled approximately \$49 million, with the greatest revenue source being property taxes. Property taxes made up approximately 46.55 percent of total governmental revenue in 2017. That percentage is down from approximately 49.6 percent of total governmental revenue in 2016. The Pontiac fire service contract has changed the Township's revenue proportions and the Federal SAFER Grant in 2016 had a similar effect. Before 2008, property taxes had traditionally been a secure and growing revenue source for the Township. 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 rise slightly, but is projected to be low from a historical perspective in 2018 and 2019.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Total 2017 governmental expenses for the Township were approximately \$50.4 million. Of this, 61.74 percent of all expenses were in the area of police and fire service; the same ratio in 2016 was 60.34 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, as well as adds an agent to prevent corrosion in the distribution system. 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 the Great Lakes Water Authority. Traditionally, 40 to 50 percent of the average residential sewer bill in Waterford is sent to Oakland County Drain and the other authorities for their services. The county maintains the sewer interceptor that Waterford's smaller mains flow into and the regional authority 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 92.56 percent of all revenue in 2017.

The business-type activities expenses totaled approximately \$22.9 million in 2017. In 2017, \$9.28 million was collected from sewer customers and paid to Oakland County and the Great Lakes Water Authority for sewage conveyance, treatment, and disposal.

Financial Analysis of Individual 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 2017 include the General Fund, the Police Fund, and the Fire Fund. The Township's major business-type fund consists of the Water and Sewer Fund.

General Fund

The General Fund pays for most of the Township's governmental services. The two largest services funded by the General Fund are Police Fund and Fire Fund. The General Fund transferred \$5.475 million to the Police Fund and \$2.177 million to the Fire Fund in 2017.

Other major activities in the General Fund include the 51st District Court, 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. Most of these services are mandated (tax collections, assessing, elections, and court).

The Township's General Fund year-end fund balance is \$9,626,810, of which \$6,154,494 is unassigned. A total of \$9,626,810 represents approximately 47.67 percent of 2017's annual expenditures, net of transfers to other funds. Due to an accounting rule change, reassignment of two funds, Workers' Compensation (\$745,216) and Cemetery Care (\$250,386), occurred, and were moved into the General Fund in 2011. Also, when removing the Budget Stabilization Fund of \$1,750,000 as well as the Workers' Compensation and Cemetery Care Fund out of the General Fund, the General Fund's fund balance at year end represented 30.47 percent of its annual expenditures in 2017. This second level of measurement is the one 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 30.47 percent also excludes \$1,750,000 in the Budget Stabilization Fund, which was created in 2013. These funds were committed by the township board for future unforeseen events. A minimum 20 to 30 percent of unassigned fund balance to annual expenditures ratio is recommended by bond rating agencies and by the Township's financial consultants. It should also be stated that cash position and liquidity is only one piece of a municipality's financial health. The reader must also keep in mind liabilities and obligations, both of the funded and unfunded variety.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Police Fund

The Police Fund covers the operation of the police department. Major revenue includes nearly \$5.475 million from the Township's General Fund and an additional \$5,902,818 in special millage revenue for 2017, a small overall increase from 2016. The department receives a small amount of its revenue from fees, grants, and interest on investments.

Over fiscal year 2017, the Police Fund fund balance increased by \$290,466. This change was due primarily to lower staff levels from traditional levels and foregoing some projects. The police department employed 32 fewer staff in 2017 than it did in 2010.

Fire Fund

The Fire Fund covers the operations of fire prevention, suppression, and emergency medical services. In 2017, the department received \$2.177 million from the General Fund and approximately \$5.1 million from special millages. In February 2012, the Charter Township of Waterford began a contract with the City of Pontiac, Michigan 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 decreased by \$403,358 in 2017. The Fire Fund's fund balance is at 8.82 percent of annual expenditures; this is a little lower than desired.

Water and Sewer Fund

The Water and Sewer Fund continues to maintain a reasonable 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. The Township 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 Regional Authority are routinely passed on to customers. The Township 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, Michigan, routinely monitors the pending changes at the Great Lakes Water Authority. In 2017, the fund prepaid almost \$1.5 million in Water Resource Commission (WRC) allocated debt. This move saved rate payers almost \$378,000 in interest over the life of the proposed amortization schedules. Deferred maintenance from OMI, the Regional Authority, and some internal assets will remain a challenge for the fund going forward, as capital projects in this area routinely are measured in the multiple million dollar range.

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 2017, the Water and Sewer Fund was staffed at 42 positions compared to 52 in 2010. 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 2015, the Water and Sewer Fund paid off nearly \$2.7 million of its Oakland Macomb Interceptor (OMI) debt and saved nearly \$870,000 in long-term interest, more good news for the Waterford sewer customer. A similar move was conducted in 2017 when \$1.5 million was partially prepaid on a WRC debt. This is estimated to save \$378,000 in interest over the life of the loan. When possible, township planners make efforts to avoid any undo interest costs, while keeping in mind a healthy capital reserve goal. The Water and Sewer Fund was also recently awarded a SAW (Storm, Asset, and Wastewater) Grant for nearly \$1 million. The Township is required to pay only 10 percent of this grant award. The grant should help the Water and Sewer Fund optimize future projects.

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 modestly increase in 2018 and 2019. 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 was 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 revenue seem likely in the short run.

Building activity in the Township is focused primarily on redevelopment, allowing limited growth in taxable values. Construction activity is recovering somewhat, reflected in slightly increased development-based fee revenue the last few years.

When subtracting out fire employees hired for Pontiac fire service and the temporary Fire SAFER Grant employees, the Township is at early 1980s employment levels. Any new positions or changes to service levels in the short to intermediate range would likely need to come by the way of a new revenue question put before the voters.

Within these governmental funds, the General Fund is the most significant to understanding the Township's financial activities. In addition, the Water and Sewer Fund is a significant enterprise activity for the Township. A brief analysis of each of those funds is presented below:

Capital Assets and Debt Administration

There was a slight increase in governmental-type capital assets of \$589,637, net of depreciation. Disposal of assets and excess equipment occurred throughout 2017 as well. (Asset activity available in Note 4).

In business-type activities, the Township saw a net decrease of \$1,000,208 in capital assets. There were new assets in this group as well. The overall numbers in this category reflect the Township's continued investment in its 350 miles of water and sewer mains, as well as numerous water and sewer pump stations.

The Township did not issue any construction or vehicle debt for governmental activities in 2017. The Township has been purchasing vehicles via cash for police, parks and recreation, and facilities and operations in recent years. The Township also plans on paying off its LED lighting obligation in 2018. This will reduce some debt on the books and save long-term interest as well.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

2017 saw \$3,006,307 (Waterford's principal portion allocation) in expected new debt for the business-type activity funds. New debt was added to the Water and Sewer Fund for bonds issued for the Oakland County - Water Resource Commission (WRC) project for the Pontiac Waste Water Plant. This was after the Township's Water and Sewer Fund partially prepaid \$1.5 million in an effort to save rate payers some long-term interest. Allocated debt from third parties (Oakland County, Oakland-Macomb Interceptor, and Great Lakes Water Authority) has become an area of real concern as these agencies attend to deferred maintenance and allocate back the proportional share to their municipal customer base.

The Township reduced its general obligation and tax-supported debt by \$1,572,437 (36.45 percent of total) in fiscal year 2017. The Township maintains a very low amount of general government debt. The majority of the general government debt remaining (\$2,741,785) was authorized by a vote of the people in 1998 for new public safety headquarters and supported by a dedicated debt retirement millage. In 2018, this 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 until 2016 and was reduced to .65 in 2017. 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 resulted in the need to raise the debt retirement millage slightly from its original level to cover the required annual principal and interest payment.

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 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, 2015, 2016, and 2017, building activity saw an uptick. Unemployment has improved, which is a positive. Sales tax, which is the source of state revenue sharing, has traditionally been the Township's second largest source of revenue. The Township has seen small upticks in revenue sharing from the State in the last couple of years; however, the Township remains at decade low levels of support from the State in this category.

The economy is seeing some improvement in recent years, with unemployment declining and housing prices starting to steadily increase. Both sales and income taxes are increasing and should bolster state revenue. How the State of Michigan elects to distribute any new revenue 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 revenue 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. The reader/taxpayer can see this in practical terms on his or her respective tax statements when looking at the assessed value and comparing it to an often much smaller taxable value. It is the taxable value that is used to derive property tax bills.

State funding priorities continue to shift funding away from local governments in order to maintain state services. The State of Michigan has deferred maintenance in its own capital asset categories. Waterford received over \$1.3 million more from the State of Michigan in revenue sharing in 2001 than it did in 2017, without adjusting for inflation. 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.waterfordmi.gov. This is another tool to help the citizen and interested parties understand where taxes and fees are directed and utilized. The Township also posts its budgets, financial statements, and pension reports on its website.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Health insurance costs continue to outpace inflation, especially in the retiree healthcare category. 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 grows 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 some savings. The retiree healthcare 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. Additionally, employer-sponsored retiree healthcare benefits are being eliminated for new hires as contracts come up for renewal and are negotiated. Newer 401(k)-style benefits are being implemented for this benefit area. The State of Michigan also passed Public Act 202 of 2017. This law pertains to the fundability and position of municipal pension systems and retiree healthcare obligations. The Township's pension systems meet the State's mandates and are in decent position currently. Waterford's Retiree Health Care System does not meet the State's minimum requirements. The Township has made strides in recent years to confront this topic. It has made changes such as closing the system to almost all new hires and is putting much more away into its health trust to garner market returns, but more will need to be done and this remains a topic of concern going forward.

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. The Township is trying to put more dollars away into its Retiree Health Care Trust to help deal with this legacy cost category; there remains a large unfunded gap in this category from prior years. Converting new employees to new 401(k)-style benefits has been a commitment of the Township in recent years.

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. Additionally, not budgeting for one-time revenue has also helped the Township's liquidity recently. Consolidating services and contracting out lawn cutting and other miscellaneous services have helped the Township in recent years. Closing the Monteith Parks and Recreation building (on Crescent Lake Road) has also created savings. Selling the Andersonville Historic Church also helped the parks and recreation department save funds. No wage increases in the not-so-recent past have helped the Township financially. Lower staffing levels in all departments but the fire department, which 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 its pension retirement system for a more modernized defined contribution 401(k)-style plan. Therefore, all of the Township's Defined Benefit 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. Similarly, ending the employer-sponsored retiree healthcare benefit as contracts are negotiated and converting to a defined contribution (DC) plan are expected to help in the longer term.

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 offer a third-party view of financial stewardship. In March 2014, the Township had its bond rating upgraded by Standard & Poor's (S&P) from A+ to AA. This constituted two moves in the positive direction. Township officials believe the rating agency liked the fact that the Township created its first Budget Stabilization Fund in 2013 and has made subsequent deposits with some one-time revenue. S&P also liked the fact that the Township is converting its defined benefit (DB) pension retirement offerings to new employees to defined contribution (DC), 401(k)-style plans. S&P also appreciated that the Township's management utilizes a financial forecasting tool. S&P liked that the Township has created a retiree healthcare trust, but noted that it is severely underfunded and views this as an intermediate and long-term issue that will have to be overcome.

Requests for Further Information

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, please contact the office of fiscal and human resources at (248) 674-6252. This financial report, the Township budgets, pension actuary reports and other financial information are available on the Township's website at www.waterfordmi.gov under the fiscal and 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, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 37,583,348	\$ 16,364,164	\$ 53,947,512	\$ 206,931
Receivables:				
Property taxes receivable	10,248,173	-	10,248,173	-
Special assessments receivable	290,939	305,557	596,496	-
Customer receivables	-	7,790,033	7,790,033	-
Accrued interest receivable	-	55,590	55,590	-
Due from other governmental units	1,385,846	11,804	1,397,650	-
Rehabilitation loan receivable	1,180,206	-	1,180,206	-
Other receivables	125,762	-	125,762	-
Inventory	80,666	-	80,666	-
Prepaid items	468,364	148,651	617,015	-
Restricted assets	-	2,342,415	2,342,415	-
Net pension asset (Note 7)	1,404,379	748,095	2,152,474	-
Capital assets: (Note 4)				
Assets not subject to depreciation	28,395,660	7,937,941	36,333,601	-
Assets subject to depreciation - Net	24,263,396	102,141,039	126,404,435	57,391
Total assets	105,426,739	137,845,289	243,272,028	264,322
Deferred Outflows of Resources - Deferred outflows related to pensions (Note 7)	181,004	-	181,004	-
Liabilities				
Accounts payable	586,963	1,157,354	1,744,317	898
Accrued liabilities and other	491,675	281,905	773,580	-
Noncurrent liabilities: (Note 6)				
Due within one year:				
Compensated absences	2,253,242	195,372	2,448,614	-
Provision for claims	550,110	127,682	677,792	-
Current portion of long-term debt	1,655,079	2,222,502	3,877,581	-
Due in more than one year:				
Compensated absences	96,333	64,258	160,591	-
Provision for claims	346,330	20,808	367,138	-
Accrued unemployment	135,792	-	135,792	-
Long-term debt	1,086,706	30,556,219	31,642,925	-
Net pension liability (Note 7)	10,742,239	-	10,742,239	-
Net OPEB obligation (Note 8)	44,195,477	6,894,125	51,089,602	-
Total liabilities	62,139,946	41,520,225	103,660,171	898
Deferred Inflows of Resources				
Property taxes levied for the following year	23,952,568	-	23,952,568	-
Deferred pension cost reductions (Note 7)	8,212,690	1,196,410	9,409,100	-
Total deferred inflows of resources	32,165,258	1,196,410	33,361,668	-
Net Position				
Net investment in capital assets	49,917,271	77,300,259	127,217,530	57,391
Restricted:				
Police	1,077,966	-	1,077,966	-
Debt service	180,636	-	180,636	-
Community development	1,621,269	-	1,621,269	-
Library	1,294,507	-	1,294,507	-
Weed control	285,179	-	285,179	-
Nature center	547,366	-	547,366	-
Capital projects	-	2,342,415	2,342,415	-
Unrestricted	(43,621,655)	15,485,980	(28,135,675)	206,033
Total net position	\$ 11,302,539	\$ 95,128,654	\$ 106,431,193	\$ 263,424

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	\$ 9,566,130	\$ 737,664	\$ -	\$ -
District court	1,950,465	1,089,797	175,758	-
Public safety:				
Police	12,675,761	100,563	667,232	5,000
Fire	18,472,622	8,974,259	2,848,757	-
Building inspections and related	1,299,693	703,837	-	-
Public works	644,788	55,708	-	-
Community and economic development	1,237,013	372,302	188,144	-
Recreation and culture	4,457,445	1,127,118	362,029	-
Interest on long-term debt	142,935	-	-	-
Total governmental activities	50,446,852	13,161,248	4,241,920	5,000
Business-type activities - Enterprise Fund				
- Water and Sewer Fund	22,923,487	23,007,438	469,295	1,131,554
Total primary government	\$ 73,370,339	\$ 36,168,686	\$ 4,711,215	\$ 1,136,554
Component units:				
Economic Development Corporation	\$ 395	\$ -	\$ -	\$ -
Waterford Youth Assistance Corporation	34,114	1,535	27,853	-
Veterans Memorial Fund	2,250	100	-	-
Total component units	\$ 36,759	\$ 1,635	\$ 27,853	\$ -

General revenue:
 Property taxes
 Unrestricted state-shared revenue
 Investment income
 Unrestricted cable franchise fees
 Gain on sale of capital assets
 Other miscellaneous income

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Statement of Activities

Year Ended December 31, 2017

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (8,828,466)	\$ -	\$ (8,828,466)	\$ -
(684,910)	-	(684,910)	-
(11,902,966)	-	(11,902,966)	-
(6,649,606)	-	(6,649,606)	-
(595,856)	-	(595,856)	-
(589,080)	-	(589,080)	-
(676,567)	-	(676,567)	-
(2,968,298)	-	(2,968,298)	-
(142,935)	-	(142,935)	-
(33,038,684)	-	(33,038,684)	-
-	1,684,800	1,684,800	-
(33,038,684)	1,684,800	(31,353,884)	-
-	-	-	(395)
-	-	-	(4,726)
-	-	-	(2,150)
-	-	-	(7,271)
22,825,673	-	22,825,673	-
6,403,176	-	6,403,176	-
262,207	146,368	408,575	1,737
1,210,578	-	1,210,578	-
51,221	101,451	152,672	-
873,472	-	873,472	-
31,626,327	247,819	31,874,146	1,737
(1,412,357)	1,932,619	520,262	(5,534)
12,714,896	93,196,035	105,910,931	268,958
\$ 11,302,539	\$ 95,128,654	\$ 106,431,193	\$ 263,424

Charter Township of Waterford

Governmental Funds Balance Sheet

December 31, 2017

	General Fund	Police Fund	Fire Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 13,176,176	\$ 6,700,501	\$ 4,591,046	\$ 12,649,107	\$ 37,116,830
Receivables:					
Property taxes receivable	3,442,423	2,651,943	2,322,463	1,831,344	10,248,173
Special assessments receivable	188,942	-	-	101,997	290,939
Due from other governmental units	1,072,444	44,101	236,573	32,728	1,385,846
Rehabilitation loan receivable	-	-	-	1,180,206	1,180,206
Other receivables	125,762	-	-	-	125,762
Prepaid items	192,148	138,381	109,342	28,493	468,364
Total assets	\$ 18,197,895	\$ 9,534,926	\$ 7,259,424	\$ 15,823,875	\$ 50,816,120
Liabilities					
Accounts payable	\$ 131,602	\$ 48,292	\$ 91,041	\$ 290,464	\$ 561,399
Accrued liabilities and other	96,752	115,912	221,726	40,747	475,137
Provision for claims	23,730	37,101	26,186	4,030	91,047
Total liabilities	252,084	201,305	338,953	335,241	1,127,583
Deferred Inflows of Resources					
Unavailable revenue	77,878	-	-	1,185,973	1,263,851
Property taxes levied for the following year	8,241,123	6,026,690	5,277,928	4,406,827	23,952,568
Total deferred inflows of resources	8,319,001	6,026,690	5,277,928	5,592,800	25,216,419
Total liabilities and deferred inflows of resources	8,571,085	6,227,995	5,616,881	5,928,041	26,344,002
Fund Balances					
Nonspendable - Prepaids	192,148	138,381	109,342	28,493	468,364
Restricted:					
Police	-	-	-	1,077,966	1,077,966
Debt service	-	-	-	180,636	180,636
Community development	-	-	-	441,063	441,063
Library	-	-	-	1,280,471	1,280,471
Weed control	-	-	-	285,179	285,179
Nature center	-	-	-	547,366	547,366
Committed:					
Cemetery care	250,386	-	-	-	250,386
Workers' compensation	745,216	-	-	-	745,216
Budget stabilization	1,750,000	-	-	-	1,750,000
Capital projects - General	-	-	-	251,849	251,849
Capital projects - Fire	-	-	-	203,120	203,120
Capital projects - Parks and recreation	-	-	-	136,266	136,266
Assigned:					
Subsequent year's budget	534,566	-	-	-	534,566
Cable-related projects	-	-	-	751,900	751,900
Police	-	3,168,550	-	-	3,168,550
Fire	-	-	1,533,201	-	1,533,201
Community development	-	-	-	200,000	200,000
Capital projects	-	-	-	3,537,400	3,537,400
Parks and recreation	-	-	-	974,125	974,125
Unassigned	6,154,494	-	-	-	6,154,494
Total fund balances	9,626,810	3,306,931	1,642,543	9,895,834	24,472,118
Total liabilities, deferred inflows of resources, and fund balances	\$ 18,197,895	\$ 9,534,926	\$ 7,259,424	\$ 15,823,875	\$ 50,816,120

Charter Township of Waterford

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

December 31, 2017

Fund Balances Reported in Governmental Funds	\$ 24,472,118
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	51,758,244
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	1,263,851
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(2,218,276)
Accrued interest is not due and payable in the current period and is not reported in the funds	(10,645)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(2,349,575)
Pension benefits	(17,369,546)
Retiree healthcare benefits	(44,195,477)
Other long-term liabilities, such as claims and judgments, do not present a claim on current financial resources and are not reported as fund liabilities	(805,393)
Internal service funds are included as part of governmental activities	<u>757,238</u>
Net Position of Governmental Activities	<u>\$ 11,302,539</u>

Charter Township of Waterford

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2017

	General Fund	Police Fund	Fire Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 7,624,652	\$ 5,902,818	\$ 5,169,323	\$ 4,131,370	\$ 22,828,163
Special assessments	-	-	-	328,236	328,236
Intergovernmental:					
Federal grants	-	107,921	2,848,757	613,518	3,570,196
State-shared revenue and grants	6,518,185	26,099	22,679	568,913	7,135,876
Charges for services	1,300,379	25,184	8,963,952	936,514	11,226,029
Fines and forfeitures	1,316,064	75,379	-	184,804	1,576,247
Licenses and permits	655,314	38,495	-	29,617	723,426
Investment income	598,122	50,933	40,633	72,166	761,854
Other revenue:					
Local contributions	-	-	-	20,862	20,862
Other miscellaneous income	97,246	540,376	171,153	97,410	906,185
Cable franchise fees	1,077,414	-	-	133,164	1,210,578
Refunds and reimbursements	668,481	-	10,307	-	678,788
Total revenue	19,855,857	6,767,205	17,226,804	7,116,574	50,966,440
Expenditures					
Current services:					
General government	6,898,590	-	-	389,721	7,288,311
District court	1,975,255	-	-	-	1,975,255
Public safety:					
Police	41,043	11,843,354	-	886,914	12,771,311
Fire	-	-	18,147,064	-	18,147,064
Building inspection	1,192,600	-	-	-	1,192,600
Public works	-	-	-	53,953	53,953
Community and economic development	959,968	-	-	313,058	1,273,026
Recreation and culture	-	-	-	3,798,000	3,798,000
Capital outlay	88,150	128,872	483,426	1,657,838	2,358,286
Debt service	205,192	-	-	1,348,900	1,554,092
Total expenditures	11,360,798	11,972,226	18,630,490	8,448,384	50,411,898
Excess of Revenue Over (Under) Expenditures	8,495,059	(5,205,021)	(1,403,686)	(1,331,810)	554,542
Other Financing Sources (Uses)					
Transfers in	-	5,475,000	2,177,500	2,415,000	10,067,500
Transfers out	(8,837,500)	-	(1,185,000)	(45,000)	(10,067,500)
Sale of capital assets	2,580	20,487	7,828	108,313	139,208
Total other financing (uses) sources	(8,834,920)	5,495,487	1,000,328	2,478,313	139,208
Net Change in Fund Balances	(339,861)	290,466	(403,358)	1,146,503	693,750
Fund Balances - Beginning of year	9,966,671	3,016,465	2,045,901	8,749,331	23,778,368
Fund Balances - End of year	\$ 9,626,810	\$ 3,306,931	\$ 1,642,543	\$ 9,895,834	\$ 24,472,118

Charter Township of Waterford

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

Year Ended December 31, 2017

Net Change in Fund Balances Reported in Governmental Funds	\$ 693,750
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	2,601,873
Depreciation expense	(1,739,847)
Net book value of assets disposed of	(111,963)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(408,387)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,404,429
Interest expense is recognized in the government-wide statements as it accrues	18,035
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(5,327,202)
Claims and similar costs that do not use current financial resources are not reported as expenditures in the governmental funds	1,434,061
Internal service funds are included as part of governmental activities	<u>22,894</u>
Change in Net Position of Governmental Activities	<u><u>\$ (1,412,357)</u></u>

Charter Township of Waterford

Proprietary Funds Statement of Net Position

December 31, 2017

	Enterprise Funds Water and Sewer Fund	Governmental Activities Internal Service Funds
Assets		
Current assets:		
Cash and investments (Note 3)	\$ 16,364,164	\$ 466,518
Receivables:		
Special assessments receivable - Due within one year	305,557	-
Customer receivables	7,790,033	-
Accrued interest receivable	55,590	-
Due from other governmental units	11,804	-
Inventory	-	80,666
Prepaid items	148,651	-
Total current assets	<u>24,675,799</u>	<u>547,184</u>
Noncurrent assets:		
Restricted assets	2,342,415	-
Net pension asset	748,095	-
Capital assets: (Note 4)		
Assets not subject to depreciation	7,937,941	-
Assets subject to depreciation - Net	102,141,039	900,812
Total noncurrent assets	<u>113,169,490</u>	<u>900,812</u>
Total assets	<u>137,845,289</u>	<u>1,447,996</u>
Liabilities		
Current liabilities:		
Accounts payable	1,157,354	25,564
Accrued liabilities and other	281,905	5,893
Compensated absences	195,372	-
Provision for claims	127,682	-
Current portion of long-term debt (Note 6)	2,222,502	171,215
Total current liabilities	<u>3,984,815</u>	<u>202,672</u>
Noncurrent liabilities:		
Compensated absences	64,258	-
Provision for claims	20,808	-
Accrued unemployment	-	135,792
Net OPEB obligation	6,894,125	-
Long-term debt (Note 6)	30,556,219	352,294
Total noncurrent liabilities	<u>37,535,410</u>	<u>488,086</u>
Total liabilities	<u>41,520,225</u>	<u>690,758</u>
Deferred Inflows of Resources - Deferred inflows related to pensions	<u>1,196,410</u>	<u>-</u>
Net Position		
Net investment in capital assets	77,300,259	377,303
Restricted - Capital projects	2,342,415	-
Unrestricted	15,485,980	379,935
Total net position	<u><u>\$ 95,128,654</u></u>	<u><u>\$ 757,238</u></u>

Charter Township of Waterford

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

Year Ended December 31, 2017

	Enterprise Funds	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
Operating Revenue		
Sale of water	\$ 5,793,618	\$ -
Sewage disposal charges	16,673,937	-
Other sales to customers	39,044	-
Other charges for services	500,839	308,223
Total operating revenue	23,007,438	308,223
Operating Expenses		
Cost of water	1,721,613	-
Cost of sewage treatment	9,677,724	-
Other operating and maintenance costs	896,008	-
Billing and administrative costs	5,057,079	31,586
Unemployment costs	-	125,608
Depreciation	5,062,949	134,055
Total operating expenses	22,415,373	291,249
Operating Income	592,065	16,974
Nonoperating Revenue (Expense)		
Investment income	146,368	3,701
Interest expense	(508,114)	(11,307)
Gain on sale of assets	101,451	13,526
Operating grants	469,295	-
Total nonoperating revenue	209,000	5,920
Income - Before capital contributions	801,065	22,894
Capital Contributions		
Capital grants	600,035	-
Benefit fees	303,695	-
Lines donated by developers	227,824	-
Total capital contributions	1,131,554	-
Change in Net Position	1,932,619	22,894
Net Position - Beginning of year	93,196,035	734,344
Net Position - End of year	\$ 95,128,654	\$ 757,238

Charter Township of Waterford

Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2017

	Enterprise Funds	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
Cash Flows from Operating Activities		
Receipts from customers	\$ 23,265,213	\$ 308,223
Payments to suppliers	(12,769,332)	(31,637)
Payments to employees and fringes	(4,068,643)	-
Claims paid	(72,477)	(457,610)
Other payments	(6,402)	-
	<u>6,348,359</u>	<u>(181,024)</u>
Net cash and cash equivalents provided by (used in) operating activities		
	6,348,359	(181,024)
Cash Flows from Noncapital Financing Activities - Operating grants and subsidies	469,295	-
Cash Flows from Capital and Related Financing Activities		
Special assessment collections	58,084	-
Benefit fees	303,695	-
Proceeds from sale of capital assets	101,451	39,897
Purchase of capital assets	(4,387,220)	-
Principal and interest paid on capital debt	(2,764,716)	(181,207)
	<u>(6,688,706)</u>	<u>(141,310)</u>
Net cash and cash equivalents used in capital and related financing activities		
	(6,688,706)	(141,310)
Cash Flows from Investing Activities		
Interest received on investments	128,316	3,701
Purchases of investment securities	(1,057,067)	-
	<u>(928,751)</u>	<u>3,701</u>
Net cash and cash equivalents (used in) provided by investing activities		
	(928,751)	3,701
Net Decrease in Cash and Cash Equivalents	(799,803)	(318,633)
Cash and Cash Equivalents - Beginning of year	8,360,718	785,151
Cash and Cash Equivalents - End of year	<u><u>\$ 7,560,915</u></u>	<u><u>\$ 466,518</u></u>
Classification of Cash and Cash Equivalents		
Cash and investments	\$ 16,364,164	\$ 466,518
Less amounts classified as investments	(8,803,249)	-
	<u><u>\$ 7,560,915</u></u>	<u><u>\$ 466,518</u></u>
Total cash and cash equivalents		

Charter Township of Waterford

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

Year Ended December 31, 2017

	Enterprise Funds	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 592,065	\$ 16,974
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	5,062,949	134,055
Changes in assets and liabilities:		
Receivables	198,940	-
Inventories	-	(5,203)
Prepaid and other assets	(143,096)	-
Accrued and other liabilities	669,263	-
Accounts payable	40,715	5,152
Estimated claims liability	(72,477)	(332,002)
Total adjustments	5,756,294	(197,998)
Net cash and cash equivalents provided by (used in) operating activities	\$ 6,348,359	\$ (181,024)

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2017, the Water and Sewer Fund received approximately \$228,000 of lines donated by developers. In addition, Oakland County, Michigan constructed approximately \$1.2 million of sewer lines for the Oakland-Macomb Interceptor project, for which the Township incurred long-term debt of approximately \$92,000, received capital grants of approximately \$600,000, and reduced restricted assets by approximately \$274,000.

Charter Township of Waterford

**Fiduciary Funds
Statement of Fiduciary Net Position**

December 31, 2017

	Pension and Other Postemployment Benefits	Agency Funds
Assets		
Cash and cash equivalents	\$ 862,736	\$ 2,848,699
Investments:		
Fixed-income funds	33,632,568	-
Publicly traded partnerships	625,924	-
Stocks	100,559,757	-
Mutual funds	31,900,254	-
Real estate investment trusts	1,568,435	-
Pension manager short-term funds	7,046,189	-
Securities lending short-term collateral bank investment pool - Mutual funds	3,003,578	-
Prepaid items	840,856	-
Due from broker	39,478	-
Accrued income	20,140	-
	180,099,915	\$ 2,848,699
Liabilities		
Accounts payable	295,176	\$ -
Due to other governmental units	-	2,052,002
Bonds and other deposits	-	695,762
Accrued liabilities and other	-	100,935
Obligations under securities lending agreements	3,056,842	-
	3,352,018	\$ 2,848,699
Net Position Held in Trust for Pension and Other Postemployment Benefits	\$ 176,747,897	

Charter Township of Waterford

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Pension and Other Postemployment Benefits

Year Ended December 31, 2017

Additions

Investment income:	
Interest and dividends	\$ 3,455,513
Net increase in fair value of investments	<u>20,727,184</u>
Net investment income	24,182,697
Contributions:	
Employer contributions	10,582,364
Employee contributions	<u>447,759</u>
Total contributions	<u>11,030,123</u>
Total additions	35,212,820

Deductions

Benefit payments	17,206,678
Administrative expenses	<u>873,151</u>
Total deductions	<u>18,079,829</u>

Net Increase in Net Position Held in Trust 17,132,991

Net Position Held in Trust for Pension and Other Postemployment Benefits - Beginning of year 159,614,906

Net Position Held in Trust for Pension and Other Postemployment Benefits - End of year \$ 176,747,897

Charter Township of Waterford

Component Units Statement of Net Position

December 31, 2017

	Economic Development Corporation	Waterford Youth Assistance Corporation	Veterans Memorial Fund	Total
Assets				
Cash and investments	\$ 138,635	\$ 63,524	\$ 4,772	\$ 206,931
Capital assets subject to depreciation - Net	-	-	57,391	57,391
Total assets	138,635	63,524	62,163	264,322
Liabilities - Accounts payable	-	898	-	898
Net Position				
Net investment in capital assets	-	-	57,391	57,391
Unrestricted	138,635	62,626	4,772	206,033
Total net position	<u>\$ 138,635</u>	<u>\$ 62,626</u>	<u>\$ 62,163</u>	<u>\$ 263,424</u>

Charter Township of Waterford

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Economic Development Corporation	\$ 395	\$ -	\$ -	\$ -
Waterford Youth Assistance Corporation	34,114	1,535	27,853	-
Veterans Memorial Fund	2,250	100	-	-
Total	\$ 36,759	\$ 1,635	\$ 27,853	\$ -

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, 2017

Net (Expense) Revenue and Changes in Net Position			
Economic Development Corporation	Waterford Youth Assistance Corporation	Veterans Memorial Fund	Total
\$ (395)	\$ -	\$ -	\$ (395)
-	(4,726)	-	(4,726)
-	-	(2,150)	(2,150)
(395)	(4,726)	(2,150)	(7,271)
1,132	605	-	1,737
737	(4,121)	(2,150)	(5,534)
137,898	66,747	64,313	268,958
\$ 138,635	\$ 62,626	\$ 62,163	\$ 263,424

December 31, 2017

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

The Charter Township of Waterford (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. The following is a summary of the significant accounting policies used by 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. Blended component units are, in substance, part of the Township's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the Township. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township (see discussion below for description).

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 members of the retirement 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.

Discretely Presented Component Units

The following component units are reported within the component units column in the 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.

Waterford Youth Assistance Corporation

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.

Note 1 - Significant Accounting Policies (Continued)

Economic Development Corporation

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.

Veteran's Memorial Fund

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.

Report Presentation

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

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

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

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

Basis of Accounting

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

Note 1 - Significant Accounting Policies (Continued)

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

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

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

Fund Accounting

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

Governmental Funds

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The 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

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. The Township utilizes internal services funds to account for motor pool activities and fire unemployment costs.

December 31, 2017

Note 1 - Significant Accounting Policies (Continued)

Fiduciary Funds

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

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

Interfund Activity

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

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

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. 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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets

The Township has \$2,342,415 on deposit at the county that is being held for certain projects of the Water and Sewer Fund.

Note 1 - Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 for personal property, \$10,000 for infrastructure, \$50,000 for buildings 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 acquisition value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Capital Asset Class	Depreciable Life - Years
Buildings and improvements	10 - 40
Infrastructure	20 - 40
Lines and laterals	75
Machinery and office equipment, vehicles, and other	3 - 15

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.

For the governmental activities, claims and judgments, net pension liability, 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, compensated absences, net pension liability, and net other postemployment benefit obligations are generally liquidated by the Water and Sewer Fund for employee salaries and fringes.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Township reports deferred outflows of resources related to the defined benefit pension plans. The deferred outflows of resources related to the defined benefit pension plans are reported in the government-wide financial statements and the Water and Sewer Fund. The deferred outflows of resources result from the variance between the projected and actual experience.

Note 1 - Significant Accounting Policies (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Property taxes levied for the following year qualify for reporting in this category. The governmental funds also report unavailable revenue from grants and other sources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Township also reports deferred inflows of resources related to the defined benefit pension plans. The deferred inflows of resources related to the defined benefit pension plans are reported in the government-wide financial statements and the Water and Sewer Fund. The deferred inflows of resources result from the variance between the projected and actual experience and the variance between the plans' actual investment earnings compared to the plans' assumed investment earnings.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

The Township will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, 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 government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The Township's board of trustees has, by resolution, authorized the budget director and 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.

Note 1 - Significant Accounting Policies (Continued)

The Township's board of trustees 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, 2017 of the stabilization amount, which is reported in the General Fund, is \$1,750,000.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. These taxes are due on February 14 with a final collection date of February 28 before they are added to the county tax rolls.

The Township's 2016 property tax revenue was levied and collectible on December 31, 2016 and is recognized as revenue in the year ended December 31, 2017 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2016 taxable valuation of the Township totaled \$1.98 billion on which ad valorem taxes levied consisted of 3.8143 mills for operating purposes, 2.9869 mills for police, 2.6158 mills for the fire department, 0.9038 mills for the library, 0.4956 mills for parks and recreation, and 0.69 mills for debt on the public safety building. This resulted in \$7.5 million for operating, \$5.9 million for police, \$5.2 million for the fire department, \$1.8 million for the library, \$980,000 for parks and recreation, and \$1.4 million for debt on the public safety building. These amounts are recognized in the respective General Fund, Special Revenue Fund, and Debt Service Fund financial statements as tax revenue.

Pension

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

Other Postemployment Benefit Costs

The Township offers retiree healthcare benefits to retirees. The Township receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, 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.

Note 1 - 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 sick and vacation 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 obligations.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund and 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 revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

Adoption of New Accounting Pronouncements

As of December 31, 2017, the Township adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This new accounting standard addresses reporting by postemployment benefit plans other than pensions (OPEB) that administer defined benefit OPEB benefits on behalf of governments. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated.

Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Township to recognize on the face of the financial statements its net OPEB liability. 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 the Township's financial statements for the year ending December 31, 2018.

December 31, 2017

Note 1 - Significant Accounting Policies (Continued)

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

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

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 surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at January 1, 2017			\$	(6,586,986)
Current year permit revenue				652,631
Related expenses:				
Direct costs	\$	914,847		
Estimated indirect costs		-		914,847
				<u>914,847</u>
Current year shortfall				<u>(262,216)</u>
Cumulative shortfall December 31, 2017			\$	<u><u>(6,849,202)</u></u>

Note 3 - Deposits and Investments

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

	Governmental Activities	Business-type Activities	Total	Fiduciary	Total Primary Government	Component Units
Cash and investments	\$ 37,583,348	\$ 16,364,164	\$ 53,947,512	\$ 182,048,140	\$ 235,995,652	\$ 206,931

December 31, 2017

Note 3 - Deposits and Investments (Continued)

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

	Primary Government	Component Units
Deposits with financial institutions	\$ 29,653,608	\$ 206,931
Investments:		
Equity securities or funds	132,460,011	-
Debt securities or funds	35,752,879	-
Short-term funds	28,888,606	-
Real estate and other	9,240,548	-
Total	\$ 235,995,652	\$ 206,931

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 trust funds and the retiree healthcare fund 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 13 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in 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. 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 \$29,513,332 of bank deposits (certificates of deposit and checking and savings accounts). Of that amount, \$2,700,226 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.

December 31, 2017

Note 3 - Deposits and Investments (Continued)

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	\$ 2,120,311	\$ -	\$ 2,120,311	\$ -	\$ -
Fixed-income pool	25,885,028	-	25,885,028	-	-
Total	<u>\$ 28,005,339</u>	<u>\$ -</u>	<u>\$ 28,005,339</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk

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

Investment	Fair Value	Rating	Rating Organization
Primary Government			
Agency securities	\$ 2,120,311	AA+	S&P
Fixed-income pool	25,885,028	Not rated	-
Total	<u>\$ 28,005,339</u>		

Investment	Fair Value	Rating	Rating Organization
Fiduciary Funds			
Fixed-income pool	\$ 2,946,921	Not rated	-

Concentration of Credit Risk

The Township places no limit on the amount it may invest in any one issuer. More than 44 percent of the primary government's 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 fair value of the position in the pool is not the same as the value of the pool shares, since the pool does not meet the requirements under GASB No. 79 to report its value for financial reporting purposes at amortized cost.

More than 5 percent of the Township's fiduciary investments are in the HGK Trinity Street International Equity Fund (5.35 percent), Loomis Sayles Core Plus (6.41 percent), and Ridgeworth Total Return Bond Fund (8.11 percent).

Securities Lending

As permitted by some state statutes and under the provisions of a Securities Lending Authorization Agreement, the Township's Police and Fire Retirement System and General Employees' Retirement System (the "Retirement Systems") lend securities to broker-dealers and 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, government securities, or irrevocable bank letters of credit 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, 2017, only United States currency was received as collateral.

Note 3 - Deposits and Investments (Continued)

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

The 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 pool as of December 31, 2017 did not generally match the duration of the investments made with cash collateral. On December 31, 2017, 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, 2017 were \$2,000,993 and \$1,920,890, respectively, for the Police and Fire Retirement System, and \$1,002,585 and \$1,026,031, 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 and mutual funds not rated by S&P.

Fair Value Measurements

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

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

December 31, 2017

Note 3 - Deposits and Investments (Continued)

The Township has the following recurring fair value measurements as of December 31, 2017:

	Assets Measured at Carrying Value on a Recurring Basis			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2017
Fixed-income funds	\$ 21,782,400	\$ -	\$ 174,819	\$ 21,957,219
Publicly traded partnerships	625,924	-	-	625,924
Stocks	80,450,899	-	16,490,841	96,941,740
Mutual funds	18,643,505	-	-	18,643,505
Real estate investment trusts	1,568,435	-	-	1,568,435
Pension manager short-term debt	-	7,046,189	-	7,046,189
Agency securities	-	2,120,311	-	2,120,311
Total investments by fair value level	\$ 123,071,163	\$ 9,166,500	\$ 16,665,660	148,903,323
Investments measured at net asset value (NAV):				
Fixed-income funds				11,675,349
Mutual funds				13,256,748
Stocks				3,618,018
Fixed-income pool				25,885,028
Total investments measured at NAV				54,435,143
Total investments measured at fair value				\$ 203,338,466

Certain fixed-income funds, mutual funds, real estate investment trusts, and stocks classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of pension manager short-term debt and agency securities at December 31, 2017 was determined primarily based on Level 2 inputs. The Township estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

The fair value of certain fixed income funds and stocks at December 31, 2017 was determined primarily based on Level 3 inputs. The Township estimates the fair value of these investments using information provided by the investment managers and custodian.

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

Investments in Entities that Calculate Net Asset Value per Share

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

December 31, 2017

Note 3 - Deposits and Investments (Continued)

At December 31, 2017, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Fixed-income funds	\$ 11,675,349	\$ -	No restrictions	None
Mutual funds	13,256,748	-	No restrictions	None
Stocks	3,618,018	327,259	No restrictions	None
Fixed-income pool	25,885,028	-	No restrictions	None
Total	\$ 54,435,143	\$ 327,259		

The fixed-income funds class includes investment in a fund seeking high total investment return through a combination of current income and capital appreciation with broad investment guidelines. The mutual funds class includes investments in mutual funds that invest in international equities and equities in the S&P 1500 index. The stocks class includes investments in an open-end diversified core real estate commingled fund and an alternative strategies private equity platform. The fixed-income pool class includes investment in a local government investment pool that invests assets in a manner which seeks the highest investment return consistent with preservation of capital while meeting the daily liquidity needs of participants. The fair values of the investments in these classes have been estimated using net asset value per share of the investments.

Note 4 - Capital Assets

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

Governmental Activities

	Balance January 1, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2017
Capital assets not being depreciated:					
Land	\$ 27,067,224	\$ -	\$ -	\$ (15,385)	\$ 27,051,839
Construction in progress	-	-	1,343,821	-	1,343,821
Subtotal	27,067,224	-	1,343,821	(15,385)	28,395,660
Capital assets being depreciated:					
Infrastructure	14,634,975	-	-	-	14,634,975
Buildings and improvements	30,636,727	-	179,023	(62,500)	30,753,250
Machinery and office equipment, vehicles, and other	27,006,205	-	1,079,029	(1,558,139)	26,527,095
Subtotal	72,277,907	-	1,258,052	(1,620,639)	71,915,320
Accumulated depreciation:					
Infrastructure	12,179,523	-	112,909	-	12,292,432
Buildings and improvements	13,628,339	-	697,283	(56,251)	14,269,371
Machinery and office equipment, vehicles, and other	21,467,850	-	1,063,710	(1,441,439)	21,090,121
Subtotal	47,275,712	-	1,873,902	(1,497,690)	47,651,924
Net capital assets being depreciated	25,002,195	-	(615,850)	(122,949)	24,263,396
Net governmental activities capital assets	<u>\$ 52,069,419</u>	<u>\$ -</u>	<u>\$ 727,971</u>	<u>\$ (138,334)</u>	<u>\$ 52,659,056</u>

December 31, 2017

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance January 1, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2017
Capital assets not being depreciated:					
Land	\$ 3,267,097	\$ -	\$ -	\$ -	\$ 3,267,097
Construction in progress	21,543,948	(18,698,741)	1,825,637	-	4,670,844
Subtotal	24,811,045	(18,698,741)	1,825,637	-	7,937,941
Capital assets being depreciated:					
Lines and laterals	120,258,019	4,072,796	874,779	-	125,205,594
Buildings and improvements	25,243,641	-	-	-	25,243,641
Machinery and office equipment, vehicles, and other	8,533,361	-	1,362,325	(2,413,058)	7,482,628
Oakland-Macomb Interceptor joint assets	9,070,870	14,625,945	-	-	23,696,815
Subtotal	163,105,891	18,698,741	2,237,104	(2,413,058)	181,628,678
Accumulated depreciation:					
Lines and laterals	56,531,344	-	3,240,844	-	59,772,188
Buildings and improvements	12,003,730	-	559,033	-	12,562,763
Machinery and office equipment, vehicles, and other	6,865,048	-	315,199	(2,413,058)	4,767,189
Oakland-Macomb Interceptor joint assets	1,437,626	-	947,873	-	2,385,499
Subtotal	76,837,748	-	5,062,949	(2,413,058)	79,487,639
Net capital assets being depreciated	86,268,143	18,698,741	(2,825,845)	-	102,141,039
Net business-type activity capital assets	\$ 111,079,188	\$ -	\$ (1,000,208)	\$ -	\$ 110,078,980

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 2017. During the year, depreciation expense of \$2,180 was recorded. Net memorial being depreciated is \$57,391 as of December 31, 2017.

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

Governmental activities:	
General government	\$ 510,610
District court	56,877
Public safety	941,971
Community and economic development	6,662
Recreation and culture	357,782
Total governmental activities	\$ 1,873,902
Business-type activities - Water and sewer	\$ 5,062,949

Construction Commitments

The Township has active construction projects at December 31, 2017. At year end, the Township's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Pump station upgrades	\$ 3,601,119	\$ 50,000

Note 5 - Interfund Receivables, Payables, and Transfers

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Fire Fund	\$ 2,177,500
	Police Fund	5,475,000
	Other nonmajor governmental funds	<u>1,185,000</u>
	Total General Fund	8,837,500
Fire Fund	Other nonmajor governmental funds	1,185,000
Other nonmajor governmental funds	Other nonmajor governmental funds	<u>45,000</u>
	Total	<u><u>\$ 10,067,500</u></u>

The transfers from the General Fund to the Fire and Police Funds represent the use of unrestricted resources to finance operations of the fire and police departments in accordance with budgetary authorizations. The transfer from the General Fund to the other nonmajor governmental funds represents a transfer to the Improvement Revolving Fund, Parks and Recreation Fund, and Capital Project Allocation Fund to cover repairs and improvements to the Township's infrastructure and General Fund buildings. The transfers from the Fire Fund and Parks and Recreation Fund (other nonmajor governmental fund) to the Capital Project Allocation Fund (other nonmajor governmental fund) represent prefunding for future identified capital project needs of each fund.

December 31, 2017

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. Long-term debt activity for the year ended December 31, 2017 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:							
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	\$ 2,640,000	\$ -	\$ (1,280,000)	\$ 1,360,000	\$ 1,360,000
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	738,736	-	(114,670)	624,066	115,793
Installment Purchase Agreement							
Amount of issue - \$811,783		\$129,585 -					
Maturing through 2020	1.87%	\$139,553	543,029	-	(132,008)	411,021	134,477
Installment Purchase Agreement							
Amount of issue - \$187,212		\$36,000 -					
Maturing through 2020	2.05%	\$38,260	148,488	-	(36,000)	112,488	36,738
Installment Purchase Agreement							
Amount of issue - \$276,699		\$8,076 -					
Maturing through 2046	-	\$9,759	243,969	-	(9,759)	234,210	8,071
Total bonds payable			4,314,222	-	(1,572,437)	2,741,785	1,655,079
Other long-term liabilities:							
Employee compensated absences							
Estimated liability for workers' compensation claims			1,755,675	3,872,411	(3,278,511)	2,349,575	2,253,242
Estimated liability for unemployment claims			552,006	286,551	(288,514)	550,043	203,713
Estimated liability for general liability claims			441,352	-	(305,560)	135,792	-
Net pension liability (asset)			1,687,448	154,757	(1,586,855)	255,350	255,350
Other postemployment benefit obligations			21,244,369	-	(11,906,509)	9,337,860	-
Total governmental activities long-term debt			\$ 67,576,229	\$ 10,928,039	\$ (18,938,386)	\$ 59,565,882	\$ 4,367,384

December 31, 2017

Note 6 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:							
Drinking Water Relief Fund Series 2013A							
Amount of issue - \$6,994,654		\$289,654 -					
Maturing through 2033	2.00%	\$420,000	\$ 5,835,623	\$ -	\$ (366,398)	\$ 5,469,225	\$ 310,000
Sewer Relief Fund Series 2013B							
Amount of issue - \$4,130,000		\$170,000 -					
Maturing through 2035	2.00%	\$245,000	3,858,293	-	(175,000)	3,683,293	175,000
Sewer Relief Fund Series 2007-B							
Amount of issue - \$3,745,000		\$160,000 -					
Maturing through 2027	1.63%	\$215,000	2,052,393	-	(175,000)	1,877,393	180,000
Drinking Water Relief Fund Series 2007-C							
Amount of issue - \$8,905,000		\$375,000 -					
Maturing through 2028	2.13%	\$540,000	5,763,831	-	(425,000)	5,338,831	435,000
General Obligation Unlimited Tax Bond Refunding Bonds - Series 2012							
Amount of issue - \$3,307,031	2.00% -	\$234,528 -					
Maturing through 2023	3.00%	\$366,346	2,126,264	-	(335,330)	1,790,934	339,207
Oakland-Macomb Sewer Interceptor Series 2010A							
Amount of issue - \$3,510,038		\$147,396 -					
Maturing through 2030	2.50%	\$220,084	2,789,750	-	(155,472)	2,634,278	158,837
Oakland-Macomb Sewer Interceptor Series 2010B							
Amount of issue - \$901,874	1.15% -	\$33,652 -					
Maturing through 2030	5.90%	\$69,996	714,095	-	(36,344)	677,751	37,691
Oakland-Macomb Sewer Interceptor Series 2011							
Amount of issue - \$4,219,251		\$169,398 -					
Maturing through 2033	2.50%	\$245,421	3,711,057	-	(177,662)	3,533,395	182,619
Oakland-Macomb Sewer Interceptor Series 2013A							
Amount of issue - \$9,206,996		\$360,749 -					
Maturing through 2034	2.00%	\$480,562	8,017,157	3,890	(394,343)	7,626,704	402,117
Oakland County Clinton River WRRF Series 2017							
Amount of issue - \$3,006,307		\$117,215 -					
Maturing thru 2038	2.50%	\$188,563	-	88,029	-	88,029	-
Installment Purchase Agreement							
Amount of issue - \$61,342		\$2,031 -					
Maturing through 2046	-	\$2,454	61,342	-	(2,454)	58,888	2,031
Total bonds payable			34,929,805	91,919	(2,243,003)	32,778,721	2,222,502
Other long-term liabilities:							
Employee compensated absences			257,311	477,005	(474,686)	259,630	195,372
Estimated liability for workers' compensation claims			92,233	-	(59,186)	33,047	12,239
Estimated liability for general liability claims			119,135	451,719	(465,010)	105,844	105,844
Net pension liability (asset)			1,655,199	-	(2,403,294)	(748,095)	-
Other postemployment benefit obligations			5,851,721	1,042,404	-	6,894,125	-
Total business-type activities long-term debt			\$ 42,905,404	\$ 2,063,047	\$ (5,645,179)	\$ 39,323,272	\$ 2,535,957

Note 6 - Long-term Debt (Continued)

Other Long-term Liabilities

For the governmental activities, claims and judgments, compensated absences, net pension liability, 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, compensated absences, net pension liability, and net other postemployment benefit obligations are generally liquidated by the Water and Sewer Fund for employee salaries and fringes.

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, Michigan to the OMID as part of a settlement agreement with the City of Detroit, Michigan 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. No additional debt is expected to be incurred related to the Series 2010A and Series 2010B bonds. The Township has tentatively been advised that its other assessments to pay the debt related to this project are \$4,219,251 for the Series 2011 bond and \$9,206,996 for the Series 2013A bond. To date, the Township has incurred \$17.4 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.

In 2017, the Township received notice from Oakland County Water Resources Commissioner that the Clinton River Water Resource Recovery Drainage District is planning to construct a Biosolids Handling and Septage Receiving Facility. The total estimated cost of the project is \$40 million. The Township's estimated share is approximately \$4.6 million. Each of the participating communities were given the option to prepay the assessment or pay the assessment through a debt issue over 20 years. The Township elected to prepay \$1.5 million of the assessment and issue debt for the remainder. Total debt incurred to date is approximately \$88,000.

Debt Service Requirements to Maturity

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

Years Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 1,655,079	\$ 101,040	\$ 1,756,119	\$ 2,222,502	\$ 823,164	\$ 3,045,666
2019	301,726	70,906	372,632	2,365,125	772,173	3,137,298
2020	309,543	64,409	373,952	2,337,772	644,592	2,982,364
2021	93,548	57,713	151,261	2,240,450	590,674	2,831,124
2022	96,917	55,557	152,474	2,290,751	539,775	2,830,526
2023-2027	131,525	257,201	388,726	11,170,481	1,937,831	13,108,312
2028-2032	40,381	254,876	295,257	8,474,401	814,407	9,288,808
2033-2037	40,381	254,876	295,257	1,658,965	133,983	1,792,948
2038-2042	40,381	254,876	295,257	18,274	115,360	133,634
2043-2046	32,304	203,902	236,206	-	-	-
Total	\$ 2,741,785	\$ 1,575,356	\$ 4,317,141	\$32,778,721	\$ 6,371,959	\$39,150,680

Note 7 - Pension Plans

Plan Description

Police and Fire Retirement System - 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 employees hired prior to November 1, 2014 and all permanent full-time fire employees hired prior to January 1, 2012. 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.

General Employees' Retirement System - 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, and the township treasurer.

The financial statements of each pension system are included in these financial statements as a pension fund (a fiduciary fund).

Benefits Provided

The pension plans provide 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.

Employees Covered by Benefit Terms

At December 31, 2016, the following members were covered by the benefit terms:

	Police and Fire Retirement System	General Employees' Retirement System
Inactive plan members or beneficiaries currently receiving benefits	148	166
Inactive plan members entitled to but not yet receiving benefits	2	34
Active plan members	85	81
Total employees covered by the plan	235	281

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, 2017, the active member contribution rate was 5.0 percent of annual pay for both plans. The Township's contribution rate was 46.4 and 22.2 percent of annual payroll for the Police and Fire Retirement System and the General Employees' Retirement System, respectively.

December 31, 2017

Note 7 - Pension Plans (Continued)

Net Pension Liability

The Township chooses a date for each pension plan to measure its net pension liability. This is based on the measurement date of each pension plan, which may be based on a comprehensive valuation as of that date or based on an earlier valuation that has used procedures to roll the information forward to the measurement date.

	Police and Fire Retirement System	General Employees' Retirement System
Measurement date used for the Township NPL	December 31, 2017	December 31, 2017
Based on a comprehensive actuarial valuation as of	December 31, 2016	December 31, 2016

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

Police and Fire Retirement System

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at January 1, 2017	\$ 106,889,611	\$ 88,760,298	\$ 18,129,313
Changes for the year:			
Service cost	1,506,484	-	1,506,484
Interest	7,267,038	-	7,267,038
Differences between expected and actual experience	216,738	-	216,738
Contributions - Employer	-	2,946,541	(2,946,541)
Contributions - Employee	-	381,439	(381,439)
Net investment income	-	13,507,853	(13,507,853)
Benefit payments, including refunds	(7,656,114)	(7,656,114)	-
Administrative expenses	-	(458,499)	458,499
Net changes	<u>1,334,146</u>	<u>8,721,220</u>	<u>(7,387,074)</u>
Balance at December 31, 2017	<u>\$ 108,223,757</u>	<u>\$ 97,481,518</u>	<u>\$ 10,742,239</u>

The plan's fiduciary net position represents 90.1 percent of the total pension liability.

Note 7 - Pension Plans (Continued)

General Employees' Retirement System

Changes in Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
Balance at January 1, 2017	\$ 64,202,489	\$ 59,432,235	\$ 4,770,254
Changes for the year:			
Service cost	783,877	-	783,877
Interest	4,390,174	-	4,390,174
Differences between expected and actual experience	(2,236,843)	-	(2,236,843)
Contributions - Employer	-	989,146	(989,146)
Contributions - Employee	-	11,489	(11,489)
Net investment income	-	9,243,114	(9,243,114)
Benefit payments, including refunds	(3,755,287)	(3,755,287)	-
Administrative expenses	-	(383,813)	383,813
Net changes	(818,079)	6,104,649	(6,922,728)
Balance at December 31, 2017	\$ 63,384,410	\$ 65,536,884	\$ (2,152,474)

The plan's fiduciary net position represents 103.4 percent of the total pension liability.

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

For the year ended December 31, 2017, the Township recognized pension expense of \$1,679,816.

At December 31, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 181,004	\$ 1,922,027
Net difference between projected and actual earnings on pension plan investments	-	7,487,073
Total	\$ 181,004	\$ 9,409,100

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending December 31	Amount - Deferred Inflows
2018	\$ (2,310,135)
2019	(1,311,124)
2020	(3,075,863)
2021	(2,530,974)

Note 7 - Pension Plans (Continued)

Actuarial Assumptions

The total pension liability in each actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	Police and Fire Retirement System	General Employees' Retirement System
Inflation	3.0%	2.75%
Salary increases (including inflation)	4.0% - 11.9%	4.5% - 7.7%
Investment rate of return (net of investment expenses)	7.0%	7.0%
Mortality rates	RP-2000 Mortality Table projected forward 17 years	RP-2000 Mortality Table projected forward 17 years

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.

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

Investment Policy and Rate of Return

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

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.

December 31, 2017

Note 7 - Pension Plans (Continued)

Best estimates of arithmetic real rates of return as of December 31, 2017 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, and the pension boards' adopted asset allocation policy as of December 31, 2017, are summarized in the following table:

Police and Fire Retirement System

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	43.00 %	6.20 %
International equity	17.00	6.10
Fixed income	26.00	2.20
International fixed income	4.00	2.00
Real estate	5.00	6.20
Infrastructure	5.00	6.50

General Employees' Retirement System

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	59.50 %	6.40 %
U.S. government or agency fixed income	25.00	6.20
International equity	10.00	1.30
Alternative investments	5.00	5.20
Cash or cash equivalents	0.50	0.50

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Township, calculated using the discount rate of 7.0 percent, as well as what the Township's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.0%)	Current Discount Rate (7.0%)	1 Percent Increase (8.0%)
Net pension liability of the Police and Fire Retirement System	\$ 22,538,947	\$ 10,742,239	\$ 832,737
Net pension liability (asset) of the General Employees' Retirement System	4,824,705	(2,152,474)	(8,102,015)

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.54 percent, and 15.99 percent, for the Police and Fire Retirement System and the General Employees'

Retirement System, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 7 - Pension Plans (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, his or her balance is returned to him or her; for those who stay until retirement, the balance is transferred into the retiree reserve.

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

The balances of the reserve accounts at December 31, 2017 are as follows:

Police and Fire Retirement System

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 29,825,028	\$ 29,825,028
Employee reserve	6,028,170	6,028,170
Employer reserve	61,628,320	61,628,320

General Employees' Retirement System

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 32,700,258	\$ 32,700,258
Employee reserve	237,168	237,168
Employer reserve	32,599,458	32,599,458

Deferred Retirement Option Program (DROP)

Police and Fire Retirement System - 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.

Note 7 - Pension Plans (Continued)

General Employees' Retirement System - All 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, 2016.

Note 8 - Other Postemployment Benefits

Plan Description

The Township provides retiree healthcare benefits to all eligible full-time employees upon retirement or to individuals receiving system disability pensions, in accordance with various labor contracts. The plan is closed to all new hires, except for police personnel. Currently, the plan has 542 members.

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

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's collective bargaining units. The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay as you go" basis). However, as shown below, the Township has made contributions to advance fund these benefits, as determined by the Township's board through annual budget resolutions. The costs of administering the plan are borne by the Retiree Health Care Fund. Currently, the retirees are not required to contribute. Generally, the funds that report each employee's compensation (the General Fund, Police Fund, Fire Fund, and Water and Sewer Fund, primarily) are used to pay premiums and liquidate the obligation.

December 31, 2017

Note 8 - Other Postemployment Benefits (Continued)

Funding Progress

For the year ended December 31, 2017, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2016. 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)	\$ 13,688,352
Interest on the prior year's net OPEB obligation	2,171,694
Less adjustment to the annual required contribution	<u>(1,557,645)</u>
Annual OPEB cost	14,302,401
Amounts contributed:	
Payment of current premiums	(5,795,277)
Advance funding	<u>(851,400)</u>
Increase in net OPEB obligation	7,655,724
OPEB obligation - Beginning of year	<u>43,433,878</u>
OPEB obligation - End of year	<u>\$ 51,089,602</u>

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

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Annual OPEB Costs	Percentage OPEB Costs Contributed	Net OPEB Obligation
December 31, 2015	December 31, 2014	\$ 12,015,032	\$ 12,447,905	45.10 %	\$ 37,447,594
December 31, 2016	December 31, 2014	11,999,428	12,527,846	52.20	43,433,878
December 31, 2017	December 31, 2016	13,688,352	14,302,401	46.50	51,089,602

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
December 31, 2012	\$ 7,164,299	\$ 165,582,825	\$ 158,418,526	4.33 %	\$ 16,215,437	976.96 %
December 31, 2014	9,166,210	178,663,236	169,497,026	5.13	15,558,779	1,089.40
December 31, 2016	11,422,373	186,829,068	175,406,695	6.11	14,194,380	1,235.75

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.

Note 8 - Other Postemployment Benefits (Continued)

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

In the December 31, 2016 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. The actuarial value of assets was determined using market value. The UAAL is being amortized as a level percentage of projected payroll for police members and level dollar for general and fire members on an open basis. The remaining amortization period at December 31, 2016 was 30 years.

Note 9 - Other Postemployment Benefit Plan

Plan Description

The Township administers the Waterford Township Retiree Health Plan, a single-employer defined benefit plan. 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. Management of the plan is vested with the General Employees' Retirement System Board.

Benefits Provided

The Township provides retiree healthcare benefits to all eligible full-time employees upon retirement or to individuals receiving system disability pensions, in accordance with various labor contracts. Benefits are provided through the Township's self-insurance program and the full cost of benefits is covered by the plan. The plan is closed to all new hires, except for police personnel.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2016
Inactive plan members or beneficiaries currently receiving benefits	283
Inactive plan members entitled to but not yet receiving benefits	36
Active plan members	223
Total plan members	542

Contributions

Retiree healthcare costs are paid by the Township on a "pay-as-you-go" basis. The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment. In the current year, the Township paid postemployment healthcare premiums of \$5,795,277, plus it contributed \$851,400 into a prefunded retiree healthcare fund, which is reported in this financial statement as an Other Postemployment Benefit Trust Fund type.

Note 9 - Other Postemployment Benefit Plan (Continued)

Net OPEB Liability

The Township reports OPEB expenses based on funding requirements, as directed by GASB Statement No. 45. Beginning next year, the Township will adopt GASB Statement No. 75, which will require the measure of OPEB expense as it is earned, rather than as it is funded.

The Township has chosen to use the December 31 measurement date as its measurement date for the net OPEB liability. The December 31, 2017 fiscal year end reported net OPEB liability that was determined using a measure of the total OPEB liability and the OPEB net position as of the December 31, 2017 measurement date. The December 31, 2017 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2016, which used updated procedures to roll forward the estimated liability to December 31, 2017.

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at January 1, 2017	\$ 153,892,087	\$ 11,422,373	\$ 142,469,714
Changes for the year:			
Service cost	2,720,492	-	2,720,492
Interest	9,903,055	-	9,903,055
Contributions - Employer	-	6,646,677	(6,646,677)
Contributions - Employee	-	54,831	(54,831)
Net investment income	-	1,431,730	(1,431,730)
Benefit payments, including refunds	(5,795,277)	(5,795,277)	-
Administrative expenses	-	(30,839)	30,839
Net changes	6,828,270	2,307,122	4,521,148
Balance at December 31, 2017	\$ 160,720,357	\$ 13,729,495	\$ 146,990,862

The plan's fiduciary net position represents 8.54 percent of the total OPEB liability.

Actuarial Assumptions

The total OPEB liability in the December 31, 2016 actuarial valuation was determined using an inflation assumption of 3 percent; assumed salary increases (including inflation) of 3.65 to 11.42 percent; an investment rate of return (net of investment expenses) of 6.5 percent; a healthcare cost trend rate of 9 percent for 2017, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for 2026 and later years; and the RP-2000 Combined Healthy Mortality Table projected 17 years using scale BB. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be the sum of all premiums/benefits due for each year plus the normal cost contribution of the new police officers, as required by state law.

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

December 31, 2017

Note 9 - Other Postemployment Benefit Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2017 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Long-term Expected Real Rate of Return
U.S. large cap	6.65 %
U.S. mid cap	7.55
U.S. small cap	8.05
International Developed Equity	6.65
Public Real Estate Investment Trusts	6.45
Hedge funds - Diversified	3.15
Intermediate-term taxable	0.95

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

The following presents the net OPEB liability of the Township, calculated using the discount rate of 6.5 percent, as well as what the Township's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (5.50%)	Current Discount Rate (6.50%)	1 Percent Increase (7.50%)
Net OPEB liability	\$ 169,580,745	\$ 146,990,862	\$ 128,432,807

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

The following presents the net OPEB liability of the Township, calculated using the healthcare cost trend rate of 9 percent for 2017, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for 2026 and later years, as well as what the Township's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (8.0 decreasing to 3.5%)	Current Healthcare Cost Trend Rate (9.0 decreasing to 4.5%)	1 Percent Increase (10.0 decreasing to 5.5%)
Net OPEB liability	\$ 125,932,646	\$ 146,990,862	\$ 172,960,255

December 31, 2017

Note 9 - Other Postemployment Benefit Plan (Continued)

Investment Policy

The OPEB plan’s policy in regard to the allocation of invested assets is established and may be amended by the OPEB board by a majority vote of its members. It is the policy of the OPEB board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the OPEB board’s adopted asset allocation policy as of December 31, 2017:

Asset Class	Target Allocation
U.S. large cap	25.00 %
U.S. mid cap	5.00
U.S. small cap	10.00
International Developed Equity	10.00
Public Real Estate Investment Trusts	5.00
Hedge funds - Diversified	10.00
Intermediate-term taxable	35.00
Total	<u>100.00 %</u>

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 11.7 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 Retirement System	General Employees Retirement System	Other Postemployment Benefits
Statement of Net Position			
Investments	\$ 99,160,656	\$ 66,309,290	\$ 13,729,495
Other assets	563,766	336,708	-
Liabilities	<u>2,242,904</u>	<u>1,109,114</u>	<u>-</u>
Net position	<u>\$ 97,481,518</u>	<u>\$ 65,536,884</u>	<u>\$ 13,729,495</u>
Statement of Changes in Net Position			
Investment income	\$ 13,507,853	\$ 9,243,114	\$ 1,431,730
Contributions - Employer	2,946,541	989,146	6,646,677
Contributions - Employee	381,439	11,489	54,831
Benefit payments	7,656,114	3,755,287	5,795,277
Other deductions	<u>458,499</u>	<u>383,813</u>	<u>30,839</u>
Net change in net position	<u>\$ 8,721,220</u>	<u>\$ 6,104,649</u>	<u>\$ 2,307,122</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 \$1,443,409 during the current year.

Note 12 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to general and auto liability, auto physical damage, and property loss claims; the Township is self-insured for workers' compensation and medical benefit claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority (the "Authority") 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 Authority that it uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Township.

The Township is a defendant in certain lawsuits and claims that have resulted from the ordinary course of its activities. The ultimate effect on the financial statements of the resolution of these matters is, in the opinion of management, not expected to be material considering available insurance coverage, legal defenses, and reserves.

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	
	2017	2016	2017	2016	2017	2016
Estimated liability - Beginning of year	\$ 1,806,583	\$ 452,503	\$ 644,239	\$ 652,913	\$ 100,646	\$ (411,525)
Estimated claims incurred, including changes in estimates	141,466	1,490,001	244,700	223,912	4,188,846	4,300,664
Claim payments	(1,586,855)	(135,921)	(305,849)	(232,586)	(4,188,846)	(3,788,493)
Estimated liability - End of year	<u>\$ 361,194</u>	<u>\$ 1,806,583</u>	<u>\$ 583,090</u>	<u>\$ 644,239</u>	<u>\$ 100,646</u>	<u>\$ 100,646</u>

December 31, 2017

Note 13 - Tax Abatements

The Township receives reduced property tax revenue as a result of Industrial Facilities Tax exemptions (PA 198 of 1974) granted within the boundaries of the Township. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities.

For the fiscal year ended December 31, 2017, the Township's property tax revenue was reduced by \$5,000 under this programs.

Additionally, the Township has a payment in lieu of taxes agreement with businesses that provides housing of elderly citizens of low and moderate income, which are federally aided or statute authority-aided in accordance with the State Housing Development Act of 1966, as provided in PA 346 of 1966. In lieu of paying taxes based on millage rates and taxable value, the properties pay a 4 percent service fee on rent income less prior year payment, all utilities paid by the owner, and rental losses.

For the fiscal year ended December 31, 2017, the Township abated approximately \$127,000 of taxes under this program. There are no provisions to recapture taxes.

There are no significant abatements made by other governments that reduce the Township's tax revenue.

Note 14 - Conduit Debt Obligations

In October 2016, the Economic Development Corporation (EDC) secured financing for an unrelated entity in the amount of \$34,935,000. Typically, these borrowings are repayable only from the borrower's repayment of loans, undisbursed proceeds, and related interest earnings and the Township has no obligation for this debt. Therefore, the conduit debt obligations are not recorded as liabilities of the Township. The total outstanding bonds as of December 31, 2017 were \$34,725,000.

Required Supplemental Information

Charter Township of Waterford

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 7,580,013	\$ 7,585,013	\$ 7,624,652	\$ 39,639
Intergovernmental	6,046,129	6,230,334	6,518,185	287,851
Charges for services	1,274,500	1,274,500	1,294,979	20,479
Fines and forfeitures	1,277,000	1,277,000	1,316,064	39,064
Licenses and permits	391,720	516,720	655,314	138,594
Investment income	553,590	553,590	594,204	40,614
Other revenue:				
Other miscellaneous income	63,180	63,180	97,246	34,066
Cable franchise fees	1,092,214	1,092,214	1,077,414	(14,800)
Refunds and reimbursements	200,000	668,481	668,481	-
Total revenue	18,478,346	19,261,032	19,846,539	585,507
Expenditures				
Current services:				
General government:				
Township board	51,134	51,134	52,500	(1,366)
Supervisor and assessing	759,624	759,624	736,816	22,808
Elections	13,000	13,000	181	12,819
Personnel	227,348	227,348	225,675	1,673
Information service	421,069	421,069	397,773	23,296
Treasurer	602,240	605,740	598,941	6,799
General services	1,541,228	2,911,228	2,752,387	158,841
Clerk	645,037	645,037	616,255	28,782
Retiree benefits	1,305,246	1,305,246	1,409,508	(104,262)
Facilities and operations	108,554	108,554	108,554	-
District court	2,071,659	2,071,659	1,975,255	96,404
Public safety	1,199,961	1,220,961	1,233,643	(12,682)
Planning department	1,026,629	1,036,100	959,968	76,132
Capital outlay	58,300	136,213	88,150	48,063
Debt service	132,990	132,990	205,192	(72,202)
Total expenditures	10,164,019	11,645,903	11,360,798	285,105
Excess of Revenue Over Expenditures	8,314,327	7,615,129	8,485,741	870,612
Other Financing (Uses) Sources				
Transfers out	(8,407,500)	(9,097,500)	(8,897,500)	200,000
Sale of capital assets	3,000	3,000	2,580	(420)
Total other financing uses	(8,404,500)	(9,094,500)	(8,894,920)	199,580
Net Change in Fund Balance	(90,173)	(1,479,371)	(409,179)	1,070,192
Fund Balance - Beginning of year	9,040,387	9,040,387	9,040,387	-
Fund Balance - End of year	<u>\$ 8,950,214</u>	<u>\$ 7,561,016</u>	<u>\$ 8,631,208</u>	<u>\$ 1,070,192</u>

Charter Township of Waterford

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

Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,833,820	\$ 5,833,820	\$ 5,902,818	\$ 68,998
Intergovernmental	90,000	90,000	134,020	44,020
Charges for services	35,000	35,000	25,184	(9,816)
Fines and forfeitures	84,100	84,100	75,379	(8,721)
Licenses and permits	36,000	36,000	38,495	2,495
Investment income	44,161	44,161	50,933	6,772
Other revenue	288,250	288,250	540,376	252,126
Total revenue	6,411,331	6,411,331	6,767,205	355,874
Expenditures				
Current services - Public safety	12,258,814	12,289,414	11,843,354	446,060
Capital outlay	149,000	142,400	128,872	13,528
Total expenditures	12,407,814	12,431,814	11,972,226	459,588
Excess of Expenditures Over Revenue	(5,996,483)	(6,020,483)	(5,205,021)	815,462
Other Financing Sources - Transfers in	5,782,500	5,482,500	5,495,487	12,987
Net Change in Fund Balance	(213,983)	(537,983)	290,466	828,449
Fund Balance - Beginning of year	3,016,465	3,016,465	3,016,465	-
Fund Balance - End of year	\$ 2,802,482	\$ 2,478,482	\$ 3,306,931	\$ 828,449

Charter Township of Waterford

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

Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,106,849	\$ 5,106,849	\$ 5,169,323	\$ 62,474
Intergovernmental	3,368,198	3,706,978	2,871,436	(835,542)
Charges for services	8,818,375	8,818,375	8,963,952	145,577
Investment income	37,989	37,989	40,633	2,644
Other revenue	101,610	101,610	181,460	79,850
Total revenue	17,433,021	17,771,801	17,226,804	(544,997)
Expenditures				
Current services - Public safety	19,096,727	19,497,467	18,147,064	1,350,403
Capital outlay	997,000	533,297	483,426	49,871
Total expenditures	20,093,727	20,030,764	18,630,490	1,400,274
Excess of Expenditures Over Revenue	(2,660,706)	(2,258,963)	(1,403,686)	855,277
Other Financing Sources (Uses)				
Transfers in	1,977,500	2,177,500	2,177,500	-
Transfers out	(100,000)	(1,185,000)	(1,185,000)	-
Sale of capital assets	450,000	450,000	7,828	(442,172)
Total other financing sources	2,327,500	1,442,500	1,000,328	(442,172)
Net Change in Fund Balance	(333,206)	(816,463)	(403,358)	413,105
Fund Balance - Beginning of year	2,045,901	2,045,901	2,045,901	-
Fund Balance - End of year	<u>\$ 1,712,695</u>	<u>\$ 1,229,438</u>	<u>\$ 1,642,543</u>	<u>\$ 413,105</u>

Charter Township of Waterford

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

	Last Four Fiscal Years			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability				
Service cost	\$ 1,506,484	\$ 1,582,620	\$ 1,616,532	\$ 1,738,314
Interest	7,267,038	7,240,552	7,100,713	6,949,918
Differences between expected and actual experience	216,738	(1,095,732)	397,609	-
Benefit payments, including refunds	<u>(7,656,114)</u>	<u>(6,966,018)</u>	<u>(7,234,304)</u>	<u>(5,711,969)</u>
Net Change in Total Pension Liability	1,334,146	761,422	1,880,550	2,976,263
Total Pension Liability - Beginning of year	<u>106,889,611</u>	<u>106,128,189</u>	<u>104,247,639</u>	<u>101,271,376</u>
Total Pension Liability - End of year	<u>\$ 108,223,757</u>	<u>\$ 106,889,611</u>	<u>\$ 106,128,189</u>	<u>\$ 104,247,639</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 2,946,541	\$ 3,188,351	\$ 3,263,241	\$ 3,386,289
Contributions - Member	381,439	367,992	395,861	446,148
Net investment income (loss)	13,507,853	9,778,003	(1,162,337)	5,093,530
Administrative expenses	(458,499)	(452,779)	(522,512)	(560,067)
Benefit payments, including refunds	<u>(7,656,114)</u>	<u>(6,966,017)</u>	<u>(7,234,304)</u>	<u>(5,711,969)</u>
Net Change in Plan Fiduciary Net Position	8,721,220	5,915,550	(5,260,051)	2,653,931
Plan Fiduciary Net Position - Beginning of year	<u>88,760,298</u>	<u>82,844,748</u>	<u>88,104,799</u>	<u>85,450,868</u>
Plan Fiduciary Net Position - End of year	<u>\$ 97,481,518</u>	<u>\$ 88,760,298</u>	<u>\$ 82,844,748</u>	<u>\$ 88,104,799</u>
Township's Net Pension Liability - Ending	<u>\$ 10,742,239</u>	<u>\$ 18,129,313</u>	<u>\$ 23,283,441</u>	<u>\$ 16,142,840</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.07 %	83.04 %	78.06 %	84.51 %
Covered Employee Payroll	\$ 6,344,741	\$ 6,651,574	\$ 6,794,855	\$ 7,273,279
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	169.31 %	272.56 %	342.66 %	221.95 %

Charter Township of Waterford

Required Supplemental Information Schedule of Changes in the Net Pension Liability and Related Ratios General Employees' Retirement System

	Last Four Fiscal Years			
	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 783,877	\$ 820,172	\$ 900,676	\$ 983,329
Interest	4,390,174	4,341,582	4,322,215	4,209,174
Differences between expected and actual experience	(2,236,843)	(625,074)	(1,163,975)	-
Benefit payments, including refunds	<u>(3,755,287)</u>	<u>(3,893,369)</u>	<u>(3,590,647)</u>	<u>(3,481,965)</u>
Net Change in Total Pension Liability	(818,079)	643,311	468,269	1,710,538
Total Pension Liability - Beginning of year	<u>64,202,489</u>	<u>63,559,178</u>	<u>63,090,909</u>	<u>61,380,371</u>
Total Pension Liability - End of year	<u>\$ 63,384,410</u>	<u>\$ 64,202,489</u>	<u>\$ 63,559,178</u>	<u>\$ 63,090,909</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 989,146	\$ 1,249,587	\$ 1,555,154	\$ 1,729,217
Contributions - Member	11,489	14,822	17,565	17,609
Net investment income	9,243,114	2,688,872	721,215	3,720,145
Administrative expenses	(383,813)	(368,089)	(401,114)	(406,264)
Benefit payments, including refunds	<u>(3,755,287)</u>	<u>(3,893,369)</u>	<u>(3,590,647)</u>	<u>(3,481,965)</u>
Net Change in Plan Fiduciary Net Position	6,104,649	(308,177)	(1,697,827)	1,578,742
Plan Fiduciary Net Position - Beginning of year	<u>59,432,235</u>	<u>59,740,412</u>	<u>61,438,239</u>	<u>59,859,497</u>
Plan Fiduciary Net Position - End of year	<u>\$ 65,536,884</u>	<u>\$ 59,432,235</u>	<u>\$ 59,740,412</u>	<u>\$ 61,438,239</u>
Township's Net Pension (Asset) Liability - Ending	<u>\$ (2,152,474)</u>	<u>\$ 4,770,254</u>	<u>\$ 3,818,766</u>	<u>\$ 1,652,670</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	103.40 %	92.57 %	93.99 %	97.38 %
Covered Employee Payroll	\$ 4,463,488	\$ 4,525,599	\$ 4,948,841	\$ 5,664,337
Township's Net Pension (Asset) Liability as a Percentage of Covered Employee Payroll	(48.22)%	105.41 %	77.16 %	29.18 %

Charter Township of Waterford

Required Supplemental Information Schedule of Pension Contributions General Employees' Retirement System

**Last Ten Fiscal Years
Years Ended December 31**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 989,146	\$ 1,249,587	\$ 1,555,154	\$ 1,729,217	\$ 1,922,105	\$ 2,017,208	\$ 2,011,374	\$ 2,208,556	\$ 2,204,481	\$ 1,402,952
Contributions in relation to the actuarially determined contribution	989,146	1,249,587	1,555,154	1,729,217	1,922,105	2,017,208	2,011,374	2,208,556	2,204,481	1,402,952
Contribution Deficiency	\$ -									
Covered Employee Payroll	\$ 4,463,488	\$ 4,525,599	\$ 4,948,841	\$ 5,664,337	\$ 5,800,000	\$ 6,200,000	\$ 7,000,000	\$ 8,100,000	\$ 8,300,000	\$ 8,300,000
Contributions as a Percentage of Covered Employee Payroll	22.16 %	27.61 %	31.42 %	30.53 %	33.14 %	32.54 %	28.73 %	27.27 %	26.56 %	16.90 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, which is 12 months prior to the beginning of the fiscal year in which contributions are reported. Specifically, the FY 2017 contribution was determined from the December 31, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	17 years
Asset valuation method	Four-year smoothed market; 25 percent corridor
Inflation	3.00 to 3.50 percent - Approximate; No explicit price inflation assumptions used in this valuation.
Salary increase	4.5 to 7.7 percent including inflation
Investment rate of return	7.00 percent
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Combined Healthy Mortality Table projected forward 17 years using Scale BB for both males and females
Other information	There were no benefit changes during the year.

Charter Township of Waterford

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

**Last Four Fiscal Years
Years Ended December 31**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return - Net of investment related expenses:				
Police and Fire Retirement System	15.54 %	7.10 %	(1.50)%	6.10 %
General Employees' Retirement System	15.99 %	4.70 %	1.30 %	6.30 %

Charter Township of Waterford

Required Supplemental Information Schedule of OPEB Funding Progress

Years Ended December 31

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
December 31, 2012	\$ 7,164,299	\$ 165,582,825	\$ 158,418,526	4.33 %	\$ 16,215,437	976.96 %
December 31, 2014	9,166,210	178,663,236	169,497,026	5.13	15,558,779	1,089.40
December 31, 2016	11,422,373	186,829,068	175,406,695	6.11	14,194,380	1,235.75

Charter Township of Waterford

Required Supplemental Information Schedule of OPEB Contributions

Last Ten Fiscal Years Years Ended December 31

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 13,688,352	\$ 11,999,428	\$ 12,015,032	\$ 10,824,674	\$ 10,816,125	\$ 9,471,186	\$ 9,354,307	\$ 8,909,087	\$ 8,525,832	\$ 9,552,379
Contributions in relation to the actuarially determined contribution	6,646,677	6,542,562	5,618,905	5,493,180	4,922,028	4,927,765	5,237,185	4,288,345	3,712,187	9,284,565
Contribution Deficiency	\$ (7,041,675)	\$ (5,456,866)	\$ (6,396,127)	\$ (5,331,494)	\$ (5,894,097)	\$ (4,543,421)	\$ (4,117,122)	\$ (4,620,742)	\$ (4,813,645)	\$ (267,814)

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 of even numbered years, which is one day prior to the beginning of the fiscal year biennium in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll for police members; Level dollar for general and fire members
Remaining amortization period	30 years, open
Asset valuation method	Market value
Inflation	3.00 percent
Healthcare cost trend rates	Trend starting at 9.00 percent in 2017, grading to 4.50 percent in 2026.
Salary increase	4.50 percent
Investment rate of return	5.00 percent, net of OPEB plan expenses, including price inflation at 3.00 percent
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Healthy Pre- and Postretirement: RP-2000 Combined Healthy Mortality Table projected 17 years using scale BB. Disabled Retirement: RP-2000 Combined Healthy Mortality Table projected 17 years using scale BB, set forward 10 years
Other information	Information provided for 2017 is based on a GASB No. 45 compliant valuation. Future ADCs will be determined by a funding valuation that may differ in methods and/or assumptions.

Charter Township of Waterford

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

	Last Fiscal Year
	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 2,720,492
Interest	9,903,055
Benefit payments, including refunds	<u>(5,795,277)</u>
Net Change in Total OPEB Liability	6,828,270
Total OPEB Liability - Beginning of year	<u>153,892,087</u>
Total OPEB Liability - End of year	<u>\$ 160,720,357</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 6,646,677
Contributions - Active and inactive plan members not yet receiving benefits	54,831
Net investment income	1,431,730
Administrative expenses	(30,839)
Benefit payments, including refunds	<u>(5,795,277)</u>
Net Change in Plan Fiduciary Net Position	2,307,122
Plan Fiduciary Net Position - Beginning of year	<u>11,422,373</u>
Plan Fiduciary Net Position - End of year	<u>\$ 13,729,495</u>
Net OPEB Liability - Ending	<u>\$ 146,990,862</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	8.54 %

Charter Township of Waterford

Required Supplemental Information
Schedule of OPEB Investment Returns

**Last Fiscal Year
Year Ended December 31**

2017

Annual money-weighted rate of return - Net of investment expense

11.70 %

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund, the Improvement Revolving 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 the following 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 revenue, expenditures, and changes in fund balances is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>
General Fund amounts per operating statement	\$ 19,855,857	\$ 11,360,798
Cemetery care fund	(7,240)	-
Workers' Compensation Fund	(2,078)	-
	<u>\$ 19,846,539</u>	<u>\$ 11,360,798</u>
Amounts per budget statement		

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 - Township board	\$ 51,134	\$ 52,500	\$ (1,366)
General Fund - Retiree benefits	1,305,246	1,409,508	(104,262)
General Fund - Public safety	1,220,961	1,233,643	(12,682)
General Fund - Debt service	132,990	205,192	(72,202)

The Community Development Block Grant Fund was not budgeted for on a fiscal year basis. The Weed Control Fund, S.A.D. Road Paving Fund, and Capital Projects Allocation Fund were not budgeted for in the current year.

At December 31, 2017, the Township had governmental activities unrestricted net deficit of \$43,621,655 and Fire Unemployment Costs net deficit of \$273. Neither meets the definition of a deficit as defined by the State of Michigan.

Other Supplemental Information

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.

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 Fund - 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 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.

Capital Project 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.

Capital Projects Allocation Fund - This fund accounts for the prefunding for future identified capital project needs. Funding is provided from the General Fund, Fire Fund, and Parks and Recreation Fund.

Charter Township of Waterford

	Special Revenue Funds							
	Community Development Block Grant	Library	Library Donations	Weed Control	Police Restricted Use	Nature Center	Cable Commission	Parks and Recreation
Assets								
Cash and investments	\$ 620,945	\$ 2,282,423	\$ 51,265	\$ 454,916	\$ 1,314,025	\$ 547,366	\$ 753,520	\$ 1,569,809
Receivables:								
Property taxes receivable	-	802,428	-	-	4,227	-	-	440,026
Special assessments receivable	-	-	-	96,951	-	-	-	-
Due from other governmental units	20,557	7,835	-	-	-	-	-	-
Rehabilitation loan receivable	1,180,206	-	-	-	-	-	-	-
Prepaid items	-	14,036	-	-	-	-	3,292	11,165
Total assets	\$ 1,821,708	\$ 3,106,722	\$ 51,265	\$ 551,867	\$ 1,318,252	\$ 547,366	\$ 756,812	\$ 2,021,000
Liabilities								
Accounts payable	\$ 152	\$ 14,679	\$ 325	\$ 12,089	\$ 240,286	\$ -	\$ 307	\$ 18,962
Accrued liabilities and other	287	21,530	-	-	-	-	1,313	16,116
Provision for claims	-	3,383	-	-	-	-	-	647
Total liabilities	439	39,592	325	12,089	240,286	-	1,620	35,725
Deferred Inflows of Resources								
Unavailable revenue	1,180,206	-	-	-	-	-	-	-
Property taxes levied for the following year	-	1,823,563	-	254,599	-	-	-	999,985
Total deferred inflows of resources	1,180,206	1,823,563	-	254,599	-	-	-	999,985
Total liabilities and deferred inflows of resources	1,180,645	1,863,155	325	266,688	240,286	-	1,620	1,035,710
Fund Balances								
Nonspendable	-	14,036	-	-	-	-	3,292	11,165
Restricted:								
Police	-	-	-	-	1,077,966	-	-	-
Debt service	-	-	-	-	-	-	-	-
Community development	441,063	-	-	-	-	-	-	-
Library	-	1,229,531	50,940	-	-	-	-	-
Weed control	-	-	-	285,179	-	-	-	-
Nature center	-	-	-	-	-	547,366	-	-
Committed:								
Capital projects - General	-	-	-	-	-	-	-	-
Capital projects - Fire	-	-	-	-	-	-	-	-
Capital projects - Parks and recreation	-	-	-	-	-	-	-	-
Assigned:								
Cable-related projects	-	-	-	-	-	-	751,900	-
Community development	200,000	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	974,125
Total fund balances	641,063	1,243,567	50,940	285,179	1,077,966	547,366	755,192	985,290
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,821,708	\$ 3,106,722	\$ 51,265	\$ 551,867	\$ 1,318,252	\$ 547,366	\$ 756,812	\$ 2,021,000

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

December 31, 2017

Debt Service Fund	Capital Project Funds			Total
	Improvement Revolving	S.A.D. Road Paving	Capital Project Allocation Fund	
\$ 921,818	\$ 3,524,941	\$ 16,844	\$ 591,235	\$ 12,649,107
584,663	-	-	-	1,831,344
-	5,046	-	-	101,997
4,336	-	-	-	32,728
-	-	-	-	1,180,206
-	-	-	-	28,493
\$ 1,510,817	\$ 3,529,987	\$ 16,844	\$ 591,235	\$ 15,823,875
\$ -	\$ 3,664	\$ -	\$ -	\$ 290,464
1,501	-	-	-	40,747
-	-	-	-	4,030
1,501	3,664	-	-	335,241
-	5,767	-	-	1,185,973
1,328,680	-	-	-	4,406,827
1,328,680	5,767	-	-	5,592,800
1,330,181	9,431	-	-	5,928,041
-	-	-	-	28,493
-	-	-	-	1,077,966
180,636	-	-	-	180,636
-	-	-	-	441,063
-	-	-	-	1,280,471
-	-	-	-	285,179
-	-	-	-	547,366
-	-	-	251,849	251,849
-	-	-	203,120	203,120
-	-	-	136,266	136,266
-	-	-	-	751,900
-	-	-	-	200,000
-	3,520,556	16,844	-	3,537,400
-	-	-	-	974,125
180,636	3,520,556	16,844	591,235	9,895,834
\$ 1,510,817	\$ 3,529,987	\$ 16,844	\$ 591,235	\$ 15,823,875

Charter Township of Waterford

	Special Revenue Funds							
	Community Development Block Grant	Library	Library Donations	Weed Control	Police Restricted Use	Nature Center	Cable Commission	Parks and Recreation
Revenue								
Property taxes	\$ -	\$ 1,786,030	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 981,739
Special assessments	-	-	-	302,145	-	-	-	-
Intergovernmental:								
Federal grants	561,327	-	-	-	52,191	-	-	-
State-shared revenue and grants	-	54,928	-	-	506,920	-	-	2,729
Charges for services	-	-	-	-	-	-	296,345	640,169
Fines and forfeitures	-	184,804	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Investment income	-	16,229	-	-	9,879	730	6,057	11,430
Other revenue:								
Local contributions	-	-	15,862	-	5,000	-	-	-
Other miscellaneous income	-	2,958	-	-	21,276	-	-	23,368
Cable franchise fees	-	-	-	-	-	-	133,164	-
Total revenue	561,327	2,044,949	15,862	302,145	595,266	730	435,566	1,659,435
Expenditures								
Current services:								
General government	7,380	-	-	-	-	-	382,341	-
Public safety	-	-	-	-	886,914	-	-	-
Public works	-	-	-	-	-	-	-	-
Community and economic development	313,058	-	-	-	-	-	-	-
Recreation and culture	-	1,901,523	30,845	286,400	-	-	-	1,579,232
Capital outlay	-	108,733	86	-	-	-	1,488	139,993
Debt service	-	-	-	-	-	-	-	-
Total expenditures	320,438	2,010,256	30,931	286,400	886,914	-	383,829	1,719,225
Excess of Revenue Over (Under) Expenditures	240,889	34,693	(15,069)	15,745	(291,648)	730	51,737	(59,790)
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	-	-	-	250,000
Transfers out	-	-	-	-	-	-	-	(45,000)
Sale of capital assets	-	-	-	-	-	-	-	101,513
Total other financing sources	-	-	-	-	-	-	-	306,513
Net Change in Fund Balances	240,889	34,693	(15,069)	15,745	(291,648)	730	51,737	246,723
Fund Balances - Beginning of year	400,174	1,208,874	66,009	269,434	1,369,614	546,636	703,455	738,567
Fund Balances - End of year	\$ 641,063	\$ 1,243,567	\$ 50,940	\$ 285,179	\$ 1,077,966	\$ 547,366	\$ 755,192	\$ 985,290

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

Year Ended December 31, 2017

Debt Service Fund	Capital Project Funds			Total
	Improvement Revolving	S.A.D. Road Paving	Capital Project Allocation Fund	
\$ 1,363,601	\$ -	\$ -	\$ -	\$ 4,131,370
-	26,091	-	-	328,236
-	-	-	-	613,518
4,336	-	-	-	568,913
-	-	-	-	936,514
-	-	-	-	184,804
-	29,617	-	-	29,617
421	23,375	137	3,908	72,166
-	-	-	-	20,862
2,258	47,550	-	-	97,410
-	-	-	-	133,164
<u>1,370,616</u>	<u>126,633</u>	<u>137</u>	<u>3,908</u>	<u>7,116,574</u>
-	-	-	-	389,721
-	-	-	-	886,914
-	53,953	-	-	53,953
-	-	-	-	313,058
-	-	-	-	3,798,000
-	223,366	-	1,184,172	1,657,838
<u>1,348,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,348,900</u>
<u>1,348,900</u>	<u>277,319</u>	<u>-</u>	<u>1,184,172</u>	<u>8,448,384</u>
21,716	(150,686)	137	(1,180,264)	(1,331,810)
-	835,000	-	1,330,000	2,415,000
-	-	-	-	(45,000)
-	6,800	-	-	108,313
-	<u>841,800</u>	<u>-</u>	<u>1,330,000</u>	<u>2,478,313</u>
21,716	691,114	137	149,736	1,146,503
158,920	2,829,442	16,707	441,499	8,749,331
<u>\$ 180,636</u>	<u>\$ 3,520,556</u>	<u>\$ 16,844</u>	<u>\$ 591,235</u>	<u>\$ 9,895,834</u>

Charter Township of Waterford

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds Library

Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Property taxes	\$ 1,762,743	\$ 1,762,743	\$ 1,786,030	\$ 23,287
Intergovernmental	43,969	43,969	54,928	10,959
Fines and forfeitures	181,315	181,315	184,804	3,489
Investment income	12,308	12,308	16,229	3,921
Other revenue	5,500	5,500	2,958	(2,542)
Total revenue	2,005,835	2,005,835	2,044,949	39,114
Expenditures				
Current services - Recreation and culture - Library	2,030,575	2,030,575	1,901,523	129,052
Capital outlay	128,099	128,099	108,733	19,366
Total expenditures	2,158,674	2,158,674	2,010,256	148,418
Net Change in Fund Balance	(152,839)	(152,839)	34,693	187,532
Fund Balance - Beginning of year	1,208,874	1,208,874	1,208,874	-
Fund Balance - End of year	<u>\$ 1,056,035</u>	<u>\$ 1,056,035</u>	<u>\$ 1,243,567</u>	<u>\$ 187,532</u>

Charter Township of Waterford

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Library Donations

Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue - Other revenue - Local donations	\$ 26,500	\$ 26,500	\$ 15,862	\$ (10,638)
Expenditures				
Current services - Recreation and culture - Library	36,500	36,500	30,845	5,655
Capital outlay	18,500	18,500	86	18,414
Total expenditures	<u>55,000</u>	<u>55,000</u>	<u>30,931</u>	<u>24,069</u>
Net Change in Fund Balance	(28,500)	(28,500)	(15,069)	13,431
Fund Balance - Beginning of year	<u>66,009</u>	<u>66,009</u>	<u>66,009</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 37,509</u></u>	<u><u>\$ 37,509</u></u>	<u><u>\$ 50,940</u></u>	<u><u>\$ 13,431</u></u>

Charter Township of Waterford

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Police Restricted Use

Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Intergovernmental	\$ 45,000	\$ 45,000	\$ 559,111	\$ 514,111
Investment income	5,939	5,939	9,879	3,940
Other revenue	23,000	23,000	26,276	3,276
Total revenue	73,939	73,939	595,266	521,327
Expenditures - Current - Public safety	43,300	252,915	886,914	(633,999)
Net Change in Fund Balance	30,639	(178,976)	(291,648)	(112,672)
Fund Balance - Beginning of year	1,369,614	1,369,614	1,369,614	-
Fund Balance - End of year	<u>\$ 1,400,253</u>	<u>\$ 1,190,638</u>	<u>\$ 1,077,966</u>	<u>\$ (112,672)</u>

Charter Township of Waterford

Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Governmental Funds
(Continued)
Nature Center

Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue - Investment income	\$ 406	\$ 406	\$ 730	\$ 324
Expenditures	-	-	-	-
Net Change in Fund Balance	406	406	730	324
Fund Balance - Beginning of year	546,636	546,636	546,636	-
Fund Balance - End of year	<u><u>\$ 547,042</u></u>	<u><u>\$ 547,042</u></u>	<u><u>\$ 547,366</u></u>	<u><u>\$ 324</u></u>

Charter Township of Waterford

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Cable Commission

Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Charges for services	\$ 290,202	\$ 290,202	\$ 296,345	\$ 6,143
Investment income	3,184	3,184	6,057	2,873
Other revenue	125,216	125,216	133,164	7,948
Total revenue	418,602	418,602	435,566	16,964
Expenditures				
Current services - General government	403,797	403,797	382,341	21,456
Capital outlay	7,175	7,175	1,488	5,687
Total expenditures	410,972	410,972	383,829	27,143
Net Change in Fund Balance	7,630	7,630	51,737	44,107
Fund Balance - Beginning of year	703,455	703,455	703,455	-
Fund Balance - End of year	<u>\$ 711,085</u>	<u>\$ 711,085</u>	<u>\$ 755,192</u>	<u>\$ 44,107</u>

Charter Township of Waterford

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Parks and Recreation

Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 972,538	\$ 972,538	\$ 981,739	\$ 9,201
Intergovernmental	25,100	25,100	2,729	(22,371)
Charges for services	623,091	623,091	640,169	17,078
Investment income	1,800	1,800	11,430	9,630
Other revenue	12,500	12,500	23,368	10,868
Total revenue	1,635,029	1,635,029	1,659,435	24,406
Expenditures				
Current services - Recreation and culture	1,624,334	1,624,334	1,579,232	45,102
Capital outlay	131,400	167,574	139,993	27,581
Total expenditures	1,755,734	1,791,908	1,719,225	72,683
Excess of Expenditures Over Revenue	(120,705)	(156,879)	(59,790)	97,089
Other Financing Sources (Uses)				
Transfers in	250,000	250,000	250,000	-
Transfers out	(45,000)	(45,000)	(45,000)	-
Sale of capital assets	350	350	101,513	101,163
Total other financing sources	205,350	205,350	306,513	101,163
Net Change in Fund Balance	84,645	48,471	246,723	198,252
Fund Balance - Beginning of year	738,567	738,567	738,567	-
Fund Balance - End of year	<u><u>\$ 823,212</u></u>	<u><u>\$ 787,038</u></u>	<u><u>\$ 985,290</u></u>	<u><u>\$ 198,252</u></u>

Charter Township of Waterford

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Debt Service Fund

Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,352,329	\$ 1,352,329	\$ 1,363,601	\$ 11,272
Intergovernmental	-	-	4,336	4,336
Investment income	125	125	421	296
Other revenue	1,900	1,900	2,258	358
Total revenue	1,354,354	1,354,354	1,370,616	16,262
Expenditures				
Debt service:				
Principal	1,280,000	1,280,000	1,280,000	-
Interest on long-term debt	68,900	68,900	68,900	-
Total expenditures	1,348,900	1,348,900	1,348,900	-
Net Change in Fund Balance	5,454	5,454	21,716	16,262
Fund Balance - Beginning of year	158,920	158,920	158,920	-
Fund Balance - End of year	<u>\$ 164,374</u>	<u>\$ 164,374</u>	<u>\$ 180,636</u>	<u>\$ 16,262</u>

Charter Township of Waterford

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Improvement Revolving

Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Special assessments	\$ -	\$ -	\$ 26,091	\$ 26,091
Intergovernmental	45,000	45,000	-	(45,000)
Licenses and permits	25,000	25,000	29,617	4,617
Investment income	13,088	13,088	23,375	10,287
Other revenue	-	-	47,550	47,550
Total revenue	83,088	83,088	126,633	43,545
Expenditures				
Current services - General government	78,001	72,001	53,953	18,048
Capital outlay	285,000	291,000	223,366	67,634
Total expenditures	363,001	363,001	277,319	85,682
Excess of Expenditures Over Revenue	(279,913)	(279,913)	(150,686)	129,227
Other Financing Sources				
Transfers in	135,000	835,000	835,000	-
Sale of capital assets	-	-	6,800	6,800
Total other financing sources	135,000	835,000	841,800	6,800
Net Change in Fund Balance	(144,913)	555,087	691,114	136,027
Fund Balance - Beginning of year	2,829,442	2,829,442	2,829,442	-
Fund Balance - End of year	<u><u>\$ 2,684,529</u></u>	<u><u>\$ 3,384,529</u></u>	<u><u>\$ 3,520,556</u></u>	<u><u>\$ 136,027</u></u>

Other Supplemental Information
Internal Service Funds
Fund Descriptions

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.

Charter Township of Waterford

Other Supplemental Information Combining Statement of Net Position Internal Service Funds

December 31, 2017

	Motor Pool Fund	Fire Unemployment Costs	Total Internal Service Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 330,999	\$ 135,519	\$ 466,518
Inventory	80,666	-	80,666
Total current assets	411,665	135,519	547,184
Noncurrent assets - Capital assets - Assets subject to depreciation			
	900,812	-	900,812
Total assets	1,312,477	135,519	1,447,996
Liabilities			
Current liabilities:			
Accounts payable	25,564	-	25,564
Accrued liabilities and other	5,893	-	5,893
Current portion of long-term debt	171,215	-	171,215
Total current liabilities	202,672	-	202,672
Noncurrent liabilities:			
Accrued unemployment	-	135,792	135,792
Long-term debt - Net of current portion	352,294	-	352,294
Total noncurrent liabilities	352,294	135,792	488,086
Total liabilities	554,966	135,792	690,758
Net Position			
Net investment in capital assets	377,303	-	377,303
Unrestricted	380,208	(273)	379,935
Total net position	\$ 757,511	\$ (273)	\$ 757,238

Charter Township of Waterford

Other Supplemental Information
Combining Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds

Year Ended December 31, 2017

	Motor Pool Fund	Fire Unemployment Costs	Total Internal Service Funds
Operating Revenue - Charges for services	\$ 183,973	\$ 124,250	\$ 308,223
Operating Expenses			
Billing and administrative costs	31,586	-	31,586
Unemployment costs	-	125,608	125,608
Depreciation	134,055	-	134,055
Total operating expenses	<u>165,641</u>	<u>125,608</u>	<u>291,249</u>
Operating Income (Loss)	18,332	(1,358)	16,974
Nonoperating Revenue (Expense)			
Investment income	2,616	1,085	3,701
Interest expense	(11,307)	-	(11,307)
Gain on sale of assets	13,526	-	13,526
Total nonoperating revenue (expense)	<u>4,835</u>	<u>1,085</u>	<u>5,920</u>
Change in Net Position	23,167	(273)	22,894
Net Position - Beginning of year	<u>734,344</u>	<u>-</u>	<u>734,344</u>
Net Position - End of year	<u><u>\$ 757,511</u></u>	<u><u>\$ (273)</u></u>	<u><u>\$ 757,238</u></u>

Charter Township of Waterford

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds

Year Ended December 31, 2017

	Motor Pool Fund	Fire Unemployment Costs	Total Internal Service Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 183,973	\$ 124,250	\$ 308,223
Payments to suppliers	(31,637)	-	(31,637)
Claims paid	-	(457,610)	(457,610)
Net cash and cash equivalents provided by (used in) operating activities	152,336	(333,360)	(181,024)
Cash Flows from Capital and Related Financing Activities			
Proceeds from sale of capital assets	39,897	-	39,897
Principal and interest paid on capital debt	(181,207)	-	(181,207)
Net cash and cash equivalents used in capital and related financing activities	(141,310)	-	(141,310)
Cash Flows Provided by Investing Activities - Interest received on investments	2,616	1,085	3,701
Net Increase (Decrease) in Cash and Cash Equivalents	13,642	(332,275)	(318,633)
Cash and Cash Equivalents - Beginning of year	317,357	467,794	785,151
Cash and Cash Equivalents - End of year	\$ 330,999	\$ 135,519	\$ 466,518
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ 18,332	\$ (1,358)	\$ 16,974
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	134,055	-	134,055
Changes in assets and liabilities:			
Inventories	(5,203)	-	(5,203)
Accounts payable	5,152	-	5,152
Estimated claims liability	-	(332,002)	(332,002)
Net cash and cash equivalents provided by (used in) operating activities	\$ 152,336	\$ (333,360)	\$ (181,024)

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

Other Supplemental Information Combining Statement of Fiduciary Net Position Fiduciary Funds

December 31, 2017

	Pension and OPEB Funds			Total
	Police and Fire Pension	General Employees' Pension	Other Postemployment Benefits	
Assets				
Cash and cash equivalents	\$ -	\$ 5,987	\$ 856,749	\$ 862,736
Investments:				
Fixed-income funds	18,867,681	14,764,887	-	33,632,568
Publicly traded partnerships	625,924	-	-	625,924
Stocks	46,381,187	41,305,824	12,872,746	100,559,757
Mutual funds	24,529,168	7,371,086	-	31,900,254
Real estate investment trusts	1,287,616	280,819	-	1,568,435
Pension manager short-term funds	5,468,087	1,578,102	-	7,046,189
Securities lending short-term collateral bank investment pool - Mutual funds	2,000,993	1,002,585	-	3,003,578
Prepaid items	524,340	316,516	-	840,856
Due from broker	39,426	52	-	39,478
Accrued income	-	20,140	-	20,140
Total assets	<u>99,724,422</u>	<u>66,645,998</u>	<u>13,729,495</u>	<u>180,099,915</u>
Liabilities				
Accounts payable	241,911	53,265	-	295,176
Obligations under securities lending agreements	2,000,993	1,055,849	-	3,056,842
Total liabilities	<u>2,242,904</u>	<u>1,109,114</u>	<u>-</u>	<u>3,352,018</u>
Net Position Held in Trust for Pension and Other Postemployment Benefits	<u><u>\$ 97,481,518</u></u>	<u><u>\$ 65,536,884</u></u>	<u><u>\$ 13,729,495</u></u>	<u><u>\$ 176,747,897</u></u>

Charter Township of Waterford

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

Year Ended December 31, 2017

	Police and Fire Pension	General Employees' Pension	Other Postemployment Benefits	Total Fiduciary Funds
Additions				
Investment income:				
Interest and dividends	\$ 1,868,169	\$ 943,875	\$ 643,469	\$ 3,455,513
Net increase in fair value of investments	11,639,684	8,299,239	788,261	20,727,184
Net investment income	13,507,853	9,243,114	1,431,730	24,182,697
Contributions:				
Employer contributions	2,946,541	989,146	6,646,677	10,582,364
Employee contributions	381,439	11,489	54,831	447,759
Total contributions	3,327,980	1,000,635	6,701,508	11,030,123
Total additions	16,835,833	10,243,749	8,133,238	35,212,820
Deductions				
Benefit payments	7,656,114	3,755,287	5,795,277	17,206,678
Administrative expenses	458,499	383,813	30,839	873,151
Total deductions	8,114,613	4,139,100	5,826,116	18,079,829
Net Increase in Net Position Held in Trust	8,721,220	6,104,649	2,307,122	17,132,991
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	88,760,298	59,432,235	11,422,373	159,614,906
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 97,481,518	\$ 65,536,884	\$ 13,729,495	\$ 176,747,897

Charter Township of Waterford

Other Supplemental Information Schedule of Changes in Assets and Liabilities Fiduciary Funds

Year Ended December 31, 2017

		Tax Collections			December 31,
		January 1, 2017	Additions	Deductions	2017
Assets	Cash and investments	\$ 2,178,325	\$ 83,184,916	\$ (83,220,333)	\$ 2,142,908
Liabilities	Due to other governmental units	\$ 2,096,388	\$ 2,057,922	\$ (2,102,308)	\$ 2,052,002
	Accrued liabilities and other	81,937	90,905	(81,936)	90,906
	Total liabilities	\$ 2,178,325	\$ 2,148,827	\$ (2,184,244)	\$ 2,142,908
		Other Agency Funds			December 31,
		January 1, 2017	Additions	Deductions	2017
Assets	Cash and investments	\$ 772,317	\$ 3,331,865	\$ (3,398,391)	\$ 705,791
Liabilities	Bonds and other deposits	\$ 741,237	\$ 778,000	\$ (823,474)	\$ 695,763
	Accrued liabilities and other	31,080	2,430,154	(2,451,206)	10,028
	Total liabilities	\$ 772,317	\$ 3,208,154	\$ (3,274,680)	\$ 705,791
		Total Agency Funds			December 31,
		January 1, 2017	Additions	Deductions	2017
Assets	Cash and investments	\$ 2,950,642	\$ 86,516,781	\$ (86,618,724)	\$ 2,848,699
Liabilities	Due to other governmental units	\$ 2,096,388	\$ 2,057,922	\$ (2,102,308)	\$ 2,052,002
	Bonds and other deposits	741,237	778,000	(823,474)	695,763
	Accrued liabilities and other	113,017	2,521,059	(2,533,142)	100,934
	Total liabilities	\$ 2,950,642	\$ 5,356,981	\$ (5,458,924)	\$ 2,848,699

Charter Township of Waterford

**Other Supplemental Information
Component Unit - Veterans' Memorial Fund
Fund-based Balance Sheet**

December 31, 2017

	<u>Modified Accrual</u>	<u>Full Accrual Adjustments</u>	<u>Full Accrual</u>
Assets			
Cash and investments	\$ 4,772	\$ -	\$ 4,772
Capital assets subject to depreciation	<u>-</u>	<u>57,391</u>	<u>57,391</u>
Total assets	<u>\$ 4,772</u>	57,391	62,163
Liabilities	\$ -	-	-
Fund Balances - Restricted	<u>4,772</u>	<u>(4,772)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 4,772</u>		
Net Position			
Net investment in capital assets		57,391	57,391
Restricted - Veterans' Memorial		<u>4,772</u>	<u>4,772</u>
Total net position		<u>\$ 62,163</u>	<u>\$ 62,163</u>

Charter Township of Waterford

**Other Supplemental Information
Component Unit - Veterans' Memorial Fund
Fund-based Schedule of Revenue and Expenditures**

Year Ended December 31, 2017

	<u>Modified Accrual</u>	<u>Full Accrual Adjustments</u>	<u>Full Accrual</u>
Revenue - Charges for services	\$ 100	\$ -	\$ 100
Expenditures			
General government	70	-	70
Depreciation	-	2,180	2,180
Total expenditures	<u>70</u>	<u>2,180</u>	<u>2,250</u>
Net Change in Fund Balances/Net Position	30	(2,180)	(2,150)
Fund Balances/Net Position - Beginning of year	<u>4,742</u>	<u>59,571</u>	<u>64,313</u>
Fund Balances/Net Position - End of year	<u><u>\$ 4,772</u></u>	<u><u>\$ 57,391</u></u>	<u><u>\$ 62,163</u></u>

Statistical Section

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 affects 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

	As of December 31,			
	2008	2009	2010	2011
Governmental Activities:				
Net investment in capital assets	\$ 44,405,669	\$ 44,754,072	\$ 44,944,850	\$ 45,135,692
Restricted	4,747,321	4,721,937	5,141,594	5,370,788
Unrestricted	<u>8,271,581</u>	<u>1,800,600</u>	<u>(2,877,686)</u>	<u>(6,048,239)</u>
Total net position	<u>\$ 57,424,571</u>	<u>\$ 51,276,609</u>	<u>\$ 47,208,758</u>	<u>\$ 44,458,241</u>
Business-type Activities:				
Net investment in capital assets	\$ 73,989,325	\$ 71,654,120	\$ 73,463,981	\$ 71,947,707
Restricted	-	1,448,307	1,916,264	2,206,903
Unrestricted	<u>16,345,225</u>	<u>13,946,883</u>	<u>13,185,990</u>	<u>13,185,783</u>
Total net position	<u>\$ 90,334,550</u>	<u>\$ 87,049,310</u>	<u>\$ 88,566,235</u>	<u>\$ 87,340,393</u>
Primary Government in Total:				
Net investment in capital assets	\$ 118,394,994	\$ 116,408,192	\$ 118,408,831	\$ 117,083,399
Restricted	4,747,321	6,170,244	7,057,858	7,577,691
Unrestricted	<u>24,616,806</u>	<u>15,747,483</u>	<u>10,308,304</u>	<u>7,137,544</u>
Total net position	<u>\$ 147,759,121</u>	<u>\$ 138,325,919</u>	<u>\$ 135,774,993</u>	<u>\$ 131,798,634</u>

Source: Township's annual financial statements

* The Township implemented GASB No. 68 in 2015. The numbers in this table have not been updated retrospectively.

Net Position by Component

Last Ten Fiscal Years
(Unaudited)

As of December 31,					
2012	2013	2014	2015 *	2016	2017
\$ 47,298,593	\$ 46,738,188	\$ 46,799,756	\$ 47,424,323	\$ 47,755,197	\$ 49,917,271
5,262,167	5,058,980	5,299,562	5,512,742	5,573,050	5,006,923
<u>(9,709,009)</u>	<u>(12,613,301)</u>	<u>(14,614,667)</u>	<u>(35,750,457)</u>	<u>(40,613,351)</u>	<u>(43,621,655)</u>
\$ 42,851,751	\$ 39,183,867	\$ 37,484,651	\$ 17,186,608	\$ 12,714,896	\$ 11,302,539
\$ 71,328,214	\$ 74,702,495	\$ 76,598,026	\$ 75,365,037	\$ 76,149,383	\$ 77,300,259
2,084,405	2,150,295	813,588	2,998,522	1,098,158	2,342,415
<u>14,110,363</u>	<u>14,968,603</u>	<u>14,544,118</u>	<u>13,754,631</u>	<u>15,948,494</u>	<u>15,485,980</u>
\$ 87,522,982	\$ 91,821,393	\$ 91,955,732	\$ 92,118,190	\$ 93,196,035	\$ 95,128,654
\$ 118,626,807	\$ 121,440,683	\$ 123,397,782	\$ 122,789,360	\$ 123,904,580	\$ 127,217,530
7,346,572	7,209,275	6,113,150	8,511,264	6,671,208	7,349,338
<u>4,401,354</u>	<u>2,355,302</u>	<u>(70,549)</u>	<u>(21,995,826)</u>	<u>(24,664,857)</u>	<u>(28,135,675)</u>
\$ 130,374,733	\$ 131,005,260	\$ 129,440,383	\$ 109,304,798	\$ 105,910,931	\$ 106,431,193

Charter Township of Waterford

	As of December 31,			
	2008	2009	2010	2011
Expenses:				
General government	\$ 11,429,795	\$ 7,255,074	\$ 6,997,818	\$ 6,705,725
District Court	2,581,511	2,948,594	2,833,152	2,419,633
Police and fire	24,510,932	28,665,369	27,946,504	24,652,327
Building inspection	1,456,737	1,488,139	1,392,747	1,240,541
Public works activities	926,691	674,698	931,781	746,742
Community & economic development	1,487,700	3,095,731	2,705,335	2,188,419
Recreation and culture	5,806,047	5,868,354	5,571,380	4,897,241
Interest on long-term debt	603,194	802,289	277,941	302,836
Total expenses	48,802,607	50,798,248	48,656,658	43,153,464
Program revenues:				
Charges for services				
General government	3,129,723	3,537,865	3,095,082	2,130,007
District Court	1,853,358	1,795,195	1,480,037	1,302,460
Police and fire	794,250	1,426,080	2,058,194	2,026,482
Building inspection	527,704	376,323	482,410	346,073
Community & economic development	218,830	396,331	112,540	79,046
Recreation and culture	1,040,496	1,174,611	1,221,313	1,268,767
Other activities	464,852	470,264	508,384	575,408
Total charges for services	8,029,213	9,176,669	8,957,960	7,728,243
Operating grants and contributions	698,365	2,007,831	2,149,749	1,785,418
Capital grants and contributions	-	-	285,650	-
Total program revenue	8,727,578	11,184,500	11,393,359	9,513,661
Excess of Expenses Over Program Revenue	(40,075,029)	(39,613,748)	(37,263,299)	(33,639,803)
General revenues:				
Property taxes	27,913,339	27,751,648	27,303,992	24,615,307
State-shared revenues	5,948,420	5,237,324	4,983,146	5,146,592
Unrestricted investment earnings/(loss)	953,573	209,413	150,336	125,441
Franchise fees	-	72,587	88,087	929,916
Miscellaneous	122,869	194,814	284,228	72,030
Transfers	(117,659)	-	-	-
Total general revenues	34,820,542	33,465,786	32,809,789	30,889,286
Special Items - Contribution of public safety assets	-	-	-	-
Change in net position	\$ (5,254,487)	\$ (6,147,962)	\$ (4,453,510)	\$ (2,750,517)

Source: Township's annual financial statements

Changes in Governmental Net Position

Last Ten Fiscal Years

(Unaudited)

As of December 31,						
2012	2013	2014	2015	2016	2017	
\$ 6,941,413	\$ 7,540,276	\$ 7,371,411	\$ 8,468,129	\$ 10,008,883	\$ 9,566,130	
2,252,893	2,292,718	2,382,795	2,023,796	2,060,646	1,950,465	
29,836,433	32,017,761	32,860,164	33,814,996	32,607,963	31,148,383	
1,499,568	1,081,438	1,091,307	1,137,157	1,128,343	1,299,693	
831,566	507,388	378,338	341,865	447,811	644,788	
1,662,882	1,326,708	1,407,689	1,365,836	1,436,840	1,237,013	
4,138,458	4,426,465	4,172,091	4,106,423	4,235,473	4,457,445	
284,155	217,799	194,547	170,170	144,707	142,935	
<u>47,447,368</u>	<u>49,410,553</u>	<u>49,858,342</u>	<u>51,428,372</u>	<u>52,070,666</u>	<u>50,446,852</u>	
2,730,919	2,807,268	2,642,128	1,832,510	1,952,187	737,664	
1,175,963	1,350,596	1,282,052	1,037,257	1,072,440	1,089,797	
7,580,204	8,447,612	8,567,130	8,366,943	8,486,146	9,074,822	
344,960	444,680	636,514	594,148	667,341	703,837	
93,411	89,110	131,987	131,393	119,145	372,302	
1,289,312	1,353,572	1,311,791	1,368,111	1,345,423	1,127,118	
575,165	93,480	592,061	544,191	534,973	55,708	
<u>13,789,934</u>	<u>14,586,318</u>	<u>15,163,663</u>	<u>13,874,553</u>	<u>14,177,655</u>	<u>13,161,248</u>	
992,965	2,861,831	4,515,109	4,841,171	2,652,932	4,241,920	
896,439	18,657	117,289	38	32,731	5,000	
<u>15,679,338</u>	<u>17,466,806</u>	<u>19,796,061</u>	<u>18,715,762</u>	<u>16,863,318</u>	<u>17,408,168</u>	
(31,768,030)	(31,943,747)	(30,062,281)	(32,712,610)	(35,207,348)	(33,038,684)	
21,598,342	21,072,941	21,006,495	22,021,348	22,553,997	22,825,673	
5,502,059	5,664,103	5,784,757	5,764,563	5,913,916	6,403,176	
96,075	145,472	237,100	176,563	194,776	262,207	
978,271	1,142,999	1,193,645	1,250,899	1,243,092	1,210,578	
237,360	250,348	141,068	491,375	829,855	924,693	
-	-	-	-	-	-	
<u>28,412,107</u>	<u>28,275,863</u>	<u>28,363,065</u>	<u>29,704,748</u>	<u>30,735,636</u>	<u>31,626,327</u>	
1,749,433	-	-	-	-	-	
<u>\$ (1,606,490)</u>	<u>\$ (3,667,884)</u>	<u>\$ (1,699,216)</u>	<u>\$ (3,007,862)</u>	<u>\$ (4,471,712)</u>	<u>\$ (1,412,357)</u>	

Charter Township of Waterford

	As of December 31,			
	2008	2009	2010	2011
Operating Revenue				
Water usage billings	\$ 4,433,736	\$ 4,271,239	\$ 5,178,302	\$ 5,092,940
Sewage disposal charges	9,749,175	10,589,084	10,835,754	11,588,492
Other sales to customers	21,244	15,400	22,561	25,940
Charges for services	154,716	135,092	262,589	253,699
Operating grants	70,023	33,336	49,046	19,414
Total operating revenue	14,428,894	15,044,151	16,348,252	16,980,485
Operating Expenses				
Cost of water	1,877,558	2,073,815	1,750,817	1,667,552
Cost of sewage disposal	6,581,257	5,798,600	6,543,296	7,010,894
Operation and maintenance costs	730,997	991,427	943,623	708,744
Billing and administrative costs	4,747,777	5,702,312	4,485,462	5,272,625
Depreciation	3,759,641	3,910,157	3,459,145	3,438,847
Other services and charges	1,469	-	-	-
Total operating expenses	17,698,699	18,476,311	17,182,343	18,098,662
Operating (Loss) Income	(3,269,805)	(3,432,160)	(834,091)	(1,118,177)
Nonoperating Revenue (Expenses)				
Gain (loss) on sale of assets	-	-	-	9,405
Operating grants	-	-	-	-
Investment income	552,486	292,311	252,947	153,224
Interest expense	(293,178)	(381,215)	(394,572)	(379,396)
Total nonoperating revenue (expense)	259,308	(88,904)	(141,625)	(216,767)
Income (Loss) - Before contributions	(3,010,497)	(3,521,064)	(975,716)	(1,334,944)
Transfers In - Net	117,659	-	-	-
Capital Contributions	530,858	235,824	2,492,641	109,103
Change in Net Position	(2,361,980)	(3,285,240)	1,516,925	(1,225,841)
Change in Primary Government Net Position				
Change in governmental net position	(5,254,487)	(6,147,962)	(4,453,510)	(2,750,517)
Change in business-type net position	(2,361,980)	(3,285,240)	1,516,925	(1,225,841)
Total change in primary government net position	<u>\$ (7,616,467)</u>	<u>\$ (9,433,202)</u>	<u>\$ (2,936,585)</u>	<u>\$ (3,976,358)</u>

Source: Township's annual financial statements

Changes in Business-type Net Position

Last Ten Fiscal Years

(Unaudited)

As of December 31,						
2012	2013	2014	2015	2016	2017	
\$ 5,411,677	\$ 4,680,162	\$ 4,916,805	\$ 5,767,266	\$ 6,012,824	\$ 5,793,618	
12,824,921	14,273,975	15,211,866	15,606,349	16,506,995	16,673,937	
28,365	33,323	24,770	32,237	24,730	39,044	
253,335	263,518	288,726	262,479	466,141	500,839	
373,980	36,976	10,536	-	-	-	
18,892,278	19,287,954	20,452,703	21,668,331	23,010,690	23,007,438	
1,671,016	1,640,029	1,658,724	1,600,899	1,690,175	1,721,613	
7,343,946	8,294,563	9,005,056	9,259,783	9,166,971	9,677,724	
548,469	578,010	730,739	727,738	799,509	896,008	
5,270,602	5,461,724	5,525,326	5,677,345	5,847,148	5,057,079	
3,686,911	3,682,610	3,586,054	4,022,724	4,138,057	5,062,949	
-	-	-	-	-	-	
18,520,944	19,656,936	20,505,899	21,288,489	21,641,860	22,415,373	
371,334	(368,982)	(53,196)	379,842	1,368,830	592,065	
-	12,304	11,960	-	(95,143)	101,451	
-	-	-	-	-	469,295	
66,050	110,795	135,605	114,119	107,899	146,368	
(351,397)	(441,360)	(379,690)	(576,350)	(522,830)	(508,114)	
(285,347)	(318,261)	(232,125)	(462,231)	(510,074)	209,000	
85,987	(687,243)	(285,321)	(82,389)	858,756	801,065	
-	-	-	-	-	-	
96,601	4,985,654	419,660	750,175	219,089	1,131,554	
182,588	4,298,411	134,339	667,786	1,077,845	1,932,619	
(1,606,490)	(3,667,884)	(1,699,216)	(3,007,862)	(4,471,712)	(1,412,357)	
182,588	4,298,411	134,339	667,786	1,077,845	1,932,619	
\$ (1,423,902)	\$ 630,527	\$ (1,564,877)	\$ (2,340,076)	\$ (3,393,867)	\$ 520,262	

Charter Township of Waterford

	As of December 31,			
	2008	2009	2010	2011
General Fund:				
Reserved	\$ -	\$ -	\$ 131,037	\$ -
Unreserved	2,076,456	2,254,966	1,481,735	-
Nonspendable	-	-	-	41,258
Committed	-	-	-	-
Assigned	-	-	-	1,703,984
Unassigned	-	-	-	792,173
Total general fund	2,076,456	2,254,966	1,612,772	2,537,415
All other governmental funds:				
Reserved	571,938	738,941	954,024	-
Unreserved reported in:				
Special revenue funds	8,373,298	7,084,171	6,877,134	-
Capital project funds	146,288	79,198	86,883	-
Debt service funds	362,295	73,179	331,124	-
Nonspendable	-	-	-	6,915
Restricted	-	-	-	3,937,880
Committed	-	-	-	-
Assigned	-	-	-	4,606,791
Total General Fund and all other governmental funds	<u>\$ 11,530,275</u>	<u>\$ 10,230,455</u>	<u>\$ 9,861,937</u>	<u>\$ 11,089,001</u>

Note: In 2011, the Township adopted GASB Statement No. 54, which changed fund balance classifications.
Source: Township's annual financial statements

Fund Balances - Governmental Funds

**Last Ten Fiscal Years
(Unaudited)**

As of December 31,					
2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
40,404	41,130	102,118	176,681	96,798	192,148
-	1,453,123	1,820,048	2,125,140	2,551,284	2,745,602
793,124	-	-	-	64,373	534,566
<u>1,872,425</u>	<u>2,892,642</u>	<u>4,412,750</u>	<u>5,804,705</u>	<u>7,254,216</u>	<u>6,154,494</u>
2,705,953	4,386,895	6,334,916	8,106,526	9,966,671	9,626,810
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,466	29,782	7	271,341	2,668	276,216
3,870,100	3,610,425	3,870,972	4,029,098	4,018,863	3,812,681
-	-	-	145,000	441,499	591,235
<u>4,942,477</u>	<u>5,757,190</u>	<u>6,890,698</u>	<u>7,820,864</u>	<u>9,348,667</u>	<u>10,165,176</u>
<u>\$ 11,521,996</u>	<u>\$ 13,784,292</u>	<u>\$ 17,096,593</u>	<u>\$ 20,372,829</u>	<u>\$ 23,778,368</u>	<u>\$ 24,472,118</u>

Charter Township of Waterford

	As of December 31,			
	2008	2009	2010	2011
Revenue				
Property taxes	\$ 27,972,916	\$ 27,816,321	\$ 27,487,340	\$ 24,217,983
Intergovernmental revenue	7,213,496	7,660,834	7,177,942	7,090,287
Licenses and permits	1,207,258	1,164,144	1,366,130	300,769
Fines and forfeitures	2,176,313	2,120,660	1,792,007	1,586,332
Charges for services	2,497,863	2,900,239	3,715,399	3,894,382
Special assessments	760,745	748,705	808,083	858,299
Interest and miscellaneous	2,284,495	1,490,876	1,790,264	1,825,496
Total revenue	44,113,086	43,901,779	44,137,165	39,773,548
Expenditures				
Current:				
General government and district court	13,800,090	8,277,219	9,070,564	8,470,321
Public safety	23,540,465	26,409,209	26,270,382	22,620,407
Community and economic development	1,901,477	2,919,236	2,117,054	1,249,546
Recreation and culture	6,229,423	4,858,451	4,722,679	4,138,183
Miscellaneous	13,504	43,954	269,934	142,218
Capital outlay	1,326,510	1,055,415	808,788	648,183
Debt administration:				
Principal	765,225	856,452	904,749	990,000
Interest	568,405	781,663	341,533	287,626
Total expenditures	48,145,099	45,201,599	44,505,683	38,546,484
Excess of Revenue Over (Under) Expenditures	(4,032,013)	(1,299,820)	(368,518)	1,227,064
Other Financing Sources (Uses)				
Face value of debt issue	-	-	-	-
Debt premium	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Transfers in	9,400,000	8,500,000	8,500,000	7,450,000
Transfers out	(9,517,659)	(8,500,000)	(8,500,000)	(7,450,000)
Payment to bond refunding escrow agent	-	-	-	-
Total other financing sources (uses)	(117,659)	-	-	-
Net change in fund balances	(4,149,672)	(1,299,820)	(368,518)	1,227,064
Fund Balances - Beginning of year	15,679,947	11,530,275	10,230,455	9,861,937
Fund Balances - End of year	\$ 11,530,275	\$ 10,230,455	\$ 9,861,937	\$ 11,089,001
Debt service as a percentage of noncapital expenditures	2.85%	3.71%	2.85%	3.37%

Source: Township's annual financial statements

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

(Unaudited)

As of December 31,						
2012	2013	2014	2015	2016	2017	
\$ 21,220,749	\$ 20,688,982	\$ 20,932,159	\$ 22,039,689	\$ 22,528,159	\$ 22,828,163	
7,213,657	8,508,876	10,670,673	9,711,390	8,685,835	10,706,072	
364,258	485,610	657,977	612,176	696,992	723,426	
1,411,839	1,588,776	1,544,005	1,507,749	1,501,791	1,576,247	
9,606,043	10,411,618	10,636,717	10,749,411	10,847,802	11,226,029	
864,927	927,510	830,284	855,076	837,264	328,236	
<u>2,824,124</u>	<u>2,989,638</u>	<u>2,720,465</u>	<u>2,907,439</u>	<u>3,052,781</u>	<u>3,578,267</u>	
43,505,597	45,601,010	47,992,280	48,382,930	48,150,624	50,966,440	
7,615,207	7,534,310	7,349,954	7,185,480	7,796,775	9,019,979	
27,782,168	28,800,415	29,953,841	29,746,712	29,410,301	32,110,975	
1,671,165	1,336,629	1,358,975	1,300,250	1,357,980	1,273,026	
3,412,416	3,615,923	3,426,284	3,593,989	3,618,730	3,798,000	
36,378	43,925	68,175	-	-	53,953	
1,258,568	684,405	1,148,223	1,893,200	1,372,641	2,601,873	
1,040,000	1,095,000	1,175,000	1,232,932	1,344,032	1,404,429	
<u>275,864</u>	<u>228,107</u>	<u>199,527</u>	<u>164,731</u>	<u>127,970</u>	<u>149,663</u>	
<u>43,091,766</u>	<u>43,338,714</u>	<u>44,679,979</u>	<u>45,117,294</u>	<u>45,028,429</u>	<u>50,411,898</u>	
413,831	2,262,296	3,312,301	3,265,636	3,122,195	554,542	
957,919	-	-	-	276,699	-	
27,722	-	-	-	-	-	
-	-	-	10,600	6,645	139,208	
7,550,000	7,605,000	7,345,000	8,267,500	9,007,500	10,067,500	
(7,550,000)	(7,605,000)	(7,345,000)	(8,267,500)	(9,007,500)	(10,067,500)	
<u>(966,477)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>19,164</u>	<u>-</u>	<u>-</u>	<u>10,600</u>	<u>283,344</u>	<u>139,208</u>	
432,995	2,262,296	3,312,301	3,276,236	3,405,539	693,750	
<u>11,089,001</u>	<u>11,521,996</u>	<u>13,784,292</u>	<u>17,096,593</u>	<u>20,372,829</u>	<u>23,778,368</u>	
<u>\$ 11,521,996</u>	<u>\$ 13,784,292</u>	<u>\$ 17,096,593</u>	<u>\$ 20,372,829</u>	<u>\$ 23,778,368</u>	<u>\$ 24,472,118</u>	
3.15%	3.10%	3.16%	3.23%	3.37%	3.25%	

General Governmental Revenue History

Last Ten Fiscal Years
(Unaudited)

Fiscal year	General Property Taxes	Intergovernmental Revenue	Special Assessments	Licenses and Permits	Fines and Fees	Charges for Services	Interest and Miscellaneous	Total Revenue
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
2015	22,039,689	9,711,390	855,076	612,176	1,507,749	10,749,411	2,907,439	48,382,930
2016	22,528,159	8,685,835	837,264	696,992	1,501,791	10,847,802	3,052,781	48,150,624
2017	22,828,163	10,706,072	328,236	723,426	1,576,247	11,226,029	3,578,267	50,966,440

NOTE: Includes all governmental-type funds

Source: Township annual financial statements

General Governmental 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
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
2015	7,185,480	29,746,712	1,300,250	3,593,989	1,893,200	1,397,663	-	45,117,294
2016	7,796,775	29,410,301	1,357,980	3,618,730	1,372,641	1,472,002	-	45,028,429
2017	9,019,979	32,110,975	1,273,026	3,798,000	2,601,873	1,554,092	53,953	50,411,898

NOTE: Includes all governmental fund types under modified accrual accounting
Source: Township annual financial statements

Charter Township of Waterford

General Fund Balance Compared to Annual Expenditures

**Last Ten Fiscal 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
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%
2015	176,681	-	7,929,845	17,484,283	45.35%
2016	96,798	-	9,805,500	18,694,328	52.45%
2017	192,148	-	9,434,662	20,198,298	46.71%

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	Personal Property	Total Value
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
2015	1,498,201,930	345,433,650	26,680,740	73,377,976	1,943,694,296
2016	1,534,483,430	344,829,640	26,741,060	75,399,276	1,981,453,406
2017	1,591,768,390	346,359,740	28,031,370	77,964,300	2,044,123,800

(1) Under Michigan law, the revenue base is taxable value. Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year

Source: Township Assessing Department records

Assessed Value and Actual Value of Taxable Property

**Last Ten Years
(Unaudited)**

Tax Rate (mills)	Estimated Actual Value	Taxable Value as a % of Actual
10.2900	6,313,830,340	42.86%
10.3900	5,826,266,740	45.46%
10.8896	4,713,453,340	47.96%
10.8896	4,100,734,760	48.68%
10.8896	3,948,172,000	48.90%
11.0796	3,951,590,330	48.23%
11.5800	4,114,381,038	46.28%
11.5796	4,548,921,312	42.73%
11.5064	4,998,497,592	39.64%
11.3266	5,387,595,720	37.94%

Charter Township of Waterford

Direct and Overlapping Property Tax Rates

**Last Ten Years
(Unaudited)**

Tax Year	Millage Rates - Direct Township Taxes (1)			Overlapping Taxes					(2) Total Tax Rate:	
	General Operating	Debt	Total Direct Taxes	County Combined (4)	Community College	Intermediate School District	School - Principal (3)	School - Non-principal (3)	Principal	Nonprincipal
2008	9.8910	0.4000	10.2910	4.7461	1.5844	3.3690	9.6700	27.6700	29.6605	47.6605
2009	9.8910	0.5000	10.3910	4.7461	1.5844	3.3690	9.6700	27.6700	29.7605	47.7605
2010	10.3896	0.5000	10.8896	4.7461	1.5844	3.3690	11.2200	29.2200	31.8091	49.8091
2011	10.3896	0.5000	10.8896	4.7461	1.5844	3.3690	11.8500	29.8500	32.4391	50.4391
2012	10.3896	0.5000	10.8896	4.9461	1.5844	3.3690	11.8500	29.8500	32.6391	50.6391
2013	10.3896	0.6900	11.0796	4.9461	1.5844	3.3690	13.0000	31.0000	33.9791	51.9791
2014	10.8896	0.6900	11.5796	4.9461	1.5844	3.3690	13.0000	31.0000	34.4791	52.4791
2015	10.8896	0.6900	11.5796	4.8450	1.5819	3.3633	13.0000	31.0000	34.3698	52.3698
2016	10.8164	0.6900	11.5064	4.7909	1.5707	3.3398	13.0000	31.0000	34.2078	52.2078
2017	10.6766	0.6500	11.3266	4.7849	1.5555	3.3079	13.0000	31.0000	33.9749	51.9749

(1) Includes general operating, fire, police, library, and police & 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 & Rec, Huron Clinton Metro Authority & Zoo Authority.

Source: Township Assessing Department records

Principal Property Taxpayers

Last Ten Years
(Unaudited)

Taxpayer	Type of Business	2017 Taxable Value	Percentage of		2008 Rank
			Total	2007 Taxable Value	
1 Detroit Edison	Utility	27,219,440	1.33%	24,239,240	0.90% 1
2 Cass Lake Shore Apts	Apartment	8,253,640	0.40%	9,314,060	0.34% 3
3 Consumers Energy	Utility	7,619,910	0.37%	6,106,840	0.23% 10
4 Rite Aid	Retail	6,600,930	0.32%	8,015,410	0.30% 6
5 Occidental Development-Rivers Edge	Apartment	5,830,660	0.29%	9,033,150	0.33% 5
6 Sears/Kmart	Retail	5,700,570	0.28%	-	N/A N/A
7 Meijer	Retail	5,814,430	0.28%	7,701,490	0.28% 7
8 Comcast	Cable TV	5,378,880	0.26%	-	N/A N/A
9 Pentastar	Airport	5,372,450	0.26%	-	N/A N/A
10 Village Green	Apartment	4,879,990	0.24%	6,553,710	0.24% 8
Total		\$ 82,670,900	4.04%	\$ 70,963,900	2.62%
Total taxable value for each year		\$ 2,044,123,800		\$ 2,706,150,524	

Source: Waterford Township Assessing Department records

Property Tax Levies and Collections

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Levy	Collections	Percent Collected	Delinquent Collections (Real)	Total Tax Collections	Percent of Levy Collected	Delinquent Tax Receivable
2008	\$ 27,827,874	\$ 25,755,435	92.55%	\$ 2,004,352	\$ 27,759,788	99.76%	\$ 256,398
2009	27,391,906	25,350,622	92.55%	1,926,850	27,277,473	99.58%	197,208
2010	24,468,429	22,807,481	93.21%	1,630,982	24,438,464	99.88%	72,706
2011	21,541,187	20,061,285	93.13%	1,406,240	21,467,525	99.66%	72,954
2012	20,819,579	19,509,375	93.71%	1,211,043	20,720,418	99.52%	98,454
2013	20,893,494	19,663,238	94.11%	1,208,306	20,871,545	99.89%	53,801
2014	21,967,753	20,771,999	94.56%	1,163,240	21,935,239	99.85%	32,514
2015	22,423,378	21,270,467	94.86%	1,096,206	22,366,673	99.75%	55,874
2016	22,755,214	21,676,415	95.26%	1,035,653	22,712,068	99.81%	42,004
2017	23,121,178	22,070,784	95.46%	1,013,142	23,083,926	99.84%	36,247

Source: Township Treasurer's Office records

Charter Township of Waterford

	As of December 31,			
	2008	2009	2010	2011
Governmental Activities:				
General obligation bonds	\$ 13,095,000	\$ 12,485,000	\$ 10,995,000	\$ 9,625,000
Special assessment bonds	110,000	20,000	10,000	-
Revenue bonds	-	-	-	-
Installment purchase agreements	-	-	-	-
Notes payable	-	-	-	-
Capital leases	-	-	-	-
Total	13,205,000	12,505,000	11,005,000	9,625,000
Business-type Activities:				
General obligation bonds	14,577,085	15,471,528	16,529,634	18,263,706
Special assessment bonds	-	-	-	-
Revenue bonds	-	-	-	-
Installment purchase agreements	-	-	-	-
Notes payable	-	-	-	-
Capital leases	-	-	-	-
Total	14,577,085	15,471,528	16,529,634	18,263,706
Total Debt of the Government	\$ 27,782,085	\$ 27,976,528	\$ 27,534,634	\$ 27,888,706
Total Taxable Value	\$ 2,706,150,524	\$ 2,648,467,760	\$ 2,260,548,870	\$ 1,996,102,460
Ratio of Total Debt to Taxable Value	1.03%	1.06%	1.22%	1.40%
Total Population	74,277	70,678	70,749	71,798
Total Debt per Capita	\$ 374	\$ 396	\$ 389	\$ 388
Per Capita Personal Income	(1)	\$ 28,387	\$ 28,518	\$ 29,401
Ratio of Debt to Personal Income	(1)	1.39%	1.36%	1.32%

(1) Not available

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

Ratios of Outstanding Debt

**Last Ten Fiscal Years
(Unaudited)**

As of December 31,						
2012	2013	2014	2015	2016	2017	
\$ 8,337,969	\$ 7,097,969	\$ 5,922,969	\$ 4,690,037	\$ 3,378,736	\$ 1,984,066	
-	-	-	-	-	-	
-	-	-	672,614	691,517	523,509	
-	-	-	-	243,974	234,210	
-	-	-	-	-	-	
<u>8,337,969</u>	<u>7,097,969</u>	<u>5,922,969</u>	<u>5,362,651</u>	<u>4,314,227</u>	<u>2,741,785</u>	
19,328,651	22,968,930	32,500,078	36,033,495	34,868,462	32,719,833	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	61,337	58,883	
-	-	-	-	-	-	
<u>19,328,651</u>	<u>22,968,930</u>	<u>32,500,078</u>	<u>36,033,495</u>	<u>34,929,799</u>	<u>32,778,716</u>	
<u>\$ 27,666,620</u>	<u>\$ 30,066,899</u>	<u>\$ 38,423,047</u>	<u>\$ 41,396,146</u>	<u>\$ 39,244,026</u>	<u>\$ 35,520,501</u>	
\$ 1,930,465,372	\$ 1,905,737,405	\$ 1,904,049,799	\$ 1,943,694,296	\$ 1,981,453,406	\$ 2,044,123,800	
1.43%	1.58%	2.02%	2.13%	1.98%	1.74%	
72,171	72,645	72,181	72,503	72,756	72,863	
\$ 383	\$ 414	\$ 532	\$ 571	\$ 539	\$ 487	
\$ 26,423	\$ 26,151	\$ 28,717	\$ 28,268	\$ 31,149	\$ 29,189	
1.45%	1.58%	1.85%	2.02%	1.73%	1.67%	

Ratios of General Bonded Debt Outstanding

**Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	General Obligation Bonds	Tax Supported Bonds (1)	Less Pledged		Taxable Value	Debt as a Percentage of Taxable Value		Population	General Bonded Debt Per Capita
			Debt Service Funds	Not General Bonded Debt		Value	Population		
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	
2015	36,883,532	3,840,000	121,224	40,602,308	1,943,694,296	2.09%	72,503	560	
2016	35,607,198	2,640,000	158,920	38,088,278	1,981,453,406	1.92%	72,756	524	
2017	33,343,899	1,360,000	176,212	34,527,687	2,044,123,800	1.69%	72,863	474	

Note: Special assessment bonds have been excluded.

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

Source: Township annual financial statements.

Direct and Overlapping Debt

**December 31, 2017
(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percent Applicable to Waterford	Estimated Share of Overlapping Debt
Oakland County	\$ 364,189,225	3.74%	\$ 13,620,677
School Districts:			
Clarkston school district	165,413,776	2.04%	3,374,441
Pontiac school district	35,179,135	2.18%	766,905
Waterford school district	145,985,000	85.81%	125,269,729
Oakland Community College	820,000	3.77%	30,914
Intermediate school district	<u>45,495,000</u>	3.75%	<u>1,706,063</u>
Total overlapping debt	757,082,136		144,768,729
Direct Township debt (not including debt related to business-type activities)	<u>2,741,785</u>	100.00%	<u>2,741,785</u>
Total direct and overlapping debt	<u>\$ 759,823,921</u>		<u>\$ 147,510,514</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

Calculation of Debt Limit: (1)	As of December 31,			
	2008	2009	2010	2011
State equalized valuation	\$ 3,156,915,170	\$ 2,913,133,370	\$ 2,356,726,670	\$ 2,050,367,380
Debt limit (10% of SEV)	315,691,517	291,313,337	235,672,667	205,036,738
Calculation of Debt Subject to Limit:				
Total debt	27,782,085	27,976,528	27,534,634	27,888,706
Less debt not subject to limit:				
Installment purchase agreements	-	-	-	-
Notes payable	-	-	-	-
Special assessment bonds	110,000	20,000	10,000	-
Revenue bonds	-	-	-	-
Enterprise fund bonds	14,577,085	15,471,528	16,529,634	18,263,707
Net Debt Subject to Limit	<u>13,095,000</u>	<u>12,485,000</u>	<u>10,995,000</u>	<u>9,624,999</u>
Legal Debt Margin	<u>\$ 302,596,517</u>	<u>\$ 278,828,337</u>	<u>\$ 224,677,667</u>	<u>\$ 195,411,739</u>
Net Debt Subject to Limit as Percentage of Debt Limit	4.15%	4.29%	4.67%	4.69%

(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

Legal Debt Margin

**Last Ten Fiscal Years
(Unaudited)**

As of December 31,					
2012	2013	2014	2015	2016	2017
\$ 1,974,086,000	\$ 1,975,795,165	\$ 2,057,190,519	\$ 2,274,460,656	\$ 2,499,248,796	\$ 2,693,797,860
197,408,600	197,579,517	205,719,052	227,446,066	249,924,880	269,379,786
27,666,620	30,066,899	38,423,047	41,396,146	39,244,026	35,520,501
-	-	-	672,614	691,517	523,509
-	-	-	-	305,311	293,098
-	-	-	-	-	-
19,328,651	22,968,930	32,500,078	36,033,495	34,868,462	32,719,833
8,337,969	7,097,969	5,922,969	4,690,037	3,378,736	1,984,061
<u>\$ 189,070,631</u>	<u>\$ 190,481,548</u>	<u>\$ 199,796,083</u>	<u>\$ 222,756,029</u>	<u>\$ 246,546,144</u>	<u>\$ 267,395,725</u>
4.22%	3.59%	2.88%	2.06%	1.35%	0.74%

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
2008	74,277	(1)	\$ n/a	31,317	\$ 27,366	39.0	8.1%
2009	70,678	(2)	2,006,336	29,316	28,387	40.8	7.9%
2010	70,749	(3)	2,017,620	29,140	28,518	38.8	9.0%
2011	71,798	(4)	2,110,933	29,892	29,401	39.1	9.3%
2012	72,171	(5)	1,906,974	27,700	26,423	37.5	8.8%
2013	72,645	(6)	1,899,739	29,523	26,151	39.6	8.9%
2014	72,181	(7)	2,072,822	29,612	28,717	40.0	6.8%
2015	72,503	(8)	2,049,515	29,255	28,268	40.7	4.6%
2016	72,756	(9)	2,266,277	30,342	31,149	40.5	4.0%
2017	72,863	(10)	2,126,798	29,525	29,189	41.0	3.6%

- (1) 2007 Census Department - American Community Survey Data Profile Review
 - (2) 2008 Census Department - American Community Survey Data Profile Review
 - (3) 2009 Census Department - American Community Survey Data Profile Review
 - (4) 2010 Census Department - American Community Survey Data Profile Review
 - (5) 2011 Census Department - American Community Survey Data Profile Review
 - (6) 2012 Census Department - American Community Survey Data Profile Review
 - (7) 2013 Census Department - American Community Survey Data Profile Review
 - (8) 2014 Census Department - American Community Survey Data Profile Review
 - (9) 2015 Census Department - American Community Survey Data Profile Review
 - (10) 2016 Census Department - American Community Survey Data Profile Review
- n/a - Not available

Principal Employers

December 31, 2017
(Unaudited)

Employer	Enterprise	2017 Employees		Percentage of		
		(1)	(2)	Total	2008 Employees	Total
1 Oakland County	Government	1,450	3.7%		975	N/A
2 Waterford School District	Education	1,335	3.4%		2,100	N/A
3 Township Of Waterford (2)	Government	495	1.2%		370	N/A
4 Oakland Intermediary Schools	Education	313	0.8%		305	N/A
5 Penn Engineering	Manufacturing	280	0.7%		N/A	N/A
6 Meijer	Retail	260	0.7%		475	N/A
7 Canterbury Healthcare, Inc.	Nursing Care	256	0.6%		N/A	N/A
8 Pentastar Aviation, LLC	Air Transportation	230	0.6%		N/A	N/A
9 Road Commission Of Oakland Cty	Transportation	209	0.5%		285	N/A
10 Oakland Community College*	Education	149	0.4%		N/A	N/A
Total		<u>4,977</u>				
Total Township Employment (1)		<u>39,658</u>				

(1) Data is from various sources including:
2016 American Community Survey S2301

(2) Direct full-time & part-time employees only - not contracted/outsourced

*Direct hire and estimated Adjunct

Charter Township of Waterford

Full-time Equivalent Government Employees

**Last Ten Fiscal Years
(Unaudited)**

Department	2008	2009	2010 (1)	2011	2012	2013	2014	2015	2016	2017
Supervisor/Assessing	9	9	7	6	7	6	6	6	7	7
Clerk's Office	6	6	6	5	6	6	6	6	7	7
Treasurer's Office	7	6	6	6	6	6	6	6	6	6
Fiscal & Human Resources	3	2	2	2	2	2	2	2	2	2
51st District Court	31	30	25	25	23	23	23	22	19	20
Planning & Development	7	7	6	5	3	3	3	3	3	3
Information Systems	4	5	4	3	3	3	3	3	4	4
Facilities & Operations	10	10	8	8	10	10	10	10	8	8
Building & Engineering	10	9	9	9	8	7	7	8	8	8
Parks & Recreation	13	12	10	9	6	6	5	6	8	8
Police Department	99	99	71	64	65	64	63	66	67	72
Fire Department (2,3,4,5,6)	68	71	67	64	106	146	140	104	119	138
Library	21	20	19	13	13	12	13	13	13	14
Water & Sewer	51	50	43	42	41	40	41	40	41	39
Cable	-	-	-	-	-	-	-	-	1	1
Total	339	336	283	261	299	334	328	295	313	337

NOTE: Full-time employees reported only, data are not available for equivalent part-time positions.

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

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

(3) In 2013 Waterford Twp was awarded a Federal Safer Grant which increased the Fire Dep't staffing by 39 positions.

(4) In 2015 Waterford Twp Federal Safer Grant was not renewed resulting in the lay of the 39 grant positions.

(5) In 2016 Waterford Twp was awarded a Federal Safer Grant which increased the Fire Dep't staffing by 15 positions at year end.

(6) In 2017 Waterford Twp Fire Dep't increased staffing for the Federal Safer Grant by an add'l 21 positions, for a total of 36 grant positions.

Source: Payroll & Benefit department and other records

Charter Township of Waterford

Function/Program	2008	2009	2010	2011
Police:				
Physical Arrests	2,231	1,832	1,492	1,614
Traffic violations	9,700	10,160	6,359	4,935
Non traffic misdemeanors	702	704	527	463
Non traffic civil infractions	952	611	272	374
Fire:				
Emergency responses	5,799	5,819	5,953	6,080
Fires extinguished	154	137	166	147
Inspections	1,751	1,107	948	550
Parks and recreation:				
Recreation programs (estimated)	768	782	795	783
Library:				
Circulation (books borrowed)	388,866	412,284	401,022	366,837
Collection volume	177,766	158,316	177,320	165,989
Visits: Walk-ins	287,965	308,638	297,142	259,155
Visits: Website	272,215	227,856	144,139	148,731
Water:				
New connections	102	86	67	70
Water main breaks	16	27	15	28
Total consumption (billed - cubic feet)	353,426,861	320,941,837	316,715,587	309,809,655
Average annual consumption per customer (gallons)	65,953	60,536	59,339	58,442

Source: Township Departmental correspondence

Operating Indicators

**Last Ten Fiscal Years
(Unaudited)(Continued)**

2012	2013	2014	2015	2016	2017
1,829	1,626	1,062	915	1,019	1,161
6,645	5,698	3,391	4,286	4,179	3,815
456	497	310	284	724	883
188	256	315	420	711	875
10,025	10,502	11,276	11,398	12,104	13,095
605	545	542	487	519	519
959	1,038	750	1,033	1,045	709
792	814	810	817	612	615
347,496	316,764	317,510	291,656	279,587	271,667
179,022	181,265	188,328	195,377	638,798	602,814
235,971	233,477	198,183	183,775	175,120	170,981
149,836	148,346	185,378	372,372	194,511	445,200
58	67	74	86	91	133
22	24	45	16	14	15
320,451,892	275,327,916	258,557,800	267,587,530	288,257,794	273,197,387
58,292	53,714	50,601	50,990	50,212	48,447

Function/ program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	45	51	52	46	49	46	44	44	28	26
Fire:										
Stations	5	5	5	5	10	10	9	9	9	9
Emergency Response Vehicles	15	14	14	14	24	27	27	27	27	27
Parks and recreation:										
Acreage	709	714	854	854	854	854	854	854	854	854
Playgrounds	8	8	8	8	8	8	6	3	3	3
Soccer fields	6	6	7	7	7	7	8	8	8	8
Baseball/ softball diamonds	13	13	13	13	13	13	13	13	13	13
Libraries:										
Branches	2	2	1	1	1	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)	9	9	9	9	9	9	9	9	9	9
Sewer:										
Miles of sanitary sewers	350	350	350	350	350	350	350	350	350	350

Source: Departmental correspondence