

Charter Township of Waterford, Michigan

Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2007

Prepared by Waterford Township staff

Charter Township of Waterford

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BOARD OF TRUSTEES

Carl W. Solden, Supervisor
Betty Fortino, Clerk
Margaret Birch, Treasurer
Todd A. Fox, Trustee
David J. Maloney, Trustee
Stan Moore, Trustee
Bette O'Shea, Trustee

WATERFORD

A CHARTER TOWNSHIP

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CARL W. SOLDEN
Supervisor

June 20, 2008

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 (GAAP), we are submitting the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2007. 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 the Township.

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

GOVERNMENT PROFILE (continued)

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

ECONOMIC CONDITION AND OUTLOOK

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

Within the Township there is a significant employment base in retail and service industries, and it is anticipated there will be moderate growth in this employment base over the next five to ten years. The Township has an area wide sewer system which is connected to the Detroit system for treatment. The municipal water system is operated throughout the Township Department of Public Works and produces water from 15 wells.

Oakland County International Airport is located in the northwest portion of the Township. The airport serves corporate, charter and private general aviation activity, in addition to providing US Customs Service activity for international flights. The airport has approximately 800 based aircraft and accommodates approximately 278,000 annual departures & arrivals, ranking it the second busiest airport in Michigan and the sixth busiest general aviation airport in the United States.

Grand Trunk Railroad traverses the Township from Southeast to Northwest. The railroad provides shipping access to several Township businesses.

The Township is a regional center for northwest Oakland County. Several major shopping centers serve both the Township and its surrounding area. Summit Place Mall is the largest complex with 1.2 million square feet of enclosed retail space. During 2007, the Township conducted and completed a long-range proactive community planning project to identify both the redevelopment goals for the Summit Place Mall area and the implementation actions that would need to be undertaken to achieve such goals. The Township's redevelopment goals for the Summit Place Mall area are centered on encouraging a transition from a retail-centered interior mall to a mixture of retail, recreation, office, and potentially residential uses. The first manifestations of the Township's planning efforts occurred in late 2007 as a group of local business people initiated an effort to construct a minor league ballpark within the Summit Place Mall area.

ECONOMIC CONDITION AND OUTLOOK (continued)

Several major industries are located in the Township. The largest is General Motors parts Division which maintains a 1,300,000 square foot warehouse and distribution center. Rite Aide Drug Store's regional distribution center, serving six states, operates a quarter million square foot warehouse complex. Other industries within the Township include metal fabricating, screw machine productions, and manufacturers of motor parts, electronic components, industrial computers, and precision measuring instruments. General Motors Truck and Bus, Pontiac Motors, and General Motors Buick, Oldsmobile Cadillac, (BOC) assembly plants are all located within minutes of the Township.

Commercial and Residential Development

The pace of residential development within the Township slowed dramatically in 2007. The number of new single-family housing permits issued by the Township fell to 38, continuing the decline that began in 1999 following the issuance of 523 permits in 1998. The overall health of the state's economy, combined with nation wide problems in the mortgage industry, resulted in a record number of foreclosures of residential properties during 2007. This large quantity of foreclosed properties then became available at prices substantially below their previous market value and as a result sales of new homes became stagnant. This caused several developers to postpone beginning construction of new homes on available vacant properties. While new residential construction is declining there continues to be steady activity in remodeling and expanding existing single family homes. Construction, remodeling and expansion of commercial structures remained steady in 2007. Several new commercial developments either broke ground in late 2007 or will begin construction in early 2008, including the Oakland Cruisers Baseball Stadium, the McInernery Aircraft Hanger, the Waterford Medical Center and a Rite Aid Pharmacy.

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
2007	38	16	11	585
2006	115	4	12	692
2005	118	12	25	833
2004	130	104	13	974
2003	131	44	15	908
2002	139	94	19	1,097
2001	154	143	13	1,230
2000	189	71	13	1,252
1999	457	52	11	1,507
1998	523	21	17	1,736

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. Job growth during the past 10 to 15 years has been twice as fast as the state and more than twice as fast as the nation.

FINANCIAL INFORMATION

Internal and Budgetary Control

Township administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Township are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute assurances, that these objectives are met. The primary financial management control instrument of the Township is the annual budget. It is adopted each year by the Board of Trustees in accordance with the State of Michigan Uniform Budgeting Act, P.A. 621 of 1978, by December 15th for the subsequent year. The Township's fiscal year is January through December. Budget preparation begins in June of each year. Departments assess potential revenues and expenses and submit a request to the Township Supervisor. The Township Supervisor and Director of Fiscal & Human Resources review all departmental requests and prepare a final recommended budget for submission to the Township Board. The Board approves appropriations on the departmental basis, which becomes the legal level of control. An encumbrance system is in place to ensure that this control is not violated. All amendments to this budget must be approved by the Board throughout the fiscal year. Amounts appropriated, but not spent by the end of the fiscal year must be re-appropriated by the Board for the subsequent fiscal year.

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

Long Term Financial Planning

Along with the annual Budget process outlined in Note 2 of the Required Supplemental Information section of the financial statements, several long term reviews are currently underway including; a public service staffing review of long term service requirements and restorative efforts for lost revenue due to staff attrition and budget decline, as well, due to a recent millage defeat, a long term study directive has been ordered to determine viability and revenue/cost effectiveness of parks and recreation programs. A long term strategic planning review process is in development with the new appointment of a Director of Finance and Accounting and a Financial Analyst staff individual. Trend analysis of actual revenue and expense accounts have commenced, with the goal of developing a strong base for budgeting to further build two to five year forecasts for use in forward planning.

In 2007, the three year capital improvement budget which was funded with the 2005 General Improvement Bond proceeds has come to completion which entailed several capital buildings and infrastructural projects designed to continue to meet the needs of the community into the future.

Relevant Financial Policies

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

Cash Management

The Township's nationally certified Investment Policy adopted on April 28, 2008 includes the legal requirements for municipalities covered under Michigan Public Act 20 of 1943, as amended. It is the policy of the Charter Township of Waterford to invest public funds in a manner which will ensure the preservation of capital while providing the best investment return with maximum security, meeting the daily cash flow demands of the township. Investments are placed with institutions that are approved yearly by the Township Board and deemed to provide minimal risk to the Township's assets. Our investment portfolio currently consists of money market funds, certificates of deposit, U.S. Treasury and other obligations of the U.S. and authorized 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 365 Michigan local governmental units. It provides risk management, claims administration, legal defense, and reinsurance services for its members.

As a member, Waterford Township has liability coverage of up to \$15,000,000 per occurrence. Our self-insured retention is \$75,000 per occurrence. We are actively involved in risk control through supervisory and employee training, facilities inspections, and utilization of the MMRMA Risk Control Staff.

Waterford Township is also self-insured for workers' compensation coverage. The Township has retained the service 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.

Component Units

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

Independent Audit

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

In addition, Plante & Moran conducted the federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. These reports are available in the Single Audit section of the CAFR.

Independent Audit (continued)

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

AWARDS AND RECOGNITIONS

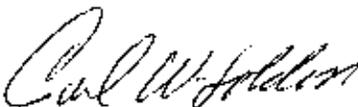
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Charter Township of Waterford for its comprehensive annual financial report for the fiscal year ended December 31, 2006. This was the third consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

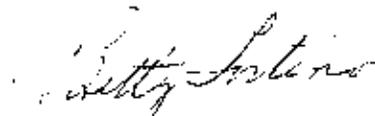
ACKNOWLEDGEMENTS

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

Respectfully submitted,



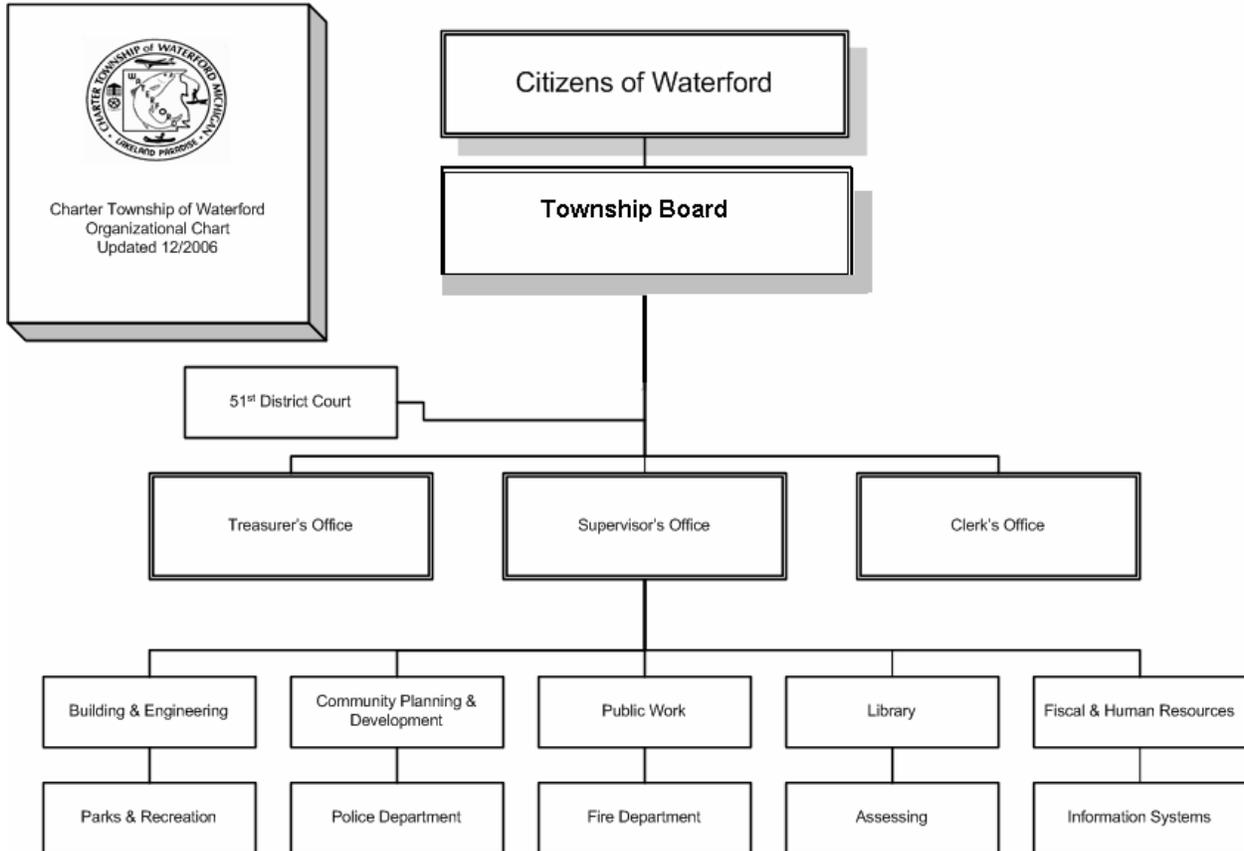
Carl W. Solden
Township Supervisor



Betty J. Fortino
Township Clerk

Charter Township of Waterford

Organizational Chart



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, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Cherie S. Cox

President

Jeffrey R. Emmer

Executive Director

Charter Township of Waterford

List of Principal Officers Year Ended December 31, 2007

Supervisor's Office

Supervisor

Carl W. Solden

Clerk's Office

Clerk

Betty J. Fortino

Deputy Clerk

Karen S. Macintosh

Director of Finance and Accounting

Richard T. Hollis

Treasurer's Office

Treasurer

Margaret Birch

Deputy Treasurer

Sandy J. Pulk

Assessing

Chief Assessor

Don E. Wood

Deputy Assessor

Larry J. Elliott

Building and Engineering

Director

Douglas Bradley

Assistant Director Building

Bernt A. Gibson

Assistant Director Engineering

Robert A. Merinsky

Community Planning and Development

Director

Robert W. Vallina

Planning Division Head

Larry R. Lockwood

Fire

Chief

Dennis K. Storrs

Deputy Chief

Stephan J. Booth

Fiscal and Human Resources

Director

Robert J. Seeterlin

Information Systems

Director

Jared W. Black

Library

Director

Joan M. Rogers

Assistant Library Director

Mary K. Rice

Parks and Recreation

Director

Thomas G. Newcombe

Police

Chief

Daniel T. McCaw

Deputy Chief

Jeffery H. James

Public Works

Director

Terry E. Biederman

Water and Sewer Superintendent

Jerry T. Coburn

Administrative Superintendent

Derek Diederich

Facilities and Operations Superintendent

David M. Papke

Engineering Superintendent

William A. Fritz

Charter Township of Waterford

Labor Agreements Year Ended December 31, 2007

Bargaining Unit	Expiration Date	Number of Employees
Michigan Association of Police - Represents police officers and crime scene investigators	12/31/2007	54
Command Officers Association of Michigan - Represents police sergeants and lieutenants	12/31/2007	21
International Association of Firefighters - Represents all firefighting personnel	12/31/2010	63
Michigan Association of Police - Represents dispatchers	12/31/2007	13
Teamsters State, County, and Municipal Workers - Represents clerical, public works employees, building inspectors, and ordinance officers	12/31/2008	146

Charter Township of Waterford

Fund Organization Chart Year Ended December 31, 2007

<u>Fund Name</u>	<u>Fund Number</u>
General Fund	101
Special Revenue Funds	
Fire	206
Police	207
Police Restricted Use	208
Cemetery Care	209
Workers' Compensation	215
Health Benefits	225
Improvement Revolving	246
Bike Path	247
Cable Commission	250
Community Development Block Grant	261-263
Library	270
Library Donations	271
Nature Center	718
Weed Control	844-883
Debt Service Funds	
Police and Fire Bond Service Fund	306
Capital Projects Funds	
S.A.D. Road Paving	813
Enterprise Funds	
Water and Sewer	590
Internal Service Funds	
Motor Pool	360
Trust and Agency Funds	
Tax Collection	703
Regular Employee Pension	731
Police and Fire Pension	732
Other Agency	701-752



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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Waterford, Michigan as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Waterford, Michigan's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Waterford, Michigan as of December 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Waterford, Michigan's basic financial statements. The management's discussion and analysis, pension system schedule of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not a part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules and other supplemental information have been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis and pension systems schedule of funding progress, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2008 on our consideration of the Charter Township of Waterford, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

May 19, 2008

Charter Township of Waterford

Management's Discussion and Analysis

Financial Highlights

The following represents the most significant financial highlights for the year ended December 31, 2007.

- Total 2007 General Fund revenues were approximately \$46,000 above 2006 revenues. Increased revenue was due primarily to property tax collections. Property taxes continue to be the largest and most secure source of revenue.
- State-shared revenue, despite dramatic cuts over the past six years, remains our second largest revenue source. During the Township's 2007 fiscal year, state-shared revenue decreased \$103,000 (1.7 percent) when compared to 2006.
- Revenues from District Court fees and fines decreased \$87,695 (5.3 percent) from the previous year. This decline is primarily due to a decrease in traffic tickets issued.
- General Fund expenditures and operating transfers out for FY 2007 were down \$821,000 from the previous year; of the decrease, \$630,000 was due to a reduction in the transfer from the General Fund to the Police Fund. This decrease was partially due in response to the reduced ticket revenues.
- The Police Fund fund balance increased by \$419,000 in FY 2007. The increase was due to delays in hiring employees to replace retirees and higher than anticipated interest revenues. Capital purchases were also below budgeted amounts.
- The Fire Fund fund balance increased by \$310,000 in FY 2007. Higher than anticipated interest revenue was a primary source of the increase.
- The Improvement and Revolving Fund fund balance declined significantly (\$508,000) in FY 2007. This decline was due to expenditures related to the 2005 capital improvement bond.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets (see page 12) and the statement of activities (see pages 13-14) 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.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

The Township as a Whole

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

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Assets						
Other assets	\$ 47.7	\$ 49.7	\$ 21.8	\$ 20.8	\$ 69.5	\$ 70.5
Capital assets	<u>59.4</u>	<u>58.8</u>	<u>78.5</u>	<u>81.5</u>	<u>137.9</u>	<u>140.3</u>
Total assets	107.1	108.5	100.3	102.3	207.4	210.8
Liabilities						
Current liabilities	31.7	33.1	2.3	3.8	34.0	36.9
Long-term liabilities	<u>13.8</u>	<u>12.8</u>	<u>4.3</u>	<u>5.8</u>	<u>18.1</u>	<u>18.6</u>
Total liabilities	<u>45.5</u>	<u>45.9</u>	<u>6.6</u>	<u>9.6</u>	<u>52.1</u>	<u>55.5</u>
Net Assets						
Invested in capital assets -						
Net of related debt	46.1	45.0	74.0	75.4	120.1	120.4
Restricted	4.4	4.4	-	-	4.4	4.4
Unrestricted	<u>11.1</u>	<u>13.2</u>	<u>19.7</u>	<u>17.3</u>	<u>30.8</u>	<u>30.5</u>
Total net assets	<u>\$ 61.6</u>	<u>\$ 62.6</u>	<u>\$ 93.7</u>	<u>\$ 92.7</u>	<u>\$ 155.3</u>	<u>\$ 155.3</u>

The Township's combined net assets remained the same as 2006. The governmental activities portion of net assets increased approximately \$1.0 million from the prior year. Increased assets within the governmental activities are due primarily to an increase in property tax revenues and income from investments.

Long-term liabilities in the governmental activities decreased \$1.0 million in 2007. The Township continues to reduce debt associated with the 1998-1999 Police and Fire Building Construction, 2004 Water and Sewer System rehabilitation projects, and the \$2 million 2005 capital improvement debt. Overall, Township debt remains low. The Township utilizes just 4.34 percent of the statutorily allowed debt.

The following table shows the Township's major revenue and expenses as a whole, for both the governmental and business-type activities (in millions of dollars). The bottom of the table shows the changes in net assets 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 decreased \$1.3 million (3.0 percent) from the 2006 fiscal year. Total expenses decreased \$1.5 million (3.5 percent). Reduced expenses were the result of several capital improvement projects being completed in 2006 and staff reductions in the police department. The police department was delayed in replacing several retirees, resulting in reduced payroll costs.

In the business-type activities (Water and Sewer Funds), the revenues were up \$200,000. Expenses were up \$600,000. The increase in expenses is related to wage increases and increased charges from Oakland County and the City of Detroit for sewage treatment.

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Revenue						
Program revenue:						
Charges for services	\$ 8.1	\$ 7.6	\$ 13.3	\$ 13.9	\$ 21.4	\$ 21.5
Operating grants and contributions	1.5	0.7	-	0.3	1.5	1.0
Capital grants and contributions	0.3	-	1.3	0.9	1.6	0.9
General revenue:						
Property taxes	26.2	26.6	-	-	26.2	26.6
State-shared revenue	6.0	5.9	-	-	6.0	5.9
Unrestricted investment earnings	1.5	1.7	1.0	0.7	2.5	2.4
Miscellaneous	0.3	0.1	-	-	0.3	0.1
Transfers	(0.1)	(0.1)	0.1	0.1	-	-
Total revenue	<u>43.8</u>	<u>42.5</u>	<u>15.7</u>	<u>15.9</u>	<u>59.5</u>	<u>58.4</u>
Program Expenses						
General government	6.0	6.0	-	-	6.0	6.0
Public safety:						
Police	14.6	14.0	-	-	14.6	14.0
Fire	9.4	9.4	-	-	9.4	9.4
Public works	1.4	0.4	-	-	1.4	0.4
Building inspection	1.3	1.4	-	-	1.3	1.4
District court	2.3	2.3	-	-	2.3	2.3
Community and economic development	1.9	1.9	-	-	1.9	1.9
Recreation and culture	5.4	5.5	-	-	5.4	5.5
Interest on long-term debt	0.7	0.6	-	-	0.7	0.6
Water and sewer	-	-	16.3	16.9	16.3	16.9
Total program expenses	<u>43.0</u>	<u>41.5</u>	<u>16.3</u>	<u>16.9</u>	<u>59.3</u>	<u>58.4</u>
Change in Net Assets	<u>\$ 0.8</u>	<u>\$ 1.0</u>	<u>\$ (0.6)</u>	<u>\$ (1.0)</u>	<u>\$ 0.2</u>	<u>\$ -</u>

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Governmental Activities

The Township's governmental revenues totaled approximately \$42.5 million with the greatest revenue source being property taxes. Property taxes make up approximately 62.6 percent of total governmental revenue. That percentage is up from approximately 59.8 percent of total governmental revenue in 2006. Property taxes have been a secure and growing revenue source for the Township. This secure source offsets the losses experienced in both state-shared revenue, district court fees and fines, and other fees for services.

Although the Township relies heavily on property tax revenues, the Township still maintains a relatively low millage rate compared to similar-sized communities. The Township's ratio of property tax dollars collected per resident (\$388.24 in 2007) is the second lowest of the top 10 population-sized communities in Oakland County. The average per capita property tax of the top 10 communities is \$591.90. The City of Pontiac has slightly lower per capita property tax revenue; however, the City of Pontiac has a city income tax as an additional source of revenue. The property tax rate assessed is at the maximum amount approved by Township voters.

Total governmental expenses for the Township were approximately \$41.5 million. This is down by \$1.5 million from 2006. As in most municipalities, labor cost makes up the greatest portion of the budget. Reduced spending in 2007 was in the area of Public Works (down \$1.0 million) and Police Services (down \$600,000). In 2006, the Township paid for the paving of a portion of Hospital Road. In 2007, there were no major capital public works projects.

Business-type Activities

The Township's business-type activities consist of the Water and Sewer Fund. The Township provides water through a Township owned and operated ground water system. Sewage treatment is provided to customers through Oakland County as a customer of the Detroit Water and Sewer System.

System revenues are primarily from fees paid by customers based on use. User fees make up approximately 87.4 percent of all revenues.

The business-type activities expenses totaled approximately \$16,900,000 in 2007. Slightly more than \$5.1 million is collected from customers and paid to Oakland County and the City of Detroit for sewage treatment and disposal. As in the governmental activities, a large portion of the expenditures is labor related. In 2007, the Water and Sewer Fund had 51 full-time employees.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

The Township's Funds

An analysis of the Township's major funds begins on page 15, following the government-wide financial statements. The fund financial statements provide detail 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 2007 include the General Fund, the Police Fund, the Fire Fund, and the Improvement Revolving Fund. The Township's major business-type funds consist of the Water and Sewer Fund.

General Fund

The General Fund pays for most of the Township's governmental services. The two largest services funded by the General Fund are police and fire. The General Fund transferred \$6.4 million to the Police Fund and \$2.45 million to the Fire Fund.

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

In 2007, the General Fund fund balance increased by approximately \$372,000. This increase was the result of reduced contributions from the General Fund to the Police and Fire Funds. Both the Police and Fire Funds have healthy fund balances.

The Township's General Fund's year-end fund balance is approximately \$1,737,000. This amount represents approximately 7.7 percent of 2007's annual expenditures and net transfers to other funds. This level of fund balance is below the recommended level of between 10 percent and 15 percent of annual expenditures.

Police Fund

The Police Fund covers the operation of the police department. Major revenues include \$6.4 million from the Township's General Fund and an additional \$7,248,000 in special millage revenue. The department receives a small amount of its revenue from fees, grants, and interest on investments.

Over fiscal year 2007, the Police Fund fund balance increased by approximately \$419,000. This increase was due primarily to the reduction of staff and not backfilling positions as employees retired. The Police Fund also benefited greatly from increased interest income associated with higher interest rates.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Fire Fund

The Fire Fund covers the operations of fire prevention, suppression, and emergency medical services. In 2007, the department received \$2,450,000 from the General Fund and approximately \$6,094,000 from special millages. The Fire Fund fund balance increased by approximately \$310,000.

Improvement Revolving Fund

The Improvement Revolving Fund is used to fund major capital improvement projects. The fund saw a decrease in the 2007 fund balance of \$508,000. This was primarily due to building improvement projects associated with the 2005 capital improvement bond.

This fund is also used to fund special assessment capital improvements. The Improvement Revolving Fund provides loans to special assessment districts as an alternative to issuing bonds. This allows the resident of the district to pay favorable interest rates and save on financing costs associated with a bond sale. The Township benefits from earning a higher rate of interest than what typical municipal investments earn.

Water and Sewer Fund

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

Sewer rates have remained low, with the cost of fee increases imposed by Oakland County and the City of Detroit being passed on to customers. Rates have also recently been adjusted to cover debt payments associated with capital improvements.

Increasing labor costs, 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 revenues and expenditures to ensure revenues remain at an adequate level to support the required expenditures of the systems.

General Fund Budgetary Highlights

Township officials continue to budget conservatively. Trends over the past five to ten years indicate a growing reliance on property taxes as the single stable revenue source. Building activity in the Township is focused primarily on redevelopment allowing limited growth in taxable values. Reduced construction activity is also reflected in reduced development-based fee revenues. Major revenue sources, including court fees and fines and recreation fees, have not been growing to keep up with inflation.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

In response to the limited growth in revenue, departments have been challenged to keep expenses down. As labor costs have increased, non-labor costs have been reduced.

During the fiscal year, budgeted revenues were trending below projections. The 2007 budget was amended to recognize the revenue decrease in three major areas - building development fees, park and recreation fees, and district court fees. Overall, budgeted revenues decreased by \$451,000. At year end, actual revenues were still \$88,000 below the budgeted projection.

Realizing that revenues were declining, the board reduced the 2007 General Fund budgeted expenditures by \$641,525. The General Fund contribution to the Police Fund made up \$500,000 of that cut. The remainder was cut from the planning budget, as a vacant position was not filled, and in the general services area.

In addition to the cuts made by the Township board, other efforts to hold the line on expenses during FY 2007 were successful. Several General Fund departments came in well under their board-authorized expenses. As a result of not filling the vacant assistant director position, the Office of Fiscal and Human Resources was \$62,000 under budget. The District Court was \$62,000 below budgeted. The clerk's office was \$54,000 below, the supervisor's office was \$26,000 under, and the treasurer's office was \$36,000 under. In total, FY 2007 General Fund expenditures were \$448,000 under budget.

Capital Asset and Debt Administration

The Township's capital asset and debt issues for 2007 were primarily in the water and sewer area. The Department of Public Works continues an aggressive revitalization effort. Aging water and sewer lines are being refurbished. The Township is also expanding the capacity of the water system by upgrading old wells and adding new ones. Funds for these capital improvements were available through the State of Michigan drinking water and waste water revolving loan program; the Township is taking great advantage of these low interest loans.

The Township reduced its general obligation and tax-supported debt by \$525,000 (4.85 percent of total) in FY 2007. The Township maintains a very low amount of debt. The majority of the debt issued (\$10,825,000) is authorized by a vote of the people and supported by a dedicated debt retirement millage.

Detailed information on the Township's debt can be found in the statistical section of this report, in the debt capacity and direct and overlapping debt schedules and in Note 7. Detailed information on the Township's capital assets can be found in Note 4.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Economic Factors

There are several economic factors that challenge the Township. These items include revenue sharing, health insurance, pension cost, and state laws limiting the growth in property taxes. The 1978 Headlee Amendment and Proposal A, which passed in 1993, both limit property tax increases to the rate of inflation. Headlee requires a rollback in the overall millage rate if total property values grow at a rate higher than inflation. Proposal A limits increases in individual property tax assessments to the rate of inflation.

Because labor costs and demands for new service drive costs at a rate higher than the inflation rate, it has forced local governments to rely on new property tax growth or voter-approved tax increases to keep pace with costs.

The Township has been fortunate that the voters have approved renewals of all existing special millages over the past 30 years. Voters also approved a 0.63 millage increase for emergency medical services in 2002. This allowed the fire department to keep up with the increasing demand for services.

The Township has experienced modest new growth over the past decade. This has resulted in some new taxable property values. Growth in the Township has slowed recently as the availability of vacant land has diminished. Most future growth will be in the form of redevelopment. Because property taxes are the key source of Township revenue, efforts to promote redevelopment are crucial.

During 2007, the Township began to see a slight impact of the declining housing market and loan foreclosure on residential properties. Because property tax assessments are established one year prior to tax collections, using prior year sales data, the impact of the declining property values was less of a problem for FY 2007. It is anticipated that the true impact of the declining values will have its greatest impact in FY 2009 and 2010. The lag that delayed the impact of the housing market on Township tax revenues will have a reverse impact when the housing market rebounds. The Township recognizes this impending problem and will remain cautious and conservative in its budgeting practices.

In 2007, the Township reorganized its financial management team to allow for increased focus on fiscal analysis and long-range strategic planning. The creation of the finance and accounting director position is, in part, an effort to allow for greater focus on the financial operations of the Township. This also coincides with increasing standards being implemented in governmental accounting. It is the Township's belief that through the increased staffing and professionalism in this internal support service function, it will be in a better position to maintain the high quality services it provides to our constituency.

Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Contacting the Township's Management

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Office of Fiscal and Human Resources at (248) 674-6252.

Charter Township of Waterford

Statement of Net Assets December 31, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 31,503,075	\$ 14,259,222	\$ 45,762,297	\$ 215,341
Receivables:				
Taxes	13,159,970	-	13,159,970	-
Customers	-	4,670,715	4,670,715	-
Special assessments	808,129	1,766,543	2,574,672	-
Accrued interest	28,872	54,685	83,557	-
Due from other governmental units	2,157,749	-	2,157,749	-
Rehabilitation revolving	1,233,177	-	1,233,177	-
Other	803,317	-	803,317	-
Inventories	55,709	-	55,709	-
Capital assets - Net (Note 4):				
Nondepreciable capital assets	26,985,928	7,455,298	34,441,226	-
Depreciable capital assets	31,940,242	74,091,129	106,031,371	-
Total assets	108,676,168	102,297,592	210,973,760	215,341
Liabilities				
Accounts payable	1,038,302	1,832,147	2,870,449	8,714
Accrued and other liabilities	684,888	1,408,098	2,092,986	-
Unearned revenue (Note 6)	27,911,067	-	27,911,067	-
Noncurrent liabilities (Note 7):				
Due within one year	3,273,866	564,509	3,838,375	-
Due in more than one year	13,088,986	5,796,308	18,885,294	-
Total liabilities	45,997,109	9,601,062	55,598,171	8,714
Net Assets				
Invested in capital assets - Net of related debt	44,981,170	75,395,119	120,376,289	-
Restricted for:				
Police restricted use	493,090	-	493,090	-
Weed control	75,384	-	75,384	-
Library and library donations	851,562	-	851,562	-
Bike path	186,203	-	186,203	-
Community Development Block Grant	258,768	-	258,768	-
Nature Center	709,011	-	709,011	-
Rehabilitation revolving	1,233,177	-	1,233,177	-
Cemetery care	94,422	-	94,422	-
Debt service	328,023	-	328,023	-
Capital projects	185,125	-	185,125	-
Unrestricted	13,283,124	17,301,411	30,584,535	206,627
Total net assets	<u>\$ 62,679,059</u>	<u>\$ 92,696,530</u>	<u>\$ 155,375,589</u>	<u>\$ 206,627</u>

Charter Township of Waterford

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,939,155	\$ 2,976,906	\$ 10,000	\$ -
Public safety:				
Police	14,029,527	232,082	172,142	-
Fire	9,372,779	552,688	-	-
Public works	355,029	446,262	-	-
Building inspection	1,410,631	604,994	-	-
District court	2,294,339	1,693,652	-	-
Community and economic development	1,866,519	167,659	434,814	-
Recreation and culture	5,643,072	945,881	77,984	-
Interest on long-term debt	624,659	-	-	-
Total governmental activities	41,535,710	7,620,124	694,940	-
Business-type activities - Water and sewer	16,933,587	13,949,129	326,099	818,328
Total primary government	<u>\$ 58,469,297</u>	<u>\$ 21,569,253</u>	<u>\$ 1,021,039</u>	<u>\$ 818,328</u>
Component units:				
Economic Development Corporation	\$ 92,262	\$ 10,413	\$ -	\$ -
Youth Assistance Corporation	49,604	2,948	39,627	-
Veteran's Memorial	-	9,536	-	-
Total component units	<u>\$ 141,866</u>	<u>\$ 22,897</u>	<u>\$ 39,627</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues (unrestricted)				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended December 31, 2007

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,952,249)	\$ -	\$ (2,952,249)	\$ -
(13,625,303)	-	(13,625,303)	-
(8,820,091)	-	(8,820,091)	-
91,233	-	91,233	-
(805,637)	-	(805,637)	-
(600,687)	-	(600,687)	-
(1,264,046)	-	(1,264,046)	-
(4,619,207)	-	(4,619,207)	-
(624,659)	-	(624,659)	-
(33,220,646)	-	(33,220,646)	-
-	(1,840,031)	(1,840,031)	-
(33,220,646)	(1,840,031)	(35,060,677)	-
-	-	-	(81,849)
-	-	-	(7,029)
-	-	-	9,536
-	-	-	(79,342)
26,572,411	-	26,572,411	-
6,007,200	-	6,007,200	-
1,677,529	721,961	2,399,490	8,498
113,895	-	113,895	-
(98,470)	98,470	-	-
34,272,565	820,431	35,092,996	8,498
1,051,919	(1,019,600)	32,319	(70,844)
61,627,140	93,716,130	155,343,270	277,471
\$ 62,679,059	\$ 92,696,530	\$ 155,375,589	\$ 206,627

Charter Township of Waterford

Governmental Funds Balance Sheet December 31, 2007

	Major Special Revenue Funds					Total Governmental Funds
	General Fund	Police Fund	Fire Fund	Improvement Revolving Fund	Other Nonmajor Governmental Funds	
Assets						
Cash and investments (Note 3)	\$ 6,706,649	\$ 6,061,154	\$ 4,533,385	\$ 2,069,006	\$ 11,579,079	\$ 30,949,273
Receivables:						
Taxes	5,301,750	3,624,700	3,047,869	-	1,185,651	13,159,970
Special assessments	165,394	-	-	582,393	60,342	808,129
Accrued interest	28,872	-	-	-	-	28,872
Due from other governmental units	2,079,797	-	-	-	77,952	2,157,749
Rehabilitation loan receivable	-	-	-	-	1,233,177	1,233,177
Other	182,276	18,069	1,907	-	601,065	803,317
Total assets	<u>\$ 14,464,738</u>	<u>\$ 9,703,923</u>	<u>\$ 7,583,161</u>	<u>\$ 2,651,399</u>	<u>\$ 14,737,266</u>	<u>\$ 49,140,487</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 339,053	\$ 467,629	\$ 72,560	\$ 82,120	\$ 76,940	\$ 1,038,302
Accrued and other liabilities	123,127	150,590	278,150	-	31,570	583,437
Deferred revenue (Note 6)	12,265,120	7,560,208	6,357,084	584,518	5,071,871	31,838,801
Total liabilities	12,727,300	8,178,427	6,707,794	666,638	5,180,381	33,460,540
Fund Balances						
Reserved for drug enforcement	-	-	-	-	493,090	493,090
Unreserved:						
Designated for subsequent year's expenditures -						
Reported in:						
General Fund	57,744	-	-	-	-	57,744
Special Revenue Funds	-	111,353	93,974	219,959	262,972	688,258
Undesignated - Reported in:						
General Fund	1,679,694	-	-	-	-	1,679,694
Special Revenue Funds	-	1,414,143	781,393	1,764,802	8,287,675	12,248,013
Debt Service Funds	-	-	-	-	328,023	328,023
Capital Projects Funds	-	-	-	-	185,125	185,125
Total fund balances	1,737,438	1,525,496	875,367	1,984,761	9,556,885	15,679,947
Total liabilities and fund balances	<u>\$ 14,464,738</u>	<u>\$ 9,703,923</u>	<u>\$ 7,583,161</u>	<u>\$ 2,651,399</u>	<u>\$ 14,737,266</u>	
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and are not reported in the funds						57,584,180
Receivables are expected to be collected over several years and are not available to pay for current year expenditures						3,927,734
Rehabilitation revolving receivable is expected to be collected over several years and is not available to pay for current year expenditures						-
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:						
Bonds payable						(12,815,000)
General liability claims						(156,071)
Workers' compensation claims						(518,001)
Compensated absences						(1,743,780)
Accrued interest is not recorded in the funds						(94,469)
Internal Service Funds are included as part of governmental activities						814,519
Net assets of governmental activities						<u>\$ 62,679,059</u>

Charter Township of Waterford

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2007

	Major Special Revenue Funds				Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Police Fund	Fire Fund	Improvement Revolving Fund		
Revenue						
Property taxes	\$ 10,135,473	\$ 7,247,874	\$ 6,094,243	\$ -	\$ 3,409,267	\$ 26,886,857
Licenses and permits	1,090,803	34,844	-	25,704	-	1,151,351
Special assessments	411,725	-	-	-	34,537	446,262
Intergovernmental revenue:						
Federal sources	-	2,800	-	-	539,706	542,506
State sources	6,081,569	103,285	-	10,000	57,155	6,252,009
Charges for services	1,966,538	65,331	354,506	-	57,881	2,444,256
Fines and fees	1,891,256	90,602	-	-	153,473	2,135,331
Interest	242,956	410,477	264,918	149,084	568,500	1,635,935
Other revenue	431,730	94,742	317,380	83,078	297,689	1,224,619
Total revenue	22,252,050	8,049,955	7,031,047	267,866	5,118,208	42,719,126
Expenditures						
General government	5,188,609	-	-	-	156,031	5,344,640
Public safety:						
Police	59,488	13,560,046	-	-	201,363	13,820,897
Fire	-	-	9,120,544	-	-	9,120,544
Public works	-	-	-	-	24,346	24,346
Building inspection	1,407,730	-	-	-	-	1,407,730
District court	2,434,954	-	-	-	-	2,434,954
Community and economic development	1,405,770	-	-	-	552,310	1,958,080
Recreation and culture	2,128,239	-	-	-	2,420,408	4,548,647
Capital expenditures	127,495	471,155	69,845	745,952	287,350	1,701,797
Debt service	174,755	-	-	-	1,136,460	1,311,215
Other	-	-	-	29,846	-	29,846
Total expenditures	12,927,040	14,031,201	9,190,389	775,798	4,778,268	41,702,696
Excess of Revenue Over (Under) Expenditures	9,325,010	(5,981,246)	(2,159,342)	(507,932)	339,940	1,016,430
Other Financing Sources (Uses)						
Transfers in (Note 5)	24,043	6,400,351	2,469,071	-	5,000	8,898,465
Transfers out (Note 5)	(8,977,513)	-	-	-	(19,422)	(8,996,935)
Total other financing sources (uses)	(8,953,470)	6,400,351	2,469,071	-	(14,422)	(98,470)
Net Change in Fund Balances	371,540	419,105	309,729	(507,932)	325,518	917,960
Fund Balances - Beginning of year	1,365,898	1,106,391	565,638	2,492,693	9,231,367	14,761,987
Fund Balances - End of year	<u>\$ 1,737,438</u>	<u>\$ 1,525,496</u>	<u>\$ 875,367</u>	<u>\$ 1,984,761</u>	<u>\$ 9,556,885</u>	<u>\$ 15,679,947</u>

Charter Township of Waterford

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 917,960
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are recorded as capital assets	1,715,156
Governmental funds allocate the cost of capital assets over their estimated useful lives as depreciation	(2,248,868)
Proceeds from the sale of capital assets are reported as revenue in the governmental funds; the statement of activities records a gain or loss, included in general government expense	(81,758)
Certain revenues reported in the statement of activities in previous years did not provide current financial resources in the governmental funds until the current year	(308,863)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	720,000
Long-term liabilities and accrued interest are not due and payable in the current period and are not reported in the fund	239,972
Change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(64,734)
Internal Service Funds are also included as governmental activities	<u>163,054</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,051,919</u>

Charter Township of Waterford

Proprietary Funds Statement of Net Assets December 31, 2007

	Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	Motor Pool Fund
Assets		
Current assets:		
Cash and investments (Note 3)	\$ 14,259,222	\$ 553,802
Receivables:		
Customers	4,670,715	-
Special assessments	1,766,543	-
Accrued interest receivable	54,685	-
Inventories	-	55,709
Total current assets	<u>20,751,165</u>	<u>609,511</u>
Noncurrent assets:		
Nondepreciable capital assets (Note 4)	7,455,298	-
Depreciable capital assets (Note 4)	<u>74,091,129</u>	<u>1,341,990</u>
Total noncurrent assets	<u>81,546,427</u>	<u>1,341,990</u>
Total assets	<u>102,297,592</u>	<u>1,951,501</u>
Liabilities		
Current liabilities:		
Accounts payable	1,832,147	-
Accrued and other liabilities	1,408,098	6,982
Current liabilities payable (Note 7)	<u>564,509</u>	<u>440,000</u>
Total current liabilities	<u>3,804,754</u>	<u>446,982</u>
Long-term debt - Net of current portion (Note 7)	<u>5,796,308</u>	<u>690,000</u>
Total liabilities	<u>9,601,062</u>	<u>1,136,982</u>
Net Assets		
Investment in capital assets - Net of related debt	75,395,119	211,990
Unrestricted	<u>17,301,411</u>	<u>602,529</u>
Total net assets	<u>\$ 92,696,530</u>	<u>\$ 814,519</u>

Charter Township of Waterford

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2007

	Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	Motor Pool Fund
Operating Revenue		
Water usage billings	\$ 4,485,952	\$ -
Sewage disposal charges	9,260,007	-
Hydrant rental	1,993	-
Meter charges	33,712	-
Charges for services	184,124	511,929
State sources	509,898	-
Total operating revenue	14,475,686	511,929
Operating Expenses		
Cost of water	1,929,798	-
Cost of sewage disposal	5,445,964	-
Operation and maintenance	1,264,007	-
General and administrative	4,674,404	7,968
Depreciation	3,462,368	309,236
Other services and charges	125	-
Total operating expenses	16,776,666	317,204
Operating (Loss) Income	(2,300,980)	194,725
Nonoperating (Expense) Income		
Interest expense	(173,580)	(42,189)
Interest income	721,961	4,907
Gain on sale of fixed assets	-	5,611
Total nonoperating income (expense)	548,381	(31,671)
(Loss) Income - Before capital contributions and transfers	(1,752,599)	163,054
Capital Contributions		
Donated from developers	329,418	-
Tap-in fees, system burden fees, and other	305,111	-
Total capital contributions	634,529	-
(Loss) Income - Before transfers	(1,118,070)	163,054
Other Financing Sources (Uses)		
Transfers in (Note 5)	122,513	-
Transfers out (Note 5)	(24,043)	-
Change in Net Assets	(1,019,600)	163,054
Net Assets - Beginning of year	93,716,130	651,465
Net Assets - End of year	\$ 92,696,530	\$ 814,519

Charter Township of Waterford

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2007

	Enterprise Fund - Water and Sewer	Internal Service Fund
Cash Flows from Operating Activities		
Receipts from customers	\$ 14,506,694	\$ 511,929
Payments to suppliers	(9,089,243)	(7,986)
Payments to employees	(4,182,194)	-
Other receipts (payments)	1,392,509	(192,924)
Net cash provided by operating activities	2,627,766	311,019
Cash Flows from Noncapital Financing Activities - Transfers in from other funds	122,513	-
Cash Flows from Capital and Related Financing Activities		
Transfers out	(24,043)	-
Collection of customer assessments (principal and interest)	323,051	-
Contributions from customers	305,111	-
Proceeds from the issuance of long-term debt	1,851,308	490,000
Purchase of capital assets	(6,215,638)	(504,759)
Proceeds from sale of capital assets	-	11,120
Principal and interest paid on capital debt	(353,180)	(332,189)
Net cash used in capital and related financing activities	(4,113,391)	(335,828)
Cash Flows from Investing Activities		
Interest received on investments	721,961	4,907
Purchase of investment securities	(3,387,138)	-
Net cash (used in) provided by investing activities	(2,665,177)	4,907
Net Decrease in Cash and Cash Equivalents	(4,028,289)	(19,902)
Cash and Cash Equivalents - Beginning of year	6,812,769	573,704
Cash and Cash Equivalents - End of year	\$ 2,784,480	\$ 553,802
Statement of Net Assets Classification of Cash and Cash Equivalents		
Cash and investments	\$ 14,259,222	\$ 553,802
Less amounts classified as investments (Note 3)	(11,474,742)	-
Total cash and cash equivalents	\$ 2,784,480	\$ 553,802
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities		
Operating (loss) income	\$ (2,300,980)	\$ 194,725
Adjustments to reconcile operating (loss) income to net cash from operating activities:		
Depreciation and amortization	3,462,368	309,236
Gain on sale of capital asset	-	5,611
Changes in assets and liabilities:		
Receivables	170,669	-
Due from other funds	(29,270)	-
Inventory	-	(55,709)
Accounts payable	41,742	(144,636)
Accrued and other liabilities	1,283,237	1,792
Net cash provided by operating activities	\$ 2,627,766	\$ 311,019

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2007, developers constructed water and sewer lines with estimated values of \$329,418 and donated them to the Township's Enterprise Fund.

Charter Township of Waterford

Fiduciary Funds Statement of Net Assets December 31, 2007

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 388,987	\$ 1,991,380
Investments:		
U.S. government securities	17,703,528	-
Corporate bonds	8,633,160	-
Fixed income funds	2,098,348	-
Common stocks	54,660,962	-
Foreign stocks	3,867,166	-
ADR	497,733	-
Mutual funds	15,008,390	-
Real estate investment trust	404,901	-
Pension manager short-term funds	5,303,390	-
Investments held by broker-dealer and banks under securities lending:		
U.S. government securities	3,475,743	-
U.S. equities	9,805,204	-
Securities lending short-term collateral bank investment pools	13,743,093	-
Total assets	135,590,605	<u>\$ 1,991,380</u>
Liabilities		
Accounts payable	62,477	\$ -
Due to other governmental units	-	887,014
Bonds and other deposits	-	964,428
Accrued and other liabilities	-	139,938
Amounts due to broker under securities lending agreement	13,743,093	-
Total liabilities	13,805,570	<u>\$ 1,991,380</u>
Net Assets - Held in trust for pension	<u>\$ 121,785,035</u>	

Charter Township of Waterford

Fiduciary Funds Statement of Changes in Net Assets Pension Trust Funds Year Ended December 31, 2007

Additions

Investment income:

Interest and dividends	\$ 3,624,831
Net increase in fair value of investments	<u>6,618,343</u>

Net investment income 10,243,174

Securities lending income:

Interest and fees	635,547
Less borrower rebates and bank fees	<u>(591,400)</u>

Net securities lending income 44,147

Contributions:

Employer	4,251,048
Employee	<u>567,602</u>

Total contributions 4,818,650

Total additions 15,105,971

Deductions

Benefit payments	5,277,445
Administrative expenses	<u>124,668</u>

Total deductions 5,402,113

Net Increase

9,703,858

Net Assets Held in Trust for Pension and Other Employee Benefits

Beginning of year 112,081,177

End of year \$ 121,785,035

Charter Township of Waterford

Component Units Statement of Net Assets December 31, 2007

	Economic Development Corporation	Waterford Youth Assistance Corporation	Veterans' Memorial Fund	Total
Assets - Cash and investments	\$ 137,367	\$ 34,354	\$ 43,620	\$ 215,341
Liabilities - Accounts payable	<u>6,329</u>	<u>2,385</u>	<u>-</u>	<u>8,714</u>
Net Assets - Unrestricted	<u>\$ 131,038</u>	<u>\$ 31,969</u>	<u>\$ 43,620</u>	<u>\$ 206,627</u>

Charter Township of Waterford

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Economic Development Corporation - General government	\$ 92,262	\$ 10,413	\$ -	\$ -
Waterford Youth Assistance Corporation - Community and economic development	49,604	2,948	39,627	-
Veterans' Memorial Fund - General government	-	9,536	-	-
Total governmental activities	\$ 141,866	\$ 22,897	\$ 39,627	\$ -

General Revenue - Unrestricted investment earnings

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

**Component Units
Statement of Activities
Year Ended December 31, 2007**

Economic Development Corporation	Waterford Youth Assistance Corporation	Veterans' Memorial Fund	Total
\$ (81,849)	\$ -	\$ -	\$ (81,849)
-	(7,029)	-	(7,029)
<u>-</u>	<u>-</u>	<u>9,536</u>	<u>9,536</u>
(81,849)	(7,029)	9,536	(79,342)
<u>6,311</u>	<u>2,187</u>	<u>-</u>	<u>8,498</u>
(75,538)	(4,842)	9,536	(70,844)
<u>206,576</u>	<u>36,811</u>	<u>34,084</u>	<u>277,471</u>
<u>\$ 131,038</u>	<u>\$ 31,969</u>	<u>\$ 43,620</u>	<u>\$ 206,627</u>

Charter Township of Waterford

**Notes to Financial Statements
December 31, 2007**

Note I - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Waterford, Michigan (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

The Township is governed by an elected seven-member board of trustees. The Township's administration operates under the overall direction of an elected supervisor. The accompanying financial statements present the Township and its component units. The component units are entities for which the Township is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are a part of the Township's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

Blended Component Units - The Waterford Township Building Authority is governed by a board that is appointed by the Township. Although it is legally separate from the Township, it is reported as if it were part of the primary government, because its sole purpose is to finance and construct the Township's public buildings. The Building Authority Debt Service Fund has been blended into the General and Library Special Revenue Funds.

The Charter Township of Waterford's Police and Fire Retirement System and the Charter Township of Waterford's Regular Employees' Retirement System 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 system that are elected by the members of the system. 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 and the Regular Employees' Retirement System are reported as Pension Trust Funds.

Charter Township of Waterford

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

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

- a. The Waterford Youth Assistance Corporation was created to mobilize community interest and forces toward youth and family adjustment and to aid in the prevention of juvenile delinquency and neglect. The Waterford Youth Assistance Corporation's governing body, which consists of four individuals, is selected by the General Citizens Council, which is appointed by the Township board. The Township also has the ability to impose its will on the component unit.
- b. The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents of the Township. The Economic Development Corporation's governing body, which consists of 11 individuals, is selected by the supervisor and approved by the Township board. The Township also has the ability to impose its will on the component unit.
- c. The Veterans' Memorial Fund was created for the sole purpose of building and maintaining a memorial to all veterans who have served honorably in the military service of the United States. The Veterans' Memorial Fund's governing body, which consists of five individuals, is selected by the supervisor and approved by the Township board. The Township also has the ability to impose its will on the component unit.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township (primary government) and its discretely presented component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Charter Township of Waterford

**Notes to Financial Statements
December 31, 2007**

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or segment (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes billed during the month of December will be used to finance the following year's operations. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Private sector standards of accounting issued before December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to apply private sector standards issued after November 30, 1989 for its Enterprise Funds.

Charter Township of Waterford

Notes to Financial Statements December 31, 2007

Note I - Summary of Significant Accounting Policies (Continued)

Property taxes, licenses, and interest are susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in 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 departments of the Township. Funding is provided primarily through a local property tax levy and through transfers in from the General Fund.
- The Improvement Revolving 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.

The Township reports the following major proprietary fund:

- The Water and Sewer Fund accounts for the activity of the water distribution system and sewage collection system. Funding is provided primarily through user charges.

Charter Township of Waterford

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the Township reports the following activities in its Internal Service Fund and fiduciary fund types:

- The Internal Service Fund is 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's Internal Service Fund - Motor Pool Fund has been established to account for costs associated with vehicles purchased by the Township and used by all departments within the Township.
- The Pension Trust Funds account for the activities of employee benefit plans that accumulate resources for pension payments to qualified employees and is reported as a fiduciary fund.
- 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary 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.

Property Tax Revenue

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

Charter Township of Waterford

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

The Township's 2006 tax is levied and collectible on December 1, 2006 and is recognized as revenue in the year ended December 31, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the Charter Township of Waterford totaled \$2.6 billion, on which ad valorem taxes levied consisted of 3.8478 mills for operating purposes, 2.7875 mills for the police, 2.3439 mills for the fire, .9118 mills for the library, and .4000 mills for debt on the public safety building. This resulted in \$9.94 million for operating purposes, \$7.24 million for the police, \$6.09 million for the fire, \$2.37 million for the library, and \$1.04 million for debt on the public safety building. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as tax revenue.

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

Assets, Liabilities, and Net Assets or Equity

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.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Charter Township of Waterford

Notes to Financial Statements December 31, 2007

Note I - Summary of Significant Accounting Policies (Continued)

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

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

Building and improvements	15-40 years
Infrastructure	40 years
Lines and laterals	75 years
Machinery and office equipment, vehicles, and other	3-13 years

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy that employees earn sick and vacation pay benefits on their anniversary date and it must be used within one year. The government-wide and proprietary fund statements accrue all vacation and personal pay as it is earned, and sick pay as it is used or vested (whichever is earlier). A liability for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off, or employees terminate).

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 assets. Bond premiums and discounts, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Charter Township of Waterford

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted sources.

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.

Note 2 - Stewardship, Compliance, and Accountability

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

Cumulative shortfall - January 1, 2007	\$ (2,069,196)
Current year building permit revenue	442,910
Construction Code expenses - Related expenses - Direct costs	<u>875,726</u>
Cumulative shortfall - December 31, 2007	<u>\$ (2,502,012)</u>

Charter Township of Waterford

Notes to Financial Statements December 31, 2007

Note 3 - Deposits and Investments

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

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

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

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$50,691,460 in bank deposits (certificates of deposit, checking, and savings accounts). Of that amount, \$1,312,612 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Charter Township of Waterford

Notes to Financial Statements December 31, 2007

Note 3 - Deposits and Investments (Continued)

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 or less maturity. At year end, the average maturities of investments are as follows:

Investment Type	Fair Value	Less than 1 Year	0-5 Years	6-10 Years	10 Years and More
Primary Government					
Mortgage backed - FHLMC	\$ 940,000	\$ 500,000	\$ 440,000	\$ -	\$ -
Fiduciary Funds					
Corporate Asset Backed	228,127	-	115,155	83,616	29,356
Corporate Bonds	7,706,245	-	3,710,224	3,314,223	681,798
Collateralized Mortgage Obligations	1,047,712	-	104,219	-	943,493
Foreign Bonds	1,050,496	-	535,729	324,881	189,886
U.S. Government Agencies	2,222,090	1,745,707	296,052	180,331	-
U.S. Government Collateralized Mortgage Obligations	137,847	-	-	-	137,847
U.S. Government - Mortgage Backed	11,748,863	-	-	-	11,748,863

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:

	Fair Value	Rating	Rating Organization
Primary Government	\$ 940,000	AAA	S&P
Fiduciary Funds	12,976,000	Not rated	N/A
	8,512,000	AAA	S&P
	2,403,000	AA	S&P
	2,579,000	A	S&P
	3,168,000	BBB	S&P
	27,000	BB	S&P
	389,000	CCC	S&P

Charter Township of Waterford

Notes to Financial Statements December 31, 2007

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk - The Township places no limit on the amount the Township may invest in any one issuer. The Township has more than 5 percent of its investments in the following:

Fiduciary Funds

United States Treasury NTS	9.24%
State Street All International Allocation	10.91%
Comerica	6.50%
Julius Baer	13.36%

Note 4 - Capital Assets

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

	Balance January 1, 2007	Reclassifications *	Additions	Disposals and Adjustments	Balance December 31, 2007
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 26,978,428	\$ -	\$ -	\$ -	\$ 26,978,428
Construction in progress	1,334,630	-	7,500	(1,334,630)	7,500
Subtotal	28,313,058		7,500	(1,334,630)	26,985,928
Capital assets being depreciated:					
Infrastructure	11,421,965	-	397,879	(37,248)	11,782,596
Buildings and improvements	30,804,494	(1,649,762)	1,217,035	-	30,371,767
Machinery and office equipment, vehicles, and other	19,813,512	1,649,762	1,896,434	(394,371)	22,965,337
Subtotal	62,039,971	-	3,511,348	(431,619)	65,119,700
Accumulated depreciation:					
Infrastructure	9,076,373	-	304,049	-	9,380,422
Buildings and improvements	8,937,869	(998,588)	440,513	-	8,379,794
Machinery and office equipment, vehicles, and other	12,908,639	998,588	1,813,541	(301,526)	15,419,242
Subtotal	30,922,881	-	2,558,103	(301,526)	33,179,458
Net capital assets being depreciated	31,117,090	-	953,245	(130,093)	31,940,242
Net governmental activities capital assets	\$ 59,430,148	\$ -	\$ 960,745	\$ (1,464,723)	\$ 58,926,170

* Various capital assets were reclassified between building and improvements and machinery and equipment categories during 2007.

Charter Township of Waterford

Notes to Financial Statements December 31, 2007

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2007	Additions	Disposals and Adjustments	Balance December 31, 2007
Capital assets not being depreciated:				
Land	\$ 3,455,491	\$ -	\$ -	\$ 3,455,491
Construction in progress	<u>1,465,518</u>	<u>3,731,947</u>	<u>(1,197,658)</u>	<u>3,999,807</u>
Subtotal	4,921,009	3,731,947	(1,197,658)	7,455,298
Capital assets being depreciated:				
Lines and laterals	82,542,736	3,798,557	-	86,341,293
Buildings and improvements	25,265,009	-	-	25,265,009
Machinery and office equipment, vehicles, and other	<u>7,067,476</u>	<u>212,210</u>	<u>(32,648)</u>	<u>7,247,038</u>
Subtotal	114,875,221	4,010,767	(32,648)	118,853,340
Accumulated depreciation:				
Lines and laterals	30,062,122	2,372,011	-	32,434,133
Buildings and improvements	6,222,147	558,617	-	6,780,764
Machinery and office equipment, vehicles, and other	<u>5,048,222</u>	<u>531,740</u>	<u>(32,648)</u>	<u>5,547,314</u>
Subtotal	<u>41,332,491</u>	<u>3,462,368</u>	<u>(32,648)</u>	<u>44,762,211</u>
Net capital assets being depreciated	<u>73,542,730</u>	<u>548,399</u>	<u>-</u>	<u>74,091,129</u>
Net business-type capital assets	<u>\$ 78,463,739</u>	<u>\$ 4,280,346</u>	<u>\$ (1,197,658)</u>	<u>\$ 81,546,427</u>

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

Governmental activities:

General government	\$ 883,304
Public safety - Police	305,079
Public safety - Fire	264,799
District court	37,013
Community and economic development	13,724
Recreation and culture	<u>1,054,184</u>

Total governmental activities \$ 2,558,103

Business-type activities - Water and sewer \$ 3,462,368

Charter Township of Waterford

Notes to Financial Statements December 31, 2007

Note 4 - Capital Assets (Continued)

Construction Commitments - The Township has active construction projects at year end. The projects include the rehabilitation of sewer lines, water treatment, and well expansion projects. At year end, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Clinton River Pump Station Rehabilitation	\$ 359,980	\$ 326,020
Water Treatment Facilities	253,000	5,667,000
Pontiac Lake Road Water Main	62,096	230,240
Marian Street Pump Station	194,786	250,982
Water Supply Well Hess Hathaway Farm	142,050	94,700
Lateral Sewer Lining	<u>733,012</u>	<u>720,888</u>
Total	<u>\$ 1,744,924</u>	<u>\$ 7,289,830</u>

Note 5 - Interfund Receivables, Payables, and Transfers

There are no interfund receivables or payables outstanding at December 31, 2007.

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

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Fire Fund	\$ 2,450,000
	Police Fund	6,400,000
	Nonmajor governmental funds	5,000
	Water and Sewer Fund	<u>122,513</u>
	Total General Fund	8,977,513
Nonmajor governmental funds	Fire Fund	19,071
	Police fund	<u>351</u>
	Total nonmajor governmental funds	19,422
Water and Sewer Fund	General Fund	<u>24,043</u>
	Total	<u>\$ 9,020,978</u>

Charter Township of Waterford

Notes to Financial Statements December 31, 2007

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

The transfers from the General Fund to the Fire Fund and the Police Fund represent transfers of unrestricted resources to finance operations of the fire and police departments in accordance with budgetary authorizations.

Note 6 - Deferred Revenue

Statement of Net Assets - On the statement of net assets, the deferred revenue in the governmental activities represents property taxes levied on December 1, 2007, but recognized as revenue in the year ending December 31, 2008, when the proceeds of the levy are budgeted and available for financing operations.

Governmental Funds Balance Sheet - Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue recorded on the governmental funds balance sheet are as follows:

	Unavailable	Unearned	Total
Property taxes	\$ 338,473	\$ 27,911,067	\$ 28,249,540
Special assessments and other	3,589,261	-	3,589,261
Total	<u>\$ 3,927,734</u>	<u>\$ 27,911,067</u>	<u>\$ 31,838,801</u>

Note 7 - Long-term Debt

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

Charter Township of Waterford

Notes to Financial Statements December 31, 2007

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:							
General Obligation Bonds:							
General Obligation Bonds - Series 1998:							
Amount of issue - \$7,000,000	4.10% -	\$200,000 -					
Maturing through 2018	4.15%	\$725,000	\$ 5,475,000	\$ -	\$ (250,000)	\$ 5,225,000	\$ 275,000
General Obligation Bonds - Series 1999:							
Amount of issue - \$7,000,000	4.75% -	\$225,000 -					
Maturing through 2018	5.00%	\$725,000	5,875,000	-	(275,000)	5,600,000	300,000
General Obligation Limited Tax Bonds -							
Capital Improvement Bonds - Series 2004:							
Amount of issue - \$465,000	2.00% -	\$110,000 -					
Maturing through 2008	2.30%	\$135,000	245,000	-	(110,000)	135,000	135,000
General Obligation Limited Tax Bonds -							
Capital Improvement Bonds - Series 2005:							
Amount of issue - \$220,000	3.30% -	\$50,000 -					
Maturing through 2008	3.875%	\$70,000	150,000	-	(50,000)	100,000	50,000
General Obligation Limited Tax Bonds -							
Capital Improvement Bonds - Series 2005-B:							
Amount of issue - \$2,000,000	3.30% -	\$105,000 -					
Maturing through 2008	3.875%	\$175,000	1,895,000	-	(105,000)	1,790,000	110,000
General Obligation Limited Tax Bonds -							
Capital Improvement Bonds - Series 2006:							
Amount of issue - \$535,000	3.65% -	\$130,000 -					
Maturing through 2010	4.000%	\$135,000	535,000	-	(130,000)	405,000	135,000
General Obligation Limited Tax Bonds -							
Capital Improvement Bonds - Series 2007-A:							
Amount of issue - \$490,000		\$120,000 -					
Maturing through 2011	4.00%	\$125,000	-	490,000	-	490,000	120,000
Special Assessment Bonds:							
Special Assessment Bonds - Series 1994-A:							
Amount of issue - \$755,000	4.50% -						
Maturing through 2009	5.00%	\$80,000	240,000	-	(80,000)	160,000	80,000
Lapham Road Special Assessment Bonds - 2001:							
Amount of issue - \$88,000	4.50% -						
Maturing through 2011	6.75%	\$10,000	50,000	-	(10,000)	40,000	10,000
Other long-term obligations:							
Employee compensated absences			1,679,046	1,743,780	(1,679,046)	1,743,780	1,743,780
Estimated liability for workers' compensation claims (Note 10)			635,702	159,011	(276,712)	518,001	159,015
Estimated liability for general liability claims (Note 10)			269,597	156,071	(269,597)	156,071	156,071
Total governmental activities			17,049,345	2,548,862	(3,235,355)	16,362,852	3,273,866

Charter Township of Waterford

Notes to Financial Statements December 31, 2007

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities							
County Contract Obligations:							
Cap. Improvement Bond - Series 2003:							
Amount of issue - \$5,000,000	2.00%	\$170,000 -					
Maturing through 2023	4.50%	\$365,000	\$ 4,485,000	\$ -	\$ (185,000)	\$ 4,300,000	\$ 195,000
Sewer Relief Fund - Series 2007-B:							
Amount of issue - \$3,745,000		160000 -					
Maturing through 2027	1.625%	\$215,000	-	980,745	-	980,745	160,000
Drinking Water Relief Fund - Series 2007-C:							
Amount of Issue - \$8,905,000		360000 -					
Maturing through 2028	2.125%	\$540,000	-	870,563	-	870,563	-
Employee-compensated absences			215,591	209,509	(215,591)	209,509	209,509
Total business-type activities			4,700,591	2,060,817	(400,591)	6,360,817	564,509
Total business-type and governmental activities			\$ 21,749,936	\$ 4,609,679	\$ (3,635,946)	\$ 22,723,669	\$ 3,838,375

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

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

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 1,215,000	\$ 593,024	\$ 1,808,024	\$ 355,000	\$ 174,312	\$ 529,312
2009	1,160,000	543,918	1,703,918	278,404	171,325	449,729
2010	1,110,000	493,811	1,603,811	289,382	164,465	453,847
2011	1,055,000	446,633	1,501,633	301,180	156,584	457,764
2012	1,000,000	401,308	1,401,308	312,158	147,811	459,969
2013-2017	6,455,000	1,221,850	7,676,850	1,720,283	597,340	2,317,623
2018-2022	1,950,000	73,769	2,023,769	2,071,920	299,769	2,371,689
2023-2027	-	-	-	770,190	16,425	786,615
2028	-	-	-	52,791	-	52,791
Total	\$ 13,945,000	\$ 3,774,313	\$ 17,719,313	\$ 6,151,308	\$ 1,728,031	\$ 7,879,339

Charter Township of Waterford

Notes to Financial Statements December 31, 2007

Note 8 - Pension Plans

Plan Descriptions

The Township administers two single-employer defined benefit pension plans: the Police and Fire Retirement System and the Regular Employees' Retirement System.

The Police and Fire Retirement System covers all full-time police and fire employees and the Regular Employees' Retirement System covers all other full-time employees of the Township. Both systems provide retirement benefits as well as death and disability benefits. Neither plan publishes a separate financial report.

At December 31, 2006, the date of the most recent actuarial valuation, membership consisted of the following:

	Police and Fire Retirement System	Regular Employees' Retirement System
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	89	117
Current active employees	<u>135</u>	<u>178</u>
Total membership	<u><u>224</u></u>	<u><u>295</u></u>

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

The obligation to contribute to and maintain the systems for these employees was established by negotiation with the Township's competitive bargaining units. The Police and Fire Retirement System requires a contribution from substantially all member employees of 5 percent of gross wages. The Regular Employees' Retirement System allows contributions from employees in order to purchase credit for military time. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Charter Township of Waterford

Notes to Financial Statements December 31, 2007

Note 8 - Pension Plans (Continued)

Annual Pension Costs - For the year ended December 31, 2007, the Township's annual pension cost of \$2,775,163 for the Police and Fire Retirement System and \$1,475,885 for the Regular Employees' Retirement System was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006 using the entry actual age cost method. Significant actuarial assumptions used include a 7.0 percent investment rate of return, and projected salary increases ranging from 4.1 percent to 11.9 percent and 4.5 percent to 7.7 percent for the Police and Fire Retirement System and for the Regular Employees' Retirement System, respectively. The projected salary increases include an inflation factor of 4.0 percent and 4.5 percent for the Police and Fire Retirement System and for the Regular Employees' Retirement System, respectively. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions on a closed basis for the Police and Fire Retirement System and for the Regular Employees' Retirement System. The remaining amortization period is 25 years for the Police and Fire Retirement System and 27 years for the Regular Employees' Retirement System.

Reserves - As of December 31, 2007, the plans' legally required reserves have been fully funded as follows:

Police and Fire Retirement System:	
Reserve for employees' contributions	\$ 11,811,824
Reserve for employer contributions	24,277,249
Reserve for retired benefit payments	<u>33,509,188</u>
Total Police and Fire Retirement System	69,598,261
Regular Employees' Retirement System:	
Reserve for employees' contributions	1,687,009
Reserve for employer contributions	31,727,184
Reserve for retired benefit payments	<u>18,772,581</u>
Total Regular Employees' Retirement System	<u>52,186,774</u>
Total reserves	<u>\$ 121,785,035</u>

Charter Township of Waterford

Notes to Financial Statements December 31, 2007

Note 8 - Pension Plans (Continued)

Financial Statement Information - As of December 31, 2007, the statement of net assets for the pension plans is as follows:

	Pension Trust Funds		
	Police and Fire Pension	Regular Employees' Pension	Total
Assets			
Cash and cash equivalents	\$ 217,307	\$ 171,680	\$ 388,987
Investments:			
U.S. government securities	10,434,704	7,268,824	17,703,528
Corporate bonds	6,243,196	2,389,964	8,633,160
Fixed income funds	1,808,232	290,116	2,098,348
Common stocks	27,872,404	26,788,558	54,660,962
Foreign stocks	2,719,312	1,147,854	3,867,166
ADR	497,733	-	497,733
Mutual funds	9,300,184	5,708,206	15,008,390
Real estate investment trust	375,146	29,755	404,901
Pension manager short-term funds	4,510,426	792,964	5,303,390
Investments held by broker-dealer and banks under securities lending:			
U.S. government securities	284,771	3,190,972	3,475,743
U.S. equities	5,377,020	4,428,184	9,805,204
Securities lending short-term collateral bank investment pools	<u>5,917,507</u>	<u>7,825,586</u>	<u>13,743,093</u>
Total assets	<u>75,557,942</u>	<u>60,032,663</u>	<u>135,590,605</u>
Liabilities			
Accounts payable	42,174	20,303	62,477
Amounts due to broker under securities lending agreement	<u>5,917,507</u>	<u>7,825,586</u>	<u>13,743,093</u>
Total liabilities	<u>5,959,681</u>	<u>7,845,889</u>	<u>13,805,570</u>
Net Assets - Reserved			
Police and Fire Pension	69,598,261	-	69,598,261
Regular Employees' Pension	<u>-</u>	<u>52,186,774</u>	<u>52,186,774</u>
Total net assets	<u>\$ 69,598,261</u>	<u>\$ 52,186,774</u>	<u>\$ 121,785,035</u>

Charter Township of Waterford

Notes to Financial Statements December 31, 2007

Note 8 - Pension Plans (Continued)

For the year ended December 31, 2007, the statement of changes in net assets for the pension plans is as follows:

	Police and Fire Pension	Regular Employees' Pension	Total
Additions			
Investment income:			
Interest and dividends	\$ 2,650,387	\$ 974,444	\$ 3,624,831
Net increase in fair value of investments	<u>2,650,556</u>	<u>3,967,787</u>	<u>6,618,343</u>
Net investment income	5,300,943	4,942,231	10,243,174
Securities lending income:			
Interest and fees	270,414	365,133	635,547
Less borrower rebates and bank fees	<u>(258,898)</u>	<u>(332,502)</u>	<u>(591,400)</u>
Net securities lending income	11,516	32,631	44,147
Contributions:			
Employer	2,775,163	1,475,885	4,251,048
Employee	<u>528,919</u>	<u>38,683</u>	<u>567,602</u>
Total contributions	3,304,082	1,514,568	4,818,650
Deductions			
Benefit payments	3,384,869	1,892,576	5,277,445
Administrative expenses	<u>124,668</u>	<u>-</u>	<u>124,668</u>
Total deductions	<u>3,509,537</u>	<u>1,892,576</u>	<u>5,402,113</u>
Net Increase	5,107,004	4,596,854	9,703,858
Net Assets Held in Trust for Pension and Other Employee Benefits			
Beginning of year	<u>64,491,257</u>	<u>47,589,920</u>	<u>112,081,177</u>
End of year	<u>\$ 69,598,261</u>	<u>\$ 52,186,774</u>	<u>\$ 121,785,035</u>

Charter Township of Waterford

Notes to Financial Statements December 31, 2007

Note 8 - Pension Plans (Continued)

Three-year Trend Information

	Fiscal Year Ended December 31		
	2005	2006	2007
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 2,975,839	\$ 2,968,691	\$ 2,775,163
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None
Regular Employees' Retirement System:			
Annual pension costs (APC)	\$ 1,696,164	\$ 1,574,175	\$ 1,475,885
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None

The information presented above was determined as part of the actuarial valuations at the dates indicated.

Note 9 - Postemployment Benefits

The Township provides healthcare benefits to all full-time employees upon retirement or to individuals receiving system disability pensions, in accordance with various labor contracts. Currently, 198 individuals are eligible. 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. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due; during the year, this amounted to \$2,922,787.

Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions).

The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending December 31, 2008.

Charter Township of Waterford

Notes to Financial Statements December 31, 2007

Note 10 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefit claims and 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. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

The Township estimates the liability for general liability and workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability		Workers' Compensation	
	2007	2006	2007	2006
Estimated liability - Beginning of year	\$ 269,597	\$ 337,205	\$ 635,702	\$ 439,609
Estimated claims incurred, including changes in estimates	1,525,176	1,718,536	41,318	439,721
Claim payments	<u>(1,638,702)</u>	<u>(1,786,144)</u>	<u>(159,019)</u>	<u>(243,628)</u>
Estimated liability - End of year	<u>\$ 156,071</u>	<u>\$ 269,597</u>	<u>\$ 518,001</u>	<u>\$ 635,702</u>
Estimated current portion	\$ 156,071	\$ 269,597	\$ 159,015	\$ 276,712
Estimated long-term portion	<u>-</u>	<u>-</u>	<u>358,986</u>	<u>358,990</u>
Total estimated liability	<u>\$ 156,071</u>	<u>\$ 269,597</u>	<u>\$ 518,001</u>	<u>\$ 635,702</u>

Required Supplemental Information

Charter Township of Waterford

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 9,990,346	\$ 10,150,346	\$ 10,135,473	\$ (14,873)
State sources	6,235,800	6,045,800	6,081,569	35,769
Special assessments	411,000	411,000	411,725	725
Licenses and permits	696,500	441,500	445,912	4,412
Fines and forfeitures	2,349,000	1,912,000	1,891,256	(20,744)
Charges for services	2,048,861	1,988,861	1,966,538	(22,323)
Interest income	350,000	350,000	242,956	(107,044)
Cable revenue	600,000	644,000	644,891	891
Transfer in	-	-	24,043	24,043
Other	133,700	420,700	431,730	11,030
Total revenues	22,815,207	22,364,207	22,276,093	(88,114)
Expenditures				
General government:				
Township board	50,234	50,234	50,424	(190)
Supervisor and assessing	845,173	845,173	819,507	25,666
Elections	32,410	32,410	4,080	28,330
Clerk	577,459	577,459	523,219	54,240
Personnel	303,985	303,985	241,786	62,199
General services	1,681,521	1,620,521	1,532,183	88,338
Retiree benefits	1,147,545	1,097,545	1,080,568	16,977
Information services	485,891	498,891	486,518	12,373
Treasurer	594,576	594,576	558,504	36,072
Facilities and operations	1,380,006	1,380,006	1,407,730	(27,724)
Total general government	7,098,800	7,000,800	6,704,519	296,281
District Court	2,516,410	2,516,410	2,454,269	62,141
Public safety - School crossing guards	75,355	75,355	59,488	15,867
Planning department	1,369,988	1,326,463	1,310,578	15,885
Health and welfare	100,000	100,000	95,192	4,808
Parks and recreation	2,181,650	2,181,650	2,128,239	53,411
Debt service	174,530	174,530	174,755	(225)
Transfers to other funds:				
Police Fund	6,900,000	6,400,000	6,400,000	-
Fire Fund	2,450,000	2,450,000	2,450,000	-
Nonmajor governmental funds	5,000	5,000	5,000	-
Water and Sewer Fund	122,513	122,513	122,513	-
Total charges to appropriations	22,994,246	22,352,721	21,904,553	448,168
Net Change in Fund Balance	(179,039)	11,486	371,540	360,054
Fund Balance - Beginning of year	1,365,898	1,365,898	1,365,898	-
Fund Balance - End of year	\$ 1,186,859	\$ 1,377,384	\$ 1,737,438	\$ 360,054

Charter Township of Waterford

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended December 31, 2007

	Police Fund			Variance with Amended Budget Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
Revenues				
Property taxes	\$ 7,213,000	\$ 7,247,000	\$ 7,247,874	\$ 874
State sources	71,000	85,000	103,285	18,285
Federal sources	-	-	2,800	2,800
Licenses and permits	35,000	35,000	34,844	(156)
Fines and forfeitures	49,500	81,500	90,602	9,102
Charges for services	70,000	65,000	65,331	331
Interest income	240,000	267,000	410,477	143,477
Other	142,500	88,500	94,742	6,242
Transfer from other funds	6,900,000	6,400,000	6,400,351	351
Total revenues	14,721,000	14,269,000	14,450,306	181,306
Expenditures				
Public safety - Police	14,499,845	13,894,845	13,560,046	334,799
Capital outlay	341,500	641,100	471,155	169,945
Total expenditures	14,841,345	14,535,945	14,031,201	504,744
Net Change in Fund Balance	(120,345)	(266,945)	419,105	686,050
Fund Balance - Beginning of year	1,106,391	1,106,391	1,106,391	-
Fund Balance - End of year	<u>\$ 986,046</u>	<u>\$ 839,446</u>	<u>\$ 1,525,496</u>	<u>\$ 686,050</u>

Charter Township of Waterford

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended December 31, 2007

	Fire Fund			Variance with Amended Budget Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
Revenues				
Property taxes	\$ 6,065,000	\$ 6,094,000	\$ 6,094,243	\$ 243
Charges for services	282,297	312,297	354,506	42,209
Interest income	150,000	150,000	264,918	114,918
Other	95,000	275,000	317,380	42,380
Transfer from other funds	2,450,000	2,450,000	2,469,071	19,071
Total revenues	9,042,297	9,281,297	9,500,118	218,821
Expenditures				
Public safety - Fire	8,976,074	9,186,074	9,120,544	65,530
Capital outlay	94,500	87,582	69,845	17,737
Total expenditures	9,070,574	9,273,656	9,190,389	83,267
Net Change in Fund Balance	(28,277)	7,641	309,729	302,088
Fund Balance - Beginning of year	565,638	565,638	565,638	-
Fund Balance - End of year	<u>\$ 537,361</u>	<u>\$ 573,279</u>	<u>\$ 875,367</u>	<u>\$ 302,088</u>

Charter Township of Waterford

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended December 31, 2007

	Improvement Revolving Fund			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
State and local sources	\$ 25,000	\$ 25,000	\$ 10,000	\$ (15,000)
Interest income	10,000	10,000	149,084	139,084
Other	49,000	34,000	108,782	74,782
Total revenues	84,000	69,000	267,866	198,866
Expenditures				
Capital outlay	321,000	1,061,000	745,952	315,048
Other	60,000	75,000	29,846	45,154
Total expenditures	381,000	1,136,000	775,798	360,202
Net Change in Fund Balance	(297,000)	(1,067,000)	(507,932)	559,068
Fund Balance - Beginning of year	2,492,693	2,492,693	2,492,693	-
Fund Balance - End of year	\$ 2,195,693	\$ 1,425,693	\$ 1,984,761	\$ 559,068

Charter Township of Waterford

Required Supplemental Information Pension System Schedule of Funding Progress December 31, 2007

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
Police and Fire Retirement System						
2001	\$ 50,700,000	\$ 57,700,000	\$ 7,000,000	87.9	\$ 8,800,000	79.5
2002	50,300,000	62,200,000	11,900,000	80.9	9,200,000	129.3
2003	50,600,000	67,600,000	17,000,000	74.9	10,500,000	161.9
2004	52,300,000	68,700,000	16,400,000	76.1	10,000,000	164.0
2005	55,400,000	75,100,000	19,700,000	73.8	10,150,000	194.1
2006	61,200,000	78,600,000	17,400,000	77.9	9,900,000	175.8
Regular Employees' Retirement System						
2001	\$ 41,200,000	\$ 36,700,000	\$ (4,500,000)	112.3	\$ 8,900,000	(50.6)
2002	40,800,000	39,900,000	(900,000)	102.0	9,400,000	(9.6)
2003	41,600,000	44,300,000	2,700,000	94.0	9,500,000	28.4
2004	42,900,000	45,500,000	2,600,000	94.0	9,000,000	28.9
2005	43,300,000	46,300,000	3,000,000	93.5	8,100,000	37.0
2006	47,000,000	48,200,000	1,200,000	97.5	8,100,000	14.8

Charter Township of Waterford

Required Supplemental Information Pension System Schedule of Funding Progress (Continued) December 31, 2007

The schedule of employer contributions is as follows:

Police and Fire Retirement System

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2002	\$ 2,153,300	100.0
2003	2,510,091	100.0
2004	3,078,138	100.0
2005	2,975,839	100.0
2006	2,968,691	100.0
2007	2,775,163	100.0

Regular Employees' Retirement System

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2002	\$ 994,059	100.0
2003	1,487,005	100.0
2004	1,780,444	100.0
2005	1,696,164	100.0
2006	1,574,175	100.0
2007	1,475,885	100.0

Additional information as of December 31, 2006, the latest actuarial valuation, follows:

Police and Fire Retirement System

Actuarial cost method	Entry age
Amortization method	Closed level percentage of payroll
Amortization period (perpetual)	25 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases*	4.1% - 11.9%
*Includes inflation at	4.0%

Regular Employees' Retirement System

Actuarial cost method	Entry age
Amortization method	Closed level percentage of payroll
Amortization period (perpetual)	27 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases*	4.5% - 7.7%
*Includes inflation at	4.5%

Charter Township of Waterford

Notes to Required Supplemental Information December 31, 2007

Note 1 - Reconciliation of Budgeted Amounts to Basic Financial Statements

The budgetary comparison schedules for the General and Major Special Revenue Funds are presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budgetary comparison schedule to the governmental funds (statement of revenues, expenditures, and changes in fund balances):

	General Fund		Police Fund		Fire Fund	
	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 22,252,050	\$ 12,927,040	\$ 8,049,955	\$ 14,031,201	\$ 7,031,047	\$ 9,190,389
Operating transfers budgeted as revenue and expenditures	24,043	8,977,513	6,400,351	-	2,469,071	-
Amounts per budget statement	<u>\$ 22,276,093</u>	<u>\$ 21,904,553</u>	<u>\$ 14,450,306</u>	<u>\$ 14,031,201</u>	<u>\$ 9,500,118</u>	<u>\$ 9,190,389</u>

Note 2 - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds except that operating transfers 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.

Charter Township of Waterford

Notes to Required Supplemental Information December 31, 2007

Note 2 - Budgetary Information (Continued)

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

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

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

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

Other Supplemental Information

Charter Township of Waterford

Description of Nonmajor Governmental Funds Year Ended December 31, 2007

Special Revenue Funds

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

Bike Path Fund - This fund accounts for donations received from the public for the development of the Township's bike path system through land acquisition and infrastructure development.

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

Library Fund - This fund accounts for specific property taxes and related revenues 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.

Workers' Compensation Fund - This fund is used to provide financial stability in the case of a catastrophic workers' compensation claim. This fund was established in the 1980s when the Township converted to a self-insured insurance program.

Cemetery Care Fund - This fund is used to account for the revenue of the sales of grave sites and interments. The funds are used for the annual expense of cemetery maintenance.

Weed Control Funds - These funds are used to account for revenues 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.

Health Benefits Fund - This fund was created to finance the ongoing expenses associated with providing health benefits to the Township's retired employees. This fund receives contributions from other funds to build a reserve that will eventually generate sufficient income for the annual expense of retiree health benefits.

Charter Township of Waterford

Description of Nonmajor Governmental Funds (Continued) Year Ended December 31, 2007

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

Cable Commission Fund - This fund was created to account for the cable-related activities of the Township. The Township receives a franchise fee from Comcast annually.

Debt Service Fund

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

Capital Projects Funds

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

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

Police and Fire Building Fund - This fund accounts for the capital purchases and construction of the police and fire buildings by the Township.

Internal Service Fund

This fund accounts for the costs of acquiring and maintaining Township-operated vehicles used by various Township departments. The actual cost of labor and materials is reimbursed to this fund by the user departments through fees.

Charter Township of Waterford

Description of Nonmajor Governmental Funds (Continued) Year Ended December 31, 2007

Trust and Agency Funds

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

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

Pension Trust Funds - The Township operates two retirement systems, which are accounted for in two separate funds. These funds include the Regular Employees' Pension Fund, covering all full-time regular employees (excluding sworn police and fire employees), and the Police and Fire Pension Fund, which covers sworn police and fire employees.

Charter Township of Waterford

	Special Revenue Funds						
	Bike Path	Community Development Block Grant	Library	Library Donations	Workers' Compensation	Cemetery Care	Weed Control
Assets							
Cash and investments	\$ 186,203	\$ 211,970	\$ 2,121,172	\$ 82,076	\$ 597,867	\$ 94,422	\$ 214,975
Receivables:							
Taxes	-	-	1,185,651	-	-	-	-
Special assessments	-	-	-	-	-	-	34,503
Due from other governmental units	-	77,952	-	-	-	-	-
Rehabilitation loan receivable	-	1,233,177	-	-	-	-	-
Other	-	-	-	-	-	-	80,929
Total assets	<u>\$ 186,203</u>	<u>\$ 1,523,099</u>	<u>\$ 3,306,823</u>	<u>\$ 82,076</u>	<u>\$ 597,867</u>	<u>\$ 94,422</u>	<u>\$ 330,407</u>
Liabilities and Fund Balance							
Liabilities							
Accounts payable	\$ -	\$ 27,892	\$ 35,092	\$ 1,860	\$ -	\$ -	\$ 9
Accrued and other liabilities	-	3,262	27,417	-	-	-	-
Deferred revenue	-	1,233,177	2,472,968	-	-	-	255,014
Total liabilities	-	1,264,331	2,535,477	1,860	-	-	255,023
Fund Balance - Unreserved							
Designated for subsequent year's expenditures	44,027	-	56,374	24,000	-	-	-
Undesignated	142,176	258,768	714,972	56,216	597,867	94,422	75,384
Total fund balances	<u>186,203</u>	<u>258,768</u>	<u>771,346</u>	<u>80,216</u>	<u>597,867</u>	<u>94,422</u>	<u>75,384</u>
Total liabilities and fund balance	<u>\$ 186,203</u>	<u>\$ 1,523,099</u>	<u>\$ 3,306,823</u>	<u>\$ 82,076</u>	<u>\$ 597,867</u>	<u>\$ 94,422</u>	<u>\$ 330,407</u>

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2007**

Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
Police Restricted Use	Health Benefits	Nature Center	Cable Commission	Debt Service Fund	S.A.D. Road Paving	Police and Fire Building	
\$ 505,115	\$ 5,538,965	\$ 709,011	\$ 239,418	\$ 892,760	\$ 185,125	\$ -	\$ 11,579,079
-	-	-	-	-	-	-	1,185,651
-	-	-	-	-	25,839	-	60,342
-	-	-	-	-	-	-	77,952
-	-	-	-	-	-	-	1,233,177
-	-	-	-	520,136	-	-	601,065
\$ 505,115	\$ 5,538,965	\$ 709,011	\$ 239,418	\$ 1,412,896	\$ 210,964	\$ -	\$ 14,737,266
\$ 12,025	\$ -	\$ -	\$ 62	\$ -	\$ -	\$ -	\$ 76,940
-	-	-	891	-	-	-	31,570
-	-	-	-	1,084,873	25,839	-	5,071,871
12,025	-	-	953	1,084,873	25,839	-	5,180,381
106,900	-	-	31,671	-	-	-	262,972
386,190	5,538,965	709,011	206,794	328,023	185,125	-	9,293,913
493,090	5,538,965	709,011	238,465	328,023	185,125	-	9,556,885
\$ 505,115	\$ 5,538,965	\$ 709,011	\$ 239,418	\$ 1,412,896	\$ 210,964	\$ -	\$ 14,737,266

Charter Township of Waterford

Special Revenue Funds

	Bike Path	Community Development Block Grant	Library	Library Donations	Workers' Compensation	Cemetery Care	Weed Control
Revenue							
Property taxes	\$ -	\$ -	\$ 2,370,747	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-	-
Intergovernmental revenue:							
State sources	-	-	57,155	-	-	-	-
Federal sources	-	539,706	-	-	-	-	-
Charges for services	-	-	57,881	-	-	-	-
Fines and fees	-	-	148,073	-	-	5,400	-
Interest	12,514	-	116,435	-	27,100	3,935	-
Miscellaneous revenue	-	-	3,500	20,829	-	-	11,645
Total revenue	12,514	539,706	2,753,791	20,829	27,100	9,335	11,645
Expenditures							
General government	-	-	-	-	627	-	-
Public safety - Police	-	-	-	-	-	-	-
Public works	24,346	-	-	-	-	-	-
Community and economic development	-	522,310	-	-	-	-	-
Recreation and culture	-	-	2,404,983	27,170	-	-	-
Capital expenditures	-	-	254,544	32,768	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	24,346	522,310	2,659,527	59,938	627	-	-
Excess of Revenue Over (Under) Expenditures	(11,832)	17,396	94,264	(39,109)	26,473	9,335	11,645
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	-	5,000	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	5,000	-
Net Change in Fund Balances	(11,832)	17,396	94,264	(39,109)	26,473	14,335	11,645
Fund Balances - Beginning of year	198,035	241,372	677,082	119,325	571,394	80,087	63,739
Fund Balances - End of year	\$ 186,203	\$ 258,768	\$ 771,346	\$ 80,216	\$ 597,867	\$ 94,422	\$ 75,384

**Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2007**

Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
Police Restricted Use	Health Benefits	Nature Center	Cable Commission	Debt Service Fund	S.A.D. Road Paving	Police and Fire Building	
\$ -	\$ -	\$ -	\$ -	\$ 1,038,520	\$ -	\$ -	
-	-	-	-	-	34,537	-	34,537
-	-	-	-	-	-	-	57,155
-	-	-	-	-	-	-	539,706
-	-	-	-	-	-	-	57,881
-	-	-	-	-	-	-	153,473
-	317,093	32,954	17,689	28,092	11,844	844	568,500
<u>119,334</u>	<u>34,900</u>	<u>-</u>	<u>118,411</u>	<u>715</u>	<u>-</u>	<u>-</u>	<u>309,334</u>
119,334	351,993	32,954	136,100	1,067,327	46,381	844	5,129,853
-	-	-	155,404	-	-	-	156,031
201,363	-	-	-	-	-	-	201,363
-	-	-	-	-	-	-	24,346
-	-	29,900	-	-	-	-	552,210
-	-	-	-	-	-	-	2,432,153
-	-	-	-	-	-	38	287,350
-	-	-	-	<u>1,033,931</u>	<u>102,529</u>	<u>-</u>	<u>1,136,460</u>
<u>201,363</u>	<u>-</u>	<u>29,900</u>	<u>155,404</u>	<u>1,033,931</u>	<u>102,529</u>	<u>38</u>	<u>4,789,913</u>
(82,029)	351,993	3,054	(19,304)	33,396	(56,148)	806	339,940
-	-	-	-	-	-	-	5,000
(351)	-	-	-	-	-	(19,071)	(19,422)
(351)	-	-	-	-	-	(19,071)	(14,422)
(82,380)	351,993	3,054	(19,304)	33,396	(56,148)	(18,265)	325,518
<u>575,470</u>	<u>5,186,972</u>	<u>705,957</u>	<u>257,769</u>	<u>294,627</u>	<u>241,273</u>	<u>18,265</u>	<u>9,231,367</u>
<u>\$ 493,090</u>	<u>\$ 5,538,965</u>	<u>\$ 709,011</u>	<u>\$ 238,465</u>	<u>\$ 328,023</u>	<u>\$ 185,125</u>	<u>\$ -</u>	<u>\$ 9,556,885</u>

Charter Township of Waterford

Combining Statement of Net Assets Fiduciary Funds December 31, 2007

	Pension Trust Funds		
	Police and Fire	Regular	Total
	Pension	Employees' Pension	
Assets			
Cash and cash equivalents	\$ 217,307	\$ 171,680	\$ 388,987
Investments:			
U.S. government securities	10,434,704	7,268,824	17,703,528
Corporate bonds	6,243,196	2,389,964	8,633,160
Fixed income funds	1,808,232	290,116	2,098,348
Common stocks	27,872,404	26,788,558	54,660,962
Foreign stocks	2,719,312	1,147,854	3,867,166
ADR	497,733	-	497,733
Mutual funds	9,300,184	5,708,206	15,008,390
Real estate investment trust	375,146	29,755	404,901
Pension manager short-term funds	4,510,426	792,964	5,303,390
Investments held by broker-dealer and banks under securities lending:			
U.S. government securities	284,771	3,190,972	3,475,743
U.S. equities	5,377,020	4,428,184	9,805,204
Securities lending short-term collateral bank investment pools	5,917,507	7,825,586	13,743,093
Total assets	75,557,942	60,032,663	135,590,605
Liabilities			
Accounts payable	42,174	20,303	62,477
Amounts due to broker under securities lending agreement	5,917,507	7,825,586	13,743,093
Total liabilities	5,959,681	7,845,889	13,805,570
Net Assets - Reserved			
Police and Fire Pension	69,598,261	-	69,598,261
Regular Employees' Pension	-	52,186,774	52,186,774
Total net assets	<u>\$ 69,598,261</u>	<u>\$ 52,186,774</u>	<u>\$ 121,785,035</u>

Charter Township of Waterford

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended December 31, 2007

	Police and Fire Pension	Regular Employees' Pension	Total
Additions			
Investment income:			
Interest and dividends	\$ 2,650,387	\$ 974,444	\$ 3,624,831
Net increase in fair value of investments	<u>2,650,556</u>	<u>3,967,787</u>	<u>6,618,343</u>
Net investment income	5,300,943	4,942,231	10,243,174
Securities lending income:			
Interest and fees	270,414	365,133	635,547
Less borrower rebates and bank fees	<u>(258,898)</u>	<u>(332,502)</u>	<u>(591,400)</u>
Net securities lending income	11,516	32,631	44,147
Contributions:			
Employer	2,775,163	1,475,885	4,251,048
Employee	<u>528,919</u>	<u>38,683</u>	<u>567,602</u>
Total contributions	3,304,082	1,514,568	4,818,650
Deductions			
Benefit payments	3,384,869	1,892,576	5,277,445
Administrative expenses	<u>124,668</u>	<u>-</u>	<u>124,668</u>
Total deductions	<u>3,509,537</u>	<u>1,892,576</u>	<u>5,402,113</u>
Net Increase	5,107,004	4,596,854	9,703,858
Net Assets Held in Trust for Pension and Other Employee Benefits			
Beginning of year	<u>64,491,257</u>	<u>47,589,920</u>	<u>112,081,177</u>
End of year	<u>\$ 69,598,261</u>	<u>\$ 52,186,774</u>	<u>\$ 121,785,035</u>

Charter Township of Waterford

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds Year Ended December 31, 2007

	Bike Path Fund			Variance with Amended Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Licenses - Bikes	\$ 100	\$ 100	\$ -	\$ (100)
Interest revenue	3,000	3,000	12,514	9,514
Total revenues	3,100	3,100	12,514	9,414
Expenditures - Bike path expense	39,202	39,202	24,346	14,856
Net Change in Fund Balance	(36,102)	(36,102)	(11,832)	24,270
Fund Balance - Beginning of year	198,035	198,035	198,035	-
Fund Balance - End of year	\$ 161,933	\$ 161,933	\$ 186,203	\$ 24,270

Charter Township of Waterford

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended December 31, 2007

	Library Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Property taxes	\$ 2,359,000	\$ 2,359,000	\$ 2,370,747	\$ 11,747
State sources	50,000	50,000	57,155	7,155
Charges for services	77,175	77,175	57,881	(19,294)
Fines and fees	123,000	123,000	148,073	25,073
Interest	27,000	27,000	116,435	89,435
Miscellaneous	-	-	3,500	3,500
Total revenues	<u>2,636,175</u>	<u>2,636,175</u>	<u>2,753,791</u>	<u>117,616</u>
Expenditures				
Library expense	2,494,731	2,524,731	2,404,983	119,748
Capital outlay	<u>296,300</u>	<u>331,300</u>	<u>254,544</u>	<u>76,756</u>
Total expenditures	<u>2,791,031</u>	<u>2,856,031</u>	<u>2,659,527</u>	<u>196,504</u>
Net Change in Fund Balance	(154,856)	(219,856)	94,264	314,120
Fund Balance - Beginning of year	<u>677,082</u>	<u>677,082</u>	<u>677,082</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 522,226</u></u>	<u><u>\$ 457,226</u></u>	<u><u>\$ 771,346</u></u>	<u><u>\$ 314,120</u></u>

Charter Township of Waterford

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended December 31, 2007

	Library Donations Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues - Contribution - Library donations	\$ 12,000	\$ 12,000	\$ 20,829	\$ 8,829
Expenditures				
Supplies - Books, magazines, etc.	15,000	30,000	27,170	2,830
Capital - Computer	4,000	38,000	32,768	5,232
Total expenditures	19,000	68,000	59,938	8,062
Net Change in Fund Balance	(7,000)	(56,000)	(39,109)	16,891
Fund Balance - Beginning of year	119,325	119,325	119,325	-
Fund Balance - End of year	<u>\$ 112,325</u>	<u>\$ 63,325</u>	<u>\$ 80,216</u>	<u>\$ 16,891</u>

Charter Township of Waterford

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended December 31, 2007

	Workers' Compensation Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues - Interest	\$ 12,000	\$ 12,000	\$ 27,100	\$ 15,100
Expenditures	500	500	627	(127)
Net Change in Fund Balance	11,500	11,500	26,473	14,973
Fund Balance - Beginning of year	571,394	571,394	571,394	-
Fund Balance - End of year	\$ 582,894	\$ 582,894	\$ 597,867	\$ 14,973

Charter Township of Waterford

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended December 31, 2007

	Cemetery Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Contribution - General Fund	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Fines and fees	-	-	5,400	5,400
Interest revenue	-	-	3,935	3,935
Total revenues	5,000	5,000	14,335	9,335
Expenditures	-	-	-	-
Net Change in Fund Balance	5,000	5,000	14,335	9,335
Fund Balance - Beginning of year	80,087	80,087	80,087	-
Fund Balance - End of year	<u>\$ 85,087</u>	<u>\$ 85,087</u>	<u>\$ 94,422</u>	<u>\$ 9,335</u>

Charter Township of Waterford

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended December 31, 2007

	Police Restricted Use Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Criminal justice	\$ 18,000	\$ 18,000	\$ 16,995	\$ (1,005)
State sources	6,000	6,000	9,566	3,566
Vehicle inspection	100	100	-	(100)
State drug seizure	50,000	50,000	55,053	5,053
Federal drug seizure	-	-	1,438	1,438
Community drug seizure	-	-	310	310
Interest	10,000	10,000	35,972	25,972
	<u>84,100</u>	<u>84,100</u>	<u>119,334</u>	<u>35,234</u>
Total revenues	84,100	84,100	119,334	35,234
Expenditures				
Banking services	500	500	-	500
Criminal justice training	18,000	29,000	33,119	(4,119)
PSAP training	10,000	10,000	1,745	8,255
Drug seizure expense	200,000	105,000	81,654	23,346
Federal drug seizure expense	2,000	12,000	10,000	2,000
Vehicle inspection expense	1,000	1,000	-	1,000
Community police	2,000	2,000	1,238	762
Capital - Computer equipment	-	2,000	1,683	317
Capital - Vehicles	-	72,000	71,924	76
Transfer out/Police Fund	-	-	351	(351)
	<u>233,500</u>	<u>233,500</u>	<u>201,714</u>	<u>31,786</u>
Total expenditures	233,500	233,500	201,714	31,786
Net Change in Fund Balance	(149,400)	(149,400)	(82,380)	67,020
Fund Balance - Beginning of year	<u>575,470</u>	<u>575,470</u>	<u>575,470</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 426,070</u>	<u>\$ 426,070</u>	<u>\$ 493,090</u>	<u>\$ 67,020</u>

Charter Township of Waterford

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended December 31, 2007

	Health Benefits Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Interest revenue - Investments	\$ 50,000	\$ 50,000	\$ 317,093	\$ 267,093
Contribution - Health care	34,900	34,900	34,900	-
Total revenues	84,900	84,900	351,993	267,093
Expenditures	-	-	-	-
Net Change in Fund Balance	84,900	84,900	351,993	267,093
Fund Balance - Beginning of year	5,186,972	5,186,972	5,186,972	-
Fund Balance - End of year	<u>\$ 5,271,872</u>	<u>\$ 5,271,872</u>	<u>\$ 5,538,965</u>	<u>\$ 267,093</u>

Note: This fund will not be used for payments until a program to fund retiree health care is designed.

Charter Township of Waterford

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended December 31, 2007

	Cable Commission Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Interest revenue	\$ 4,000	\$ 4,000	\$ 17,689	\$ 13,689
Contribution - Comcast cable	110,000	110,000	118,294	8,294
Miscellaneous revenue	-	-	117	117
Total revenues	114,000	114,000	136,100	22,100
Expenditures - Cable expenses	161,098	161,098	155,404	5,694
Net Change in Fund Balance	(47,098)	(47,098)	(19,304)	27,794
Fund Balance - Beginning of year	257,769	257,769	257,769	-
Fund Balance - End of year	<u>\$ 210,671</u>	<u>\$ 210,671</u>	<u>\$ 238,465</u>	<u>\$ 27,794</u>

Charter Township of Waterford

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended December 31, 2007

	Debt Service Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Tax revenue	\$ 1,035,000	\$ 1,035,000	\$ 1,038,520	\$ 3,520
Interest revenue	8,000	8,000	715	(7,285)
Miscellaneous revenue	-	-	28,092	28,092
Total revenues	1,043,000	1,043,000	1,067,327	24,327
Expenditures				
Principal - Police and fire bonds	475,000	475,000	525,000	50,000
Interest - Police and fire bonds	530,890	530,890	508,331	(22,559)
Agent fees	600	600	600	-
Total expenditures	1,006,490	1,006,490	1,033,931	27,441
Net Change in Fund Balance	36,510	36,510	33,396	(3,114)
Fund Balance - Beginning of year	294,627	294,627	294,627	-
Fund Balance - End of year	<u>\$ 331,137</u>	<u>\$ 331,137</u>	<u>\$ 328,023</u>	<u>\$ (3,114)</u>

Charter Township of Waterford

Other Supplemental Information Statement of Changes in Assets and Liabilities Agency Funds Fiscal Year Ended December 31, 2007

	Balance January 1, 2007	Additions	Deletions	Balance December 31, 2007
<u>Tax Collections</u>				
Assets - Cash and investments	\$ 2,334,077	\$ 126,444,641	\$ 127,805,903	\$ 972,815
Liabilities				
Due to other governmental units	\$ 2,268,859	\$ 1,049,735	\$ 2,431,581	\$ 887,013
Accrued and other liabilities	65,218	85,802	65,218	85,802
Total liabilities	\$ 2,334,077	\$ 1,135,537	\$ 2,496,799	\$ 972,815
<u>Other Agency Funds</u>				
Assets - Cash and investments	\$ 1,458,082	\$ 1,915,439	\$ 2,354,956	\$ 1,018,565
Liabilities				
Due to other governmental units	\$ 5,638	\$ 4,099	\$ 9,737	\$ -
Accrued and other liabilities	37,612	1,087,839	1,071,315	54,136
Bonds and other deposits	1,414,832	777,350	1,227,753	964,429
Total liabilities	\$ 1,458,082	\$ 1,869,288	\$ 2,308,805	\$ 1,018,565
<u>Total Agency Funds</u>				
Assets - Cash and investments	\$ 3,792,159	\$ 128,360,080	\$ 130,160,859	\$ 1,991,380
Liabilities				
Due to other governmental units	\$ 2,274,497	\$ 1,053,834	\$ 2,441,318	\$ 887,013
Accrued and other liabilities	102,830	1,173,641	1,136,533	139,938
Bonds and other deposits	1,414,832	777,350	1,227,753	964,429
Total liabilities	\$ 3,792,159	\$ 3,004,825	\$ 4,805,604	\$ 1,991,380

Statistical Section

Charter Township of Waterford

Contents

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

1. Financial Trend Information

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

2. Revenue Capacity Information

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

3. Debt Capacity Information

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

4. Demographic and Economic Information

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

5. Operating Information

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

Charter Township of Waterford

Financial Trend Information Net Assets by Component

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental Activities					
Invested in capital assets -					
Net of related debt	\$ 47,758,699	\$ 46,760,305	\$ 44,198,627	\$ 46,058,221	\$ 44,981,170
Restricted	4,448,658	4,414,219	4,271,716	4,475,349	4,414,765
Unrestricted	8,168,739	7,867,683	12,528,472	11,093,570	13,283,124
Total net assets	<u>\$ 60,376,096</u>	<u>\$ 59,042,207</u>	<u>\$ 60,998,815</u>	<u>\$ 61,627,140</u>	<u>\$ 62,679,059</u>
Business-type Activities					
Invested in capital assets -					
Net of related debt	\$ 62,534,177	\$ 72,853,886	\$ 71,907,630	\$ 73,978,739	\$ 75,395,119
Restricted	692,679	-	-	-	-
Unrestricted	32,725,006	21,836,410	22,455,525	19,737,391	17,301,411
Total net assets	<u>\$ 95,951,862</u>	<u>\$ 94,690,296</u>	<u>\$ 94,363,155</u>	<u>\$ 93,716,130</u>	<u>\$ 92,696,530</u>
Primary Government in Total					
Invested in capital assets -					
Net of related debt	\$ 110,292,876	\$ 117,920,686	\$ 116,106,257	\$ 120,036,960	\$ 120,376,289
Restricted	5,141,337	4,271,716	4,271,716	4,475,349	4,414,765
Unrestricted	40,893,745	33,001,574	34,983,997	30,830,961	30,584,535
Total net assets	<u>\$ 156,327,958</u>	<u>\$ 155,193,976</u>	<u>\$ 155,361,970</u>	<u>\$ 155,343,270</u>	<u>\$ 155,375,589</u>

Note: In fiscal year 2003, the Township adopted GASB No. 34 and began reporting a government-wide statement of net assets.

Source: Township annual financial statements

Charter Township of Waterford

Financial Trend Information Changes in Governmental Net Assets (Unaudited)

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
General government	\$ 5,649,672	\$ 7,357,935	\$ 5,466,726	\$ 5,985,100	\$ 5,939,155
District Court	3,140,799	2,418,173	2,317,176	2,348,464	2,294,339
Police	14,014,063	14,453,835	13,966,141	14,602,844	14,029,527
Fire and EMS	8,104,381	8,576,925	9,080,398	9,410,857	9,372,779
Building inspections	1,590,632	1,473,563	1,470,193	1,256,223	1,410,631
Community and economic activities	2,342,490	1,937,745	1,961,479	1,884,356	1,866,519
Recreation and culture	5,176,747	4,290,005	4,981,226	5,431,483	5,643,072
Public works activities	684,653	610,748	553,056	1,423,014	355,029
Interest on long-term debt	765,496	743,442	629,171	654,854	624,659
Total expenses	41,468,933	41,862,371	40,425,566	42,997,195	41,535,710
Program Revenues					
Charges for services:					
General government	1,254,061	2,112,398	2,457,109	2,947,828	2,976,906
District Court	2,418,119	2,448,511	2,064,928	1,800,703	1,693,652
Police	270,735	253,299	188,869	221,735	232,082
Fire	299,416	419,675	441,416	628,435	552,688
Building inspections	668,000	713,689	809,922	819,910	604,994
Recreation and culture	1,489,629	1,106,966	936,919	1,063,868	945,881
Community and economic activities	261,846	262,316	297,423	190,251	167,659
Other activities	514,872	439,569	475,639	452,038	446,262
Total charges for services	7,176,678	7,756,423	7,672,225	8,124,768	7,620,124
Operating grants and contributions	1,291,768	919,783	2,742,244	1,785,443	694,940
Total program revenues	8,468,446	8,676,206	10,414,469	9,910,211	8,315,064
Excess of Expenses Over Program Revenues	(33,000,487)	(33,186,165)	(30,011,097)	(33,086,984)	(33,220,646)
General Revenues					
Property taxes	22,552,041	23,361,991	24,789,201	26,212,941	26,572,411
State-shared revenues	6,597,657	6,103,011	6,238,324	6,014,902	6,007,200
Investment earnings	448,991	412,640	955,972	1,525,435	1,677,529
Franchise fees	668,750	653,945	-	-	-
Miscellaneous	98,846	219,889	107,725	253,538	113,895
Transfers	-	-	(123,517)	(123,513)	(98,470)
Total general revenues	30,366,285	30,751,476	31,967,705	33,883,303	34,272,565
Change in Net Assets	\$ (2,634,202)	\$ (2,434,689)	\$ 1,956,608	\$ 796,319	\$ 1,051,919

Note: In fiscal year 2003, the Township adopted GASB No. 34 and began reporting a governmental-wide statement of net assets.

Source: Township annual financial statements

Charter Township of Waterford

	Fiscal Year			
	1998	1999	2000	2001
Operating Revenue				
Water usage billings	\$ 3,393,269	\$ 3,469,481	\$ 3,170,208	\$ 3,273,165
Sewage disposal charges	6,165,698	6,510,088	6,625,930	7,161,780
Hydrant rental	2,342	2,855	1,074	1,305
Meter charges	101,465	100,875	79,322	59,524
Charges for services	83,850	75,560	151,477	243,174
State sources	-	-	-	-
Total operating revenue	9,746,624	10,158,859	10,028,011	10,738,948
Operating Expenses				
Cost of water	1,782,820	1,813,183	1,683,118	1,609,646
Cost of sewage disposal	2,808,344	3,235,232	3,630,939	3,750,735
Operation and maintenance costs	530,232	1,622,868	1,274,760	1,482,038
General and administrative costs	2,473,430	2,732,318	2,499,109	2,893,828
Depreciation	2,561,966	2,752,309	2,932,916	3,139,592
Other services and charges	-	-	-	-
Total operating expenses	10,156,792	12,155,910	12,020,842	12,875,839
Operating Loss	(410,168)	(1,997,051)	(1,992,831)	(2,136,891)
Nonoperating Revenue (Expenses)				
Property taxes	1,204,892	428,751	452,505	484,389
Investment income	2,510,333	2,958,472	3,271,897	2,114,190
Interest expense	(1,974,883)	(1,690,838)	(1,391,671)	(1,158,526)
Total nonoperating revenue (expenses)	1,740,342	1,696,385	2,332,731	1,440,053
Income (Loss) - Before contributions	1,330,174	(300,666)	339,900	(696,838)
Transfers In (Out) - Net	-	-	-	-
Capital Contributions	-	-	-	1,314,651
Change in Net Assets	<u>\$ 1,330,174</u>	<u>\$ (300,666)</u>	<u>\$ 339,900</u>	<u>\$ 617,813</u>

Source: Township annual financial statements

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

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 3,436,532	\$ 3,301,757	\$ 3,538,589	\$ 4,063,895	\$ 4,262,268	\$ 4,485,952
8,021,301	8,497,681	8,599,796	8,740,176	8,733,548	9,260,007
1,020	1,173	1,200	1,162	900	1,993
62,926	52,537	38,165	46,150	39,150	33,712
257,741	295,499	264,737	157,204	275,271	184,124
-	17,940	14,283	84,496	269,320	509,898
11,779,520	12,166,587	12,456,770	13,093,083	13,580,457	14,475,686
1,708,453	1,938,057	1,889,388	1,919,760	1,850,357	1,929,798
4,593,631	5,176,929	5,262,612	5,306,515	5,483,009	5,445,964
1,370,232	1,550,088	1,159,545	907,518	1,010,788	1,264,007
2,657,727	3,560,230	4,057,731	4,427,857	4,573,889	4,674,404
3,295,361	2,641,377	2,780,684	3,151,550	3,299,725	3,462,368
-	62,537	244	-	186	125
13,625,404	14,929,218	15,150,204	15,713,200	16,217,954	16,776,666
(1,845,884)	(2,762,631)	(2,693,434)	(2,620,117)	(2,637,497)	(2,300,980)
205,810	-	-	-	-	-
1,118,394	418,198	641,651	589,824	1,000,197	721,961
(684,503)	(454,023)	(330,667)	(173,999)	(171,412)	(173,580)
639,701	(35,825)	310,984	415,825	828,785	548,381
(1,206,183)	(2,798,456)	(2,382,450)	(2,204,292)	(1,808,712)	(1,752,599)
-	-	-	123,517	123,513	98,470
1,793,900	1,171,875	1,120,884	1,753,634	1,038,174	634,529
\$ 587,717	\$ (1,626,581)	\$ (1,261,566)	\$ (327,141)	\$ (647,025)	\$ (1,019,600)

Charter Township of Waterford

Financial Trend Information Changes in Business-type Net Assets Last Five Fiscal Years (Unaudited)

	2003	2004	2005	2006	2007
Program Expense - Water and Sewer	\$ 15,375,696	\$ 15,467,186	\$ 15,879,285	\$ 16,329,147	\$ 16,933,587
Program Revenues					
Charges for services:					
Water	3,301,757	3,538,589	4,063,895	4,262,268	4,485,952
Sewer	8,497,681	8,599,796	8,740,176	8,733,548	9,260,007
Other	261,526	210,256	196,602	255,102	203,170
Total charges for services	12,060,964	12,348,641	13,000,673	13,250,918	13,949,129
Operating grants and contributions	-	-	-	-	326,099
Capital grants and contributions	1,189,815	1,135,167	1,838,130	1,307,494	818,328
Total program revenues	13,250,779	13,483,808	14,838,803	14,558,412	15,093,556
Net Expense	(2,124,917)	(1,983,378)	(1,040,482)	(1,770,735)	(1,840,031)
General Revenues					
Unrestricted investment earnings	418,198	641,651	589,824	1,000,197	721,961
Miscellaneous	80,138	80,161	-	-	-
Transfers	-	-	123,517	123,513	98,470
Total general revenues	498,336	721,812	713,341	1,123,710	820,431
Change in Net Assets	\$ (1,626,581)	\$ (1,261,566)	\$ (327,141)	\$ (647,025)	\$ (1,019,600)

Source: Township annual financial statements

Charter Township of Waterford

	Fiscal Year			
	1998	1999	2000	2001
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	4,337,219	5,054,292	5,248,738	4,691,515
Total General Fund	<u>\$ 4,337,219</u>	<u>\$ 5,054,292</u>	<u>\$ 5,248,738</u>	<u>\$ 4,691,515</u>
All Other Governmental Funds				
Reserved	\$ 124,497	\$ 146,203	\$ 196,662	\$ 302,515
Unreserved, reported in:				
Special Revenue Funds	6,650,403	8,753,712	9,027,022	9,089,043
Capital Project Funds	6,724,059	10,525,231	6,717,904	1,124,555
Debt Service Funds	216	152,195	280,709	413,357
Total General Fund and all other governmental funds	<u>\$ 17,836,394</u>	<u>\$ 24,631,633</u>	<u>\$ 21,471,035</u>	<u>\$ 15,620,985</u>

Source: Township annual financial statements

	Fiscal Year			
	1998	1999	2000	2001
Revenue				
Property taxes	\$ 14,409,845	\$ 16,303,044	\$ 17,184,089	\$ 18,252,454
Intergovernmental revenue	6,852,687	7,863,217	7,937,944	8,344,620
Licenses and permits	1,457,214	1,366,294	1,077,155	1,165,095
Fines and forfeitures	3,206,278	3,186,853	2,634,526	2,814,162
Charges for services	1,249,868	1,326,703	1,432,170	1,580,763
Special assessments	559,298	524,219	657,593	715,446
Interest and miscellaneous	3,907,114	3,164,332	4,042,576	2,604,592
Total revenue	<u>31,642,304</u>	<u>33,734,662</u>	<u>34,966,053</u>	<u>35,477,132</u>
Expenditures				
Current:				
General government	7,223,149	7,001,460	7,024,331	7,526,958
Public safety	14,857,086	15,008,063	16,158,888	17,384,572
Community and economic development	2,464,456	2,431,841	2,672,870	2,689,856
Recreation and culture	3,159,891	3,307,371	3,674,439	3,965,001
Miscellaneous	193	2,032	513,173	488,004
Capital outlay	1,517,450	6,047,458	7,045,168	8,239,945
Debt administration	533,820	896,198	1,037,782	1,120,846
Total expenditures	<u>29,756,045</u>	<u>34,694,423</u>	<u>38,126,651</u>	<u>41,415,182</u>
Excess of Revenue Over (Under) Expenditures	<u>1,886,259</u>	<u>(959,761)</u>	<u>(3,160,598)</u>	<u>(5,938,050)</u>
Other Financing Sources (Uses)				
Debt issuance	7,730,000	7,755,000	-	88,000
Transfers in	7,987,642	7,675,205	8,202,940	8,651,899
Transfers out	(8,713,181)	(7,675,205)	(8,202,940)	(8,651,899)
Total other financing sources (uses)	<u>7,004,461</u>	<u>7,755,000</u>	<u>-</u>	<u>88,000</u>
Net Change in Fund Balances	<u>8,890,720</u>	<u>6,795,239</u>	<u>(3,160,598)</u>	<u>(5,850,050)</u>
Fund Balances - Beginning of year	<u>8,945,674</u>	<u>17,836,394</u>	<u>24,631,633</u>	<u>21,471,035</u>
Fund Balances - End of year	<u>\$ 17,836,394</u>	<u>\$ 24,631,633</u>	<u>\$ 21,471,035</u>	<u>\$ 15,620,985</u>
Debt service as a percentage of noncapital expenditures	2.28%	1.89%	3.13%	3.34%

Source: Township annual financial statements

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

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 140,412	\$ -	\$ -	\$ -	\$ -	\$ -
2,322,497	764,627	1,347,204	1,885,305	1,365,898	1,737,438
\$ 2,462,909	\$ 764,627	\$ 1,347,204	\$ 1,885,305	\$ 1,365,898	\$ 1,737,438
\$ 331,358	\$ 117,641	\$ 179,293	\$ 567,117	\$ 575,470	\$ 493,090
11,366,438	10,634,792	9,323,330	12,301,546	12,266,454	12,936,271
641,380	519,173	435,036	396,736	259,538	185,125
370,741	336,053	305,245	286,406	294,627	328,023
\$ 15,172,826	\$ 12,372,286	\$ 11,590,108	\$ 15,437,110	\$ 14,761,987	\$ 15,679,947

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

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 19,687,111	\$ 22,396,355	\$ 23,388,467	\$ 24,586,576	\$ 25,627,849	\$ 26,886,857
8,325,431	7,827,753	7,620,465	8,158,010	7,716,269	6,794,515
1,075,998	1,092,417	1,170,341	1,316,715	1,377,918	1,151,351
2,658,430	2,778,621	2,764,971	2,459,084	2,132,806	2,135,331
1,984,950	2,238,494	2,315,956	2,281,763	2,450,490	2,444,256
621,018	514,872	489,562	475,639	452,038	446,262
4,230,603	1,782,200	2,301,714	4,278,487	2,877,024	2,860,554
38,583,541	38,630,712	40,051,476	43,556,274	42,634,394	42,719,126
7,998,661	7,554,150	7,519,259	7,491,459	7,891,992	7,779,594
18,968,282	21,427,773	22,184,623	22,227,359	22,875,205	22,941,441
2,839,461	3,866,987	3,449,228	3,494,062	3,164,900	3,390,156
4,499,079	4,504,373	4,045,750	4,073,698	4,342,933	4,548,647
499,936	123,515	140,705	91,876	22,661	29,846
2,597,818	2,798,810	2,324,405	1,015,745	3,426,996	1,701,797
1,114,713	1,155,646	1,169,684	1,191,556	1,461,317	1,311,215
38,517,950	41,431,254	40,833,654	39,585,755	43,186,004	41,702,696
65,591	(2,800,542)	(782,178)	3,970,519	(551,610)	1,016,430
-	-	-	-	-	-
9,821,595	10,128,971	10,157,922	9,045,878	9,825,333	8,898,465
(9,821,595)	(10,128,971)	(10,157,922)	(9,169,395)	(9,948,846)	(8,996,935)
-	-	-	(123,517)	(123,513)	(98,470)
65,591	(2,800,542)	(782,178)	3,847,002	(675,123)	917,960
15,107,235	15,172,826	12,372,284	11,590,106	15,437,110	14,761,987
\$ 15,172,826	\$ 12,372,284	\$ 11,590,106	\$ 15,437,108	\$ 14,761,987	\$ 15,679,947
3.38%	3.10%	2.99%	3.03%	3.04%	3.28%

Charter Township of Waterford

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

Fiscal Year	General Property Taxes	Inter-governmental Revenue	Special Assessments (1)	Licenses and Permits	Fines and Fees	Charges for Services	Interest and Miscellaneous	Total Revenue
1998	\$ 14,409,845	\$ 6,852,687	\$ 559,298	\$ 1,457,214	\$ 3,206,278	\$ 1,249,868	\$ 3,907,114	\$ 31,642,304
1999	16,303,044	7,863,217	524,219	1,366,294	3,186,853	1,326,703	3,164,332	33,734,662
2000	17,184,089	7,937,944	657,593	1,077,155	2,634,526	1,432,170	4,042,576	34,966,053
2001	18,252,454	8,344,620	715,446	1,165,095	2,814,162	1,580,763	2,604,592	35,477,132
2002	19,687,111	8,325,431	621,018	1,075,998	2,658,430	1,984,950	4,230,603	38,583,541
2003	22,396,355	7,827,753	514,872	1,092,417	2,778,621	2,238,494	1,782,200	38,630,712
2004	23,388,467	7,620,465	489,562	1,170,341	2,764,971	2,315,956	2,301,714	40,051,476
2005	24,586,576	8,158,010	475,639	1,316,715	2,459,084	2,281,763	4,278,487	43,556,274
2006	25,627,849	7,716,269	452,038	1,377,918	2,132,806	2,450,490	2,877,024	42,634,394
2007	26,886,857	6,794,515	446,262	1,151,351	2,135,331	2,444,256	2,860,554	42,719,126

Note: Includes all governmental type funds

(1) Streetlight special assessment district revenue was reclassified in 2003 as special revenue. It was previously classified as property tax or charges for services. Figures adjusted appropriate retrospectively.

Source: Township annual financial statements

General Government Expenditure History Last Ten Fiscal Years (Unaudited)

Fiscal Year	General Government	Public Safety	Community and Economic Development	Recreation and Culture	Capital Outlay	Debt Admin.	Miscellaneous	Total Expenditures
1998	\$ 7,223,149	\$ 14,857,086	\$ 2,464,456	\$ 3,159,891	\$ 1,517,450	\$ 533,820	\$ 193	\$ 29,756,045
1999	7,001,460	15,008,063	2,431,841	3,307,371	6,047,458	896,198	2,032	34,694,423
2000	7,024,331	16,158,888	2,672,870	3,674,439	7,045,168	1,037,782	513,173	38,126,651
2001	7,526,958	17,384,572	2,689,856	3,965,001	8,239,945	1,120,846	488,004	41,415,182
2002	7,998,661	18,968,282	2,839,461	4,499,079	2,597,818	1,114,713	499,936	38,517,950
2003	7,554,150	21,427,773	3,866,987	4,504,373	2,798,810	1,155,646	123,515	41,431,254
2004	7,519,259	22,184,623	3,449,228	4,045,750	2,324,405	1,169,684	140,705	40,833,654
2005	7,491,459	22,227,359	3,494,062	4,073,698	1,015,745	1,191,556	91,876	39,585,755
2006	7,891,992	22,875,205	3,164,900	4,342,933	3,426,996	1,461,317	22,661	43,186,004
2007	7,779,594	22,941,441	3,390,156	4,548,647	1,701,797	1,311,215	29,846	41,702,696

Note: Includes all governmental fund types under modified accrual accounting

Sources: Township annual financial statements

Charter Township of Waterford

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

Fiscal Year	Reserved Fund Balance	Unreserved Fund Balance	Annual Expenditures and Transfers	Unreserved Fund Balance as a Percentage of Expenditures
1998	\$ -	\$ 4,337,219	\$ 19,204,196	22.58
1999	-	5,054,292	19,092,154	26.47
2000	-	5,248,738	19,614,367	26.76
2001	-	4,691,515	20,890,575	22.46
2002	140,412	2,322,497	23,095,019	10.06
2003	-	764,627	23,212,395	3.29
2004	-	1,347,204	21,384,170	6.30
2005	-	1,885,305	21,247,096	8.87
2006	-	1,365,898	22,725,374	6.01
2007	-	1,737,438	21,904,553	7.93

Source: Township annual financial statements

Charter Township of Waterford

Taxable Value by Property Type (1)

Real Property

Tax Year	Residential	Commercial	Industrial	Agricultural and Other (2)	Personal	Total Value
1998	\$ 1,255,954,065	\$ 326,788,447	\$ 21,310,640	\$ 1,723,750	\$ 110,876,400	\$ 1,716,653,302
1999	1,346,725,814	335,524,748	21,909,200	1,723,750	115,101,750	1,820,985,262
2000	1,445,624,295	349,602,576	22,121,770	1,723,750	118,682,730	1,937,755,121
2001	1,563,454,800	352,382,784	23,522,830	1,778,880	116,892,340	2,058,031,634
2002	1,670,148,742	369,627,586	24,345,490	1,835,760	115,308,430	2,181,266,008
2003	1,749,878,017	391,207,486	24,995,290	1,863,250	104,792,550	2,272,736,593
2004	1,847,604,772	406,505,656	25,447,140	1,906,060	105,809,290	2,387,272,918
2005	1,944,638,194	427,990,950	27,655,360	1,906,060	94,325,738	2,496,516,302
2006	2,046,492,471	432,424,770	28,434,040	-	93,628,050	2,600,979,331
2007	2,137,418,630	450,182,860	29,799,090	-	94,781,830	2,712,182,410

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

(2) Under Michigan law, a change in 2006, agricultural land was no longer paid, thus land value reclassified to commercial.

Source: Township Assessing Department records

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

Tax Rate (Mills)	Estimated Actual Value	Taxable Value as a Percent of Total
9.64	\$ 3,858,302,800	44.49
9.64	4,225,790,490	43.09
9.64	4,604,816,370	42.08
9.64	4,992,462,168	41.22
10.27	5,420,599,136	40.24
10.27	5,820,022,586	39.05
10.31	6,156,606,896	38.78
10.29	6,334,238,440	39.42
10.29	6,505,309,618	39.98
10.29	6,610,412,160	41.03

Charter Township of Waterford

Tax Year	Millage Rates - Direct Township Taxes			Overlapping Taxes				
	General Operating (1)	Debt	Total Direct Taxes	County	Community College	Intermediate School District	School - Principal (3)	School - Nonprincipal (3)
1998	8.8919	0.7500	9.6419	4.6564	1.6456	2.1208	9.1700	27.1700
1999	8.8919	0.7500	9.6419	4.6522	1.6300	2.1100	9.1700	27.1700
2000	8.8919	0.7500	9.6419	4.6478	1.6109	2.0752	9.1700	27.1700
2001	9.1419	0.5000	9.6419	4.6438	1.5952	2.0543	9.1700	27.1700
2002	9.8719	0.4000	10.2719	4.6523	1.6090	3.4224	9.1700	27.1700
2003	9.8719	0.4000	10.2719	4.6497	1.5983	3.3991	8.6700	26.6700
2004	9.9074	0.4000	10.3074	4.6476	1.5889	3.3789	9.6700	27.6700
2005	9.8910	0.4000	10.2910	4.6461	1.5844	3.3690	9.6700	27.6700
2006	9.8910	0.4000	10.2910	4.6461	1.5844	3.3690	9.6700	27.6700
2007	9.8910	0.4000	10.2910	4.6461	1.5844	3.3690	9.6700	27.6700

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

(2) Previously termed homestead and nonhomestead

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

Source: Township Treasurer's Office records.

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

Total Tax Rate (2)

<u>Principal</u>	<u>Nonprincipal</u>
27.2347	45.2347
27.2041	45.2041
27.1458	45.1458
27.1052	45.1052
29.1256	47.1256
28.5890	46.5890
29.5928	47.5928
29.5605	47.5605
29.5605	47.5605
29.5605	47.5605

Charter Township of Waterford

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

Taxpayer	Type of Business	2006 Taxable Value	Percentage of Total	1997 Taxable Value	Percentage of Total	1997 Rank
1 Detroit Edison	Utility	\$ 25,036,610	0.96	\$ 17,806,070	1.04	2
2 General Motors	Manufacturing	13,602,460	0.52	11,496,880	0.67	3
3 Summit Place Mall	Retail	8,989,250	0.35	23,534,250	1.37	1
4 Cass Lake Shore Apt.	Apartment	8,720,940	0.34	6,819,390	0.40	5
5 Rivers Edge Apt.	Apartment	8,458,810	0.33	6,567,900	0.38	6
6 Rite Aid	Retail	6,844,770	0.26	-	-	-
7 Village Green	Apartment	6,720,180	0.26	5,184,320	0.30	8
8 Meijer	Retail	7,374,150	0.28	5,880,280	0.34	7
9 Consumers Energy	Utility	5,817,330	0.22	8,993,300	0.53	4
10 Regency Centers	Retail	5,536,570	0.21	-	-	-
Total		\$ 97,101,070	3.73	\$ 86,282,390	5.03	
Total Township taxable value		\$ 2,600,979,331		\$ 1,716,653,302		

Source: Waterford Township Assessing Department records

Charter Township of Waterford

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

Fiscal Year	Total Levy (1)	Current Collections (2)	Percent Collected	Delinquent Collections (3)	Total Tax Collections	Percent of Levy Collected	Delinquent Tax Receivable
1998	\$ 16,533,805	\$ 16,460,089	99.55	67,011	\$ 16,527,100	99.96	(4)
1999	17,531,845	17,452,022	99.54	46,794	17,498,816	99.81	(4)
2000	18,672,627	18,523,349	99.20	26,831	18,550,180	99.34	(4)
2001	19,855,638	19,677,518	99.10	57,924	19,735,442	99.39	(4)
2002	22,385,567	22,222,245	99.27	21,946	22,244,191	99.37	(4)
2003	23,351,686	23,286,934	99.72	26,732	23,313,666	99.84	(4)
2004	24,583,756	24,435,875	99.40	66,668	24,502,543	99.67	\$ 463,904
2005	25,485,596	23,700,073	92.99	67,393	23,767,466	93.26	588,556
2006	26,734,270	25,724,108	96.22	69,707	25,793,815	96.48	592,432
2007	27,823,546	27,824,658	100.00	58,523	27,883,181	100.21	298,298

- (1) Prior to 1998, the amount reported is the amended warrant total.
- (2) Figure includes delinquent taxes turned over to Oakland County for collections on March 1 of each year.
- (3) Prior to 2004, the amount reported is adjusted for delinquent taxes collected for that year during subsequent years.
- (4) Not available

Charter Township of Waterford

	1998	1999	2000	2001
Governmental Activities				
General obligation bonds	\$ 7,730,000	\$ 14,210,000	\$ 14,020,000	\$ 13,675,000
Installment purchase agreements	30,045	-	-	-
Special assessment bonds	150,000	865,000	795,000	763,000
Revenue bonds	-	-	-	-
Capital leases	-	-	-	-
Total	7,910,045	15,075,000	14,815,000	14,438,000
Business-type Activities				
General obligation bonds	33,852,543	28,831,837	23,579,558	18,077,280
Installment purchase agreements	-	-	-	-
Special assessment bonds	-	-	-	-
Revenue bonds	-	-	-	-
Capital leases	-	-	-	-
Total	33,852,543	28,831,837	23,579,558	18,077,280
Total debt of the government	\$ 41,762,588	\$ 43,906,837	\$ 38,394,558	\$ 32,515,280
Total taxable value	\$ 1,716,653,302	\$ 1,820,985,262	\$ 1,937,755,121	\$ 2,058,031,634
Ratio of total debt to taxable value	2.43%	2.41%	1.98%	1.58%
Total population	71,860	72,506	73,150	72,671
Total debt per capita	\$ 576	\$ 600	\$ 525	\$ 447

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

2002	2003	2004	2005	2006	2007
\$ 13,905,000	\$ 13,335,000	\$ 13,185,000	\$ 14,630,000	\$ 14,175,000	\$ 13,745,000
-	-	-	-	-	-
673,000	569,000	470,000	380,000	290,000	200,000
-	-	-	-	-	-
-	-	-	-	-	-
14,578,000	13,904,000	13,655,000	15,010,000	14,465,000	13,945,000
12,300,000	12,050,000	4,835,000	4,665,000	4,485,000	6,151,308
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12,300,000	12,050,000	4,835,000	4,665,000	4,485,000	6,151,308
\$ 26,878,000	\$ 25,954,000	\$ 18,490,000	\$ 19,675,000	\$ 18,950,000	\$ 20,096,308
\$ 2,181,266,008	\$ 2,272,736,593	\$ 2,387,272,918	\$ 2,496,516,302	\$ 2,600,979,331	\$ 2,712,182,410
1.23%	1.14%	0.77%	0.79%	0.73%	0.74%
72,192	71,713	71,234	71,082	72,444	68,258
\$ 372	\$ 362	\$ 260	\$ 277	\$ 262	\$ 294

Charter Township of Waterford

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

Fiscal Year	General Obligation Bonds	Tax-supported Bonds (1)	Less Pledged Debt Service Funds	Net General Bonded Debt	Taxable Value	Debt as a Percentage of Taxable Value	Population	Debt per Capita
1998	\$ 730,000	\$ 7,000,000	\$ 216	\$ 7,729,784	\$ 1,716,653,302	0.45	71,860	\$ 108
1999	635,000	13,575,000	152,195	14,057,805	1,820,985,262	0.77	72,506	194
2000	545,000	13,475,000	280,709	13,739,291	1,937,755,121	0.71	73,150	188
2001	450,000	13,225,000	413,357	13,261,643	2,058,031,634	0.64	72,671	182
2002	955,000	12,950,000	370,741	13,534,259	2,181,266,008	0.62	72,192	187
2003	710,000	12,625,000	336,053	12,998,947	2,272,736,593	0.57	71,713	181
2004	935,000	12,250,000	305,245	12,879,755	2,387,272,918	0.54	71,234	181
2005	2,805,000	11,825,000	286,406	14,343,594	2,496,516,302	0.57	71,082	202
2006	2,825,000	11,350,000	294,628	13,880,372	2,600,979,331	0.53	72,444	192
2007	2,920,000	10,825,000	328,023	13,416,977	2,712,182,410	0.49	68,258	197

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

(1) Bonds represent debt issued for construction of the police and fire buildings.

Source: Township annual financial statements

Charter Township of Waterford

Direct and Overlapping Debt Year Ended December 31, 2007 (Unaudited)

Governmental unit	Debt Outstanding	Estimated Percent Applicable to Waterford	Estimated Share of Overlapping Debt
Oakland County	\$ 113,451,567	4.19	\$ 4,753,621
School Districts:			
Waterford School District	128,880,000	87.59	112,885,992
Pontiac School District	34,241,000	1.60	547,856
Clarkston School District	185,846,545	2.22	4,125,793
Oakland Community College	7,965,000	4.22	336,123
Intermediate School District	55,185,000	4.20	<u>2,317,770</u>
Total overlapping debt			124,967,155
Direct Township debt	20,096,308	100.00	<u>20,096,308</u>
Total direct and overlapping debt			<u>\$ 145,063,463</u>

Source: Various taxing authorities

Charter Township of Waterford

	1998	1999	2000	2001
Calculation of Debt Limit (1)				
State equalized valuation	\$ 1,929,151,400	\$ 2,112,895,245	\$ 2,302,408,185	\$ 2,496,231,084
Debt limit (10% of equalized value)	192,915,140	211,289,525	230,240,819	249,623,108
Calculation of Debt Subject to Limit				
Total debt	41,762,588	43,906,837	38,394,558	32,515,280
Special assessment bonds	150,000	865,000	795,000	763,000
Enterprise Fund bonds	<u>33,852,543</u>	<u>28,831,837</u>	<u>23,579,558</u>	<u>18,077,280</u>
Net debt subject to limit	<u>7,760,045</u>	<u>14,210,000</u>	<u>14,020,000</u>	<u>13,675,000</u>
Legal debt margin	<u>\$ 185,155,095</u>	<u>\$ 197,079,525</u>	<u>\$ 216,220,819</u>	<u>\$ 235,948,108</u>
Net debt subject to limit as percentage of debt limit	4.19%	7.21%	6.48%	5.80%

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

Source: Township annual financial statements

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

2002	2003	2004	2005	2006	2007
\$ 2,710,299,568	\$ 2,910,011,293	\$ 3,078,303,448	\$ 3,167,119,220	\$ 3,252,654,809	\$ 3,305,206,080
271,029,957	291,001,129	307,830,345	316,711,922	325,265,481	330,520,608
26,878,000	25,954,000	18,318,479	19,675,000	18,950,000	20,096,308
673,000	569,000	470,000	380,000	290,000	200,000
<u>12,300,000</u>	<u>12,050,000</u>	<u>4,835,000</u>	<u>4,665,000</u>	<u>4,485,000</u>	<u>6,151,308</u>
<u>13,905,000</u>	<u>13,335,000</u>	<u>13,013,479</u>	<u>14,630,000</u>	<u>14,175,000</u>	<u>13,745,000</u>
<u>\$ 257,124,957</u>	<u>\$ 277,666,129</u>	<u>\$ 294,816,866</u>	<u>\$ 302,081,922</u>	<u>\$ 311,090,481</u>	<u>\$ 316,775,608</u>
5.41%	4.80%	4.41%	4.84%	4.56%	4.34%

Charter Township of Waterford

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

Fiscal Year	Population		Personal Income (in thousands)	Estimated Number of Households	Per Capita Personal Income	Median Age	Unemployment Rate
1998	71,860	(1)	(5)	(5)	(5)	(5)	(5)
1999	72,506	(1)	(5)	(5)	(5)	(5)	(5)
2000	73,150	(2)	(5)	29,389 (2)	\$ 27,432 (2)	35.5 (2)	(5)
2001	72,671	(4)	(5)	(5)	(5)	(5)	(5)
2002	72,192	(4)	(5)	(5)	(5)	(5)	(5)
2003	71,713	(4)	(5)	(5)	(5)	(5)	(5)
2004	71,234	(3)	(5)	(5)	(5)	(5)	(5)
2005	71,082	(3)	(5)	(5)	(5)	(5)	(5)
2006	72,444	(6)	(5)	30,589 (6)	26,676 (6)	41 (6)	(5)
2007	68,258	(6)	(5)	29,145 (7)	29,763 (7)	40.6 (7)	9.8 (7)

- (1) Population estimate based on straight-line amortization between 1990 and 2000 U.S. Census figures.
- (2) 2000 population from U.S. Census
- (3) Southeast Michigan Council of Governments Information Services estimate
- (4) Population estimate based on straight-line amortization between 2000 U.S. Census figures and SEMCOG estimate for 2005
- (5) Not available
- (6) 2005 Census Department - American Community Survey Data Profile Review
- (7) 2006 Census Department - American Community Survey Data Profile Review

Charter Township of Waterford

Principal Employers (Unaudited)

Taxpayer	Enterprise	2007 Employees	2006		1998 Employees	Per- centage of Total	1998 Rank
			Employees	if Ranked in Top Ten			
1 Waterford School District	Education	2,100	2,100	(1)	(1)	(1)	(1)
2 Oakland County	Government	975	975	(1)	(1)	(1)	(1)
3 Oakland International Airport	Transportation	800	800	(1)	(1)	(1)	(1)
4 Meijer	Retail	475	475	(1)	(1)	(1)	(1)
5 Township of Waterford	Government	370	370	(1)	(1)	(1)	(1)
6 Oakland Intermediary Schools	Education	305	305	(1)	(1)	(1)	(1)
7 Road Commission of Oakland County	Transportation	285	285	(1)	(1)	(1)	(1)
8 Federated Department Stores	Retail	200	200	(1)	(1)	(1)	(1)
9 Sam's Club	Retail	170	170	(1)	(1)	(1)	(1)
10 Six-S Contracting	Construction	150	150	(1)	(1)	(1)	(1)

(1) Not available

Source: Oakland County

Charter Township of Waterford

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

Department	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Supervisor/Assessing	10	10	10	10	10	10	9	9	9	9
Clerk's Office	7	7	7	7	7	7	6	6	6	6
Treasurer's Office (2)	7	7	7	7	7	7	7	7	7	7
Fiscal and Human Resources	3	4	4	4	4	4	3	3	3	3
51st District Court	32	32	34	34	35	35	35	31	31	31
Planning and Development (3)	10	10	10	15	15	15	14	12	9	8
Information Systems (2)	4	4	4	4	4	4	4	4	5	5
Facilities and Operations (4)	12	13	13	13	12	12	11	10	10	10
Building and Engineering	17	16	16	16	16	16	11	10	10	10
Parks and Recreation (5)	11	12	12	12	13	13	14	13	13	13
Police Department	116	121	121	122	117	117	112	107	104	99
Fire Department (5)	55	55	55	56	56	69	69	68	68	67
Library	14	18	18	19	20	20	20	20	21	21
Water and Sewer (4)	50	52	52	52	51	52	54	54	51	51
Community Development (3)	4	4	4	-	-	-	-	-	-	-
Hess-Hathaway Farm (6)	-	-	-	1	1	1	-	-	-	-
CAI Building (6)	-	3	3	3	3	3	-	-	-	-
Total	<u>352</u>	<u>368</u>	<u>370</u>	<u>375</u>	<u>371</u>	<u>385</u>	<u>369</u>	<u>354</u>	<u>347</u>	<u>340</u>

- (1) Full-time employees reported only, data is not available for equivalent part-time position. Data reported from January 1 of each year.
- (2) The information systems department was created in 1997. Two employees previously assigned to the treasurer's office were moved into this department.
- (3) Employees are included in the total for CPD beginning in 2001.
- (4) From 2001 to 2003, the facilities and operations and water and sewer divisions for the Department of Public Works shared an administrative position.
- (5) Waterford Township residents approved a .63 millage increase in 2002 to add 13 paramedics for an additional EMS unit.
- (6) In 2004, all operations and staff assigned to the CAI and Hess-Hathaway were moved into the parks and recreation department.

Source: Township personnel records

Charter Township of Waterford

Function/Program	1998	1999	2000	2001
Police:				
Physical arrests	2,368	2,269	2,593	2,420
Traffic violations	11,702	13,949	14,712	14,042
Non-traffic misdemeanors	1,419	1,242	1,385	1,334
Non-traffic civil infractions	10	35	48	56
Fire:				
Emergency responses	4,510	4,464	4,435	4,395
Fires extinguished	265	227	216	189
Inspections	(1)	(1)	(1)	(1)
Parks and recreation -				
Recreation programs (estimated)	437	475	500	528
Library:				
Circulation (books borrowed)	354,423	351,071	370,994	382,009
Collection volume	111,693	115,083	118,693	124,628
Visits - Walk-ins	(1)	(1)	(1)	(1)
Visits - Website	(1)	(1)	(1)	(1)
Water:				
New connections	865	679	525	434
Water main breaks	21	24	29	27
Total consumption (billed cubic feet)	363,947,897	378,919,562	343,983,636	380,505,581
Average annual consumption per customer (gallons)	84,823	80,335	73,573	87,546

(1) Information not available

Source: Township Departmental Operational Reports

Operating Information
Operating Indicators
Last Ten Fiscal Years (Unaudited)

2002	2003	2004	2005	2006	2007
2,601	2,245	2,367	2,023	2,668	2,144
16,235	10,840	10,290	11,288	8,437	8,792
1,338	1,175	947	810	761	614
50	164	385	357	417	297
4,408	5,108	4,777	5,009	5,060	5,540
201	220	167	173	170	186
(1)	(1)	(1)	572	522	393
588	638	690	676	703	729
383,613	368,557	315,009	357,064	375,251	395,904
121,338	126,965	132,262	141,518	137,744	174,029
(1)	(1)	(1)	(1)	(1)	264,453
(1)	(1)	(1)	(1)	(1)	252,019
292	160	165	156	135	70
42	49	25	27	19	13
399,388,813	390,076,683	374,382,629	388,727,883	373,262,721	381,132,096
87,546	73,843	68,068	70,582	68,545	69,055

Charter Township of Waterford

Operating Information Capital Asset Statistics (Unaudited)

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	28	28	29	30	32	31	31	31	31	31
Fire:										
Stations	5	5	5	5	5	5	5	5	5	5
Trucks	(1)	14	13	10	12	13	15	15	15	15
Parks and recreation:										
Acreage	634	653	653	679	684	684	684	684	684	684
Playgrounds	7	8	8	8	9	9	8	8	9	9
Soccer fields	3	3	3	6	6	6	6	6	6	6
Baseball/Softball diamonds	12	13	13	13	13	13	13	13	13	13
Libraries - Branches	2	2	2	2	2	2	2	2	2	2
Water:										
Mains (miles)	(1)	(1)	(1)	(1)	(1)	(1)	332	350	350	350
Fire hydrants	(1)	(1)	(1)	(1)	(1)	(1)	3,447	3,500	3,500	3,500
Storage capacity (millions of gallons)	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.50	8.50
Sewer - Miles of sanitary sewers	(1)	(1)	(1)	(1)	(1)	(1)	332	350	350	350

(1) Information not available

Source: Departmental annual reports

Charter Township of Waterford

**Federal Awards
Supplemental Information
December 31, 2007**

Charter Township of Waterford

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Independent Auditor's Report

To the Members of the Township Board
Charter Township of Waterford

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Waterford as of and for the year ended December 31, 2007, which collectively comprise the Charter Township of Waterford's basic financial statements, and have issued our report thereon dated May 19, 2008. Those basic financial statements are the responsibility of the management of the Charter Township of Waterford, Michigan. Our responsibility was to express opinions on those basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Waterford's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

May 19, 2008



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Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Members of the Township Board
Charter Township of Waterford

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Waterford, Michigan as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated May 19, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Waterford's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Township of Waterford's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter Township of Waterford's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Members of the Township Board
Charter Township of Waterford

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Waterford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

May 19, 2008

Report on Compliance with Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Members of the Township Board
Charter Township of Waterford

Compliance

We have audited the compliance of the Charter Township of Waterford with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2007. The major federal program of the Charter Township of Waterford is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Charter Township of Waterford's management. Our responsibility is to express an opinion on the Charter Township of Waterford's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter Township of Waterford's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Charter Township of Waterford's compliance with those requirements.

In our opinion, the Charter Township of Waterford complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

To the Members of the Township Board
Charter Township of Waterford

Internal Control Over Compliance

The management of the Charter Township of Waterford is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Charter Township of Waterford's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

May 19, 2008

Charter Township of Waterford

Schedule of Expenditures of Federal Awards Year Ended December 31, 2007

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development - Community Development Block Grant:			
B-05-MC-26-0030	14.218	\$ 422,712	\$ 176,598
B-06-MC-26-0030	14.218	377,427	267,760
B-07-MC-26-0030	14.218	<u>374,157</u>	<u>77,952</u>
Total U.S. Department of Housing and Urban Development - Community Development Block Grant		1,174,296	522,310
U.S. Department of Justice - Bulletproof Vest Program	16.670	2,800	2,800
U.S. Environmental Protection Agency:			
Passed Through the State Of Michigan:			
Capitalization Grants for Drinking Water State Revolving Fund - Sewer Relief Fund	66.468	204,555	204,555
Capitalization Grants for Drinking Water State Revolving Fund - Drinking Water Relief Fund	66.468	358,494	358,494
Passed Through Oakland County, Michigan - Well Head Protection -			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	<u>40,735</u>	<u>40,735</u>
Total U.S. Environmental Protection Agency		<u>603,784</u>	<u>603,784</u>
Total federal awards		<u>\$ 1,780,880</u>	<u>\$ 1,128,894</u>

Charter Township of Waterford

Note to Schedule of Expenditures of Federal Awards Year Ended December 31, 2007

Note - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter Township of Waterford and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Charter Township of Waterford

Schedule of Findings and Questioned Costs Year Ended December 31, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
66.468	Capitalization Grants for Drinking Water State Revolving Fund

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

Charter Township of Waterford

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2007

Section II - Financial Statement Audit Findings

Reference Number	Findings
	None

Section III - Federal Program Audit Findings

Reference Number	Findings
	None

Charter Township of Waterford, Michigan

Report to the Board of Trustees

December 31, 2007



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To the Board of Trustees
Charter Township of Waterford

We have recently completed our audit of the basic financial statements of the Charter Township of Waterford (the "Township") for the year ended December 31, 2007. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments which impact the Township:

	<u>Page</u>
Results of the audit	1-4
Informational/Legislative comments	5-8

We are grateful for the opportunity to be of service to the Township. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

May 19, 2008

Results of the Audit

May 19, 2008

To the Board of Trustees
Charter Township of Waterford

We have audited the financial statements of the Charter Township of Waterford for the year ended December 31, 2007 and have issued our report thereon dated May 19, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated April 11, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Charter Township of Waterford. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the Charter Township of Waterford's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Charter Township of Waterford's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated May 19, 2008 regarding 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, and grant agreements.

To the Board of Trustees
Charter Township of Waterford

We also are obligated to communicate certain matters related to our audit to those responsible for the governance of the Charter Township of Waterford, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 2, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Charter Township of Waterford are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007.

We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no significant estimates on the Township's financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The uncorrected misstatements are:

1. Penalties in the amount of \$27,872 related to the delinquent property taxes from the July levy were recorded as revenue when received in 2008 and were not recognized as revenue in 2007 when earned.
2. The Township records a liability of approximately \$700,000 for general liability and workers' compensation insurance entirely in the governmental activities. Approximately \$40,000 of this liability relates to Water and Sewer employees.

Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, neither of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated May 19, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the Township, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Township's auditors.

To the Board of Trustees
Charter Township of Waterford

This information is intended solely for the use of the board of trustees and management of the Charter Township of Waterford and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Joseph C. Heffernan". The signature is written in a cursive style with a large, prominent "J" and "H".

Joseph C. Heffernan

Informational/Legislative Comments

Informational/Legislative Comments

Treasurer's Report on Investments

A new law was passed in December 2007 for reporting on investments to the board. The treasurer is now required to report on investments at least quarterly. While the law proscribes no minimum information requirements, we feel that the report should include a list of investments with the financial institution each issued through, the amount, and perhaps the stated interest rate.

Property Tax Revenue

Property taxes have consistently been the Township's largest revenue source. With the continuing downturn in the real estate market, the Legislature is picking up some bills that were proposed back in 2007 that they hope will help spur sales. This includes potential legislation that would adjust the mechanics of the general property tax act. The nature of the legislation has ranged from the suspension of the "pop-up" or increase in taxable value that occurs when a property sells or a "super cap" on taxable value that prohibits an increase in taxable value when market values are declining. The outcome of this legislation could also have a significant impact on the Township. We will keep you informed as significant events unfold.

In addition, the Township needs to be aware of the potential financial impact of reduced housing market values. Property tax assessments are being completed currently for the 2008 tax year and tax rolls will not be finalized until May 2008. However, early indications are that declines in market values (state equalized value) may threaten the inflationary growth in taxable value that communities had been experiencing following the passage of Proposal A. It is important to understand the connection between market value declines and taxable value declines. On the one hand, a reduction in SEV (state equalized value) will not immediately result in an equivalent reduction in TV (taxable value, which is what the tax bills are now based on). The reason for this is that TVs were held down in those years since 1994 when property values increased faster than inflation; now that they are increasing less than inflation (or decreasing), Proposal A allows the TVs to continue increasing at the inflationary rate, up until the point that TV meets SEV. While some properties have already met this ceiling, the majority have not, and for this reason many communities expect 2008 TV in total to increase or decrease only slightly. However, it is important to understand that if the market downturn continues, more and more properties will hit this ceiling where TV meets SEV, and the impact will be more drastic each year we go forward. We caution the Township to keep this in mind as it begins its 2009 budget deliberations.

State-shared Revenue

State-shared revenue continues to be the Township's second largest revenue source. Due to state budget issues, the Township has seen a 15 percent decline over the last five years. The governor's 2009 budget is anticipating another decline in total sales tax collections, which will result in reduced constitutional state-shared revenue. However, the governor is proposing a 4 percent increase in the statutory portion. The resulting total state-shared revenue for Waterford Township would increase slightly, by 0.2 percent. Prior to beginning the 2009 budget cycle, you should check in with us or with the Michigan Townships Association to verify any changes that will take place between now and then. However, the tone in Lansing is more positive than it has been in several years.

Retiree Healthcare Benefits

The Township provides health care to retirees and their beneficiaries. Beginning January 1, 2008, accounting rules (GASB 45) will require the Township to begin measuring the cost of this benefit over the time period that employees provide the services. This rule will require the Township to measure the annual cost that would be required to fully fund this benefit, with a maximum amortization period of 30 years. The Township has obtained an actuarial valuation related to these benefits and the recommended annual contribution for 2008 is approximately \$9,500,000.

While this accounting rule does not require any contribution to be made, the Township has set aside monies in a Special Revenue Fund to start pre-funding the retiree health care. During 2008, the Township set up a trust fund under Public Act 149 and moved the monies from the Special Revenue Fund over to the trust fund, which allows the Township to invest those monies in the same manner as a pension fund. The pension board will be charged with monitoring and governing those investments.

We encourage the Township to evaluate the amount of contribution that is recommended. If the amount is too large to fit into the current budget, we encourage the Township to develop a plan to fund a portion of the recommendation and to increase the contribution to 100 percent of the actuarially recommended contribution over some period of years. Doing so would be important for two reasons: First, this would charge the cost of the benefit to the years that the employees' services were received (and therefore allocates the cost to the appropriate set of taxpayers). Secondly, the sooner that money can be set aside to pay these benefits, assuming that the contributions are invested in accordance with Public Act 149 of 1999, the lower the present value cost of the benefit.

Information Technology

As required by the new auditing standards, an in-depth review of the Township's IT system was performed. The results have been documented in a separate memo that has been discussed with and issued to the head of IT and the finance director.

Long-range Financial Planning

In light of all these and other developments and the continued uncertainty with the State's budget, we recommend that the Township continue its practice of long-range financial planning.

Closing

In addition to the comments and recommendations in this letter, our observations and comments regarding the Township's internal controls, including any significant deficiencies and material weaknesses that we identified, have been reported to you in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. This report is included in the federal awards supplemental information (the single audit report), and we recommend that the matters we have noted there receive your careful consideration.

We would like to thank the Township board for the opportunity to serve as auditors for the Township. We would also like to express our appreciation for the courtesy and cooperation extended to us by the administration during the audit. If you would like to discuss any of these matters, or would like assistance in their implementation, please contact us.

Very truly yours,

Plante & Moran, PLLC



Joseph C. Heffernan



Pamela L. Hill