

Charter Township of Waterford, Michigan

Comprehensive Annual Financial Report



**For the Fiscal Year Ended
December 31, 2019**

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June 12, 2020

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, 2019. 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 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. It is the 5th most populated township in Michigan. 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 twelfth busiest general aviation airport with an average of approximately 120,000 takeoffs and landings annually. More than 150 corporations base aircraft at OCIA, many with several aircraft. Over 554 aircraft are based at the airport, and their value is in excess of \$200 million. The Canadian National (formerly the Grand Trunk) Railroad traverses the Township from Southeast to Northwest. The railroad provides shipping access to several Township businesses.

According to the 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 that 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. Retail boat sales have a large presence in the Township because of the numerous lakes. 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 which has helped 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 price of available homes appears to be increasing at a significant rate. Private home builders are once again applying for building permits for vacant lots. In 2019 Waterford Township issued approximately 3.7 per cent fewer new residential permits as it did in 2018; which is over 10 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
2019	78	0	8	581
2018	81	0	10	616
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

Area Demographics

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

Oakland County private sector employment outperformed the nation, the state and all major labor market areas in the state in the last decade. However, both Oakland

Area Demographics (continued)

County and Waterford Township were impacted by the trying economic environment of the nation and the state during the recession. There are signs of sustainable employment in the local economy as the monthly unemployment rate for Oakland County remained favorable from year to year being 2.8 per cent reported in May 2018 to 3.1 per cent reported in May 2019. 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 2 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 2018 was estimated to be about 4.7 percent. For Waterford Township, the percent change in population during this same time period was slightly lower, at 1.8 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 in December each year by the Board of Trustees in accordance with the State of Michigan Uniform Budgeting Act, P.A. 621 of 1978, 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. Department 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 honored. All amendments to the budget must be approved by the Board throughout the fiscal year. Amounts appropriated, but not spent by the end of the fiscal year, are re-appropriated by the Board for the subsequent fiscal year.

All internal control evaluations occur within the above framework. The Township Board believes that its 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 uses a multi-year forecasting tool to assist with the long term financial planning process. The Township monitors financial trends and stays in contact with state, county and regional authorities to project major revenue categories including property taxes, state shared revenue and economic development related fees.

There was a dramatic decline in property values due to the economic recession that affected values through 2013. For 2020, property values are projected to rise modestly over time. The Headlee Amendment continues to dampen property tax revenue for the Township. In the short and intermediate future, this will continue because of the low inflationary cycle. As of the writing of this document, the Covid-19 health pandemic has affected governmental revenues and expenses at all levels of government. As such, the Township is projecting, adjusting and concentrating its resources and financial plans going forward.

The Library and a Fire Millage were renewed in 2012. A modest Parks and Recreation Millage request was passed by voters in August of 2014. This dedicated millage helped shore up and sustain non state mandated recreation services that are provided by the Township's Parks and Recreation Department. Public Safety had three millage renewals in 2016. These millage renewals were vital for Waterford's public safety departments to provide essential services.

Long Term Financial Planning (continued)

Both of Waterford's pension systems, General Employees and Police and Fire, are 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 employees. In place new employees have a defined contribution retiree health care plan. The Township has a Retiree Health Care Trust for its defined benefit plan. The trust is vastly underfunded and will be a challenge for the Township in both the short and near term future. The Township will be paying close attention to health and pension related expenses. Changes in the 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 implemented the most fiscally conservative option under P.A. 152. The estimated savings were \$1.2 million annually once this option was fully implemented for all employee groups. In 2013, the Township made changes to its retiree health care plan. This change was estimated to save the Township \$350,000 in the first year of implementation. Subsequently, the Township has changed its retiree prescription plan which saved an estimated \$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. The defined contribution plans for new employees 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 for an individual. A high bond rating is an indication of underlying finances and financial management choices that have been made.

Major Initiatives

In August of 2018, Waterford Township voters passed a Special Assessment District (SAD) for Public Safety for up to 2.95 mills. This type of special assessment is authorized by Michigan law through Public Act 33 of 1951. The assessment is dedicated to police and fire for equipment, maintenance and operations and will be instrumental in helping the Township provide public safety in the years to come.

In late 2017, the State of Michigan enacted Public Act 202 titled, Protecting Local Government Retirement and Benefits Act. The act sets standards of fundability for pension and retiree health care systems. Both of the Waterford pension systems exceed the state standards but the retiree health care system did not meet the threshold. Therefore, the Township Board was tasked with developing and submitting a

Major Initiatives (continued)

Corrective Action Plan (CAP) to the State of Michigan. The State Municipal Stability Board recently approved the plan and will monitor Waterford's compliance. Undoubtedly, the Township Board, employees, unions and the community will need to work collectively to help resolve this financial challenge.

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 have 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 conservative 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.

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 has liability coverage of up to \$15,000,000 per occurrence. The self-insured retention is \$50,000 per occurrence. The Township is actively involved in risk control through supervisory and employee training, facilities inspections, and utilization of the MMRMA Risk Control Staff.

Risk Management (continued)

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 and has insurance coverage for events that exceed the \$400,000 threshold. Substantial savings are realized by being self-insured but the Township needs to have adequate reserves in the event that loss events occur.

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 (VMF). 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, 2018. This was the fourteenth consecutive year that the Township has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (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.

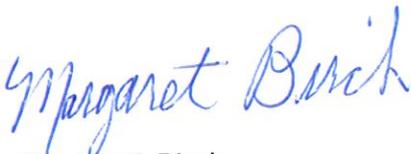
Respectfully submitted,



Gary Wall
Township Supervisor



Kim Markee
Township Clerk



Margaret Birch
Township Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

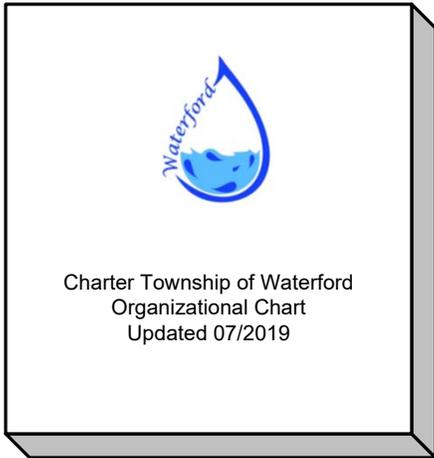
**Charter Township of Waterford
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morrill

Executive Director/CEO



Citizens of Waterford

Board of Trustees
Gary Wall, Supervisor
Kim Markee, Clerk
Margaret Birch, Treasurer
Anthony Bartolotta, Trustee
Arthur Frasca, Trustee
Karen Joliat, Trustee
Steve Thomas, Trustee
(Legislative Branch)

51st District Court
(Judicial Branch)

Treasurer's Office

Supervisor's Office
(Executive Branch)

Clerk's Office
(Accounting and Elections)

Development Services

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

Library

Fiscal & Human Resources

Parks & Recreation

Police Department

Regional Fire Department
(Waterford, Pontiac and Lake Angelus).

Assessing

Information Systems

**Charter Township of Waterford
List of Principal Officials
Year Ended December 31, 2019**

Supervisor's Office

Supervisor

Gary Wall

Clerk's Office

Clerk

Kim Markee

Deputy Clerk

Kari Vlaeminck

Accounting Manager

Barbara Miller

Treasurer's Office

Treasurer

Margaret Birch

Deputy Treasurer

Brenda Arnold

Assessing

Chief Assessor

Paula Moore

Deputy Assessor

Janet Laing

Development Services

Director and CDBG

Robert Merinsky

Superintendent of Building

Brent Gibson

Superintendent of Planning and Zoning

Larry Lockwood

Fire

Chief

Matthew Covey

Deputy Chief

Carl Wallace

Fiscal and Human Resources

Human Resources Director

Mark Simlar

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

Deputy Chief

Emergency Management Coordinator

Scott Underwood

Kevin Kazyak

Brendan Brosnan

Public Works

Director

Water and Sewer Superintendent

Administrative Superintendent

Engineering Superintendent

Facilities and Operations Superintendent

Russell Williams

Joseph Ashley

Derek Diederich

Vacant

Justin Westlake

**Charter Township of Waterford
Labor Agreements
Year Ended December 31, 2019**

<u>Bargaining Unit</u>	<u>Expiration Date</u>	<u>Number of Employees</u>
Michigan Association of Police - Represents police officers and crime scene investigators	12/31/2020	40
Command Officers Association of Michigan - Represents police sergeants and lieutenants	12/31/2017	13
International Association of Firefighters - Represents all firefighting personnel	12/31/2019	105
Michigan Association of Police - Represents dispatchers	12/31/2019	11
Teamsters State, County, and Municipal Workers - Represents clerical, public works employees, building inspectors, and ordinance officers	12/31/2019	103

**Charter Township of Waterford
Fund Organization Chart**

Fund Name	Fund Number
General Fund	
General	101
Cemetery Care	209
Workers' Compensation	215
Special Revenue Funds	
Fire	206
Police	207
Police Restricted Use	208
Police and Fire Special Assessment	210
Cable Commission	250
Community Development Block Grant	260-263
Michigan Indigent Defense	267
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
Capital Projects	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, 2019 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, 2019 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the basic financial statements, the financial statements include investments valued at approximately \$40,000,000 (21 percent of net assets of the pension and other postemployment benefits trust funds) at December 31, 2019 whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by investment managers, general partners, financial advisors, and other means. Our opinions are not modified with respect to this matter.

To the Board of Trustees
Charter Township of Waterford

Other Matters

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 introductory section and statistical section schedules 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 section and statistical section schedules 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 12, 2020 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 12, 2020

Financial Highlights

The following represent the most significant financial highlights for the year ended December 31, 2019:

- Total 2019 General Fund revenue was \$356,300 above 2018 revenue and \$168,437 below 2010 revenue. The majority of the current year increase was attributable to a one-time adjustment from the Charter Township of Waterford's (the "Township") general liability carrier, a slight uptick in state-shared revenue, and building and permit fees from increased construction activities. Property taxes continued to be the largest source of revenue. They were 38.52 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, which limits taxable property values to increases at 5 percent or the rate of inflation, whichever is smaller.
- State-shared revenue and grants, despite dramatic cuts over the past 10 to 15 years, remain an important part of the Charter Township of Waterford's revenue sources. During the Township's 2019 fiscal year, state revenue sources increased by \$255,578 compared to 2018. However, state revenue sharing is \$873,853 below the amount received in 2001, which is a loss of 11.46 percent. The reader should note that these numbers are not adjusted for inflation and that time also has eroded the magnitude of this revenue source. The State has continued to divest itself from local governments when looking at longer trends.
- Revenue from district court fees and fines increased by \$72,516, which is a 6.6 percent decrease from the previous year. District court fines and fees for 2019 were \$346,110 below the 2010 amount. This is a reduction of 24.94 percent over the past nine years.
- General Fund expenditures and operating transfers out for fiscal year 2019 were more than 2018, increasing by \$51,242. The General Fund's largest expenditures are transfers to public safety. In 2019, the General Fund transferred \$6,857,000 to public safety (police and fire).
- The unassigned General Fund fund balance at year end was \$8,532,520. During fiscal year 2019, the General Fund unassigned fund balance increased by \$1,423,988. The December 31, 2019 unassigned fund balance for the General Fund is 43.08 percent of total 2019 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 challenges. All of these concepts play a role in the Township's financial overview.
- The Police Fund fund balance increased by \$413,556 in fiscal year 2019. Unspent contingency funds and less retiree health care costs than originally forecasted were the primary drivers of these results. The Police Fund fund balance at December 31, 2019 is \$3,839,655, or 28.08 percent of annual expenses.
- The Fire Fund fund balance increased by \$1,521,291 in fiscal year 2019. 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 of the 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 an 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, 2019 is \$3,662,962, or 19.01 percent of annual expenses.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Using This Annual Report

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

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

The Township's Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 69,449,780	\$ 59,350,118	\$ 28,354,346	\$ 28,042,154	\$ 97,804,126	\$ 87,392,272
Capital assets	51,430,182	52,136,615	109,224,605	110,648,887	160,654,787	162,785,502
Total assets	120,879,962	111,486,733	137,578,951	138,691,041	258,458,913	250,177,774
Deferred Outflows of Resources	2,966,648	11,993,870	274,561	1,864,836	3,241,209	13,858,706
Liabilities						
Current liabilities	3,276,865	1,074,798	1,320,373	1,585,257	4,597,238	2,660,055
Noncurrent liabilities	132,987,883	168,657,369	49,386,851	55,249,929	182,374,734	223,907,298
Total liabilities	136,264,748	169,732,167	50,707,224	56,835,186	186,971,972	226,567,353
Deferred Inflows of Resources	54,013,308	30,099,520	3,455,664	154,718	57,468,972	30,254,238
Net Position						
Net investment in capital assets	50,863,258	51,276,047	78,011,843	78,449,817	128,875,101	129,725,864
Restricted	4,947,475	5,027,552	786,958	1,572,136	5,734,433	6,599,688
Unrestricted	(122,242,179)	(132,654,683)	4,891,823	3,544,020	(117,350,356)	(129,110,663)
Total net position	\$ (66,431,446)	\$ (76,351,084)	\$ 83,690,624	\$ 83,565,973	\$ 17,259,178	\$ 7,214,889

There was a significantly large decrease in net position in 2018 and beyond due to an accounting standard change known as GASB 75 that requires recording other postemployment benefit (OPEB) funding levels. While the Township has traditionally paid for this benefit expense on a "pay-as-you-go" basis, the value of the funding level and measurement of the future promise, as determined by actuaries, are now required to be included in the Township's financial statements. The Township's combined net position increased in 2019. The governmental activities net position increased by \$9,919,638 from the prior year. The large negative total net position underscores the significant unfunded liability in the Township's retiree healthcare system.

The Township finalized its obligation for the debt associated with the 1998-1999 construction of the police and fire buildings. The 20-year bond for this construction was paid off in 2018. The Township continues to pay down its debt for the 2003 water and sewer system rehabilitation projects and the 2005 capital improvement debt. The Township utilizes just 0.13 percent of the statutorily allowed debt. This underscores the low level of structured debt utilized by the Township within the governmental funds category.

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 2019 increased by \$5,760,661 from the 2018 fiscal year. The primary reason for this change was the Police and Fire Special Assessment District (SAD) that commenced in 2019. Looking line to line will give the reader a better understanding of the changes per activity group.

Governmental expenses were down \$9,012,303 in 2019. This change was primarily due to how the Township's other postemployment liabilities changed from 2018 to 2019. These unfunded liabilities primarily come from the retiree healthcare system. In 2019, the OPEB liability went down and the assets went up. This is an item that can fluctuate year to year based on market returns, trust contributions, and any significant changes in the unfunded liabilities.

In the business-type activities (Water and Sewer Fund), revenue was virtually the same in 2019 as 2018: approximately \$25 million. This was due to the charges for services category. The Water and Sewer Fund also paid \$907,000 in 2019 for expenses from the Oakland-Macomb Interceptor District (OMI), to which the Township belongs and has to pay its proportional downstream share for sewer conveyance infrastructure maintenance. The Water and Sewer Fund has more proportional debt share coming from the Clinton-Oakland Sewer System and the Oakland-Macomb Inceptor District in the future related to deferred maintenance and would like to be able to prepay some of the upcoming debt, if possible, to help ratepayers save on long-term interest charges.

The Township's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue						
Program revenue:						
Charges for services	\$ 14,216,557	\$ 14,015,005	\$ 24,094,412	\$ 23,500,611	\$ 38,310,969	\$ 37,515,616
Operating grants	3,919,115	4,678,239	124,560	348,335	4,043,675	5,026,574
Capital grants	14,501	10,940	493,232	902,428	507,733	913,368
General revenue:						
Property taxes	28,639,060	23,246,943	-	-	28,639,060	23,246,943
Intergovernmental	6,852,470	6,603,644	-	-	6,852,470	6,603,644
Investment earnings	722,751	422,183	307,450	314,230	1,030,201	736,413
Other revenue	2,148,363	1,775,202	53,598	12,012	2,201,961	1,787,214
Total revenue	56,512,817	50,752,156	25,073,252	25,077,616	81,586,069	75,829,772
Expenses						
General government	2,692,313	5,361,318	-	-	2,692,313	5,361,318
District court	2,570,218	2,772,032	-	-	2,570,218	2,772,032
Public safety:						
Police	13,899,096	16,576,832	-	-	13,899,096	16,576,832
Fire	19,955,036	21,809,619	-	-	19,955,036	21,809,619
Building inspection	1,252,993	1,273,845	-	-	1,252,993	1,273,845
Public works	670,260	818,722	-	-	670,260	818,722
Community and economic development	1,817,024	1,763,727	-	-	1,817,024	1,763,727
Recreation and culture	3,718,735	5,146,552	-	-	3,718,735	5,146,552
Interest on long-term debt	17,504	82,835	-	-	17,504	82,835
Water and sewer	-	-	24,948,601	23,539,334	24,948,601	23,539,334
Total expenses	46,593,179	55,605,482	24,948,601	23,539,334	71,541,780	79,144,816
Change in Net Position	9,919,638	(4,853,326)	124,651	1,538,282	10,044,289	(3,315,044)
Net Position - Beginning of year	(76,351,084)	(71,497,758)	83,565,973	82,027,691	7,214,889	10,529,933
Net Position - End of year	\$ (66,431,446)	\$ (76,351,084)	\$ 83,690,624	\$ 83,565,973	\$ 17,259,178	\$ 7,214,889

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Governmental Activities

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 2019 include the General Fund, the Police Fund, the Fire Fund, and the Police and Fire Special Assessment District. 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 the Police Fund and Fire Fund. The General Fund transferred \$5.250 million to the Police Fund and \$1.607 million to the Fire Fund in 2019.

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, such as tax collections, assessing, elections, and the court.

The Township's General Fund year-end fund balance is \$12,169,725, of which \$8,532,520 is unassigned. The total of \$12,169,725 represents 62.46 percent of 2019's annual expenditures, including net transfers to other funds. Due to an accounting rule change, the Workers' Compensation Fund and the Cemetery Care Fund were moved into the General Fund in 2011. When adjusting for the Budget Stabilization Fund amount of \$2,200,811, as well as the Workers' Compensation Fund amount of \$878,871 and the Cemetery Care Fund amount of \$469,847, the General Fund's fund balance at year end represented 43.52 percent of its annual expenditures in 2019. This second type of measurement is one township planners believe is a more realistic representation of the General Fund's available balance. The Workers' Compensation Fund and Cemetery Care Fund are set aside for specific purposes. This also excludes \$2,200,811 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 are only two pieces of a municipality's financial health. The reader must also keep in mind liabilities and obligations, both of the funded and unfunded variety.

Police Fund

The Police Fund covers the operation of the police department. Major revenue includes \$5.250 million from the Township's General Fund and an additional \$6,216,636 in dedicated millage revenue for 2019, a small overall increase from 2018. Most recently, the police department received \$2,544,487 from the Police and Fire Special Assessment District in 2019. The department receives a small amount of revenue from fees, grants, and interest on investments.

Overall, for fiscal year 2019, the Police Fund fund balance increased by \$413,556. This change was due primarily to lower staff levels from traditional levels and not spending some contingency funds.

Fire Fund

The Fire Fund covers the operations of fire prevention, suppression, and emergency medical services. In 2019, the department received \$1.607 million from the General Fund and approximately \$5.45 million from dedicated millages. In February 2012, the Charter Township of Waterford began a contract with the City of Pontiac, Michigan to offer fire protection service for the city. The contract is for 10 years and started at \$6.2 million per year. The Fire Fund's fund balance increased by \$1,521,291 in 2019. The Fire Fund's fund balance is at 19.01 percent of annual expenditures.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Water and Sewer Fund

The Water and Sewer Fund continues to maintain a reasonable amount of working capital. 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 remain reasonable 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, Michigan 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 2019, the fund paid almost \$907,815 in Oakland-Macomb Interceptor allocated expense. This move saved ratepayers an estimated \$38,041 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 multimillion 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.

Reductions in staffing through attrition and early retirement incentives have reduced labor costs. In 2019, the Water and Sewer Fund was staffed at 41.25 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 department of public works (DPW) continues to look for grants and low-interest loans to fund capital improvements. The DPW was awarded a Drinking Water Revolving Fund (DWRF) loan 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 United States Environmental Protection Agency (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 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 Oakland County Water Resources Commissioner (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 undue interest costs, while keeping in mind a healthy capital reserve goal. The Water and Sewer Fund was 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 report is now complete and will be used as a guide to allocate resources for future capital improvements. Sewer rates were recently adjusted in the first quarter of 2020, which will help aid in addressing some deferred maintenance related to Waterford Township's sewer assets. Water rates were adjusted in 2018 to help begin a water main replacement program, as well as facilitate water treatment plant media replacement in the coming years. This will help keep the quality and integrity of the water system a high priority.

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 2020 and 2021. 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.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

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

When adjusting for fire employees hired for Pontiac fire service and the temporary Fire SAFER Grant employees, the Township is at early 1980s employment levels for 2019. Any new positions or changes to service levels in the short to intermediate range would likely need to come by way of a new revenue question put before the voters. To that end, in May 2018, a Police and Fire Special Assessment District (SAD) was placed before the Waterford voters for a maximum of 2.95 mills with a length of 12 years. The voters passed this ballot question. First-year revenue for 2019 was at \$6,014,642. This initiative helped add and maintain services and staff to the police and fire departments and fund public safety vehicle and equipment replacements and will continue to do so.

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.

Capital Assets and Debt Administration

There was a slight decrease in governmental-type capital assets of \$706,433, net of depreciation. Disposal of assets and excess equipment occurred throughout 2019 as well. (Capital asset activity is available in Note 4).

In business-type activities, the Township saw a net decrease of \$514,906 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 2019. The Township has been purchasing vehicles via cash for police, fire, parks and recreation, water and sewer, and facilities and operations in recent years. The Township paid off its LED installment lighting obligation in 2018. This both reduced debt on the books and saved on long-term interest.

In 2019, there was a \$996,543 reduction of debt in the business-type (water and sewer) category. This reduction came via making normally scheduled payments on debt schedules. The reader should keep in mind that the Township has been notified that its share of "downstream" debt in the coming years related to the Clinton-Oakland Sewer System and the Oakland-Macomb Interceptor District could be several million dollars related to multiple projects. The Township relies on these agencies for sewer conveyance and sewer treatment and disposal. The "downstream" deferred maintenance is large, and the Township's share as a member community is significant as well. When possible, planners attempt to prepay at least some of these debt issuances, which will save ratepayers long-term interest. When looking at the \$2,431,303 of debt that is due within one year in Note 6, it could be stated that this portion alone amounts to approximately 10 percent of the Water and Sewer Fund's resources in a given year.

The Township reduced its general obligation, tax-supported, and installment debt by \$293,644 in fiscal year 2019. The Township maintains a very low amount of general government debt. The majority of the general government debt remaining, which is \$301,467, is related to modest capital improvements from many years ago. The debt associated with the 1998 construction of the police and fire headquarter buildings has been paid off and extinguished. The 0.65 mills associated with the debt retirement of the two public safety buildings reduced the tax burden of the township taxpayers. The Township currently maintains an extremely small amount of building and construction-related debt in its governmental funds. The reader should keep in mind that the Township owns and operates many structures, and some are nearing the end of their useful lives. In the future, deferred maintenance will need to be confronted to maintain the high level of service to the community.

Detailed information on the Township's debt can be found in the statistical section of this report, in the debt capacity schedule, in the direct and overlapping debt schedule, 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 affect 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 resulted in a loss of building inspection and licensing fees for those years. In 2016, 2017, 2018, and 2019, 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 has seen 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 are based on prior year sales, which results in a lag behind the improving market. The Headlee Amendment limits increases in property tax revenue to 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.

Subsequent to year end, the Township's investment portfolio - particularly the investments of the pension and OPEB plans - has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

The United States and State of Michigan declared a state of emergency in March 2020 due to the global coronavirus (COVID-19) pandemic. COVID-19 will have a financial impact on subsequent periods of the Township. The Township is anticipating reductions in state-shared revenue, EMS fees, district court fines and fees, and parks and recreation activity fees. The Township has also incurred additional expenses as a result of the pandemic. In response, the Township furloughed some employees and implemented a work share program. Some capital projects may be delayed, and the Township is considering other expense reductions. The total impact on the Township's future operating costs, revenue, and any recovery from emergency funding cannot be determined at this time.

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, most notably the public road system. The Township received over \$873,853 more from the State of Michigan in revenue sharing in 2001 than it did in 2019, without adjusting for inflation. The overall trend of the State divesting itself in local government through the years continues. As stated earlier, the COVID-19 pandemic has put great pressure in this area as well. Consumer spending and the resulting sales tax receipts from the State are not materializing as consumers contract their spending and have fewer disposable dollars. The recovery curve could be relatively brisk or could take longer; that remains to be seen.

Legacy Benefits and Reforms

Public Act 202 of 2017, titled "Protecting Local Government Retirement Benefits Act," had standards and requirements that the Township needed to address. Pensions are required to be 60 percent funded, and the Township's two closed systems meet that standard. The retiree healthcare fund needs to be 40 percent funded, and the Township's plan does not meet that standard. Therefore, the Township was required to submit a corrective action plan (CAP). The Township was notified in May 2019 that its CAP was approved. While this is good news and reflects a lot of hard work from staff, board members, and consultants, the CAP shows that the Township will continue to have a large issue to address. Many changes have already been implemented: closing pension systems and replacing them with 401(k)-type plans for new hires, closing the employer-sponsored retiree healthcare benefit to all employee groups, reforming health care for current employees to conform with PA 152 of 2011, adjusting programs of current retirees, and attempting to put more away in the Township's health trust to garner market-based earnings. Department consolidations, excess property sales, and staff reductions have also taken place. Much has been done, but more will be needed, and a combined team effort from all stakeholders will be required.

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 a 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's 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.

The Township maintains a Citizen's Guide to Local Government Finances on its website, which is also located at www.waterfordmi.gov. This is another tool to help citizens and interested parties understand where taxes and fees are directed and utilized.

Charter Township of Waterford

Statement of Net Position

December 31, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 52,268,493	\$ 18,997,640	\$ 71,266,133	\$ 207,293
Receivables:				
Property taxes receivable	12,866,961	-	12,866,961	-
Special assessments receivable	339,780	224,921	564,701	-
Customer receivables	-	8,204,124	8,204,124	-
Accrued interest receivable	75,000	85,053	160,053	-
Due from other governments	1,315,289	-	1,315,289	-
Rehabilitation loan receivable	1,131,177	-	1,131,177	-
Other receivables	206,221	-	206,221	-
Inventory	77,886	-	77,886	-
Prepaid items	1,085,264	11,473	1,096,737	-
Restricted assets	-	786,958	786,958	-
Net pension asset (Note 7)	83,709	44,177	127,886	-
Capital assets: (Note 4)				
Assets not subject to depreciation	26,610,126	11,380,155	37,990,281	-
Assets subject to depreciation - Net	24,820,056	97,844,450	122,664,506	53,031
Total assets	120,879,962	137,578,951	258,458,913	260,324
Deferred Outflows of Resources				
Deferred pension costs (Note 7)	1,193,129	-	1,193,129	-
Deferred OPEB costs (Note 8)	1,773,519	274,561	2,048,080	-
Total deferred outflows of resources	2,966,648	274,561	3,241,209	-
Liabilities				
Accounts payable	564,121	1,061,929	1,626,050	756
Accrued liabilities and other	697,672	258,444	956,116	-
Unearned revenue	2,015,072	-	2,015,072	-
Noncurrent liabilities:				
Due within one year: (Note 6)				
Compensated absences	2,588,518	204,929	2,793,447	-
Provision for claims	454,973	46,259	501,232	-
Current portion of long-term debt	301,467	2,431,303	2,732,770	-
Due in more than one year: (Note 6)				
Compensated absences	110,667	67,402	178,069	-
Provision for claims	290,901	19,834	310,735	-
Accrued unemployment	257,366	-	257,366	-
Long-term debt	265,457	28,781,459	29,046,916	-
Net pension liability (Note 7)	13,509,727	-	13,509,727	-
Net OPEB liability (Note 8)	115,208,807	17,835,665	133,044,472	-
Total liabilities	136,264,748	50,707,224	186,971,972	756
Deferred Inflows of Resources				
Property taxes levied for the following year	30,374,698	-	30,374,698	-
Deferred pension cost reductions (Note 7)	8,760,018	1,152,285	9,912,303	-
Deferred OPEB cost reductions (Note 8)	14,878,592	2,303,379	17,181,971	-
Total deferred inflows of resources	54,013,308	3,455,664	57,468,972	-

Charter Township of Waterford

Statement of Net Position (Continued)

December 31, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 50,863,258	\$ 78,011,843	\$ 128,875,101	\$ 53,031
Restricted:				
Police	1,092,427	-	1,092,427	-
Police and fire	20,535	-	20,535	-
Community development	1,562,613	-	1,562,613	-
Library	1,341,172	-	1,341,172	-
Weed control	330,447	-	330,447	-
Nature center	567,100	-	567,100	-
Capital projects	-	786,958	786,958	-
Indigent defense	33,181	-	33,181	-
Unrestricted	(122,242,179)	4,891,823	(117,350,356)	206,537
	<u>\$ (66,431,446)</u>	<u>\$ 83,690,624</u>	<u>\$ 17,259,178</u>	<u>\$ 259,568</u>
Total net position				

Charter Township of Waterford

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,692,313	\$ 794,252	\$ 500	\$ -
District court	2,570,218	1,041,707	320,455	-
Public safety:				
Police	13,899,096	120,416	321,372	1,764
Fire	19,955,036	9,788,442	2,291,924	-
Building inspections and related	1,252,993	877,047	-	-
Public works	670,260	42,422	-	12,737
Community and economic development	1,817,024	374,292	564,998	-
Recreation and culture	3,718,735	1,177,979	419,866	-
Interest on long-term debt	17,504	-	-	-
Total governmental activities	<u>46,593,179</u>	<u>14,216,557</u>	<u>3,919,115</u>	<u>14,501</u>
Business-type activities - Enterprise Fund				
- Water and Sewer Fund	24,948,601	24,094,412	124,560	493,232
Total primary government	<u>\$ 71,541,780</u>	<u>\$ 38,310,969</u>	<u>\$ 4,043,675</u>	<u>\$ 507,733</u>
Component units:				
Economic Development Corporation	\$ -	\$ 160	\$ -	\$ -
Waterford Youth Assistance Corporation	25,597	1,908	18,149	-
Veterans Memorial Fund	2,691	1,262	-	-
Total component units	<u>\$ 28,288</u>	<u>\$ 3,330</u>	<u>\$ 18,149</u>	<u>\$ -</u>
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Unrestricted 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, 2019

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,897,561)	\$ -	\$ (1,897,561)	\$ -
(1,208,056)	-	(1,208,056)	-
(13,455,544)	-	(13,455,544)	-
(7,874,670)	-	(7,874,670)	-
(375,946)	-	(375,946)	-
(615,101)	-	(615,101)	-
(877,734)	-	(877,734)	-
(2,120,890)	-	(2,120,890)	-
(17,504)	-	(17,504)	-
(28,443,006)	-	(28,443,006)	-
-	(236,397)	(236,397)	-
(28,443,006)	(236,397)	(28,679,403)	-
-	-	-	160
-	-	-	(5,540)
-	-	-	(1,429)
-	-	-	(6,809)
28,639,060	-	28,639,060	-
6,852,470	-	6,852,470	-
722,751	307,450	1,030,201	3,544
1,131,587	-	1,131,587	-
216,430	53,598	270,028	-
800,346	-	800,346	-
38,362,644	361,048	38,723,692	3,544
9,919,638	124,651	10,044,289	(3,265)
(76,351,084)	83,565,973	7,214,889	262,833
\$ (66,431,446)	\$ 83,690,624	\$ 17,259,178	\$ 259,568

Charter Township of Waterford

Governmental Funds Balance Sheet

December 31, 2019

	General Fund	Police Fund	Fire Fund	Police and Fire Special Assessment District	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 16,059,528	\$ 7,721,832	\$ 9,222,523	\$ 3,524,266	\$ 15,156,722	\$ 51,684,871
Receivables:						
Property taxes receivable	3,693,620	2,851,190	2,496,692	2,482,811	1,342,648	12,866,961
Special assessments receivable	181,858	-	-	-	157,922	339,780
Accrued interest receivable	75,000	-	-	-	-	75,000
Due from other governments	1,171,598	29,334	24,895	-	89,462	1,315,289
Rehabilitation loan receivable	-	-	-	-	1,131,177	1,131,177
Other receivables	206,221	-	-	-	-	206,221
Prepaid items	87,676	-	24,355	-	973,233	1,085,264
	<u>\$ 21,475,501</u>	<u>\$ 10,602,356</u>	<u>\$ 11,768,465</u>	<u>\$ 6,007,077</u>	<u>\$ 18,851,164</u>	<u>\$ 68,704,563</u>
Total assets						
Liabilities						
Accounts payable	\$ 228,922	\$ 49,170	\$ 179,530	\$ -	\$ 91,024	\$ 548,646
Accrued liabilities and other	135,194	203,350	278,389	4,232	72,833	693,998
Unearned revenue	-	-	1,946,836	-	68,236	2,015,072
	<u>364,116</u>	<u>252,520</u>	<u>2,404,755</u>	<u>4,232</u>	<u>232,093</u>	<u>3,257,716</u>
Total liabilities						
Deferred Inflows of Resources						
Unavailable revenue	78,908	-	-	-	1,184,662	1,263,570
Property taxes levied for the following year	8,862,752	6,510,181	5,700,748	5,982,310	3,318,707	30,374,698
	<u>8,941,660</u>	<u>6,510,181</u>	<u>5,700,748</u>	<u>5,982,310</u>	<u>4,503,369</u>	<u>31,638,268</u>
Total deferred inflows of resources						
Total liabilities and deferred inflows of resources	9,305,776	6,762,701	8,105,503	5,986,542	4,735,462	34,895,984

Charter Township of Waterford

Governmental Funds Balance Sheet (Continued)

December 31, 2019

	General Fund	Police Fund	Fire Fund	Police and Fire Special Assessment District	Nonmajor Funds	Total Governmental Funds
Fund Balances						
Nonspendable - Prepaids	\$ 87,676	\$ -	\$ 24,355	\$ -	\$ 973,233	\$ 1,085,264
Restricted:						
Police	-	-	-	-	1,092,427	1,092,427
Police and fire	-	-	-	20,535	-	20,535
Community development	-	-	-	-	431,436	431,436
Library	-	-	-	-	1,341,172	1,341,172
Weed control	-	-	-	-	330,447	330,447
Nature center	-	-	-	-	567,100	567,100
Michigan indigent defense	-	-	-	-	33,181	33,181
Committed:						
Cemetery care	469,847	-	-	-	-	469,847
Workers' compensation	878,871	-	-	-	-	878,871
Budget stabilization	2,200,811	-	-	-	-	2,200,811
Capital projects - Police	-	-	-	-	850,000	850,000
Capital projects - General	-	-	-	-	562,418	562,418
Capital projects - Fire	-	-	-	-	1,600,683	1,600,683
Capital projects - Parks and recreation	-	-	-	-	233,489	233,489
Assigned:						
Cable-related projects	-	-	-	-	753,681	753,681
Police	-	3,839,655	-	-	-	3,839,655
Fire	-	-	3,638,607	-	-	3,638,607
Community development	-	-	-	-	200,000	200,000
Capital projects	-	-	-	-	4,015,545	4,015,545
Parks and recreation	-	-	-	-	1,130,890	1,130,890
Unassigned	8,532,520	-	-	-	-	8,532,520
Total fund balances	12,169,725	3,839,655	3,662,962	20,535	14,115,702	33,808,579
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,475,501</u>	<u>\$ 10,602,356</u>	<u>\$ 11,768,465</u>	<u>\$ 6,007,077</u>	<u>\$ 18,851,164</u>	<u>\$ 68,704,563</u>

Charter Township of Waterford

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

December 31, 2019

Fund Balances Reported in Governmental Funds	\$ 33,808,579
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	50,802,647
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	1,263,570
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(389,111)
Accrued interest is not due and payable in the current period and is not reported in the funds	(1,673)
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	(2,699,185)
Pension benefits	(20,992,907)
Retiree healthcare benefits	(128,313,880)
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	(745,874)
Internal service funds are included as part of governmental activities	836,388
Net Position of Governmental Activities	<u>\$ (66,431,446)</u>

Charter Township of Waterford

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2019

	General Fund	Police Fund	Fire Fund	Police and Fire Special Assessment District	Nonmajor Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 8,054,792	\$ 6,216,636	\$ 5,446,429	\$ 6,014,642	\$ 2,914,855	\$ 28,647,354
Special assessments	-	-	-	-	324,748	324,748
Intergovernmental:						
Federal grants	-	5,397	2,287,924	-	672,430	2,965,751
State sources	6,978,015	28,429	28,895	-	463,296	7,498,635
Charges for services	1,120,550	32,918	9,756,186	-	948,351	11,858,005
Fines and forfeitures	1,264,136	87,498	-	-	188,337	1,539,971
Licenses and permits	902,149	39,800	-	-	30,984	972,933
Investment income	731,317	138,927	145,147	380	201,079	1,216,850
Other revenue:						
Local contributions	-	-	-	-	43,641	43,641
Other miscellaneous income	57,651	582,164	127,578	-	49,314	816,707
Cable franchise fees	1,007,083	-	-	-	124,504	1,131,587
Refunds and reimbursements	793,522	-	32,756	-	-	826,278
Total revenue	20,909,215	7,131,769	17,824,915	6,015,022	5,961,539	57,842,460
Expenditures						
Current services:						
General government	5,846,257	-	-	-	498,679	6,344,936
District court	2,655,766	-	-	-	-	2,655,766
Public safety:						
Police	40,136	13,531,952	-	-	365,776	13,937,864
Fire	-	-	18,909,967	-	-	18,909,967
Building inspection	1,266,307	-	-	-	-	1,266,307
Public works	-	-	-	-	98,693	98,693
Community and economic development	1,239,351	-	-	-	559,398	1,798,749
Recreation and culture	-	-	-	-	4,222,055	4,222,055
Capital outlay	162,914	142,651	360,337	-	1,171,380	1,837,282
Debt service	132,434	-	-	-	-	132,434
Total expenditures	11,343,165	13,674,603	19,270,304	-	6,915,981	51,204,053
Excess of Revenue Over (Under) Expenditures	9,566,050	(6,542,834)	(1,445,389)	6,015,022	(954,442)	6,638,407
Other Financing Sources (Uses)						
Transfers in (Note 5)	136,367	7,794,487	5,057,000	-	4,619,544	17,607,398
Transfers out (Note 5)	(8,463,294)	(850,000)	(2,118,250)	(5,994,487)	(181,367)	(17,607,398)
Sale of capital assets	184,865	11,903	27,930	-	10,451	235,149
Total other financing (uses) sources	(8,142,062)	6,956,390	2,966,680	(5,994,487)	4,448,628	235,149
Net Change in Fund Balances	1,423,988	413,556	1,521,291	20,535	3,494,186	6,873,556
Fund Balances - Beginning of year	10,745,737	3,426,099	2,141,671	-	10,621,516	26,935,023
Fund Balances - End of year	<u>\$ 12,169,725</u>	<u>\$ 3,839,655</u>	<u>\$ 3,662,962</u>	<u>\$ 20,535</u>	<u>\$ 14,115,702</u>	<u>\$ 33,808,579</u>

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, 2019

Net Change in Fund Balances Reported in Governmental Funds	\$ 6,873,556
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	2,178,085
Depreciation expense	(2,179,164)
Net book value of assets disposed of	(560,560)
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	(19,115)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	119,162
Interest expense is recognized in the government-wide statements as it accrues	528
Changes to some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported in the governmental funds	3,489,794
Changes to claims and similar costs that do not use current financial resources are not reported in the governmental funds	13,773
Internal service funds are included as part of governmental activities	<u>3,579</u>
Change in Net Position of Governmental Activities	<u><u>\$ 9,919,638</u></u>

Charter Township of Waterford

Proprietary Funds Statement of Net Position

December 31, 2019

	Enterprise Funds	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
Assets		
Current assets:		
Cash and investments (Note 3)	\$ 18,997,640	\$ 583,622
Receivables:		
Special assessments receivable - Due within one year	224,921	-
Customer receivables	8,204,124	-
Accrued interest receivable	85,053	-
Inventory	-	77,886
Prepaid items	11,473	-
Total current assets	27,523,211	661,508
Noncurrent assets:		
Restricted assets	786,958	-
Net pension asset (Note 7)	44,177	-
Capital assets: (Note 4)		
Assets not subject to depreciation	11,380,155	-
Assets subject to depreciation - Net	97,844,450	627,535
Total noncurrent assets	110,055,740	627,535
Total assets	137,578,951	1,289,043
Deferred Outflows of Resources - Deferred OPEB costs (Note 8)	274,561	-
Liabilities		
Current liabilities:		
Accounts payable	1,061,929	15,475
Accrued liabilities and other	258,444	2,001
Compensated absences	204,929	-
Provision for claims	46,259	-
Current portion of long-term debt (Note 6)	2,431,303	177,813
Total current liabilities	4,002,864	195,289
Noncurrent liabilities:		
Compensated absences	67,402	-
Provision for claims	19,834	-
Accrued unemployment	-	257,366
Net OPEB liability (Note 8)	17,835,665	-
Long-term debt (Note 6)	28,781,459	-
Total noncurrent liabilities	46,704,360	257,366
Total liabilities	50,707,224	452,655
Deferred Inflows of Resources - Deferred pension and OPEB costs (Note 7)	3,455,664	-
Net Position		
Net investment in capital assets	78,011,843	449,722
Restricted - Capital projects	786,958	-
Unrestricted	4,891,823	386,666
Total net position	<u><u>\$ 83,690,624</u></u>	<u><u>\$ 836,388</u></u>

Charter Township of Waterford

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

Year Ended December 31, 2019

	Enterprise Funds	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
Operating Revenue		
Sale of water	\$ 6,134,309	\$ -
Sewage disposal charges	17,541,306	-
Other sales to customers	33,771	-
Charges for services	385,026	178,673
Operating grants	124,560	7,250
	24,218,972	185,923
Operating Expenses		
Cost of water	1,727,482	-
Cost of sewage treatment	10,192,062	-
Other operating and maintenance costs	2,328,329	-
Billing and administrative costs	4,458,218	20,744
Unemployment cost	-	9,132
Depreciation	5,514,070	140,066
	24,220,161	169,942
Operating (Loss) Income	(1,189)	15,981
Nonoperating Revenue (Expense)		
Interest income	307,450	7,342
Interest expense	(728,440)	(4,760)
Loss on sale of assets	53,598	(14,984)
	(367,392)	(12,402)
(Loss) Income - Before capital contributions	(368,581)	3,579
Capital Contributions		
Capital grants	21,748	-
Benefit fees	219,237	-
Lines donated by developers	252,247	-
	493,232	-
Change in Net Position	124,651	3,579
Net Position - Beginning of year	83,565,973	832,809
Net Position - End of year	\$ 83,690,624	\$ 836,388

Charter Township of Waterford

Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2019

	Enterprise Funds	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
Cash Flows from Operating Activities		
Receipts from customers	\$ 24,132,241	\$ 178,673
Payments to suppliers	(14,364,000)	(20,447)
Payments to employees and fringes	(4,654,854)	-
Operating grants	124,560	7,250
	<u>5,237,947</u>	<u>165,476</u>
Net cash and cash equivalents provided by operating activities	5,237,947	165,476
Cash Flows from Capital and Related Financing Activities		
Issuance of bonds	83,031	-
Receipt of capital grants	21,748	-
Special assessment collections	44,299	-
Benefit fees	219,237	-
Proceeds from sale of capital assets	53,598	1,925
Purchase of capital assets	(1,749,422)	(12,181)
Principal and interest paid on capital debt	(3,107,880)	(181,206)
	<u>(4,435,389)</u>	<u>(191,462)</u>
Net cash and cash equivalents used in capital and related financing activities	(4,435,389)	(191,462)
Cash Flows from Investing Activities		
Interest received on investments	367,013	7,342
Purchases of investment securities	(207,310)	-
	<u>159,703</u>	<u>7,342</u>
Net cash and cash equivalents provided by investing activities	159,703	7,342
Net Increase (Decrease) in Cash and Cash Equivalents	962,261	(18,644)
Cash and Cash Equivalents - Beginning of year	8,908,935	602,266
Cash and Cash Equivalents - End of year	<u><u>\$ 9,871,196</u></u>	<u><u>\$ 583,622</u></u>
Classification of Cash and Cash Equivalents		
Cash and investments	\$ 18,997,640	\$ 583,622
Less amounts classified as investments	(9,126,444)	-
	<u><u>\$ 9,871,196</u></u>	<u><u>\$ 583,622</u></u>
Total cash and cash equivalents	<u><u>\$ 9,871,196</u></u>	<u><u>\$ 583,622</u></u>

Charter Township of Waterford

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

Year Ended December 31, 2019

	Enterprise Funds	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities		
Operating (loss) income	\$ (1,189)	\$ 15,981
Adjustments to reconcile operating (loss) income to net cash from operating activities:		
Depreciation	5,514,070	140,066
Changes in assets and liabilities:		
Receivables	23,989	-
Inventories	-	(319)
Prepaid and other assets	(11,473)	-
Accrued and other liabilities	2,233	-
Accounts payable	(285,740)	616
Estimated claims liability	15,548	9,132
Net pension and OPEB liabilities and related deferrals	(19,491)	-
Total adjustments	5,239,136	149,495
Net cash and cash equivalents provided by operating activities	\$ 5,237,947	\$ 165,476

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2019, the Water and Sewer Fund received approximately \$252,000 of lines donated by developers. In addition, Oakland County, Michigan constructed approximately \$1.7 million of infrastructure assets for which the Township incurred long-term debt of approximately \$1.3 million, received capital grants of approximately \$2,000, and reduced restricted assets by approximately \$390,000.

Charter Township of Waterford

**Fiduciary Funds
Statement of Fiduciary Net Position**

December 31, 2019

	Pension and Other Postemployment Benefits	Agency Funds
Assets		
Cash and cash equivalents	\$ 3,837,674	\$ 2,480,372
Investments:		
Fixed-income funds	18,172,003	-
Publicly traded partnerships	14,374,502	-
Stocks	86,265,402	-
Mutual funds	48,977,453	-
Real estate investment trusts	9,726,690	-
Pension manager short-term funds	7,203,512	-
Securities lending short-term collateral bank investment pool - Mutual funds	212,153	-
Prepaid items	911,414	-
Accrued income	25,815	-
	189,706,618	\$ 2,480,372
Liabilities		
Accounts payable	98,515	\$ -
Due to other governmental units	-	1,546,387
Refundable deposits, bonds, etc.	-	816,707
Accrued liabilities and other	-	117,278
Obligations under securities lending agreements	245,000	-
	343,515	\$ 2,480,372
Net Position Restricted for Pension and Other Postemployment Benefits	\$ 189,363,103	

Charter Township of Waterford

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

Year Ended December 31, 2019

Additions

Investment income (loss):	
Interest and dividends	\$ 4,346,971
Net increase in fair value of investments	29,397,212
Investment-related expenses	<u>(841,572)</u>
Net investment income	32,902,611
Contributions:	
Employer contributions	14,392,155
Employee contributions	<u>400,189</u>
Total contributions	<u>14,792,344</u>
Total additions	47,694,955

Deductions

Benefit payments	18,844,973
Administrative expenses	<u>149,329</u>
Total deductions	<u>18,994,302</u>

Net Increase in Net Position

28,700,653

Net Position Restricted for Pension and Other Postemployment Benefits - Beginning of year

160,662,450

Net Position Restricted for Pension and Other Postemployment Benefits - End of year

\$ 189,363,103

Charter Township of Waterford

Component Units Statement of Net Position

December 31, 2019

	Economic Development Corporation	Waterford Youth Assistance Corporation	Veterans Memorial Fund	Total
Assets				
Cash and investments	\$ 142,808	\$ 58,585	\$ 5,900	\$ 207,293
Capital assets subject to depreciation - Net	-	-	53,031	53,031
Total assets	142,808	58,585	58,931	260,324
Liabilities - Accounts payable	-	756	-	756
Net Position				
Net investment in capital assets	-	-	53,031	53,031
Unrestricted	142,808	57,829	5,900	206,537
Total net position	<u>\$ 142,808</u>	<u>\$ 57,829</u>	<u>\$ 58,931</u>	<u>\$ 259,568</u>

Charter Township of Waterford

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Economic Development Corporation	\$ -	\$ 160	\$ -	\$ -
Waterford Youth Assistance Corporation	25,597	1,908	18,149	-
Veterans Memorial Fund	2,691	1,262	-	-
Total component units	<u>\$ 28,288</u>	<u>\$ 3,330</u>	<u>\$ 18,149</u>	<u>\$ -</u>

General revenue - Investment income

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Component Units
Statement of Activities

Year Ended December 31, 2019

Net Revenue (Expense) and Changes in Net Position			
Economic Development Corporation	Waterford Youth Assistance Corporation	Veterans Memorial Fund	Total
\$ 160	\$ -	\$ -	\$ 160
-	(5,540)	-	(5,540)
-	-	(1,429)	(1,429)
160	(5,540)	(1,429)	(6,809)
2,449	1,095	-	3,544
2,609	(4,445)	(1,429)	(3,265)
140,199	62,274	60,360	262,833
\$ 142,808	\$ 57,829	\$ 58,931	\$ 259,568

Note 1 - Significant Accounting Policies

Reporting Entity

The Charter Township of Waterford (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. The blended component unit is, in substance, part of the Township's operations, even though it is a separate legal entity. Thus, the blended component unit is appropriately presented as part 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 who 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 Funds are reported as pension and other postemployment benefit trust funds.

Blended Component Unit

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.

The Cable Commission was previously reported as a blended component unit but was determined to no longer meet the criteria for reporting as such. It remains a special revenue fund 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.

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.

Note 1 - Significant Accounting Policies (Continued)

Veterans 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.

Accounting and Reporting Principles

The Charter Township of Waterford follows accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the Township:

Report Presentation

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

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

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

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

Basis of Accounting

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

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

Note 1 - Significant Accounting Policies (Continued)

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.
- The Police and Fire Special Assessment District Fund accounts for the operations of the police and the fire department of the Township. Funding is provided primarily through a special assessment in accordance with Public Act 33 of 1951.

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.

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 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 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.

Inventories and Prepaid Items

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

Restricted Assets

The Township has \$786,958 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:

<u>Capital Asset Class</u>	<u>Depreciable Life - Years</u>
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 "other financing sources," as well as bond premiums and discounts. The General Fund is generally used to liquidate governmental long-term debt.

For the governmental activities, claims and judgments, net pension liability, and net other postemployment benefit liability 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 liability 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 and other postemployment benefit plan. The deferred outflows of resources related to the defined benefit pension plans and other postemployment benefit plan are reported in the government-wide financial statements and the Water and Sewer Fund (see Notes 7 and 8 for details).

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 and other postemployment benefit plan are reported in the government-wide financial statements and the Water and Sewer Fund (see Notes 7 and 8 for details).

Net Position

Net position of the Township is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

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

Note 1 - Significant Accounting Policies (Continued)

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.

The Township's board of trustees has adopted, by ordinance, a Budget Stabilization Fund under Michigan's Public Act 30 of 1978, as amended. The board of trustees may, with a two-thirds vote, set aside General Fund surplus, up to a maximum of 20 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 two-thirds vote of the board of trustees, may only occur to correct a budget shortfall or in the case of a natural disaster. The balance at December 31, 2019 of the stabilization amount, which is reported in the General Fund, is \$2,200,811.

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 2018 property tax revenue was levied and collectible on December 31, 2018 and is recognized as revenue in the year ended December 31, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2018 taxable valuation of the Township totaled \$2.12 billion on which ad valorem taxes levied consisted of 3.7484 mills for operating purposes, 2.9352 mills for police, 2.5704 mills for the fire department, 0.8881 mills for the library, 0.4870 mills for parks and recreation, and 2.95 mills for police and fire special assessment. This resulted in property tax revenue of \$7.9 million for operating, \$6.2 million for police, \$5.5 million for the fire department, \$1.9 million for the library, \$1.0 million for parks and recreation, and \$6.0 million for police and fire special assessment. These amounts are recognized in the respective General Fund and Special Revenue 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.

Note 1 - Significant Accounting Policies (Continued)

Other Postemployment Benefits

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

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 is 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.

Upcoming Accounting Pronouncements

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 provisions of this statement were originally effective for the Township's financial statements for the year ended December 31, 2019 but were extended to December 31, 2020 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

Note 1 - Significant Accounting Policies (Continued)

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 were originally effective for the Township's financial statements for the year ending December 31, 2020 but were extended to December 31, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Township's financial statements for the year ended December 31, 2019 but were extended to December 31, 2020 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement were originally effective for the Township's financial statements for the year ending December 31, 2020 but were extended to December 31, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The provisions of this statement were originally effective for the Township's financial statements for the year ending December 31, 2021 but were extended to December 31, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

December 31, 2019

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:

Cumulative shortfall at January 1, 2019			\$	(6,304,173)
Current year permit revenue				902,149
Related expenses:				
Direct costs	\$	768,999		
Estimated indirect costs		-		768,999
				<u>133,150</u>
Current year surplus				<u>133,150</u>
Cumulative shortfall December 31, 2019			\$	<u>(6,171,023)</u>

Noncompliance with Legal or Contractual Provisions

The Michigan Indigent Defense Fund budget included a budgeted deficit, which is a violation of Michigan law.

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 and Fiduciary Funds	Component Units
Cash and investments	\$ 52,268,493	\$ 18,997,640	\$ 71,266,133	\$ 191,249,761	\$ 262,515,894	\$ 207,293

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

	Primary Government and Fiduciary Funds	Component Units
Deposits with financial institutions	\$ 29,786,810	\$ 207,293
Investments:		
Equity securities and mutual funds	135,242,855	-
Debt securities or funds	20,416,932	-
Short-term funds	45,764,593	-
Real estate and other	31,304,704	-
Total	<u>\$ 262,515,894</u>	<u>\$ 207,293</u>

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

Note 3 - Deposits and Investments (Continued)

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 certificates of deposit (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 \$25,264,303 of bank deposits (certificates of deposit and checking and savings accounts). Of that amount, \$2,303,126 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 Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

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

Government-wide Activities	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Agency securities	\$ 2,244,929	\$ -	\$ 2,244,929	\$ -	\$ -
Fixed-income pool	45,552,440	-	45,552,440	-	-
Total	\$ 47,797,369	\$ -	\$ 47,797,369	\$ -	\$ -

Fiduciary Activities	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Agency securities	\$ 1,181,742	\$ -	\$ -	\$ 116,375	\$ 1,065,367
Bonds	1,217,951	-	246,875	791,717	179,359
Total	\$ 2,399,693	\$ -	\$ 246,875	\$ 908,092	\$ 1,244,726

December 31, 2019

Note 3 - Deposits and Investments (Continued)

Credit Risk

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

Investment	Fair Value	Rating	Rating Organization
Primary Government			
Agency securities	\$ 2,244,929	Aaa	Moody's
Fixed-income pool	45,552,440	Not rated	-
Total	<u>\$ 47,797,369</u>		

Investment	Fair Value	Rating	Rating Organization
Fiduciary Funds			
Bonds	\$ 24,244	A	S&P
Bonds	147,806	A-	S&P
Bonds	39,117	A+	S&P
Bonds	25,825	AA	S&P
Bonds	23,999	AA-	S&P
Bonds	26,076	AAA	S&P
Bonds	23,600	BB	S&P
Bonds	193,993	BB-	S&P
Bonds	149,796	BB+	S&P
Bonds	173,498	BBB	S&P
Bonds	221,079	BBB-	S&P
Bonds	168,918	BBB+	S&P
Agency securities	65,859	A	S&P
Agency securities	38,418	A+	S&P
Agency securities	21,718	AA	S&P
Agency securities	48,121	AA-	S&P
Agency securities	135,304	AAA	S&P
Agency securities	22,567	BBB+	S&P
Agency securities	849,755	Not rated	-

Concentration of Credit Risk

The Township places no limit on the amount it may invest in any one issuer. More than 63 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 Securities and Exchange Commission (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 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 (5.16 percent), Loomis Sayles Core Plus (6.70 percent), Edgewood Growth Fund (6.09 percent), and Virtus Asset Trust (8.25 percent).

Note 3 - Deposits and Investments (Continued)

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, 2019, only United States currency was received as collateral.

The Retirement Systems did not impose any restrictions during the fiscal year on the amount of loans made on 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, 2019 did not generally match the duration of the investments made with cash collateral. On December 31, 2019, 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, 2019 were \$212,153 and \$229,600, 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 Standard & Poor's (S&P). The Police and Fire Retirement System did not invest in securities lending as of December 31, 2019.

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.

December 31, 2019

Note 3 - Deposits and Investments (Continued)

The Township has the following recurring fair value measurements as of December 31, 2019:

	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, 2019
Fixed-income funds	\$ 15,772,310	\$ 2,399,693	\$ -	\$ 18,172,003
Publicly traded partnerships	-	293,568	-	293,568
Stocks	86,265,402	-	-	86,265,402
Mutual funds	31,841,936	-	-	31,841,936
Real estate investment trusts	1,245,301	-	-	1,245,301
Pension manager short-term debt	-	7,203,512	-	7,203,512
Agency securities	-	2,244,929	-	2,244,929
Total investments by fair value level	\$ 135,124,949	\$ 12,141,702	\$ -	147,266,651
Investments measured at net asset value (NAV):				
Mutual funds				17,347,670
Publicly traded partnerships				14,080,934
Real estate investment trusts				8,481,389
Fixed-income pool				45,552,440
Total investments measured at NAV				85,462,433
Total investments measured at fair value				\$ 232,729,084

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 certain fixed-income funds, publicly traded partnerships, pension manager short-term debt, and agency securities at December 31, 2019 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 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, 2019

Note 3 - Deposits and Investments (Continued)

At December 31, 2019, 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
Mutual funds	\$ 17,347,670	\$ -	No restrictions	None
Publicly traded partnerships	14,080,934	2,417,644	Monthly - Quarterly	30 - 65 days
Real estate investment trusts	8,481,389	2,107,591	Quarterly	10 days
Fixed-income pool	45,552,440	-	No restrictions	None
Total	\$ 85,462,433	\$ 4,525,235		

The mutual funds class includes investments in mutual funds that invest in stocks within the U.S. equity market, bonds of governments, government-related entities and agencies, and corporations primarily in the U.S. The publicly traded partnerships class includes investments in stocks within the foreign equity markets and funds that invest in large core global infrastructure assets. The real estate investment trusts class includes funds that invest in commercial U.S. real estate properties. The fixed-income pool class includes investment in a local government investment pool that invests assets in a manner that 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, 2019	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2019
Capital assets not being depreciated:					
Land	\$ 27,051,839	\$ -	\$ -	\$ (469,779)	\$ 26,582,060
Construction in progress	50,281	(50,281)	28,066	-	28,066
Subtotal	27,102,120	(50,281)	28,066	(469,779)	26,610,126
Capital assets being depreciated:					
Infrastructure	14,966,424	-	339,791	-	15,306,215
Buildings and improvements	30,892,560	-	222,192	(267,305)	30,847,447
Machinery and office equipment, vehicles, and other	26,599,793	50,281	1,600,216	(1,492,550)	26,757,740
Subtotal	72,458,777	50,281	2,162,199	(1,759,855)	72,911,402
Accumulated depreciation:					
Infrastructure	12,416,389	-	135,284	-	12,551,673
Buildings and improvements	14,955,939	-	630,693	(214,861)	15,371,771
Machinery and office equipment, vehicles, and other	20,051,954	-	1,553,253	(1,437,305)	20,167,902
Subtotal	47,424,282	-	2,319,230	(1,652,166)	48,091,346
Net capital assets being depreciated	25,034,495	50,281	(157,031)	(107,689)	24,820,056
Net governmental activities capital assets	\$ 52,136,615	\$ -	\$ (128,965)	\$ (577,468)	\$ 51,430,182

December 31, 2019

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance January 1, 2019	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2019
Capital assets not being depreciated:					
Land	\$ 3,267,097	\$ -	\$ -	\$ -	\$ 3,267,097
Construction in progress	7,356,645	(1,046,132)	1,802,545	-	8,113,058
Subtotal	10,623,742	(1,046,132)	1,802,545	-	11,380,155
Capital assets being depreciated:					
Lines and laterals	126,245,642	1,046,132	1,311,567	-	128,603,341
Buildings and improvements	25,375,265	-	-	-	25,375,265
Machinery and office equipment, vehicles, and other	7,148,741	-	975,676	(237,976)	7,886,441
Oakland-Macomb Interceptor joint assets	23,788,976	-	-	-	23,788,976
Subtotal	182,558,624	1,046,132	2,287,243	(237,976)	185,654,023
Accumulated depreciation:					
Lines and laterals	62,023,386	-	3,535,638	-	65,559,024
Buildings and improvements	13,130,571	-	567,807	-	13,698,378
Machinery and office equipment, vehicles, and other	4,042,464	-	459,066	(237,976)	4,263,554
Oakland-Macomb Interceptor joint assets	3,337,058	-	951,559	-	4,288,617
Subtotal	82,533,479	-	5,514,070	(237,976)	87,809,573
Net capital assets being depreciated	100,025,145	1,046,132	(3,226,827)	-	97,844,450
Net business-type activities capital assets	\$ 110,648,887	\$ -	\$ (1,424,282)	\$ -	\$ 109,224,605

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 2019. During the year, depreciation expense of \$2,180 was recorded. Net memorial being depreciated is \$53,031 as of December 31, 2019.

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

Governmental activities:	
General government	\$ 675,559
District court	61,080
Public safety	1,178,191
Community and economic development	36,090
Recreation and culture	368,310
Total governmental activities	<u>\$ 2,319,230</u>
Business-type activities - Water and sewer	<u>\$ 5,514,070</u>

Note 5 - Interfund 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	\$ 1,607,000
	Police Fund	5,250,000
	Other nonmajor governmental funds	<u>1,606,294</u>
	Total General Fund	8,463,294
Police Fund	Other nonmajor governmental funds	850,000
Fire Fund	Other nonmajor governmental funds	2,118,250
Police and Fire Special Assessment District	Fire Fund	3,450,000
	Police Fund	<u>2,544,487</u>
	Total Police and Fire Special Assessment District	5,994,487
Other nonmajor governmental funds	General Fund	136,367
	Other nonmajor governmental funds	<u>45,000</u>
	Total other nonmajor governmental funds	<u>181,367</u>
	Total	<u><u>\$ 17,607,398</u></u>

The transfers from the General Fund to the Fire, Police, and Michigan Indigent Defense funds represent the use of unrestricted resources to finance operations of the fire and police departments and indigent defense fund in accordance with budgetary authorizations. The transfers from the General Fund to the other nonmajor governmental funds represent transfers to the Improvement Revolving Fund and Parks and Recreation Fund to cover repairs and improvements to the Township's infrastructure and buildings. The transfers from the General Fund, Fire Fund, Police 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. The transfers from the Police and Fire Special Assessment District to the Fire Fund and Police Fund represent the transfer of special assessment proceeds to the funds in which they will be spent. The transfer from the Debt Service Fund (other nonmajor governmental fund) to the General Fund represents the transfer of residual fund balance to close out the fund.

December 31, 2019

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, 2019 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 2012							
Amount of issue - \$1,151,550	2.00%-	\$85,472 -					
Maturing through 2023	3.00%	\$123,654	\$ 508,273	\$ -	\$ (119,162)	\$ 389,111	\$ 123,654
Installment Purchase Agreement:							
Amount of issue - \$811,783							
Maturing through 2020	1.87%	\$139,554	276,545	-	(136,991)	139,554	139,554
Installment Purchase Agreement:							
Amount of issue - \$187,212							
Maturing through 2020	2.05%	\$38,259	75,750	-	(37,491)	38,259	38,259
Total bonds payable			860,568	-	(293,644)	566,924	301,467
Other long-term liabilities:							
Employee compensated absences			2,672,171	3,221,395	(3,194,381)	2,699,185	2,588,518
Estimated liability for workers' compensation claims			586,610	494,119	(450,521)	630,208	339,307
Estimated liability for unemployment claims			259,967	-	(2,601)	257,366	-
Estimated liability for general liability claims			173,037	-	(57,371)	115,666	115,666
Total governmental activities long-term debt			<u>\$ 4,552,353</u>	<u>\$ 3,715,514</u>	<u>\$ (3,998,518)</u>	<u>\$ 4,269,349</u>	<u>\$ 3,344,958</u>

December 31, 2019

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		\$305,000-					
Maturing through 2033	2.00%	\$394,225	\$ 5,174,225	\$ -	\$ (300,000)	\$ 4,874,225	\$ 305,000
Sewer Relief Fund:							
Series 2013B							
Amount of issue - \$4,130,000		\$185,000-					
Maturing through 2035	2.00%	\$246,324	3,508,293	83,031	(180,000)	3,411,324	185,000
Sewer Relief Fund:							
Series 2007-B							
Amount of issue - \$3,745,000		\$185,000-					
Maturing through 2027	1.63%	\$200,000	1,697,393	-	(180,000)	1,517,393	185,000
Drinking Water Relief Fund:							
Series 2007-C							
Amount of issue - \$8,905,000		\$455,000-					
Maturing through 2028	2.13%	\$538,831	4,903,831	-	(445,000)	4,458,831	455,000
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	1,451,727	-	(350,838)	1,100,889	366,346
Oakland-Macomb Sewer Interceptor:							
Series 2010A							
Amount of issue - \$3,510,038		\$167,587-					
Maturing through 2030	2.50%	\$220,084	2,475,442	-	(162,876)	2,312,566	167,587
Oakland-Macomb Sewer Interceptor:							
Series 2010B							
Amount of issue - \$901,874	1.15% -	\$39,709 -					
Maturing through 2030	5.90%	\$69,996	640,061	-	(640,061)	-	-
Oakland-Macomb Sewer Interceptor:							
Series 2011							
Amount of issue - \$4,219,251		\$191,709-					
Maturing through 2033	2.50%	\$263,611	3,350,777	10	(186,751)	3,164,036	191,709
Oakland-Macomb Sewer Interceptor:							
Series 2013A							
Amount of issue - \$9,206,996		\$305,000-					
Maturing through 2034	2.00%	\$394,225	7,224,586	420,550	(409,891)	7,235,245	418,371
Oakland County Clinton River WRRF:							
Series 2017							
Amount of issue - \$3,006,307		\$14,615-					
Maturing through 2038	2.50%	\$179,390	1,772,735	875,651	(117,215)	2,531,171	120,273
Oakland-Macomb Sewer Interceptor:							
Series 2010B 2019 Refunded							
Amount of issue - \$607,082		\$37,017-					
Maturing through 2030	1.85%	\$67,304	-	607,082	-	607,082	37,017
Total bonds payable			32,199,070	1,986,324	(2,972,632)	31,212,762	2,431,303
Other long-term liabilities:							
Employee compensated absences							
Estimated liability for workers' compensation claims			298,114	225,222	(251,005)	272,331	204,929
Estimated liability for general liability claims			8,161	65,526	(30,718)	42,969	23,135
			42,384	-	(19,260)	23,124	23,124
Total business-type activities long-term debt			<u>\$ 32,547,729</u>	<u>\$ 2,277,072</u>	<u>\$ (3,273,615)</u>	<u>\$ 31,551,186</u>	<u>\$ 2,682,491</u>

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 liability 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 liability are generally liquidated by the Water and Sewer Fund for employee salaries and fringes.

During 2009, the counties of Macomb and Oakland, Michigan 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, Series 2010B, and Series 2011 bonds. The Township has tentatively been advised that its other assessment to pay the debt related to this project is \$9,206,996 for the Series 2013A bond. As the OMID project is not complete, future payment amounts for the Township's share of the Series 2013A OMID debt are not yet finalized. To date, the Township has incurred \$17.8 million of debt and other liabilities related to the project. The Township prefunded the Series 2014 obligation; therefore, it is not included in the debt.

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 was 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 \$2.7 million.

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
2020	\$ 301,467	\$ 13,434	\$ 314,901	\$ 2,431,303	\$ 673,261	\$ 3,104,564
2021	85,472	6,738	92,210	2,345,788	620,565	2,966,353
2022	88,841	4,582	93,423	2,403,474	568,403	2,971,877
2023	91,144	2,325	93,469	2,460,224	514,889	2,975,113
2024	-	-	-	2,251,484	460,098	2,711,582
2025-2029	-	-	-	11,028,768	1,573,605	12,602,373
2030-2034	-	-	-	7,676,588	550,703	8,227,291
2035-2039	-	-	-	615,133	35,170	650,303
Total	\$ 566,924	\$ 27,079	\$ 594,003	\$ 31,212,762	\$ 4,996,694	\$ 36,209,456

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. The plans are closed to new hires.

Employees Covered by Benefit Terms

At December 31, 2018, the date of the most recent actuarial valuation, the following members were covered by the benefit terms:

	<u>Police and Fire Retirement System</u>	<u>General Employees' Retirement System</u>
Inactive plan members or beneficiaries currently receiving benefits	161	169
Inactive plan members entitled to but not yet receiving benefits	2	35
Active plan members	<u>74</u>	<u>69</u>
Total employees covered by the plan	<u><u>237</u></u>	<u><u>273</u></u>

Note 7 - Pension Plans (Continued)

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, 2019, the active member contribution rate was 5.0 percent of annual pay for both plans. The Township's contribution rate was 43.2 and 18.5 percent of annual payroll for the Police and Fire Retirement System and the General Employees' Retirement System, respectively.

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.

	<u>Police and Fire Retirement System</u>	<u>General Employees' Retirement System</u>
Measurement date used for the Township's net pension liability	December 31, 2019	December 31, 2019
Based on a comprehensive actuarial valuation as of	December 31, 2018	December 31, 2018

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

Police and Fire Retirement System

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at January 1, 2019	\$ 113,170,328	\$ 87,358,532	\$ 25,811,796
Changes for the year:			
Service cost	1,428,332	-	1,428,332
Interest	7,400,869	-	7,400,869
Differences between expected and actual experience	315,196	-	315,196
Contributions - Employer	-	3,046,883	(3,046,883)
Contributions - Employee	-	338,105	(338,105)
Net investment income	-	18,104,776	(18,104,776)
Benefit payments, including refunds	(8,483,981)	(8,483,981)	-
Administrative expenses	-	(43,298)	43,298
Net changes	<u>660,416</u>	<u>12,962,485</u>	<u>(12,302,069)</u>
Balance at December 31, 2019	<u>\$ 113,830,744</u>	<u>\$ 100,321,017</u>	<u>\$ 13,509,727</u>

The plan's fiduciary net position represents 88.13 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, 2019	\$ 66,243,057	\$ 59,245,886	\$ 6,997,171
Changes for the year:			
Service cost	589,506	-	589,506
Interest	4,348,409	-	4,348,409
Differences between expected and actual experience	(185,854)	-	(185,854)
Contributions - Employer	-	761,758	(761,758)
Contributions - Employee	-	8,742	(8,742)
Net investment income	-	11,155,915	(11,155,915)
Benefit payments, including refunds	(4,233,878)	(4,233,878)	-
Administrative expenses	-	(49,297)	49,297
Net changes	518,183	7,643,240	(7,125,057)
Balance at December 31, 2019	<u>\$ 66,761,240</u>	<u>\$ 66,889,126</u>	<u>\$ (127,886)</u>

The plan's fiduciary net position represents 100.19 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, 2019, the Township recognized pension expense of \$4,597,557 from all plans.

At December 31, 2019, 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	\$ 178,058	\$ 234,577
Changes in assumptions	1,015,071	-
Net difference between projected and actual earnings on pension plan investments	-	9,677,726
Total	<u>\$ 1,193,129</u>	<u>\$ 9,912,303</u>

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
2020	\$ (2,204,313)
2021	(2,537,067)
2022	(46,393)
2023	(3,931,401)
Total	<u>\$ (8,719,174)</u>

December 31, 2019

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	2.5%	2.5%
Salary increases (including inflation)	3.6-11.4%	3.5-6.7%
Investment rate of return (net of investment expenses)	6.75%	6.75%
Mortality rates	RP-2014 Mortality Table projected to 2026 using projection scale MP-2017	RP-2014 Mortality Table projected to 2026 using projection scale MP-2017

The actuarial assumptions used in the December 31, 2018 actuarial valuation date valuation were based on the results of an actuarial experience study for the period from 2013 to 2017.

Discount Rate

As shown below, the discount rate used to measure the total pension liability was determined after considering a projection of the cash flows to determine whether the future contributions (made at the current contribution rates) will be sufficient to allow the pension plans' fiduciary net position to make all projected future benefit payments of current active and inactive employees.

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.

	Police and Fire Retirement System	General Employees' Retirement System
Assumed investment rate of return	6.75	6.75
Are contributions expected to be sufficient to allow fiduciary net position to pay future benefits?	Yes	Yes
Discount rate used to measure total pension liability	6.75	6.75

Investment Rate of Return

Best estimates of arithmetic real rates of return as of the December 31, 2019 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Police and Fire Retirement System

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	40.50 %	5.85 %
International equity	17.00	5.15
Domestic bonds	30.00	1.08
Real estate	7.50	5.45
Alternatives	5.00	7.85

December 31, 2019

Note 7 - Pension Plans (Continued)

General Employees' Retirement System

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	49.00 %	5.56 %
U.S. government or agency fixed income	25.00	0.75
International equity	10.00	5.15
Real estate	5.00	5.45
Private equity	10.00	7.85
Cash or cash equivalents	1.00	0.25

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

The following presents the net pension liability of the Township, calculated using the discount rate of 6.75 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 Percentage Point Decrease (5.75%)	Current Discount Rate (6.75%)	1 Percentage Point Increase (7.75%)
Net pension liability of the Police and Fire Retirement System	\$ 26,070,257	\$ 13,509,727	\$ 2,932,993
Net pension liability (asset) of the General Employees' Retirement System	<u>7,174,422</u>	<u>(127,886)</u>	<u>(6,328,766)</u>
Total	<u>\$ 33,244,679</u>	<u>\$ 13,381,841</u>	<u>\$ (3,395,773)</u>

Investment Policy

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

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 20.83 and 19.08 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.

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.

December 31, 2019

Note 7 - Pension Plans (Continued)

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 employees who terminate before vesting in the pension plan, their balances are returned to them; for those who stay until retirement, the balances are 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, 2019 are as follows:

Police and Fire Retirement System

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 15,152,546	\$ 15,152,546
Employee reserve	6,135,192	6,135,192
Employer reserve	<u>79,033,279</u>	<u>79,033,279</u>
Total	<u>\$ 100,321,017</u>	<u>\$ 100,321,017</u>

General Employees' Retirement System

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 35,859,061	\$ 35,859,061
Employee reserve	146,793	146,793
Employer reserve	<u>30,883,272</u>	<u>30,883,272</u>
Total	<u>\$ 66,889,126</u>	<u>\$ 66,889,126</u>

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. There were four DROP members at December 31, 2018.

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, 2018.

Note 8 - 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.

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

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 health 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

At December 31, 2018, the date of the most recent actuarial valuation, the following members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	291
Inactive plan members entitled to but not yet receiving benefits	33
Active plan members	201
	<hr/>
Total plan members	<u>525</u>

Note 8 - Other Postemployment Benefit Plan (Continued)

Contributions

It is the Township's policy to pay retiree healthcare costs as they become due (on a "pay-as-you-go" basis) and to make discretionary contributions to the retiree healthcare fund on an annual 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 \$6,127,114, plus it contributed \$4,456,400 into a prefunded retiree healthcare fund, which is reported in these financial statements as an other postemployment benefit trust fund type.

Net OPEB Liability

The Township has chosen to use the December 31 measurement date as its measurement date for the net OPEB liability. The December 31, 2019 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the December 31, 2019 measurement date. The December 31, 2019 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2018, which used update procedures to roll forward the estimated liability to December 31, 2019.

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, 2019	\$ 168,056,281	\$ 14,058,032	\$ 153,998,249
Changes for the year:			
Service cost	2,272,870	-	2,272,870
Interest	10,798,395	-	10,798,395
Differences between expected and actual experience	(22,661,591)	-	(22,661,591)
Changes in assumptions	2,858,591	-	2,858,591
Contributions - Employer	-	10,583,514	(10,583,514)
Contributions - Employee	-	53,342	(53,342)
Net investment income	-	3,641,920	(3,641,920)
Benefit payments, including refunds	(6,127,114)	(6,127,114)	-
Administrative expenses	-	(56,734)	56,734
Net changes	(12,858,849)	8,094,928	(20,953,777)
Balance at December 31, 2019	\$ 155,197,432	\$ 22,152,960	\$ 133,044,472

The plan's fiduciary net position represents 14.27 percent of the total OPEB liability.

December 31, 2019

Note 8 - Other Postemployment Benefit Plan (Continued)

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

For the year ended December 31, 2019, the Township recognized OPEB expense of \$6,258,300.

At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 16,236,234
Changes in assumptions	2,048,080	-
Net difference between projected and actual earnings on OPEB plan investments	-	945,737
Total	\$ 2,048,080	\$ 17,181,971

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

Years Ending December 31	Amount
2020	\$ (5,757,863)
2021	(5,757,863)
2022	(3,101,480)
2023	(516,685)
Total	\$ (15,133,891)

Actuarial Assumptions

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 3.50 to 11.42 percent; an investment rate of return (net of investment expenses) of 6.5 percent; a healthcare cost trend rate of 8.25 percent for 2019, decreasing to an ultimate rate of 3.5 percent for 2033 and later years; and the RP-2014 Combined Healthy Mortality Table projected to 2026 using project scale MP-2017. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5 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 plus the normal cost contributions on behalf of the new police officers, and the police members will contribute 1 percent of pay to the trust.

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, 2019

Note 8 - 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 geometric real rates of return as of the December 31, 2019 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 table:

Asset Class	Long-term Expected Real Rate of Return
U.S. large cap	5.15 %
U.S. mid cap	6.05
U.S. small cap	6.25
International developed equity	5.15
International emerging market equity	6.95
Public real estate investment trust fund	4.25
Hedge funds - Diversified	2.95
Intermediate-term taxable	1.25

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 Percentage Point Decrease (5.5%)	Current Discount Rate (6.5%)	1 Percentage Point Increase (7.5%)
Net OPEB liability	\$ 152,420,252	\$ 133,044,472	\$ 116,087,884

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 8.25 percent for 2019, decreasing 0.5 or 0.25 percent per year to an ultimate rate of 3.5 percent for 2033 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 Percentage Point Decrease (7.25%) Decreasing to 2.5%)	Current Healthcare Cost Trend Rate (8.25%) Decreasing to 3.5%)	1 Percentage Point Increase (9.25%) Decreasing to 4.5%)
Net OPEB liability	\$ 113,998,152	\$ 133,044,472	\$ 156,274,113

Assumption Changes

The mortality table was updated from the RP-2000 Combined Healthy Mortality Table to the RP-2014 Combined Healthy Mortality Table.

December 31, 2019

Note 8 - 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, 2019:

Asset Class	Target Allocation
U.S. large cap	35.00 %
U.S. mid cap	10.00
U.S. small cap	10.00
International developed equity	10.00
International emerging market equity	5.00
Public real estate investment trust fund	5.00
Hedge funds - Diversified	10.00
Intermediate-term taxable	15.00
Total	<u>100.00 %</u>

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 23.8 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 9 - Pension and Other Employee Benefit Trust Funds

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

	Police and Fire Retirement System	General Employees' Retirement System	Other Postemployment Benefits
Statement of Net Position			
Investments	\$ 99,760,951	\$ 66,855,478	\$ 22,152,960
Other assets	560,066	377,163	-
Liabilities	-	343,515	-
Net position	<u>\$ 100,321,017</u>	<u>\$ 66,889,126</u>	<u>\$ 22,152,960</u>
Statement of Changes in Net Position			
Investment income	\$ 18,104,776	\$ 11,155,915	\$ 3,641,920
Contributions - Employer	3,046,883	761,758	10,583,514
Contributions - Employee	338,105	8,742	53,342
Benefit payments	8,483,981	4,233,878	6,127,114
Other deductions	43,298	49,297	56,734
Net change in net position	<u>\$ 12,962,485</u>	<u>\$ 7,643,240</u>	<u>\$ 8,094,928</u>

Note 10 - Defined Contribution Pension Plan

The Township provides pension benefits to full-time employees hired after various dates, depending on the employee group, through Waterford Township Defined Contribution plan administered by ICMA. 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 \$1,605,629 during the current year.

Note 11 - 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 claims. Prior to July 31, 2018, the Township was self-insured for medical benefit claims. Effective August 1, 2018, the Township is no longer self-insured for 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, in the opinion of management, is 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	
	2019	2018	2019	2018	2019	2018
Estimated liability - Beginning of year	\$ 215,422	\$ 361,194	\$ 594,771	\$ 583,090	\$ -	\$ 100,646
Estimated claims incurred, including changes in estimates	(38,916)	(5,888)	559,645	282,975	-	2,398,770
Claim payments	(37,716)	(139,884)	(481,239)	(271,294)	-	(2,499,416)
Estimated liability - End of year	<u>\$ 138,790</u>	<u>\$ 215,422</u>	<u>\$ 673,177</u>	<u>\$ 594,771</u>	<u>\$ -</u>	<u>\$ -</u>

Note 12 - 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, 2019, the Township's property tax revenue was reduced by approximately \$3,000 under this program.

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, 2019, the Township abated approximately \$124,000 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 13 - 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, 2019 were \$34,110,000.

Note 14 - Subsequent Events

Subsequent to year end, the Township's investment portfolio - particularly the investments of the pension and OPEB plans - has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

The United States and State of Michigan declared a state of emergency in March 2020 due to the global coronavirus (COVID-19) pandemic. COVID-19 will have a financial impact on subsequent periods of the Township. The Township is anticipating reductions in state-shared revenue, EMS fees, and district court fines and fees. The Township has also incurred additional expenses as a result of the pandemic. In response, the Township furloughed some employees and implemented a work share program. Some capital projects may be delayed, and the Township is considering other expense reductions. The total impact on the Township's future operating costs, revenue, and any recovery from emergency funding cannot be determined at this time.

Required Supplemental Information

Charter Township of Waterford

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 8,037,608	\$ 8,037,608	\$ 8,054,792	\$ 17,184
Intergovernmental	6,997,231	6,732,518	6,978,015	245,497
Charges for services	1,102,503	1,102,503	1,112,500	9,997
Fines and forfeitures	1,262,500	1,262,500	1,264,136	1,636
Licenses and permits	693,100	753,100	902,149	149,049
Investment income	605,408	605,408	714,883	109,475
Other revenue:				
Other miscellaneous income	72,508	72,508	57,651	(14,857)
Cable franchise fees	1,021,752	1,021,752	1,007,083	(14,669)
Refunds and reimbursements	200,000	718,595	793,522	74,927
Total revenue	19,992,610	20,306,492	20,884,731	578,239
Expenditures				
Current services:				
General government:				
Township board	54,627	54,627	54,348	279
Supervisor and assessing	895,450	932,161	900,611	31,550
Elections	90,445	90,445	74,667	15,778
Personnel	259,874	265,236	283,838	(18,602)
Information service	461,008	491,487	481,082	10,405
Treasurer	682,758	729,126	715,699	13,427
General service	1,832,050	1,809,075	1,622,756	186,319
Clerk	709,333	763,033	745,485	17,548
Retiree benefits	1,291,802	927,225	859,216	68,009
Facilities and operations	108,555	108,555	108,555	-
District court	2,698,003	2,788,063	2,655,766	132,297
Public safety	1,356,471	1,396,571	1,306,443	90,128
Planning department	1,243,216	1,310,555	1,239,351	71,204
Capital outlay	140,900	230,400	162,914	67,486
Debt service	132,447	132,447	132,434	13
Total expenditures	11,956,939	12,029,006	11,343,165	685,841
Excess of Revenue Over Expenditures	8,035,671	8,277,486	9,541,566	1,264,080
Other Financing Sources (Uses)				
Transfers in	-	-	136,367	136,367
Transfers out	(8,005,342)	(8,938,294)	(8,718,294)	220,000
Sale of capital assets	3,000	203,000	184,865	(18,135)
Total other financing uses	(8,002,342)	(8,735,294)	(8,397,062)	338,232
Net Change in Fund Balance	33,329	(457,808)	1,144,504	1,602,312
Fund Balance - Beginning of year	9,676,503	9,676,503	9,676,503	-
Fund Balance - End of year	\$ 9,709,832	\$ 9,218,695	\$ 10,821,007	\$ 1,602,312

Charter Township of Waterford

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

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 6,169,719	\$ 6,169,719	\$ 6,216,636	\$ 46,917
Intergovernmental	40,000	40,000	33,826	(6,174)
Charges for services	20,000	20,000	32,918	12,918
Fines and forfeitures	77,600	77,600	87,498	9,898
Licenses and permits	36,000	36,000	39,800	3,800
Investment income	60,889	60,889	138,927	78,038
Other revenue	402,099	402,099	582,164	180,065
Total revenue	6,806,307	6,806,307	7,131,769	325,462
Expenditures				
Current services - Public safety	14,394,411	13,724,784	13,531,952	192,832
Capital outlay	210,000	204,832	142,651	62,181
Total expenditures	14,604,411	13,929,616	13,674,603	255,013
Excess of Expenditures Over Revenue	(7,798,104)	(7,123,309)	(6,542,834)	580,475
Other Financing Sources - Transfers in	7,801,987	6,951,987	6,956,390	4,403
Net Change in Fund Balance	3,883	(171,322)	413,556	584,878
Fund Balance - Beginning of year	3,426,099	3,426,099	3,426,099	-
Fund Balance - End of year	<u>\$ 3,429,982</u>	<u>\$ 3,254,777</u>	<u>\$ 3,839,655</u>	<u>\$ 584,878</u>

Charter Township of Waterford

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

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,406,752	\$ 5,406,752	\$ 5,446,429	\$ 39,677
Intergovernmental	2,625,490	2,662,359	2,316,819	(345,540)
Charges for services	9,737,758	9,737,758	9,756,186	18,428
Investment income	46,258	46,258	145,147	98,889
Other revenue	110,100	132,850	160,334	27,484
Total revenue	17,926,358	17,985,977	17,824,915	(161,062)
Expenditures				
Current services - Public safety	21,187,075	20,171,002	18,909,967	1,261,035
Capital outlay	1,610,000	558,825	360,337	198,488
Total expenditures	22,797,075	20,729,827	19,270,304	1,459,523
Excess of Expenditures Over Revenue	(4,870,717)	(2,743,850)	(1,445,389)	1,298,461
Other Financing Sources (Uses)				
Transfers in	5,057,000	5,057,000	5,057,000	-
Transfers out	(200,000)	(2,118,250)	(2,118,250)	-
Sale of capital assets	20,000	20,000	27,930	7,930
Total other financing sources	4,877,000	2,958,750	2,966,680	7,930
Net Change in Fund Balance	6,283	214,900	1,521,291	1,306,391
Fund Balance - Beginning of year	2,141,671	2,141,671	2,141,671	-
Fund Balance - End of year	<u>\$ 2,147,954</u>	<u>\$ 2,356,571</u>	<u>\$ 3,662,962</u>	<u>\$ 1,306,391</u>

Charter Township of Waterford

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)
 Police and Fire Special Assessment District

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,994,487	\$ 5,994,487	\$ 6,014,642	\$ 20,155
Investment income	-	-	380	380
Total revenue	5,994,487	5,994,487	6,015,022	20,535
Expenditures	-	-	-	-
Excess of Revenue Over Expenditures	5,994,487	5,994,487	6,015,022	20,535
Other Financing Uses - Transfers out	(5,994,487)	(5,994,487)	(5,994,487)	-
Net Change in Fund Balance	-	-	20,535	20,535
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,535</u>	<u>\$ 20,535</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 Six Fiscal Years*

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 1,428,332	\$ 1,533,744	\$ 1,506,484	\$ 1,582,620	\$ 1,616,532	\$ 1,738,314
Interest	7,400,869	7,374,206	7,267,038	7,240,552	7,100,713	6,949,918
Differences between expected and actual experience	315,196	(579,972)	216,738	(1,095,732)	397,609	-
Changes in assumptions	-	3,908,249	-	-	-	-
Benefit payments, including refunds	(8,483,981)	(7,289,656)	(7,656,114)	(6,966,018)	(7,234,304)	(5,711,969)
Net Change in Total Pension Liability	660,416	4,946,571	1,334,146	761,422	1,880,550	2,976,263
Total Pension Liability - Beginning of year	113,170,328	108,223,757	106,889,611	106,128,189	104,247,639	101,271,376
Total Pension Liability - End of year	<u>\$ 113,830,744</u>	<u>\$ 113,170,328</u>	<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	\$ 3,046,883	\$ 2,851,743	\$ 2,946,541	\$ 3,188,351	\$ 3,263,241	\$ 3,386,289
Contributions - Member	338,105	359,818	381,439	367,992	395,861	446,148
Net investment income (loss)	18,104,776	(5,483,678)	13,507,853	9,778,003	(1,162,337)	5,093,530
Administrative expenses	(43,298)	(561,214)	(458,499)	(452,779)	(522,512)	(560,067)
Benefit payments, including refunds	(8,483,981)	(7,289,655)	(7,656,114)	(6,966,017)	(7,234,304)	(5,711,969)
Net Change in Plan Fiduciary Net Position	12,962,485	(10,122,986)	8,721,220	5,915,550	(5,260,051)	2,653,931
Plan Fiduciary Net Position - Beginning of year	87,358,532	97,481,518	88,760,298	82,844,748	88,104,799	85,450,868
Plan Fiduciary Net Position - End of year	<u>\$ 100,321,017</u>	<u>\$ 87,358,532</u>	<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>\$ 13,509,727</u>	<u>\$ 25,811,796</u>	<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	88.13 %	77.19 %	90.07 %	83.04 %	78.06 %	84.51 %
Covered Payroll	\$ 6,075,423	\$ 6,426,594	\$ 6,344,741	\$ 6,651,574	\$ 6,794,855	\$ 7,273,279
Township's Net Pension Liability as a Percentage of Covered Payroll	222.37 %	401.64 %	169.31 %	272.56 %	342.66 %	221.95 %

*GASB Statement No. 67 was implemented for the fiscal year ended December 31, 2014. Data will be added each of the succeeding years until 10 years of such information is available.

Charter Township of Waterford

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

Last Six Fiscal Years*

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 589,506	\$ 700,386	\$ 783,877	\$ 820,172	\$ 900,676	\$ 983,329
Interest	4,348,409	4,330,278	4,390,174	4,341,582	4,322,215	4,209,174
Differences between expected and actual experience	(185,854)	(118,483)	(2,236,843)	(625,074)	(1,163,975)	-
Changes in assumptions	-	1,693,457	-	-	-	-
Benefit payments, including refunds	(4,233,878)	(3,746,991)	(3,755,287)	(3,893,369)	(3,590,647)	(3,481,965)
Net Change in Total Pension Liability	518,183	2,858,647	(818,079)	643,311	468,269	1,710,538
Total Pension Liability - Beginning of year	66,243,057	63,384,410	64,202,489	63,559,178	63,090,909	61,380,371
Total Pension Liability - End of year	\$ 66,761,240	\$ 66,243,057	\$ 63,384,410	\$ 64,202,489	\$ 63,559,178	\$ 63,090,909
Plan Fiduciary Net Position						
Contributions - Employer	\$ 761,758	\$ 674,987	\$ 989,146	\$ 1,249,587	\$ 1,555,154	\$ 1,729,217
Contributions - Member	8,742	11,627	11,489	14,822	17,565	17,609
Net investment income (loss)	11,155,915	(2,814,131)	9,243,114	2,688,872	721,215	3,720,145
Administrative expenses	(49,297)	(416,490)	(383,813)	(368,089)	(401,114)	(406,264)
Benefit payments, including refunds	(4,233,878)	(3,746,991)	(3,755,287)	(3,893,369)	(3,590,647)	(3,481,965)
Net Change in Plan Fiduciary Net Position	7,643,240	(6,290,998)	6,104,649	(308,177)	(1,697,827)	1,578,742
Plan Fiduciary Net Position - Beginning of year	59,245,886	65,536,884	59,432,235	59,740,412	61,438,239	59,859,497
Plan Fiduciary Net Position - End of year	\$ 66,889,126	\$ 59,245,886	\$ 65,536,884	\$ 59,432,235	\$ 59,740,412	\$ 61,438,239
Township's Net Pension (Asset) Liability - Ending	\$ (127,886)	\$ 6,997,171	\$ (2,152,474)	\$ 4,770,254	\$ 3,818,766	\$ 1,652,670
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	100.19 %	89.44 %	103.40 %	92.57 %	93.99 %	97.38 %
Covered Payroll	\$ 3,787,197	\$ 3,911,445	\$ 4,463,488	\$ 4,525,599	\$ 4,948,841	\$ 5,664,337
Township's Net Pension (Asset) Liability as a Percentage of Covered Payroll	(3.38)%	178.89 %	(48.22)%	105.41 %	77.16 %	29.18 %

*GASB Statement No. 67 was implemented for the fiscal year ended December 31, 2014. Data will be added each of the succeeding years until 10 years of such information is available.

Charter Township of Waterford

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

Last Ten Fiscal Years Years Ended December 31

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 761,758	\$ 674,987	\$ 989,146	\$ 1,249,587	\$ 1,555,154	\$ 1,729,217	\$ 1,922,105	\$ 2,017,208	\$ 2,011,374	\$ 2,208,556
Contributions in relation to the actuarially determined contribution	761,758	674,987	989,146	1,249,587	1,555,154	1,729,217	1,922,105	2,017,208	2,011,374	2,208,556
Contribution Deficiency	\$ -									
Covered Payroll	\$ 3,787,197	\$ 3,911,445	\$ 4,463,488	\$ 4,525,599	\$ 4,948,841	\$ 5,664,337	\$ 5,800,000	\$ 6,200,000	\$ 7,000,000	\$ 8,100,000
Contributions as a Percentage of Covered Payroll	20.11 %	17.26 %	22.16 %	27.61 %	31.42 %	30.53 %	33.14 %	32.54 %	28.73 %	27.27 %

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 fiscal year 2019 contribution was determined from the December 31, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	15 years
Asset valuation method	Four-year smoothed market; 25 percent corridor
Inflation	3.50 percent wage inflation, 2.50 percent price inflation
Salary increase	3.5 to 6.7 percent including inflation
Investment rate of return	6.75 percent
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Mortality Table, RP-2014 Disabled Retiree Annuitant Table, and 50 percent of RP-2014 Employee Mortality Table rates for health/disabled retirees and active members, respectively. All tables are projected to 2026 with projection scale MP-2017, with a base year of 2006
Other information	Economic and demographic assumptions were updated in accordance with an experience review that was conducted as part of the actuarial valuation for the year ended December 31, 2017

Charter Township of Waterford

Required Supplemental Information Schedule of Pension Investment Returns

Last Six Fiscal Years* Years Ended December 31

	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return - Net of investment related expenses:						
Police and Fire Retirement System	20.83 %	(5.56)%	15.54 %	7.10 %	(1.50)%	6.10 %
General Employees' Retirement System	19.08 %	(3.74)%	15.99 %	4.70 %	1.30 %	6.30 %

*GASB Statement No. 67 was implemented for the fiscal year ended December 31, 2014. Data will be added each of the succeeding years until 10 years of such information is available.

Charter Township of Waterford

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

	Last Three Fiscal Years*		
	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 2,272,870	\$ 2,740,489	\$ 2,720,492
Interest	10,798,395	10,348,900	9,903,055
Differences between expected and actual experience	(22,661,591)	-	-
Changes in assumptions	2,858,591	-	-
Benefit payments, including refunds	<u>(6,127,114)</u>	<u>(5,753,465)</u>	<u>(5,795,277)</u>
Net Change in Total OPEB Liability	(12,858,849)	7,335,924	6,828,270
Total OPEB Liability - Beginning of year	<u>168,056,281</u>	<u>160,720,357</u>	<u>153,892,087</u>
Total OPEB Liability - End of year	<u>\$ 155,197,432</u>	<u>\$ 168,056,281</u>	<u>\$ 160,720,357</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 10,583,514	\$ 7,011,665	\$ 6,646,677
Contributions - Active and inactive plan members not yet receiving benefits	53,342	54,245	54,831
Net investment income (loss)	3,641,920	(934,859)	1,431,730
Administrative expenses	(56,734)	(49,049)	(30,839)
Benefit payments, including refunds	<u>(6,127,114)</u>	<u>(5,753,465)</u>	<u>(5,795,277)</u>
Net Change in Plan Fiduciary Net Position	8,094,928	328,537	2,307,122
Plan Fiduciary Net Position - Beginning of year	<u>14,058,032</u>	<u>13,729,495</u>	<u>11,422,373</u>
Plan Fiduciary Net Position - End of year	<u>\$ 22,152,960</u>	<u>\$ 14,058,032</u>	<u>\$ 13,729,495</u>
Net OPEB Liability - Ending	<u>\$ 133,044,472</u>	<u>\$ 153,998,249</u>	<u>\$ 146,990,862</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	14.27 %	8.37 %	8.54 %
Covered Employee Payroll	\$ 13,359,906	\$ 14,194,380	-
Net OPEB Liability as a Percentage of Covered Employee Payroll	995.85 %	1,084.92 %	- %

*GASB Statement No. 74 was implemented for the fiscal year ended December 31, 2017. Data will be added each of the succeeding years until 10 years of such information is available.

Charter Township of Waterford

Required Supplemental Information Schedule of OPEB Contributions

Last Ten Fiscal Years Years Ended December 31

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 12,810,250	\$ 13,698,860	\$ 13,688,352	\$ 11,999,428	\$ 12,015,032	\$ 10,824,674	\$ 10,816,125	\$ 9,471,186	\$ 9,354,307	\$ 8,909,087
Contributions in relation to the actuarially determined contribution	10,583,514	7,011,665	6,646,677	6,542,562	5,618,905	5,493,180	4,922,028	4,927,765	5,237,185	4,288,345
Contribution Deficiency	<u>\$ (2,226,736)</u>	<u>\$ (6,687,195)</u>	<u>\$ (7,041,675)</u>	<u>\$ (5,456,866)</u>	<u>\$ (6,396,127)</u>	<u>\$ (5,331,494)</u>	<u>\$ (5,894,097)</u>	<u>\$ (4,543,421)</u>	<u>\$ (4,117,122)</u>	<u>\$ (4,620,742)</u>
Covered Employee Payroll	\$ 13,359,906	\$ 14,194,380	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	79.22 %	49.40 %	- %	- %	- %	- %	- %	- %	- %	- %

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	29 years, closed
Asset valuation method	Market value
Inflation	2.50 percent
Healthcare cost trend rates	Trend starting at 8.25 percent in 2019, grading to 3.50 percent in 2033
Salary increase	3.50 to 6.71 percent for general members and 3.65 to 11.42 percent for police and fire members
Investment rate of return	6.50 percent, net of OPEB plan expenses
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Healthy pre- and postretirement: RP-2014 Employee Mortality Table projected to 2026 using projection scale MP-2017. Disabled retirement: RP-2014 Disabled Retirement Annuitant Table projected to 2026 using projection scale MP-2017
Other information	Demographic assumptions updated with the December 31, 2018 OPEB valuation for consistency with pension assumptions for the groups

Charter Township of Waterford

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

	Last Three Fiscal Years*		
	Years Ended December 31		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return - Net of investment expense	23.80 %	(6.20)%	11.70 %

*GASB Statement No. 74 was implemented for the fiscal year ended December 31, 2017. Data will be added each of the succeeding years until 10 years of such information is available.

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 on 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. Examples of activities include township board, elections, and treasurer. 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 General Fund budgetary comparison schedule to the fund-based statement of revenue, expenditures, and changes in fund balances is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Total Other Financing Sources (Uses)</u>
General Fund amounts per operating statement	\$ 20,909,215	\$ 11,343,165	\$ (8,142,062)
Cemetery Care Fund	(12,654)	-	(165,000)
Workers' Compensation Fund	(11,830)	-	(90,000)
	<u>\$ 20,884,731</u>	<u>\$ 11,343,165</u>	<u>\$ (8,397,062)</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 - Personnel	\$ 265,236	\$ 283,838	\$ (18,602)
Library Donations Fund - Recreation and culture	16,000	42,189	(26,189)
Police Restricted Use Fund - Public safety	112,052	365,776	(253,724)

The Weed Control Fund was not budgeted for in the current year.

At December 31, 2019, the Township had governmental activities unrestricted net deficit of \$122,242,179, which does not meet the definition of a deficit, as defined by the State of Michigan.

Pension Information

Changes in Assumptions

In 2018, both pension plans reduced the assumed investment rate of return to 6.75 percent, reduced the inflation assumption to 2.5 percent, and updated the mortality table to the RP-2014 Mortality Table.

Charter Township of Waterford

Notes to Required Supplemental Information (Continued)

December 31, 2019

OPEB Information

Changes in Assumptions

In 2019, the mortality table was updated from the RP-2000 Combined Healthy Mortality Table to the RP-2014 Combined Healthy Mortality Table.

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.

Michigan Indigent Defense Fund

This fund was established in 2018 to account for state grant revenue and local share contributions that are used to provide indigent defense, as required by the Michigan Indigent Defense Commission and Public Act 93 of 2013.

Debt Service Fund

This fund was 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 project 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.

Capital Project 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
Assets						
Cash and investments	\$ 572,249	\$ 2,461,853	\$ 29,392	\$ 496,678	\$ 1,090,799	\$ 567,100
Receivables:						
Property taxes receivable	-	862,606	-	-	7,051	-
Special assessments receivable	-	-	-	105,518	-	-
Due from other governments	76,143	8,602	-	-	-	-
Rehabilitation loan receivable	1,131,177	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total assets	\$ 1,779,569	\$ 3,333,061	\$ 29,392	\$ 602,196	\$ 1,097,850	\$ 567,100
Liabilities						
Accounts payable	\$ 3,152	\$ 22,812	\$ 393	\$ 2,639	\$ 5,423	\$ -
Accrued liabilities and other	13,804	28,470	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	16,956	51,282	393	2,639	5,423	-
Deferred Inflows of Resources						
Unavailable revenue	1,131,177	-	-	-	-	-
Property taxes levied for the following year	-	1,969,606	-	269,110	-	-
Total deferred inflows of resources	1,131,177	1,969,606	-	269,110	-	-
Total liabilities and deferred inflows of resources	1,148,133	2,020,888	393	271,749	5,423	-
Fund Balances						
Nonspendable	-	-	-	-	-	-
Restricted:						
Police	-	-	-	-	1,092,427	-
Community development	431,436	-	-	-	-	-
Library	-	1,312,173	28,999	-	-	-
Weed control	-	-	-	330,447	-	-
Nature center	-	-	-	-	-	567,100
Michigan indigent defense	-	-	-	-	-	-
Committed:						
Capital projects - Police	-	-	-	-	-	-
Capital projects - General	-	-	-	-	-	-
Capital projects - Fire	-	-	-	-	-	-
Capital projects - Parks and recreation	-	-	-	-	-	-
Assigned:						
Cable-related projects	-	-	-	-	-	-
Community development	200,000	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Total fund balances	631,436	1,312,173	28,999	330,447	1,092,427	567,100
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,779,569	\$ 3,333,061	\$ 29,392	\$ 602,196	\$ 1,097,850	\$ 567,100

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

December 31, 2019

Special Revenue Funds				Capital Project Funds		
Cable Commission	Parks and Recreation	Michigan Indigent Defense	Debt Service Fund	Improvement Revolving	Capital Project Allocation	Total
\$ 756,450	\$ 1,790,286	\$ 102,717	\$ -	\$ 4,042,608	\$ 3,246,590	\$ 15,156,722
-	472,991	-	-	-	-	1,342,648
-	-	-	-	52,404	-	157,922
-	4,717	-	-	-	-	89,462
-	-	-	-	-	-	1,131,177
-	227	-	-	-	973,006	973,233
\$ 756,450	\$ 2,268,221	\$ 102,717	\$ -	\$ 4,095,012	\$ 4,219,596	\$ 18,851,164
\$ 894	\$ 28,429	\$ 1,300	\$ -	\$ 25,982	\$ -	\$ 91,024
1,875	28,684	-	-	-	-	72,833
-	-	68,236	-	-	-	68,236
2,769	57,113	69,536	-	25,982	-	232,093
-	-	-	-	53,485	-	1,184,662
-	1,079,991	-	-	-	-	3,318,707
-	1,079,991	-	-	53,485	-	4,503,369
2,769	1,137,104	69,536	-	79,467	-	4,735,462
-	227	-	-	-	973,006	973,233
-	-	-	-	-	-	1,092,427
-	-	-	-	-	-	431,436
-	-	-	-	-	-	1,341,172
-	-	-	-	-	-	330,447
-	-	-	-	-	-	567,100
-	-	33,181	-	-	-	33,181
-	-	-	-	-	850,000	850,000
-	-	-	-	-	562,418	562,418
-	-	-	-	-	1,600,683	1,600,683
-	-	-	-	-	233,489	233,489
753,681	-	-	-	-	-	753,681
-	-	-	-	-	-	200,000
-	-	-	-	4,015,545	-	4,015,545
-	1,130,890	-	-	-	-	1,130,890
753,681	1,131,117	33,181	-	4,015,545	4,219,596	14,115,702
\$ 756,450	\$ 2,268,221	\$ 102,717	\$ -	\$ 4,095,012	\$ 4,219,596	\$ 18,851,164

Charter Township of Waterford

	Special Revenue Funds					
	Community Development Block Grant	Library	Library Donations	Weed Control	Police Restricted Use	Nature Center
Revenue						
Property taxes	\$ -	\$ 1,881,783	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	313,310	-	-
Intergovernmental:						
Federal grants	559,458	-	-	-	112,972	-
State sources	-	66,309	-	-	203,003	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	188,337	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Investment income	-	34,907	-	-	17,207	12,220
Other revenue:						
Local contributions	-	-	29,140	-	1,764	-
Other miscellaneous income	-	5,892	-	-	23,887	-
Cable franchise fees	-	-	-	-	-	-
Total revenue	559,458	2,177,228	29,140	313,310	358,833	12,220
Expenditures						
Current services:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	365,776	-
Public works	-	-	-	-	-	-
Community and economic development	559,398	-	-	-	-	-
Recreation and culture	-	2,057,146	42,189	277,797	-	-
Capital outlay	-	147,844	3,736	-	-	-
Total expenditures	559,398	2,204,990	45,925	277,797	365,776	-
Excess of Revenue Over (Under) Expenditures	60	(27,762)	(16,785)	35,513	(6,943)	12,220
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net Change in Fund Balances	60	(27,762)	(16,785)	35,513	(6,943)	12,220
Fund Balances - Beginning of year	631,376	1,339,935	45,784	294,934	1,099,370	554,880
Fund Balances - End of year	\$ 631,436	\$ 1,312,173	\$ 28,999	\$ 330,447	\$ 1,092,427	\$ 567,100

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

Year Ended December 31, 2019

Special Revenue Funds			Capital Project Funds			Total
Cable Commission	Parks and Recreation	Michigan Indigent Defense	Debt Service Fund	Improvement Revolving	Capital Project Allocation	
\$ -	\$ 1,033,072	\$ -	\$ -	\$ -	\$ -	\$ 2,914,855
-	-	-	-	11,438	-	324,748
-	-	-	-	-	-	672,430
-	65,717	128,267	-	-	-	463,296
272,019	676,332	-	-	-	-	948,351
-	-	-	-	-	-	188,337
-	-	-	-	30,984	-	30,984
13,313	29,538	1,887	731	64,321	26,955	201,079
-	-	-	-	12,737	-	43,641
-	19,535	-	-	-	-	49,314
124,504	-	-	-	-	-	124,504
409,836	1,824,194	130,154	731	119,480	26,955	5,961,539
389,009	-	109,670	-	-	-	498,679
-	-	-	-	-	-	365,776
-	-	-	-	98,693	-	98,693
-	-	-	-	-	-	559,398
-	1,844,923	-	-	-	-	4,222,055
50,180	160,538	18,597	-	790,485	-	1,171,380
439,189	2,005,461	128,267	-	889,178	-	6,915,981
(29,353)	(181,267)	1,887	731	(769,698)	26,955	(954,442)
-	200,000	31,294	-	1,250,000	3,138,250	4,619,544
-	(45,000)	-	(136,367)	-	-	(181,367)
-	3,735	-	-	6,716	-	10,451
-	158,735	31,294	(136,367)	1,256,716	3,138,250	4,448,628
(29,353)	(22,532)	33,181	(135,636)	487,018	3,165,205	3,494,186
783,034	1,153,649	-	135,636	3,528,527	1,054,391	10,621,516
\$ 753,681	\$ 1,131,117	\$ 33,181	\$ -	\$ 4,015,545	\$ 4,219,596	\$ 14,115,702

Charter Township of Waterford

Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Governmental Funds
Community Development Block Grant

Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue - Intergovernmental	\$ 315,000	\$ 582,675	\$ 559,458	\$ (23,217)
Expenditures - Current services - Community and economic development	<u>312,675</u>	<u>580,350</u>	<u>559,398</u>	<u>20,952</u>
Net Change in Fund Balance	2,325	2,325	60	(2,265)
Fund Balance - Beginning of year	<u>631,376</u>	<u>631,376</u>	<u>631,376</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 633,701</u>	<u>\$ 633,701</u>	<u>\$ 631,436</u>	<u>\$ (2,265)</u>

Charter Township of Waterford

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

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,864,306	\$ 1,864,306	\$ 1,881,783	\$ 17,477
Intergovernmental	57,000	57,000	66,309	9,309
Fines and forfeitures	187,250	187,250	188,337	1,087
Investment income	18,000	18,000	34,907	16,907
Other revenue	3,500	3,500	5,892	2,392
Total revenue	2,130,056	2,130,056	2,177,228	47,172
Expenditures				
Current services - Recreation and culture - Library	2,114,618	2,242,000	2,057,146	184,854
Capital outlay	162,400	163,935	147,844	16,091
Total expenditures	2,277,018	2,405,935	2,204,990	200,945
Net Change in Fund Balance	(146,962)	(275,879)	(27,762)	248,117
Fund Balance - Beginning of year	1,339,935	1,339,935	1,339,935	-
Fund Balance - End of year	<u>\$ 1,192,973</u>	<u>\$ 1,064,056</u>	<u>\$ 1,312,173</u>	<u>\$ 248,117</u>

Charter Township of Waterford

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

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue - Other revenue - Local donations	\$ 16,500	\$ 16,500	\$ 29,140	\$ 12,640
Expenditures				
Current services - Recreation and culture - Library	16,000	16,000	42,189	(26,189)
Capital outlay	15,000	15,000	3,736	11,264
Total expenditures	<u>31,000</u>	<u>31,000</u>	<u>45,925</u>	<u>(14,925)</u>
Net Change in Fund Balance	(14,500)	(14,500)	(16,785)	(2,285)
Fund Balance - Beginning of year	45,784	45,784	45,784	-
Fund Balance - End of year	<u><u>\$ 31,284</u></u>	<u><u>\$ 31,284</u></u>	<u><u>\$ 28,999</u></u>	<u><u>\$ (2,285)</u></u>

Charter Township of Waterford

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

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Intergovernmental	\$ 35,000	\$ 35,000	\$ 315,975	\$ 280,975
Investment income	7,550	7,550	17,207	9,657
Other revenue	23,000	23,000	25,651	2,651
Total revenue	65,550	65,550	358,833	293,283
Expenditures - Current - Public safety	112,052	112,052	365,776	(253,724)
Net Change in Fund Balance	(46,502)	(46,502)	(6,943)	39,559
Fund Balance - Beginning of year	1,099,370	1,099,370	1,099,370	-
Fund Balance - End of year	<u>\$ 1,052,868</u>	<u>\$ 1,052,868</u>	<u>\$ 1,092,427</u>	<u>\$ 39,559</u>

Charter Township of Waterford

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

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue - Investment income	\$ 750	\$ 750	\$ 12,220	\$ 11,470
Expenditures	-	-	-	-
Net Change in Fund Balance	750	750	12,220	11,470
Fund Balance - Beginning of year	554,880	554,880	554,880	-
Fund Balance - End of year	<u><u>\$ 555,630</u></u>	<u><u>\$ 555,630</u></u>	<u><u>\$ 567,100</u></u>	<u><u>\$ 11,470</u></u>

Charter Township of Waterford

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

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Charges for services	\$ 290,202	\$ 290,202	\$ 272,019	\$ (18,183)
Investment income	6,300	6,300	13,313	7,013
Other revenue	125,216	125,216	124,504	(712)
Total revenue	421,718	421,718	409,836	(11,882)
Expenditures				
Current services - General government	394,272	415,270	389,009	26,261
Capital outlay	8,175	58,205	50,180	8,025
Total expenditures	402,447	473,475	439,189	34,286
Net Change in Fund Balance	19,271	(51,757)	(29,353)	22,404
Fund Balance - Beginning of year	783,034	783,034	783,034	-
Fund Balance - End of year	<u>\$ 802,305</u>	<u>\$ 731,277</u>	<u>\$ 753,681</u>	<u>\$ 22,404</u>

Charter Township of Waterford

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

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,028,451	\$ 1,028,451	\$ 1,033,072	\$ 4,621
Intergovernmental	25,100	25,100	65,717	40,617
Charges for services	620,671	620,671	676,332	55,661
Investment income	14,864	14,864	29,538	14,674
Other revenue	12,500	12,500	19,535	7,035
Total revenue	1,701,586	1,701,586	1,824,194	122,608
Expenditures				
Current services - Recreation and culture	1,861,779	1,997,002	1,844,923	152,079
Capital outlay	132,950	185,069	160,538	24,531
Total expenditures	1,994,729	2,182,071	2,005,461	176,610
Excess of Expenditures Over Revenue	(293,143)	(480,485)	(181,267)	299,218
Other Financing Sources (Uses)				
Transfers in	200,000	200,000	200,000	-
Transfers out	(45,000)	(45,000)	(45,000)	-
Sale of capital assets	350	350	3,735	3,385
Total other financing sources	155,350	155,350	158,735	3,385
Net Change in Fund Balance	(137,793)	(325,135)	(22,532)	302,603
Fund Balance - Beginning of year	1,153,649	1,153,649	1,153,649	-
Fund Balance - End of year	<u>\$ 1,015,856</u>	<u>\$ 828,514</u>	<u>\$ 1,131,117</u>	<u>\$ 302,603</u>

Charter Township of Waterford

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Michigan Indigent Defense

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Intergovernmental	\$ 121,748	\$ 196,503	\$ 128,267	\$ (68,236)
Investment income	950	950	1,887	937
Total revenue	122,698	197,453	130,154	(67,299)
Expenditures				
Current services - General government	181,214	232,125	109,670	122,455
Capital outlay	-	18,245	18,597	(352)
Total expenditures	181,214	250,370	128,267	122,103
Excess of Revenue (Under) Over Expenditures	(58,516)	(52,917)	1,887	54,804
Other Financing Sources - Transfers in	23,342	31,294	31,294	-
Net Change in Fund Balance	(35,174)	(21,623)	33,181	54,804
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ (35,174)</u>	<u>\$ (21,623)</u>	<u>\$ 33,181</u>	<u>\$ 54,804</u>

Charter Township of Waterford

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

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ (1,000)	\$ (1,000)	\$ -	\$ 1,000
Investment income	100	100	731	631
Total revenue	(900)	(900)	731	1,631
Expenditures	-	-	-	-
Excess of Revenue (Under) Over Expenditures	(900)	(900)	731	1,631
Other Financing Uses - Transfers out	-	-	(136,367)	(136,367)
Net Change in Fund Balance	(900)	(900)	(135,636)	(134,736)
Fund Balance - Beginning of year	135,636	135,636	135,636	-
Fund Balance - End of year	<u>\$ 134,736</u>	<u>\$ 134,736</u>	<u>\$ -</u>	<u>\$ (134,736)</u>

Charter Township of Waterford

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

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Special assessments	\$ 15,900	\$ 15,900	\$ 11,438	\$ (4,462)
Intergovernmental	45,000	45,000	-	(45,000)
Licenses and permits	28,000	28,000	30,984	2,984
Investment income	30,263	30,263	64,321	34,058
Other revenue	-	-	12,737	12,737
Total revenue	<u>119,163</u>	<u>119,163</u>	<u>119,480</u>	<u>317</u>
Expenditures				
Current services - General government	138,900	193,733	98,693	95,040
Capital outlay	966,500	1,302,310	790,485	511,825
Total expenditures	<u>1,105,400</u>	<u>1,496,043</u>	<u>889,178</u>	<u>606,865</u>
Excess of Expenditures Over Revenue	(986,237)	(1,376,880)	(769,698)	607,182
Other Financing Sources				
Transfers in	625,000	1,250,000	1,250,000	-
Sale of capital assets	-	-	6,716	6,716
Total other financing sources	<u>625,000</u>	<u>1,250,000</u>	<u>1,256,716</u>	<u>6,716</u>
Net Change in Fund Balance	(361,237)	(126,880)	487,018	613,898
Fund Balance - Beginning of year	<u>3,528,527</u>	<u>3,528,527</u>	<u>3,528,527</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 3,167,290</u></u>	<u><u>\$ 3,401,647</u></u>	<u><u>\$ 4,015,545</u></u>	<u><u>\$ 613,898</u></u>

Charter Township of Waterford

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Capital Project Allocation Fund

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue - Investment income	\$ 6,480	\$ 6,480	\$ 26,955	\$ 20,475
Expenditures - Capital outlay	-	935,000	-	935,000
Excess of Revenue Over (Under) Expenditures	6,480	(928,520)	26,955	955,475
Other Financing Sources - Transfers in	295,001	3,138,251	3,138,250	(1)
Net Change in Fund Balance	301,481	2,209,731	3,165,205	955,474
Fund Balance - Beginning of year	1,054,391	1,054,391	1,054,391	-
Fund Balance - End of year	<u>\$ 1,355,872</u>	<u>\$ 3,264,122</u>	<u>\$ 4,219,596</u>	<u>\$ 955,474</u>

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, 2019

	Motor Pool Fund	Fire Unemployment Costs	Total
Assets			
Current assets:			
Cash and investments	\$ 314,523	\$ 269,099	\$ 583,622
Inventory	77,886	-	77,886
Total current assets	392,409	269,099	661,508
Noncurrent assets - Capital assets - Assets subject to depreciation - Net	627,535	-	627,535
Total assets	1,019,944	269,099	1,289,043
Liabilities			
Current liabilities:			
Accounts payable	3,742	11,733	15,475
Accrued liabilities and other	2,001	-	2,001
Current portion of long-term debt	177,813	-	177,813
Total current liabilities	183,556	11,733	195,289
Noncurrent liabilities - Accrued unemployment	-	257,366	257,366
Total liabilities	183,556	269,099	452,655
Net Position			
Net investment in capital assets	449,722	-	449,722
Unrestricted	386,666	-	386,666
Total net position	\$ 836,388	\$ -	\$ 836,388

Charter Township of Waterford

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

Year Ended December 31, 2019

	Motor Pool Fund	Fire Unemployment Costs	Total
Operating Revenue			
Charges for services	\$ 178,673	\$ -	\$ 178,673
Operating grants	-	7,250	7,250
Total operating revenue	178,673	7,250	185,923
Operating Expenses			
Billing and administrative costs	20,744	-	20,744
Unemployment cost	-	9,132	9,132
Depreciation	140,066	-	140,066
Total operating expenses	160,810	9,132	169,942
Operating Income (Loss)	17,863	(1,882)	15,981
Nonoperating Revenue (Expense)			
Interest income	5,460	1,882	7,342
Interest expense	(4,760)	-	(4,760)
Loss on sale of assets	(14,984)	-	(14,984)
Total nonoperating (expense) revenue	(14,284)	1,882	(12,402)
Change in Net Position	3,579	-	3,579
Net Position - Beginning of year	832,809	-	832,809
Net Position - End of year	<u>\$ 836,388</u>	<u>\$ -</u>	<u>\$ 836,388</u>

Charter Township of Waterford

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds

Year Ended December 31, 2019

	Motor Pool Fund	Fire Unemployment Costs	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 178,673	\$ -	\$ 178,673
Payments to suppliers	(20,447)	-	(20,447)
Operating grants	-	7,250	7,250
Net cash and cash equivalents provided by operating activities	158,226	7,250	165,476
Cash Flows from Capital and Related Financing Activities			
Proceeds from sale of capital assets	1,925	-	1,925
Purchase of capital assets	(12,181)	-	(12,181)
Principal and interest paid on capital debt	(181,206)	-	(181,206)
Net cash and cash equivalents used in capital and related financing activities	(191,462)	-	(191,462)
Cash Flows Provided by Investing Activities - Interest received on investments	5,460	1,882	7,342
Net (Decrease) Increase in Cash and Cash Equivalents	(27,776)	9,132	(18,644)
Cash and Cash Equivalents - Beginning of year	342,299	259,967	602,266
Cash and Cash Equivalents - End of year	\$ 314,523	\$ 269,099	\$ 583,622
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ 17,863	\$ (1,882)	\$ 15,981
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	140,066	-	140,066
Changes in assets and liabilities:			
Inventories	(319)	-	(319)
Accounts payable	616	-	616
Estimated claims liability	-	9,132	9,132
Net cash and cash equivalents provided by operating activities	\$ 158,226	\$ 7,250	\$ 165,476

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, or other funds.

Agency Funds

These funds account for the deposit of monies held by the township government in a trustee capacity or as an agent for individuals, private organizations, other governments, 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, 2019

	Pension and OPEB Funds			Total
	Police and Fire Pension	General Employees' Pension	Other Postemployment Benefits	
Assets				
Cash and cash equivalents	\$ 45,419	\$ 362,111	\$ 3,430,144	\$ 3,837,674
Investments:				
Fixed-income funds	-	15,772,310	2,399,693	18,172,003
Publicly traded partnerships	12,533,793	1,385,149	455,560	14,374,502
Stocks	33,023,637	37,374,202	15,867,563	86,265,402
Mutual funds	41,966,535	7,010,918	-	48,977,453
Real estate investment funds	6,223,890	3,502,800	-	9,726,690
Pension manager short-term funds	5,967,677	1,235,835	-	7,203,512
Securities lending short-term collateral bank investment pool - Mutual funds	-	212,153	-	212,153
Prepaid items	560,066	351,348	-	911,414
Accrued income	-	25,815	-	25,815
Total assets	100,321,017	67,232,641	22,152,960	189,706,618
Liabilities				
Accounts payable	-	98,515	-	98,515
Obligations under securities lending agreements	-	245,000	-	245,000
Total liabilities	-	343,515	-	343,515
Net Position Restricted for Pension and Other Postemployment Benefits	\$ 100,321,017	\$ 66,889,126	\$ 22,152,960	\$ 189,363,103

Charter Township of Waterford

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

Year Ended December 31, 2019

	Pension and OPEB Funds			Total
	Police and Fire Pension	General Employees' Pension	Other Postemployment Benefits	
Additions				
Investment income (loss):				
Interest and dividends	\$ 1,528,182	\$ 795,522	\$ 2,023,267	\$ 4,346,971
Net decrease in fair value of investments	17,000,967	10,696,267	1,699,978	29,397,212
Investment-related expenses	(424,373)	(335,874)	(81,325)	(841,572)
Net investment income	18,104,776	11,155,915	3,641,920	32,902,611
Contributions:				
Employer contributions	3,046,883	761,758	10,583,514	14,392,155
Employee contributions	338,105	8,742	53,342	400,189
Total contributions	3,384,988	770,500	10,636,856	14,792,344
Total additions	21,489,764	11,926,415	14,278,776	47,694,955
Deductions				
Benefit payments	8,483,981	4,233,878	6,127,114	18,844,973
Administrative expenses	43,298	49,297	56,734	149,329
Total deductions	8,527,279	4,283,175	6,183,848	18,994,302
Net Increase in Net Position Held in Trust	12,962,485	7,643,240	8,094,928	28,700,653
Net Position Restricted for Pension and Other Employee Benefits - Beginning of year	87,358,532	59,245,886	14,058,032	160,662,450
Net Position Restricted for Pension and Other Employee Benefits - End of year	\$ 100,321,017	\$ 66,889,126	\$ 22,152,960	\$ 189,363,103

Charter Township of Waterford

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

Year Ended December 31, 2019

	Tax Collections			December 31, 2019
	January 1, 2019	Additions	Deductions	
Assets - Cash and cash equivalents	\$ 1,628,958	\$ 101,367,399	\$ (101,343,195)	\$ 1,653,162
Liabilities				
Due to other governmental units	\$ 1,556,542	\$ 1,553,000	\$ (1,563,155)	\$ 1,546,387
Accrued liabilities and other	72,416	106,775	(72,416)	106,775
Total liabilities	\$ 1,628,958	\$ 1,659,775	\$ (1,635,571)	\$ 1,653,162
	Other Agency Funds			
	January 1, 2019	Additions	Deductions	December 31, 2019
Assets - Cash and cash equivalents	\$ 1,068,209	\$ 3,497,400	\$ (3,738,399)	\$ 827,210
Liabilities				
Refundable deposits, bonds, etc.	\$ 1,048,366	\$ 678,470	\$ (910,129)	\$ 816,707
Accrued liabilities and other	19,843	2,754,094	(2,763,434)	10,503
Total liabilities	\$ 1,068,209	\$ 3,432,564	\$ (3,673,563)	\$ 827,210
	Total Agency Funds			
	January 1, 2019	Additions	Deductions	December 31, 2019
Assets - Cash and cash equivalents	\$ 2,697,167	\$ 104,864,799	\$ (105,081,594)	\$ 2,480,372
Liabilities				
Due to other governmental units	\$ 1,556,542	\$ 1,553,000	\$ (1,563,155)	\$ 1,546,387
Refundable deposits, bonds, etc.	1,048,366	678,470	(910,129)	816,707
Accrued liabilities and other	92,259	2,860,869	(2,835,850)	117,278
Total liabilities	\$ 2,697,167	\$ 5,092,339	\$ (5,309,134)	\$ 2,480,372

Charter Township of Waterford

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

December 31, 2019

	Modified Accrual	Full Accrual Adjustments	Full Accrual
Assets			
Cash and investments	\$ 5,900	\$ -	\$ 5,900
Capital assets subject to depreciation	-	53,031	53,031
Total assets	\$ 5,900	53,031	58,931
Liabilities			
	\$ -	-	-
Fund Balance - Assigned	5,900	(5,900)	-
Total liabilities and fund balance	\$ 5,900		
Net Position			
Net investment in capital assets		53,031	53,031
Unrestricted		5,900	5,900
Total net position		\$ 58,931	\$ 58,931

Charter Township of Waterford

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

Year Ended December 31, 2019

	<u>Modified Accrual</u>	<u>Full Accrual Adjustments</u>	<u>Full Accrual</u>
Revenue - Charges for services	\$ 1,262	\$ -	\$ 1,262
Expenditures			
General government	511	-	511
Depreciation	-	2,180	2,180
Total expenditures	<u>511</u>	<u>2,180</u>	<u>2,691</u>
Net Change in Fund Balance/Net Position	751	(2,180)	(1,429)
Fund Balance/Net Position - Beginning of year	<u>5,149</u>	<u>55,211</u>	<u>60,360</u>
Fund Balance/Net Position - End of year	<u><u>\$ 5,900</u></u>	<u><u>\$ 53,031</u></u>	<u><u>\$ 58,931</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,			
	2010	2011	2012	2013
Governmental Activities:				
Net investment in capital assets	\$ 44,944,850	\$ 45,135,692	\$ 47,298,593	\$ 46,738,188
Restricted	5,141,594	5,370,788	5,262,167	5,058,980
Unrestricted	(2,877,686)	(6,048,239)	(9,709,009)	(12,613,301)
Total net position	<u>\$ 47,208,758</u>	<u>\$ 44,458,241</u>	<u>\$ 42,851,751</u>	<u>\$ 39,183,867</u>
Business-type Activities:				
Net investment in capital assets	\$ 73,463,981	\$ 71,947,707	\$ 71,328,214	\$ 74,702,495
Restricted	1,916,264	2,206,903	2,084,405	2,150,295
Unrestricted	13,185,990	13,185,783	14,110,363	14,968,603
Total net position	<u>\$ 88,566,235</u>	<u>\$ 87,340,393</u>	<u>\$ 87,522,982</u>	<u>\$ 91,821,393</u>
Primary Government in Total:				
Net investment in capital assets	\$ 118,408,831	\$ 117,083,399	\$ 118,626,807	\$ 121,440,683
Restricted	7,057,858	7,577,691	7,346,572	7,209,275
Unrestricted	10,308,304	7,137,544	4,401,354	2,355,302
Total net position	<u>\$ 135,774,993</u>	<u>\$ 131,798,634</u>	<u>\$ 130,374,733</u>	<u>\$ 131,005,260</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.

** The Township implemented GASB No. 75 in 2018. The numbers in this table have not been updated retrospectively.

Net Position by Component

Last Ten Fiscal Years
(Unaudited)

As of December 31,					
2014	2015 *	2016	2017	2018**	2019
\$ 46,799,756	\$ 47,424,323	\$ 47,755,197	\$ 49,917,271	\$ 51,276,047	\$ 50,863,258
5,299,562	5,512,742	5,573,050	5,006,923	5,027,552	4,947,475
<u>(14,614,667)</u>	<u>(35,750,457)</u>	<u>(40,613,351)</u>	<u>(43,621,655)</u>	<u>(132,654,683)</u>	<u>(122,242,179)</u>
<u>\$ 37,484,651</u>	<u>\$ 17,186,608</u>	<u>\$ 12,714,896</u>	<u>\$ 11,302,539</u>	<u>\$ (76,351,084)</u>	<u>\$ (66,431,446)</u>
\$ 76,598,026	\$ 75,365,037	\$ 76,149,383	\$ 77,300,259	\$ 78,449,817	\$ 78,011,843
813,588	2,998,522	1,098,158	2,342,415	1,572,136	786,958
<u>14,544,118</u>	<u>13,754,631</u>	<u>15,948,494</u>	<u>15,485,980</u>	<u>3,544,020</u>	<u>4,891,823</u>
<u>\$ 91,955,732</u>	<u>\$ 92,118,190</u>	<u>\$ 93,196,035</u>	<u>\$ 95,128,654</u>	<u>\$ 83,565,973</u>	<u>\$ 83,690,624</u>
\$ 123,397,782	\$ 122,789,360	\$ 123,904,580	\$ 127,217,530	\$ 129,725,864	\$ 128,875,101
6,113,150	8,511,264	6,671,208	7,349,338	6,599,688	5,734,433
<u>(70,549)</u>	<u>(21,995,826)</u>	<u>(24,664,857)</u>	<u>(28,135,675)</u>	<u>(129,110,663)</u>	<u>(117,350,356)</u>
<u>\$ 129,440,383</u>	<u>\$ 109,304,798</u>	<u>\$ 105,910,931</u>	<u>\$ 106,431,193</u>	<u>\$ 7,214,889</u>	<u>\$ 17,259,178</u>

Charter Township of Waterford

	As of December 31,			
	2010	2011	2012	2013
Expenses:				
General government	\$ 6,997,818	\$ 6,705,725	\$ 6,941,413	\$ 7,540,276
District Court	2,833,152	2,419,633	2,252,893	2,292,718
Police and fire	27,946,504	24,652,327	29,836,433	32,017,761
Building inspection	1,392,747	1,240,541	1,499,568	1,081,438
Public works activities	931,781	746,742	831,566	507,388
Community & economic development	2,705,335	2,188,419	1,662,882	1,326,708
Recreation and culture	5,571,380	4,897,241	4,138,458	4,426,465
Interest on long-term debt	277,941	302,836	284,155	217,799
Total expenses	48,656,658	43,153,464	47,447,368	49,410,553
Program revenues:				
Charges for services				
General government	3,095,082	2,130,007	2,730,919	2,807,268
District Court	1,480,037	1,302,460	1,175,963	1,350,596
Police and fire	2,058,194	2,026,482	7,580,204	8,447,612
Building inspection	482,410	346,073	344,960	444,680
Community & economic development	112,540	79,046	93,411	89,110
Recreation and culture	1,221,313	1,268,767	1,289,312	1,353,572
Other activities	508,384	575,408	575,165	93,480
Total charges for services	8,957,960	7,728,243	13,789,934	14,586,318
Operating grants and contributions	2,149,749	1,785,418	992,965	2,861,831
Capital grants and contributions	285,650	-	896,439	18,657
Total program revenue	11,393,359	9,513,661	15,679,338	17,466,806
Excess of Expenses Over Program Revenue	(37,263,299)	(33,639,803)	(31,768,030)	(31,943,747)
General revenues:				
Property taxes	27,303,992	24,615,307	21,598,342	21,072,941
State-shared revenues	4,983,146	5,146,592	5,502,059	5,664,103
Unrestricted investment earnings	150,336	125,441	96,075	145,472
Franchise fees	88,087	929,916	978,271	1,142,999
Miscellaneous	284,228	72,030	237,360	250,348
Total general revenues	32,809,789	30,889,286	28,412,107	28,275,863
Special Items - Contribution of public safety assets	-	-	1,749,433	-
Change in net position	\$ (4,453,510)	\$ (2,750,517)	\$ (1,606,490)	\$ (3,667,884)

Source: Township's annual financial statements

Changes in Governmental Net Position

**Last Ten Fiscal Years
(Unaudited)**

As of December 31,					
2014	2015	2016	2017	2018	2019
\$ 7,371,411	\$ 8,468,129	\$ 10,008,883	\$ 9,566,130	\$ 5,361,318	\$ 2,692,313
2,382,795	2,023,796	2,060,646	1,950,465	2,772,032	2,570,218
32,860,164	33,814,996	32,607,963	31,148,383	38,386,451	33,854,132
1,091,307	1,137,157	1,128,343	1,299,693	1,273,845	1,252,993
378,338	341,865	447,811	644,788	818,722	670,260
1,407,689	1,365,836	1,436,840	1,237,013	1,763,727	1,817,024
4,172,091	4,106,423	4,235,473	4,457,445	5,146,552	3,718,735
194,547	170,170	144,707	142,935	82,835	17,504
<u>49,858,342</u>	<u>51,428,372</u>	<u>52,070,666</u>	<u>50,446,852</u>	<u>55,605,482</u>	<u>46,593,179</u>
2,642,128	1,832,510	1,952,187	737,664	754,514	794,252
1,282,052	1,037,257	1,072,440	1,089,797	1,114,223	1,041,707
8,567,130	8,366,943	8,486,146	9,074,822	9,436,126	9,908,858
636,514	594,148	667,341	703,837	1,142,404	877,047
131,987	131,393	119,145	372,302	367,586	374,292
1,311,791	1,368,111	1,345,423	1,127,118	1,145,407	1,177,979
592,061	544,191	534,973	55,708	54,745	42,422
<u>15,163,663</u>	<u>13,874,553</u>	<u>14,177,655</u>	<u>13,161,248</u>	<u>14,015,005</u>	<u>14,216,557</u>
4,515,109	4,841,171	2,652,932	4,241,920	4,678,239	3,919,115
117,289	38	32,731	5,000	10,940	14,501
<u>19,796,061</u>	<u>18,715,762</u>	<u>16,863,318</u>	<u>17,408,168</u>	<u>18,704,184</u>	<u>18,150,173</u>
(30,062,281)	(32,712,610)	(35,207,348)	(33,038,684)	(36,901,298)	(28,443,006)
21,006,495	22,021,348	22,553,997	22,825,673	23,246,943	28,639,060
5,784,757	5,764,563	5,913,916	6,403,176	6,603,644	6,852,470
237,100	176,563	194,776	262,207	422,183	722,751
1,193,645	1,250,899	1,243,092	1,210,578	1,141,743	1,131,587
141,068	491,375	829,855	924,693	633,459	1,016,776
<u>28,363,065</u>	<u>29,704,748</u>	<u>30,735,636</u>	<u>31,626,327</u>	<u>32,047,972</u>	<u>38,362,644</u>
-	-	-	-	-	-
<u>\$ (1,699,216)</u>	<u>\$ (3,007,862)</u>	<u>\$ (4,471,712)</u>	<u>\$ (1,412,357)</u>	<u>\$ (4,853,326)</u>	<u>\$ 9,919,638</u>

Charter Township of Waterford

	As of December 31,			
	2010	2011	2012	2013
Operating Revenue				
Water usage billings	\$ 5,178,302	\$ 5,092,940	\$ 5,411,677	\$ 4,680,162
Sewage disposal charges	10,835,754	11,588,492	12,824,921	14,273,975
Other sales to customers	22,561	25,940	28,365	33,323
Charges for services	262,589	253,699	253,335	263,518
Operating grants	49,046	19,414	373,980	36,976
Total operating revenue	<u>16,348,252</u>	<u>16,980,485</u>	<u>18,892,278</u>	<u>19,287,954</u>
Operating Expenses				
Cost of water	1,750,817	1,667,552	1,671,016	1,640,029
Cost of sewage disposal	6,543,296	7,010,894	7,343,946	8,294,563
Operation and maintenance costs	943,623	708,744	548,469	578,010
Billing and administrative costs	4,485,462	5,272,625	5,270,602	5,461,724
Depreciation	3,459,145	3,438,847	3,686,911	3,682,610
Other services and charges	-	-	-	-
Total operating expenses	<u>17,182,343</u>	<u>18,098,662</u>	<u>18,520,944</u>	<u>19,656,936</u>
Operating (Loss) Income	(834,091)	(1,118,177)	371,334	(368,982)
Nonoperating Revenue (Expenses)				
Gain (loss) on sale of assets	-	9,405	-	12,304
Operating grants	-	-	-	-
Investment income	252,947	153,224	66,050	110,795
Interest expense	(394,572)	(379,396)	(351,397)	(441,360)
Total nonoperating revenue (expense)	<u>(141,625)</u>	<u>(216,767)</u>	<u>(285,347)</u>	<u>(318,261)</u>
Income (Loss) - Before contributions	(975,716)	(1,334,944)	85,987	(687,243)
Transfers In - Net	-	-	-	-
Capital Contributions	2,492,641	109,103	96,601	4,985,654
Change in Net Position	<u>1,516,925</u>	<u>(1,225,841)</u>	<u>182,588</u>	<u>4,298,411</u>
Change in Primary Government Net Position				
Change in governmental net position	(4,453,510)	(2,750,517)	(1,606,490)	(3,667,884)
Change in business-type net position	<u>1,516,925</u>	<u>(1,225,841)</u>	<u>182,588</u>	<u>4,298,411</u>
Total change in primary government net position	<u>\$ (2,936,585)</u>	<u>\$ (3,976,358)</u>	<u>\$ (1,423,902)</u>	<u>\$ 630,527</u>

Source: Township's annual financial statements

Changes in Business-type Net Position

Last Ten Fiscal Years
(Unaudited)

As of December 31,						
2014	2015	2016	2017	2018	2019	
\$ 4,916,805	\$ 5,767,266	\$ 6,012,824	\$ 5,793,618	\$ 5,818,649	\$ 6,134,309	
15,211,866	15,606,349	16,506,995	16,673,937	17,205,120	17,541,306	
24,770	32,237	24,730	39,044	42,682	33,771	
288,726	262,479	466,141	500,839	434,160	385,026	
10,536	-	-	-	348,335	124,560	
<u>20,452,703</u>	<u>21,668,331</u>	<u>23,010,690</u>	<u>23,007,438</u>	<u>23,848,946</u>	<u>24,218,972</u>	
1,658,724	1,600,899	1,690,175	1,721,613	1,710,431	1,727,482	
9,005,056	9,259,783	9,166,971	9,677,724	9,980,975	10,192,062	
730,739	727,738	799,509	896,008	1,041,300	2,328,329	
5,525,326	5,677,345	5,847,148	5,057,079	4,795,245	4,458,218	
3,586,054	4,022,724	4,138,057	5,062,949	5,286,323	5,514,070	
-	-	-	-	-	-	
<u>20,505,899</u>	<u>21,288,489</u>	<u>21,641,860</u>	<u>22,415,373</u>	<u>22,814,274</u>	<u>24,220,161</u>	
(53,196)	379,842	1,368,830	592,065	1,034,672	(1,189)	
11,960	-	(95,143)	101,451	12,012	53,598	
-	-	-	469,295	-	-	
135,605	114,119	107,899	146,368	314,230	307,450	
<u>(379,690)</u>	<u>(576,350)</u>	<u>(522,830)</u>	<u>(508,114)</u>	<u>(725,060)</u>	<u>(728,440)</u>	
<u>(232,125)</u>	<u>(462,231)</u>	<u>(510,074)</u>	<u>209,000</u>	<u>(398,818)</u>	<u>(367,392)</u>	
(285,321)	(82,389)	858,756	801,065	635,854	(368,581)	
-	-	-	-	-	-	
419,660	750,175	219,089	1,131,554	902,428	493,232	
<u>134,339</u>	<u>667,786</u>	<u>1,077,845</u>	<u>1,932,619</u>	<u>1,538,282</u>	<u>124,651</u>	
(1,699,216)	(3,007,862)	(4,471,712)	(1,412,357)	(4,853,326)	9,919,638	
<u>134,339</u>	<u>667,786</u>	<u>1,077,845</u>	<u>1,932,619</u>	<u>1,538,282</u>	<u>124,651</u>	
\$ (1,564,877)	\$ (2,340,076)	\$ (3,393,867)	\$ 520,262	\$ (3,315,044)	\$ 10,044,289	

Charter Township of Waterford

	As of December 31,			
	2010	2011	2012	2013
General Fund:				
Reserved	\$ 131,037	\$ -	\$ -	\$ -
Unreserved	1,481,735	-	-	-
Nonspendable	-	41,258	40,404	41,130
Committed	-	-	-	1,453,123
Assigned	-	1,703,984	793,124	-
Unassigned	-	792,173	1,872,425	2,892,642
Total general fund	1,612,772	2,537,415	2,705,953	4,386,895
All other governmental funds:				
Reserved	954,024	-	-	-
Unreserved reported in:				
Special revenue funds	6,877,134	-	-	-
Capital project funds	86,883	-	-	-
Debt service funds	331,124	-	-	-
Nonspendable	-	6,915	3,466	29,782
Restricted	-	3,937,880	3,870,100	3,610,425
Committed	-	-	-	-
Assigned	-	4,606,791	4,942,477	5,757,190
Total General Fund and all other governmental funds	<u>\$ 9,861,937</u>	<u>\$ 11,089,001</u>	<u>\$ 11,521,996</u>	<u>\$ 13,784,292</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,						
2014	2015	2016	2017	2018	2019	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	-	-	
102,118	176,681	96,798	192,148	68,596	87,676	
1,820,048	2,125,140	2,551,284	2,745,602	3,070,045	3,549,529	
-	-	64,373	534,566	-	-	
<u>4,412,750</u>	<u>5,804,705</u>	<u>7,254,216</u>	<u>6,154,494</u>	<u>7,607,096</u>	<u>8,532,520</u>	
6,334,916	8,106,526	9,966,671	9,626,810	10,745,737	12,169,725	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
7	271,341	2,668	276,216	3	997,588	
3,870,972	4,029,098	4,018,863	3,812,681	3,901,915	3,816,298	
-	145,000	441,499	591,235	1,054,391	3,246,590	
<u>6,890,698</u>	<u>7,820,864</u>	<u>9,348,667</u>	<u>10,165,176</u>	<u>11,232,977</u>	<u>13,578,378</u>	
<u>\$ 17,096,593</u>	<u>\$ 20,372,829</u>	<u>\$ 23,778,368</u>	<u>\$ 24,472,118</u>	<u>\$ 26,935,023</u>	<u>\$ 33,808,579</u>	

Charter Township of Waterford

	As of December 31,			
	2010	2011	2012	2013
Revenue				
Property taxes	\$ 27,487,340	\$ 24,217,983	\$ 21,220,749	\$ 20,688,982
Intergovernmental revenue	7,177,942	7,090,287	7,213,657	8,508,876
Licenses and permits	1,366,130	300,769	364,258	485,610
Fines and forfeitures	1,792,007	1,586,332	1,411,839	1,588,776
Charges for services	3,715,399	3,894,382	9,606,043	10,411,618
Special assessments	808,083	858,299	864,927	927,510
Interest and miscellaneous	1,790,264	1,825,496	2,824,124	2,989,638
Total revenue	44,137,165	39,773,548	43,505,597	45,601,010
Expenditures				
Current:				
General government and district court	9,070,564	8,470,321	7,615,207	7,534,310
Public safety	26,270,382	22,620,407	27,782,168	28,800,415
Community and economic development	2,117,054	1,249,546	1,671,165	1,336,629
Recreation and culture	4,722,679	4,138,183	3,412,416	3,615,923
Miscellaneous	269,934	142,218	36,378	43,925
Capital outlay	808,788	648,183	1,258,568	684,405
Debt administration:				
Principal	904,749	990,000	1,040,000	1,095,000
Interest	341,533	287,626	275,864	228,107
Total expenditures	44,505,683	38,546,484	43,091,766	43,338,714
Excess of Revenue Over (Under) Expenditures	(368,518)	1,227,064	413,831	2,262,296
Other Financing Sources (Uses)				
Face value of debt issue	-	-	957,919	-
Debt premium	-	-	27,722	-
Proceeds from sale of capital assets	-	-	-	-
Transfers in	8,500,000	7,450,000	7,550,000	7,605,000
Transfers out	(8,500,000)	(7,450,000)	(7,550,000)	(7,605,000)
Payment to bond refunding escrow agent	-	-	(966,477)	-
Total other financing sources (uses)	-	-	19,164	-
Net change in fund balances	(368,518)	1,227,064	432,995	2,262,296
Fund Balances - Beginning of year	10,230,455	9,861,937	11,089,001	11,521,996
Fund Balances - End of year	\$ 9,861,937	\$ 11,089,001	\$ 11,521,996	\$ 13,784,292
Debt service as a percentage of noncapital expenditures	2.85%	3.37%	3.15%	3.10%

Source: Township's annual financial statements

Changes in Fund Balances - Governmental Funds

**Last Ten Fiscal Years
(Unaudited)**

As of December 31,						
2014	2015	2016	2017	2018	2019	
\$ 20,932,159	\$ 22,039,689	\$ 22,528,159	\$ 22,828,163	\$ 23,242,014	\$ 28,647,354	
10,670,673	9,711,390	8,685,835	10,706,072	11,033,711	10,464,386	
657,977	612,176	696,992	723,426	1,226,493	972,933	
1,544,005	1,507,749	1,501,791	1,576,247	1,576,665	1,539,971	
10,636,717	10,749,411	10,847,802	11,226,029	11,490,680	11,858,005	
830,284	855,076	837,264	328,236	322,266	324,748	
<u>2,720,465</u>	<u>2,907,439</u>	<u>3,052,781</u>	<u>3,578,267</u>	<u>3,210,417</u>	<u>4,035,063</u>	
47,992,280	48,382,930	48,150,624	50,966,440	52,102,246	57,842,460	
7,349,954	7,185,480	7,796,775	9,019,979	7,898,940	8,659,899	
29,953,841	29,746,712	29,410,301	32,110,975	32,779,431	34,114,138	
1,358,975	1,300,250	1,357,980	1,273,026	1,475,980	1,798,749	
3,426,284	3,593,989	3,618,730	3,798,000	3,793,252	4,222,055	
68,175	-	-	53,953	179,578	98,693	
1,148,223	1,893,200	1,372,641	2,601,873	1,732,409	2,178,085	
1,175,000	1,232,932	1,344,032	1,404,429	1,710,008	119,162	
199,527	164,731	127,970	149,663	83,210	13,272	
<u>44,679,979</u>	<u>45,117,294</u>	<u>45,028,429</u>	<u>50,411,898</u>	<u>49,652,808</u>	<u>51,204,053</u>	
3,312,301	3,265,636	3,122,195	554,542	2,449,438	6,638,407	
-	-	276,699	-	-	-	
-	-	-	-	-	-	
-	10,600	6,645	139,208	13,467	235,149	
7,345,000	8,267,500	9,007,500	10,067,500	9,202,500	17,607,398	
(7,345,000)	(8,267,500)	(9,007,500)	(10,067,500)	(9,202,500)	(17,607,398)	
-	-	-	-	-	-	
<u>-</u>	<u>10,600</u>	<u>283,344</u>	<u>139,208</u>	<u>13,467</u>	<u>235,149</u>	
3,312,301	3,276,236	3,405,539	693,750	2,462,905	6,873,556	
<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>	<u>26,935,023</u>	
\$ 17,096,593	\$ 20,372,829	\$ 23,778,368	\$ 24,472,118	\$ 26,935,023	\$ 33,808,579	
3.16%	3.23%	3.37%	3.25%	3.74%	0.27%	

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
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
2018	23,242,014	11,033,711	322,266	1,226,493	1,576,665	11,490,680	3,210,417	52,102,246
2019	28,647,354	10,464,386	324,748	972,933	1,539,971	11,858,005	4,035,063	57,842,460

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
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
2018	7,898,940	32,779,431	1,475,980	3,793,252	1,732,409	1,793,218	179,578	49,652,808
2019	8,659,899	34,114,138	1,798,749	4,222,055	2,178,085	132,434	98,693	51,204,053

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
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%
2018	68,596	-	10,677,141	19,433,985	54.94%
2019	87,676	-	12,082,049	19,806,459	61.00%

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
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
2018	1,667,442,430	344,426,360	29,641,120	80,179,970	2,121,689,880
2019	1,760,280,880	360,026,370	31,602,690	87,805,490	2,239,715,430

(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
10.8896	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%
13.5791	5,601,838,470	37.87%
10.5256	6,095,120,070	36.75%

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		Special	Total Direct	County	Community	Intermediate	School -	School - Non-	Principal	Nonprincipal
	Operating	Debt	Assmnt	Taxes	Combined (4)	College	School District	Principal (3)	principal (3)		
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
2018	10.6291	-	2.9500	13.5791	4.7805	1.5431	3.2813	13.0000	31.0000	36.1840	54.1840
2019	10.5256	-	2.7800	13.3056	4.7748	1.5303	3.2539	12.7500	30.7500	35.6146	53.6146

(1) Includes general operating, fire, police, library, parks & rec, police & fire building debt and police & fire special assessment 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 & Art Institute

Source: Township Assessing Department records

Principal Property Taxpayers
Current Year and Ten Years Ago
(Unaudited)

	Type of Business	Year Ended December 31, 2019			Year Ended December 31, 2010		
		Taxable Value	Percentage of Total	Rank	Taxable Value	Percentage of Total	Rank
Detroit Edison	Utility	30,280,530	1.35%	1	25,405,010	1.12%	1
Consumers Energy	Utility	12,097,770	0.54%	2	6,277,160	0.28%	8
Cass Lake Shore Club	Apartment	8,629,200	0.39%	3	8,601,540	0.38%	3
Village Green	Apartment	7,274,730	0.32%	4	6,534,040	0.29%	7
Suburban Highland	Dealership	6,872,930	0.31%	5	-	N/A	N/A
St Luke's Episcopal Health	Senior Housing	6,587,050	0.29%	6	-	N/A	N/A
Meijer	Retail	6,552,690	0.29%	7	7,580,050	0.34%	5
Mr Hanger	Airport	6,122,552	0.27%	8	-	N/A	N/A
Rivers Edge	Apartment	6,095,910	0.27%	9	7,766,590	0.34%	4
Comcast	Cable TV	5,557,440	0.25%	10	-	N/A	N/A
Total		\$ 96,070,802	4.29%		\$ 62,164,390	2.75%	
Total taxable value for each year		\$ 2,239,715,430			\$ 2,260,548,870		

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
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
2018	28,524,264	27,300,414	95.71%	1,187,040	28,487,455	99.87%	36,835
2019	29,532,667	28,308,116	95.85%	1,175,526	29,483,642	99.83%	31,042

Source: Township Treasurer's Office records

Charter Township of Waterford

	As of December 31,			
	2010	2011	2012	2013
Governmental Activities:				
General obligation bonds	\$ 10,995,000	\$ 9,625,000	\$ 8,337,969	\$ 7,097,969
Special assessment bonds	10,000	-	-	-
Revenue bonds	-	-	-	-
Installment purchase agreements	-	-	-	-
Notes payable	-	-	-	-
Capital leases	-	-	-	-
Total	11,005,000	9,625,000	8,337,969	7,097,969
Business-type Activities:				
General obligation bonds	16,529,634	18,263,706	19,328,651	22,968,930
Special assessment bonds	-	-	-	-
Revenue bonds	-	-	-	-
Installment purchase agreements	-	-	-	-
Notes payable	-	-	-	-
Capital leases	-	-	-	-
Total	16,529,634	18,263,706	19,328,651	22,968,930
Total Debt of the Government	\$ 27,534,634	\$ 27,888,706	\$ 27,666,620	\$ 30,066,899
Total Taxable Value	\$ 2,260,548,870	\$ 1,996,102,460	\$ 1,930,465,372	\$ 1,905,737,405
Ratio of Total Debt to Taxable Value	1.22%	1.40%	1.43%	1.58%
Total Population	70,749	71,798	72,171	72,645
Total Debt per Capita	\$ 389	\$ 388	\$ 383	\$ 414
Per Capita Personal Income	\$ 28,518	\$ 29,401	\$ 26,423	\$ 26,151
Ratio of Debt to Personal Income	1.36%	1.32%	1.45%	1.58%

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

Ratios of Outstanding Debt

**Last Ten Fiscal Years
(Unaudited)**

As of December 31,						
2014	2015	2016	2017	2018	2019	
\$ 5,922,969	\$ 4,690,037	\$ 3,378,736	\$ 1,984,066	\$ 508,273	\$ 389,111	
-	-	-	-	-	-	
-	672,614	691,517	523,509	352,294	177,813	
-	-	243,974	234,210	-	-	
-	-	-	-	-	-	
5,922,969	5,362,651	4,314,227	2,741,785	860,567	566,924	
32,500,078	36,033,495	34,868,462	32,719,833	32,199,070	31,212,762	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	61,337	58,883	-	-	
-	-	-	-	-	-	
32,500,078	36,033,495	34,929,799	32,778,716	32,199,070	31,212,762	
\$ 38,423,047	\$ 41,396,146	\$ 39,244,026	\$ 35,520,501	\$ 33,059,637	\$ 31,779,686	
\$ 1,904,049,799	\$ 1,943,694,296	\$ 1,981,453,406	\$ 2,044,123,800	\$ 2,121,689,880	\$ 2,239,715,430	
2.02%	2.13%	1.98%	1.74%	1.56%	1.42%	
72,181	72,503	72,756	72,863	72,948	73,142	
\$ 532	\$ 571	\$ 539	\$ 487	\$ 453	\$ 434	
\$ 28,717	\$ 28,268	\$ 31,149	\$ 29,189	\$ 33,551	\$ 33,831	
1.85%	2.02%	1.73%	1.67%	1.35%	1.28%	

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Obligation Bonds	Tax Supported Bonds (1)	Less Pledged Debt Service Funds	Net General Bonded Debt	Taxable Value	Debt as a Percentage of Taxable Value	Population	General Bonded Debt Per Capita
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
2018	32,707,343	-	135,636	32,571,707	2,121,689,880	1.54%	72,948	447
2019	31,701,873	-	-	31,701,873	2,239,715,430	1.42%	73,142	433

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, 2019
(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percent Applicable to Waterford	Estimated Share of Overlapping Debt
Oakland County	\$ 303,155,453	3.72%	\$ 11,277,383
School Districts:			
Clarkston school district	170,735,884	2.04%	3,483,012
Pontiac school district	24,808,135	2.09%	518,490
Waterford school district	155,320,000	85.63%	133,000,516
Oakland Community College	-	N/A	-
Intermediate school district	<u>43,855,000</u>	3.73%	<u>1,635,792</u>
Total overlapping debt	697,874,472		149,915,193
Direct Township debt (not including debt related to business-type activities)	<u>566,923</u>	100.00%	<u>566,924</u>
Total direct and overlapping debt	<u>\$ 698,441,395</u>		<u>\$ 150,482,117</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

	As of December 31,			
	2010	2011	2012	2013
Calculation of Debt Limit: (1)				
State equalized valuation	\$ 2,356,726,670	\$ 2,050,367,380	\$ 1,974,086,000	\$ 1,975,795,165
Debt limit (10% of SEV)	235,672,667	205,036,738	197,408,600	197,579,517
Calculation of Debt Subject to Limit:				
Total debt	27,534,634	27,888,706	27,666,620	30,066,899
Less debt not subject to limit:				
Installment purchase agreements	-	-	-	-
Notes payable	-	-	-	-
Special assessment bonds	10,000	-	-	-
Revenue bonds	-	-	-	-
Enterprise fund bonds	16,529,634	18,263,707	19,328,651	22,968,930
Net Debt Subject to Limit	<u>10,995,000</u>	<u>9,624,999</u>	<u>8,337,969</u>	<u>7,097,969</u>
Legal Debt Margin	<u>\$ 224,677,667</u>	<u>\$ 195,411,739</u>	<u>\$ 189,070,631</u>	<u>\$ 190,481,548</u>
Net Debt Subject to Limit as Percentage of Debt Limit				
	4.67%	4.69%	4.22%	3.59%

(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,					
2014	2015	2016	2017	2018	2019
\$ 2,057,190,519	\$ 2,274,460,656	\$ 2,499,248,796	\$ 2,693,797,860	\$ 2,800,919,235	\$ 3,047,560,035
205,719,052	227,446,066	249,924,880	269,379,786	280,091,924	304,756,004
38,423,047	41,396,146	39,244,026	35,520,501	33,059,637	31,779,686
-	672,614	691,517	523,509	352,294	177,812
-	-	305,311	293,098	-	-
-	-	-	-	-	-
-	-	-	-	-	-
32,500,078	36,033,495	34,868,462	32,719,833	32,199,070	31,212,762
5,922,969	4,690,037	3,378,736	1,984,061	508,273	389,112
\$ 199,796,083	\$ 222,756,029	\$ 246,546,144	\$ 267,395,725	\$ 279,583,651	\$ 304,366,892
2.88%	2.06%	1.35%	0.74%	0.18%	0.13%

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
2010	70,749	(1)	2,017,620	29,140	28,518	38.8	9.0%
2011	71,798	(2)	2,110,933	29,892	29,401	39.1	9.3%
2012	72,171	(3)	1,906,974	27,700	26,423	37.5	8.8%
2013	72,645	(4)	1,899,739	29,523	26,151	39.6	8.9%
2014	72,181	(5)	2,072,822	29,612	28,717	40.0	6.8%
2015	72,503	(6)	2,049,515	29,255	28,268	40.7	4.6%
2016	72,756	(7)	2,266,277	30,342	31,149	40.5	4.0%
2017	72,863	(8)	2,126,798	29,525	29,189	41.0	3.6%
2018	72,948	(9)	2,447,478	32,284	33,551	41.7	3.5%
2019	73,142	(10)	2,474,467	30,659	33,831	41.5	3.2%

- (1) 2009 Census Department - American Community Survey Data Profile Review
- (2) 2010 Census Department - American Community Survey Data Profile Review
- (3) 2011 Census Department - American Community Survey Data Profile Review
- (4) 2012 Census Department - American Community Survey Data Profile Review
- (5) 2013 Census Department - American Community Survey Data Profile Review
- (6) 2014 Census Department - American Community Survey Data Profile Review
- (7) 2015 Census Department - American Community Survey Data Profile Review
- (8) 2016 Census Department - American Community Survey Data Profile Review
- (9) 2017 Census Department - American Community Survey Data Profile Review
- (10) 2018 Census Department - American Community Survey Data Profile Review

Employer	Enterprise	2019**		Percentage of Total	2010 Employees	Percentage of Total
		(1)	(2)			
1 Oakland County	Government	1,450	3.7%		1,735	N/A
2 Waterford School District	Education	1,335	3.4%		1,403	N/A
3 Township Of Waterford (2)	Government	410	1.1%		283	N/A
4 Oakland Intermediary Schools	Education	415	1.1%		265	N/A
5 Penn Engineering	Manufacturing	291	0.7%		N/A	N/A
6 Oakland Community College*	Education	264	0.7%		N/A	N/A
7 Meijer	Retail	260	0.7%		404	N/A
8 Canterbury Healthcare, Inc.	Nursing Care	256	0.7%		234	N/A
9 Pentastar Aviation, LLC	Air Transportation	230	0.6%		220	N/A
10 Road Commission Of Oakland Cty	Transportation	211	0.5%		430	N/A
Total		<u>5,122</u>				
Total Township Employment (1)		<u>39,042</u>				

(1) Data is from various sources including:
2018 American Community Survey DP03

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

*Direct hire and estimated Adjunct

**2019 - used 2018 numbers due to COVID19 - information unaccessible due to Stay At Home order

Charter Township of Waterford

Full-time Equivalent Government Employees

**Last Ten Fiscal Years
(Unaudited)**

Department	2010 (1)	2011	2012	2013	2014	2015	2016	2017	2018	2019
Supervisor/Assessing	7	6	7	6	6	6	7	7	8	8
Clerk's Office	6	5	6	6	6	6	7	7	7	7
Treasurer's Office	6	6	6	6	6	6	6	6	6	6
Fiscal & Human Resources	2	2	2	2	2	2	2	2	2	2
51st District Court	25	25	23	23	23	22	19	20	20	20
Planning & Development	6	5	3	3	3	3	3	3	3	3
Information Systems	4	3	3	3	3	3	4	4	4	4
Facilities & Operations	8	8	10	10	10	10	8	8	8	8
Building & Engineering	9	9	8	7	7	8	8	8	8	9
Parks & Recreation	10	9	6	6	5	6	8	8	8	8
Police Department	71	64	65	64	63	66	67	72	69	76
Fire Department (2,3,4,5,6,7,8)	67	64	106	146	140	104	119	138	131	109
Library	19	13	13	12	13	13	13	14	14	13
Water & Sewer	43	42	41	40	41	40	41	39	39	37
Cable	-	-	-	-	-	-	1	1	1	1
Total	283	261	299	334	328	295	313	337	328	311

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 off 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.
- (7) In 2018 Waterford Twp Fire Dep't had 35 of 39 positions related to the Federal Safer Grant.
- (8) In 2019 Waterford Twp Fire Dep't had 36 of 39 positions related to the Federal Safer Grant which ended on 9/25/2019.

Source: Payroll & Benefit department and other records

Charter Township of Waterford

Function/Program	2010	2011	2012	2013
Police:				
Physical Arrests	1,492	1,614	1,829	1,626
Traffic violations	6,359	4,935	6,645	5,698
Non traffic misdemeanors	527	463	456	497
Non traffic civil infractions	272	374	188	256
Fire:				
Emergency responses	5,953	6,080	10,025	10,502
Fires extinguished	166	147	605	545
Inspections	948	550	959	1,038
Parks and recreation:				
Recreation programs (estimated)	795	783	792	814
Library:				
Circulation (books borrowed)	401,022	366,837	347,496	316,764
Collection volume	177,320	165,989	179,022	181,265
Visits: Walk-ins	297,142	259,155	235,971	233,477
Visits: Website	144,139	148,731	149,836	148,346
Water:				
New connections	67	70	58	67
Water main breaks	15	28	22	24
Total consumption (billed - cubic feet)	316,715,587	309,809,655	320,451,892	275,327,916
Average annual consumption per customer (gallons)	59,339	58,442	58,292	53,714

Source: Township Departmental correspondence

Operating Indicators

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

2014	2015	2016	2017	2018	2019
1,062	915	1,019	1,161	1,183	1,277
3,391	4,286	4,179	3,815	4,170	3,007
310	284	724	883	868	908
315	420	711	875	1,095	626
11,276	11,398	12,104	13,095	13,587	13,813
542	487	519	519	400	337
750	1,033	1,045	709	692	770
810	817	612	615	614	614
317,510	291,656	279,587	271,667	260,813	251,405
188,328	195,377	638,798	602,814	130,371	120,148
198,183	183,775	175,120	170,981	165,883	165,387
185,378	372,372	194,511	445,200	561,083	269,262
74	86	91	133	108	130
45	16	14	15	27	18
258,557,800	267,587,530	288,257,794	273,197,387	276,935,659	245,690,487
50,601	50,990	50,212	48,447	48,327	47,070

Capital Asset Statistics

Last Ten Fiscal Years
(Unaudited)

Function/ program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	52	46	49	46	44	44	28	26	28	27
Fire:										
Stations	5	5	10	10	9	9	9	9	9	9
Emergency Response Vehicles	14	14	24	27	27	27	27	27	27	26
Parks and recreation:										
Acreage	854	854	854	854	854	854	854	854	854	854
Playgrounds	8	8	8	8	6	3	3	3	3	3
Soccer fields	7	7	7	7	8	8	8	8	8	8
Baseball/ softball diamonds	13	13	13	13	13	13	13	13	13	13
Libraries:										
Branches	1	1	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