

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Charter Township of Highland Oakland County, Michigan

**Financial Report
with Supplemental Information
December 31, 2006**

Charter Township of Highland

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Highland as of and for the year ended December 31, 2006, 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 Highland'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. 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Highland as of December 31, 2006 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.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, 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.

To the Board of Trustees
Charter Township of Highland

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Highland's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The combining balance sheet and combining statement of revenue, expenditures, and changes in fund balances for nonmajor governmental funds have been subjected to the auditing procedures applied in 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.

Plante & Moran, PLLC

February 7, 2007

Charter Township of Highland

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Highland's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2006:

- Total net assets related to the Township's governmental activities increased by approximately \$507,000. The General Fund fund balance decreased by approximately \$344,000. This decrease resulted from the Township's intended interfund transfers from the General Fund to the Post Retirement Fund (\$75,000) to pay for future retiree health care and the Capital Improvement Fund (\$300,000) to pay for renovations to the township offices and parking lot. The General Fund operations ultimately exceeded the budget by approximately \$168,000. This can be attributed to a boost in cable TV franchise fees, interest earnings, passport and passport photo fees, along with the Township's continued vigilance in keeping costs down.

Using this Annual Report

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

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

Charter Township of Highland

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current and previous year (in thousands of dollars):

	December 31	
	2006	2005
Assets		
Current assets	\$ 10,273,462	\$ 9,238,922
Noncurrent assets	13,913,778	14,136,951
Total assets	24,187,240	23,375,873
Liabilities		
Current liabilities	6,070,087	5,863,676
Long-term liabilities	5,858,830	5,664,304
Total liabilities	11,928,917	11,527,980
Net Assets		
Invested in capital assets - Net of related debt	7,554,209	7,017,734
Restricted	3,281,605	2,547,925
Unrestricted	1,422,509	2,282,234
Total net assets	<u><u>\$ 12,258,323</u></u>	<u><u>\$ 11,847,893</u></u>

The Township's combined net assets increased 3.5 percent from a year ago - increasing from \$11,847,893 to \$12,258,323. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - totaled \$1,422,509 or about 20 percent of expenditures. Public safety continues to be the Township's greatest expense, totaling approximately 50 percent of total expenditures.

Charter Township of Highland

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the current and previous year:

	Year Ended December 31		Increases (Decreases)
	2006	2005	
Revenue			
Program revenue:			
Charges for services	\$ 1,279,640	\$ 1,667,175	\$ (387,535)
Operating grants and contributions	30,547	30,090	457
Capital grants and contributions	137,411	683,060	(545,649)
General revenue:			
Property taxes	4,086,127	3,541,194	544,933
State-shared revenue	1,342,947	1,386,549	(43,602)
Unrestricted investment earnings	297,491	182,568	114,923
Miscellaneous revenue	279,011	340,885	(61,874)
Total revenue	7,453,174	7,831,521	(378,347)
Program Expenses			
General government	1,507,899	1,721,365	(213,466)
Public safety	3,441,498	3,041,434	400,064
Public works	891,411	1,061,954	(170,543)
Health and welfare	125,677	170,352	(44,675)
Community and economic development	23,792	22,933	859
Recreation and culture	684,811	271,264	413,547
Interest on long-term debt	271,206	339,026	(67,820)
Total program expenses	6,946,294	6,628,328	317,966
Change in Net Assets	\$ 506,880	\$ 1,203,193	\$ (696,313)

Governmental Activities

The Township's total governmental revenues totaled \$7,453,174 and were sufficient to fund the Township's current expenditures (including depreciation), overcome continued limits on state-shared revenue, and payment in lieu of tax (PILOT) payments.

Total government-wide expenses totaled \$6,946,294 during the year. Increased expenditures in excess of prior year amounts can be attributed to a continued rise in health insurance, costs associated with planned sanitary sewer, two gravel road improvement projects, and accumulated increases in utilities and services such as snow plowing and general maintenance.

Charter Township of Highland

Management's Discussion and Analysis (Continued)

The Township saw our liability insurance stabilize in 2006. This is a direct result of continuing efforts to apply risk management best practices to everything we do. To further offset this increase, the Township continues to require consultants to provide a scope and cost estimate prior to any project. As a result, this has limited their expenditures.

The Township's Funds

Our analysis of the Township's major funds begins on pages 11 and 12, following the government-wide financial statements. The Township board creates 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 funds for 2006 include the General Fund, the Capital Improvements Fund, the Water Fund, the Refuse Fund, the Fire Operating Fund, the Fire Capital Fund, and the Police Fund.

The General Fund pays for most of the Township's governmental services. The most significant are the general township administrative services, which incurred expenses of approximately \$2.4 million in 2006.

General Fund Budgetary Highlights

Township departments stayed below budget while not compromising existing services. This resulted in total expenditures approximately \$193,000 below budget.

Capital Asset and Debt Administration

At the end of 2006, the Township had \$13,011,709 invested in a broad range of capital assets, including buildings, equipment, and water mains. Current year additions totaling \$360,127 included maintenance work on the parking lot entering the municipal complex, renovation of the Township offices, construction of a bike path along M59, and the purchase of a new Township vehicle.

At the end of 2006, the Township had outstanding long-term debt of \$6,411,720. Included in that amount is approximately \$4.3 million in outstanding general obligation bonds whose proceeds were used for the construction of the Township Library building. The majority of the other \$2.1 million is made up of several outstanding special assessment bonds and a loan for two new fire trucks.

Economic Factors and Next Year's Budgets and Rates

When putting together the 2007 budget, the Township considered what to anticipate in the coming year, over and above its normal operations, specifically, ordinance preparation and acquisition of public education materials related to Storm Water Phase II (\$10,000), equipment replacement (\$41,500), Town Center Boulevard improvements (\$75,000), M59 bike path additions (\$120,000), health care, retiree health care, and employee payroll and costs related to planning and implementing water and sanitary sewer services.

Charter Township of Highland

Management's Discussion and Analysis (Continued)

This administration is intent on affecting positive improvement to Highland Township's business climate. By working with Oakland County and taking full advantage of its resources and expertise, Highland Township will prove itself an attractive location to high-tech business.

Still, the wise approach to Michigan's economy may be the same way we approach our weather - wait a few minutes and it will change. With this in mind, all good news must be tempered with a strong dose of "what ifs?"

It is the Township's goal to place an emphasis on listening to and serving our constituents well. In doing so, we will strive to provide an exceptional quality of life with the tax dollars provided.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Charter Township of Highland

Statement of Net Assets December 31, 2006

	Primary Government - Governmental Activities	Component Unit - Downtown Development Authority
Assets		
Cash and investments (Note 3)	\$ 6,774,111	\$ 222,954
Due from other governmental units	294,546	13,672
Taxes receivable	1,982,540	109,154
Refuse assessment receivable	304,983	-
Special assessment receivable	902,069	-
Prepaid expenses	917,282	-
Capital assets (Note 5):		
Not being depreciated	2,332,983	-
Subject to depreciation	10,678,726	-
Total assets	24,187,240	345,780
Liabilities		
Accounts payable	420,998	-
Accrued and other liabilities	87,312	-
Deferred revenue (Note 4)	5,008,887	136,079
Current portion of long-term liabilities:		
Compensated absences (Note 7)	59,022	-
Long-term debt (Note 7)	493,868	-
Noncurrent portion of long-term liabilities -		
Long-term debt (Note 7)	5,858,830	-
Total liabilities	11,928,917	136,079
Net Assets		
Invested in capital assets - Net of related debt	7,554,209	-
Restricted (Note 12):		
Refuse	614,665	-
Police and fire operations	633,522	-
Debt service	199,309	-
Capital projects	932,040	-
Water projects	902,069	-
Unrestricted	1,422,509	209,701
Total net assets	\$ 12,258,323	\$ 209,701

Charter Township of Highland

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions Capital Grants and Contributions
Functions/Programs			
Primary government -			
Governmental activities:			
General government	\$ 1,507,899	\$ 179,227	\$ -
Public safety	3,441,498	259,450	26,367
Public works - Refuse collection and roads	891,411	808,045	-
Health and welfare - Social Services and Senior Center	125,677	10,018	4,180
Community and economic development	23,792	22,500	-
Recreation and culture	684,811	400	-
Interest on long-term debt	271,206	-	-
Total primary government	<u>\$ 6,946,294</u>	<u>\$ 1,279,640</u>	<u>\$ 30,547</u>
Component unit - Downtown Development Authority	<u>\$ 78,805</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:			
Property taxes			
State-shared revenues			
Unrestricted investment earnings			
Miscellaneous			
Total general revenues			
Change in Net Assets			
Net Assets - Beginning of year, as restated (Note 14)			
Net Assets - End of year			

Statement of Activities
Year Ended December 31, 2006

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component Unit - Downtown Development Authority
\$ (1,328,672)	\$ -
(3,150,671)	-
49,035	-
(111,479)	-
(1,292)	-
(684,411)	-
(271,206)	-
(5,498,696)	-
-	(78,805)
4,086,127	166,680
1,342,947	-
297,491	8,864
279,011	4,684
6,005,576	180,228
506,880	101,423
11,751,443	108,278
\$ 12,258,323	\$ 209,701

Charter Township of Highland

	Major Funds		
	Capital Projects Funds		
	General	Water	Capital Improvements
Assets			
Cash and investments (Note 3)	\$ 876,588	\$ 175,752	\$ 919,468
Due from other governmental units	229,654	-	-
Due from other funds (Note 6)	64,892	-	-
Taxes receivable	223,661	-	-
Refuse assessment receivable	-	-	-
Special assessment receivable	-	798,247	-
Prepaid expenses and other assets	4,446	-	-
Total assets	<u>\$ 1,399,241</u>	<u>\$ 973,999</u>	<u>\$ 919,468</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 18,127	\$ 7,124	\$ -
Accrued payroll and related taxes	-	-	-
Due to other funds (Note 6)	-	64,892	-
Deferred revenue (Note 4)	471,372	798,715	-
Total liabilities	489,499	870,731	-
Fund Balances			
Reserved for:			
Prepaid expenses	4,446	-	-
Special Revenue Funds - Purchase of fire trucks	-	-	-
Special Revenue Funds - Police service contract	-	-	-
Capital Projects Funds - Capital outlay and debt service	-	-	-
Unreserved, reported in:			
General Fund	905,296	-	-
Capital Project Funds	-	103,268	919,468
Special Revenue Funds	-	-	-
Total fund balances	<u>909,742</u>	<u>103,268</u>	<u>919,468</u>
Total liabilities and fund balances	<u>\$ 1,399,241</u>	<u>\$ 973,999</u>	<u>\$ 919,468</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

Special assessment receivables are expected to be collected over several years, and are not available to pay for current year expenditures

Compensated absences are included as a liability in governmental activities

Long-term liabilities and accrued interest are not due and payable in the current period and are not reported in the funds

Net assets of governmental activities

**Governmental Funds
Balance Sheet
December 31, 2006**

Major Funds				Other Nonmajor Governmental Funds	Total Governmental Funds
Special Revenue Funds					
Refuse	Fire Operating	Fire Capital	Police		
\$ 1,074,442	\$ 1,031,842	\$ 270,884	\$ 1,717,987	\$ 707,148	\$ 6,774,111
-	-	-	-	-	229,654
-	-	-	-	-	64,892
-	542,796	-	1,056,184	224,791	2,047,432
304,983	-	-	-	-	304,983
-	-	-	-	103,822	902,069
-	-	895,198	16,351	1,288	917,283
<u>\$ 1,379,425</u>	<u>\$ 1,574,638</u>	<u>\$ 1,166,082</u>	<u>\$ 2,790,522</u>	<u>\$ 1,037,049</u>	<u>\$ 11,240,424</u>
\$ -	\$ 8,874	\$ -	\$ 386,873	\$ -	\$ 420,998
-	25,194	-	-	-	25,194
-	-	-	-	-	64,892
764,760	1,126,065	-	2,184,632	552,370	5,897,914
764,760	1,160,133	-	2,571,505	552,370	6,408,998
-	-	-	-	-	4,446
-	-	895,198	-	-	895,198
-	-	-	16,351	-	16,351
-	-	-	-	234,449	234,449
-	-	-	-	-	905,296
-	-	-	-	1,702	1,024,438
614,665	414,505	270,884	202,666	248,528	1,751,248
614,665	414,505	1,166,082	219,017	484,679	4,831,426
<u>\$ 1,379,425</u>	<u>\$ 1,574,638</u>	<u>\$ 1,166,082</u>	<u>\$ 2,790,522</u>	<u>\$ 1,037,049</u>	
					13,011,709
					889,027
					(59,022)
					(6,414,817)
					<u>\$ 12,258,323</u>

Charter Township of Highland

	Major Funds		
	Capital Projects Funds		
	General	Water	Capital Improvements
Revenue			
General property taxes	\$ 481,397	\$ -	\$ -
Licenses and permits	201,059	-	-
Federal sources	11,515	-	-
State sources	1,347,127	-	-
Local sources	-	-	-
Charges for services	310,424	-	-
Special assessments	-	132,401	-
Interest and other revenue	172,882	7,897	98,266
Total revenue	2,524,404	140,298	98,266
Expenditures			
Legislative	22,870	-	-
Supervisor's office	153,523	-	-
Clerk's office	164,754	-	-
Treasurer's office	141,451	-	-
Accounting department	44,218	-	-
General government	1,049,547	-	-
Social services	10,529	-	-
Senior center	141,794	-	-
Refuse disposal	-	-	-
Cemetery	23,792	-	-
Law enforcement	21,396	-	-
Building, planning, and assessing	540,189	-	-
Zoning Board of Appeals	9,752	-	-
Police services and fire department	-	-	-
Community parks	24,954	-	-
Debt service	-	134,371	-
Capital outlay and other	-	-	256,362
Total expenditures	2,348,769	134,371	256,362
Excess of Revenue Over (Under) Expenditures	175,635	5,927	(158,096)
Other Financing Sources (Uses)			
Proceeds from debt issuance	-	-	-
Transfers from other funds (Note 6)	-	-	300,000
Transfers to other funds (Note 6)	(519,128)	-	-
Total other financing sources (uses)	(519,128)	-	300,000
Net Change in Fund Balances	(343,493)	5,927	141,904
Fund Balances - Beginning of year as restated (Note 14)	1,253,235	97,341	777,564
Fund Balances - End of year	<u>\$ 909,742</u>	<u>\$ 103,268</u>	<u>\$ 919,468</u>

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

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2006

Major Funds				Other Nonmajor	
Special Revenue Funds				Governmental	Total Governmental
Refuse	Fire Operating	Fire Capital	Police	Funds	Funds
\$ -	\$ 1,069,898	\$ -	\$ 2,069,913	\$ 464,919	\$ 4,086,127
-	-	-	-	-	201,059
-	5,010	-	-	-	16,525
-	-	-	9,911	-	1,357,038
-	-	-	16,456	-	16,456
785,216	-	-	200,227	-	1,295,867
-	-	-	-	55,077	187,478
53,853	50,122	5,796	67,570	32,711	489,097
839,069	1,125,030	5,796	2,364,077	552,707	7,649,647
-	-	-	-	-	22,870
-	-	-	-	-	153,523
-	-	-	-	-	164,754
-	-	-	-	-	141,451
-	-	-	-	-	44,218
-	-	-	-	-	1,049,547
-	-	-	-	-	10,529
-	-	-	-	-	141,794
779,730	-	-	-	-	779,730
-	-	-	-	-	23,792
-	-	-	-	-	21,396
-	-	-	-	-	540,189
-	-	-	-	-	9,752
-	770,292	-	2,367,143	-	3,137,435
-	-	-	-	-	24,954
-	-	188,432	-	529,904	852,707
-	-	-	35,689	133,472	425,523
779,730	770,292	188,432	2,402,832	663,376	7,544,164
59,339	354,738	(182,636)	(38,755)	(110,669)	105,483
-	-	895,198	-	-	895,198
-	-	305,000	-	219,128	824,128
-	(305,000)	-	-	-	(824,128)
-	(305,000)	1,200,198	-	219,128	895,198
59,339	49,738	1,017,562	(38,755)	108,459	1,000,681
555,326	364,767	148,520	257,772	376,220	3,830,745
\$ 614,665	\$ 414,505	\$ 1,166,082	\$ 219,017	\$ 484,679	\$ 4,831,426

Charter Township of Highland

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, 2006

Net Change in Fund Balances - Total Governmental Funds \$ 1,000,681

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 allocated over their estimated useful lives as depreciation:

Capital outlay	360,127
Depreciation	(401,105)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (178,147)

In the statement of activities, the loss on sale of assets is recorded; the funds record the proceeds from the sale of assets as revenue (4,047)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 581,500

Issuance of new debt is a revenue in the governmental funds, but not in the statement of activities (where it increases long-term debt) (895,198)

Change in long-term liability related to the personal property tax multiplier 66,804

Accrued interest is an expenditure in the statement of activities, but not in the governmental funds (11,436)

Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities (12,299)

Change in Net Assets of Governmental Activities \$ 506,880

Charter Township of Highland

Fiduciary Funds Statement of Assets and Liabilities December 31, 2006

	Special Escrow Fund	Current Tax Fund	Total Agency Funds
Assets - Cash and cash equivalents	<u>\$ 967,670</u>	<u>\$ 663,846</u>	<u>\$ 1,631,516</u>
Liabilities			
Performance bonds payable and other liabilities	\$ 967,670	\$ -	\$ 967,670
Tax collections distributable	<u>-</u>	<u>663,846</u>	<u>663,846</u>
Total liabilities	<u>\$ 967,670</u>	<u>\$ 663,846</u>	<u>\$ 1,631,516</u>

Charter Township of Highland

Charter Township of Highland

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Highland (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 Charter Township of Highland:

Reporting Entity

The Charter Township of Highland is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are 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).

Discretely Presented Component Units - The Downtown Development Authority (DDA) is reported within the component unit column in the combined financial statements. It is reported in a separate column to emphasize that it is legally separate from the Township. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body, consisting of 11 individuals, is approved by the Township board. In addition, the DDA's budget is subject to approval by the Township. The DDA does not issue its own separate financial statements.

The Brownfield Development Authority (BRDA) was created, pursuant to Public Act 381 of 1996, to provide revitalization of environmentally distressed areas within the Township. The BRDA will be funded primarily by property tax revenue captures. Currently, there is no financial activity with the BRDA, nor have members of the board been appointed.

Charter Township of Highland

Notes to Financial Statements December 31, 2006

Note I - Summary of Significant Accounting Policies (Continued)

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 primary government and its 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. The Township does not participate in any business-type activities. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants 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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental 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 fiduciary fund and component unit 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 are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Charter Township of Highland

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

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. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

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:

General Fund - 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.

Water Fund - The Water Fund was set up by the Township to account for the debt service related to the special assessments for the construction of water mains.

Refuse Fund - The Refuse Fund is used by the Township to account for the results of operations that provide refuse collection services to citizens that are financed by a user charge for the provision of those services.

Fire Operating Fund - The Fire Operating Fund is used by the Township to account for the assets and operations of the fire department that are financed primarily by property taxes.

Fire Capital Fund - The Fire Capital Fund is used by the Township to account for future projects and capital acquisitions of the fire department.

Police Fund - The Police Fund is used by the Township to account for the results of operations that provide public safety police services to the Township through the Oakland County Sheriff's Department that are financed primarily by property taxes.

Charter Township of Highland

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the Township reports the following fund types:

Agency Funds - The Agency Funds account for assets held by the Township in a trustee capacity or as an agent for individuals, employees, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

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 unrestricted resources.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2005 tax is levied and collectible on December 1, 2005 and is recognized as revenue in the year ended December 31, 2006, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2005 taxable valuation of the Township totaled \$796.8 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 0.6000 mills for operating purposes, a combined 0.6170 mills for library debt service, 1.4436 mills for fire operations, and 2.7928 mills for police operations. This resulted in approximately \$478,000 for operating, \$465,000 for library building and debt service, \$1,070,000 for fire operations, and \$2,070,000 for police operations. These amounts are recognized in the respective General, Special Revenue, and Capital Projects Funds financial statements as tax revenue.

Charter Township of Highland

Notes to Financial Statements December 31, 2006

Note I - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, bank investment pools, 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 is 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.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., water mains), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and 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.

During the current year, there was no interest expense that was capitalized as part of the cost of assets under construction.

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

Buildings and improvements	50 years
Library building	50 years
Furniture and equipment	3 to 20 years
Water mains	50 years

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Charter Township of Highland

Notes to Financial Statements December 31, 2006

Note I - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities 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.

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.

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

Charter Township of Highland

Notes to Financial Statements December 31, 2006

Note 2 - Stewardship, Compliance, and Accountability

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

Shortfall as of December 31, 2005		\$	(146,979)
Current year building permit revenue			200,506
Related expenses:			
Direct costs	\$	(213,037)	
Estimated indirect costs		<u>(47,674)</u>	<u>(260,711)</u>
Current year shortfall			<u>(60,205)</u>
Shortfall as of December 31, 2006		\$	<u><u>(207,184)</u></u>

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 Township 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 has designated 14 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

Charter Township of Highland

Notes to Financial Statements December 31, 2006

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Township had \$4,523,450 of bank deposits (certificates of deposit, checking and savings accounts) that were 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.

Credit Risk

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

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pools	\$3,912,187	Aaa	Moody

Note 4 - Deferred Revenue

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 and the government-wide financial statements 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 are as follows:

	<u>Unearned</u>	<u>Unavailable</u>	<u>Total</u>
Property taxes	\$ 5,008,887	\$ -	\$ 5,008,887
Special assessments	-	889,027	889,027
Total	<u>\$ 5,008,887</u>	<u>\$ 889,027</u>	<u>\$ 5,897,914</u>

Charter Township of Highland

Notes to Financial Statements December 31, 2006

Note 5 - Capital Assets

Capital asset activity of the Township's governmental activities is summarized as follows:

	Balance January 1, 2006	Additions	Disposals and Adjustments	Balance December 31, 2006
Capital assets not being depreciated -				
Land	\$ 2,332,983	\$ -	\$ -	\$ 2,332,983
Capital assets being depreciated:				
Buildings and improvements	3,642,047	289,269	-	3,931,316
Library building	5,897,468	-	-	5,897,468
Furniture and equipment	2,097,493	70,858	58,477	2,109,874
Water mains	1,599,100	-	-	1,599,100
Subtotal	13,236,108	360,127	58,477	13,537,758
Accumulated depreciation:				
Buildings and improvements	919,826	123,599	-	1,043,425
Library building	410,876	118,539	-	529,415
Furniture and equipment	1,084,775	126,985	54,430	1,157,330
Water mains	96,880	31,982	-	128,862
Subtotal	2,512,357	401,105	54,430	2,859,032
Net capital assets being depreciated	10,723,751	(40,978)	4,047	10,678,726
Net capital assets	<u>\$ 13,056,734</u>	<u>\$ (40,978)</u>	<u>\$ 4,047</u>	<u>\$ 13,011,709</u>

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

Governmental activities:	
General government	\$ 114,734
Public safety	109,837
Public works	31,983
Recreation and culture	<u>144,551</u>
Total governmental activities	<u>\$ 401,105</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Charter Township of Highland

Notes to Financial Statements December 31, 2006

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Capital Projects Funds - Water Fund	<u>\$ 64,892</u>

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

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

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Special Revenue Funds - Nonmajor governmental funds	\$ 219,128
General Fund	Capital Improvement Fund	300,000
Special Revenue Funds - Fire Operating Fund	Special Revenue Funds - Fire Capital Fund	<u>305,000</u>
Total interfund transfers		<u>\$ 824,128</u>

The transfer from the General Fund to the Postemployment Benefit Fund is to cover future retiree health expenses. The transfer from the General Fund to the Road Fund is to finance road maintenance and improvement. The transfer from the General Fund to the Capital Improvement Fund is to set aside funds for future capital improvements. The transfer from the Fire Operating Fund to the Fire Capital Fund is for the purchase of capital assets.

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 and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Charter Township of Highland

Notes to Financial Statements December 31, 2006

Note 7 - Long-term Debt (Continued)

Long-term obligation activity is summarized as follows:

	Remaining Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds:						
Library Building:						
Original issue \$5,765,000						
Maturing through 2019	4.60%	\$ 4,590,000	\$ -	\$ (260,000)	\$ 4,330,000	\$ 275,000
Special assessment bonds:						
Highland Lk. Augmentation Well						
Original issue \$140,000						
Maturing through 2012	5.30% - 6.30%	110,000	-	(15,000)	95,000	15,000
Kellogg Taggett Augmentation Well:						
Original issue \$170,000						
Maturing through 2011	6.40% - 6.80%	115,000	-	(15,000)	100,000	20,000
Lakeview Lane Road Improvement:						
Original issue \$85,000						
Maturing through 2007	5.60%	17,000	-	(8,500)	8,500	8,500
Woodruff Lake Augmentation Well:						
Original issue \$77,000						
Maturing through 2010	7.50% - 9.00%	42,000	-	(8,000)	34,000	8,000
M-59 Water Main:						
Original issue \$1,060,000						
Maturing through 2016	3.75% - 4.70%	825,000	-	(75,000)	750,000	75,000
S. Milford Water Main:						
Original issue \$170,000						
Maturing through 2013	3.30% - 4.45%	160,000	-	(20,000)	140,000	20,000
Other long-term obligations:						
Installment purchase obligations:						
Fire vehicle:						
Original issue \$895,198						
Maturing through 2016	4.59%	-	895,198	-	895,198	72,368
Fire vehicle:						
Original issue \$164,103						
Maturing through 2009		79,340	-	(79,340)	-	-
Fire vehicle:						
Original issue \$210,897						
Maturing through 2009		100,660	-	(100,660)	-	-
Subtotal		6,039,000	895,198	(581,500)	6,352,698	493,868
Compensated absences		46,723	12,299	-	59,022	59,022
Property tax appeals		66,804	-	(66,804)	-	-
Total long-term debt		\$ 6,152,527	\$ 907,497	\$ (648,304)	\$ 6,411,720	\$ 552,890

Charter Township of Highland

Notes to Financial Statements December 31, 2006

Note 7 - Long-term Debt (Continued)

The special assessment bonds represent the financing of public improvements that benefit specific districts; these districts are specially assessed, at least in part, for the cost of the improvements. There is approximately \$902,000 of special assessments receivable in the future in the Capital Projects Funds - Lakeview Lane Improvements, Woodruff Lake, Kellogg Taggett, Highland Lake, and Water; in addition, the Township has approximately \$358,000 set aside in these funds for the repayment of the bonds. The amount of receivables delinquent at December 31, 2006 is not significant. Under Michigan law, the Township is secondarily liable for payment of these bonds.

The compensated absences represent the estimated liability to be paid to employees under the Township's sick and vacation pay policy. Under the Township's policy, employees earn sick and vacation time based on time of service with the Township.

Interest expense for the year ended December 31, 2006 totaled approximately \$271,000.

The annual debt service requirements to service all debt outstanding (excluding compensated absences and property tax appeals), including both principal and interest, as of December 31, 2006 are as follows:

	Principal	Interest	Total
2007	\$ 493,868	\$ 282,614	\$ 776,482
2008	498,728	259,598	758,326
2009	518,243	236,154	754,397
2010	526,923	211,892	738,815
2011	531,772	187,304	719,076
2012-2016	2,658,164	572,255	3,230,419
2017-2021	<u>1,125,000</u>	<u>77,625</u>	<u>1,202,625</u>
Total	<u>\$ 6,352,698</u>	<u>\$ 1,827,442</u>	<u>\$ 8,180,140</u>

Charter Township of Highland

Notes to Financial Statements December 31, 2006

Note 8 - 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 workers' compensation and medical benefit claims, and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Michigan Municipal Risk Management Authority state pool program operates as a common risk-sharing management program. Member premiums are used to purchase Authority-underwritten excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 9 - Defined Contribution Retirement Plan

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after six months from the date of employment. As established by the Township board of trustees, the Township contributes 15 percent of employees' gross earnings. The Township's contributions for each employee are immediately fully vested. In accordance with these requirements, the Township contributed \$133,890 during the current year. There are no provisions in the plan for employee contributions.

Note 10 - Postretirement Benefits

The Township provides health care benefits to all full-time employees upon retirement in accordance with the Township board's policy. Currently, seven retirees are eligible. In addition, 19 active employees may be entitled to benefits upon retirement. Expenditures for postretirement health care benefits are recognized as the insurance premiums become due; during the year, this amounted to \$33,611.

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 health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

Charter Township of Highland

Notes to Financial Statements December 31, 2006

Note 11 - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds except that operating transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. During the year, the budget was amended in a legally permissible manner.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

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

- Prior to August 1, all departments and entities within the Township submit to the Township supervisor their proposed operating budget for the fiscal year commencing the following January 1.
- During the last meeting in September, the bookkeeper submits to the Township board a proposed balanced operating budget for the next fiscal year. The operating budget includes proposed expenditures and the means of financing them. The board adopts this budget at the same meeting.
- A public hearing is conducted to obtain taxpayers' comments.
- The current year budget can be amended through the last board meeting of that year.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Charter Township of Highland had no expenditures that were significantly in excess of the amounts budgeted.

Charter Township of Highland

Notes to Financial Statements December 31, 2006

Note 12 - Restricted Net Assets

Net assets of the governmental activities have been restricted for the following purposes:

Police	\$ 219,017
Fire operations	<u>414,505</u>
Total police and fire operations	633,522
Debt service:	
Library	7,263
Lakeview Lane improvement	6,151
Woodruff Lake	25,074
Kellogg-Taggart	75,297
Highland Lake Well	<u>85,524</u>
Total debt service	199,309
Capital projects:	
Library	32,307
Fire Capital	895,198
Woodruff Lake	1,071
Highland Lake Well	631
Peninsula Lake Weed Harvesting	<u>2,833</u>
Total capital projects	932,040
Water projects:	
Water	798,247
Lakeview Lane improvement	3,013
Woodruff Lake	11,414
Kellogg-Taggart	38,365
Highland Lake Well	46,389
Peninsula Lake Weed Harvesting	<u>4,641</u>
Total water projects	902,069
Refuse	<u>614,665</u>
Total restricted net assets	<u><u>\$ 3,281,605</u></u>

Charter Township of Highland

Notes to Financial Statements December 31, 2006

Note 13 - Designations

Unreserved fund balances have been designated for the following purposes:

Designated For	Funds								Total
	General	Water	Capital Improvement	Refuse	Fire Operating	Fire Capital	Police	Nonmajor	
Subsequent year's expenditures	\$ 58,089	\$ 1,514	\$ 187,705	\$ -	\$ -	\$ -	\$ 19,048	\$ -	\$ 266,356
Future years' expenditures	-	-	-	-	-	-	-	250,230	250,230
Total designated	58,089	1,514	187,705	-	-	-	19,048	250,230	516,586
Undesignated	847,207	101,754	731,763	614,665	414,505	270,884	183,618	-	3,164,396
Total unreserved	\$ 905,296	\$ 103,268	\$ 919,468	\$ 614,665	\$ 414,505	\$ 270,884	\$ 202,666	\$ 250,230	\$ 3,680,982

Note 14 - Adjustments to Net Assets and Fund Balance

The net assets and fund balance of the following funds, as of January 1, 2006, have been adjusted to reflect distributions of special assessment and property tax collections in prior years, and have been restated as follows:

Governmental Activities

Net assets, as stated December 31, 2005	\$ 11,847,893
Adjustment for taxes receivable that were paid	(96,450)
Net assets, as restated December 31, 2005	<u>\$ 11,751,443</u>

Water Fund

Fund balance, as stated December 31, 2005	\$ 141,678
Adjustment for taxes receivable that were paid	(44,337)
Fund balance, as restated December 31, 2005	<u>\$ 97,341</u>

Woodruff Lake Fund

Fund balance, as stated December 31, 2005	\$ 38,299
Adjustment for taxes receivable that were paid	(9,569)
Fund balance, as restated December 31, 2005	<u>\$ 28,730</u>

Charter Township of Highland

Notes to Financial Statements December 31, 2006

Note 14 - Adjustments to Net Assets and Fund Balance (Continued)

Kellogg-Taggett Fund

Fund balance, as stated December 31, 2005	\$ 94,454
Adjustment for taxes receivable that were paid	<u>(21,024)</u>
Fund balance, as restated December 31, 2005	<u>\$ 73,430</u>

Highland Lake Well Fund

Fund balance, as stated December 31, 2005	\$ 104,524
Adjustment for taxes receivable that were paid	<u>(18,757)</u>
Fund balance, as restated December 31, 2005	<u>\$ 85,767</u>

Peninsula Lake Weed Harvesting Fund

Fund balance, as stated December 31, 2005	\$ 4,508
Adjustment for taxes receivable that were paid	<u>(2,763)</u>
Fund balance, as restated December 31, 2005	<u>\$ 1,745</u>

Required Supplemental Information

Charter Township of Highland

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
General property taxes	\$ 457,875	\$ 457,875	\$ 481,397	\$ 23,522
Licenses and permits	206,500	208,500	201,059	(7,441)
Federal sources	-	-	11,515	11,515
State-shared revenue	1,435,942	1,435,942	1,342,947	(92,995)
Charges for services	235,391	253,451	310,424	56,973
Interest	20,000	43,000	63,932	20,932
Other revenue	150,800	150,800	113,130	(37,670)
Total revenue	2,506,508	2,549,568	2,524,404	(25,164)
Expenditures				
Legislative	24,657	24,657	22,870	1,787
Supervisor's office	173,916	173,916	153,523	20,393
Clerk's office	176,887	176,887	164,754	12,133
Treasurer's office	149,713	149,713	141,451	8,262
Accounting department	59,776	59,776	44,218	15,558
General government	1,067,721	1,108,721	1,049,547	59,174
Social services	10,150	10,350	10,529	(179)
Senior center	139,511	140,911	141,794	(883)
Cemetery	27,892	27,892	23,792	4,100
Public safety	23,572	23,572	21,396	2,176
Building	203,091	205,091	213,037	(7,946)
Planning	228,882	235,633	183,402	52,231
Assessing	145,409	145,409	143,750	1,659
Zoning Board of Appeals	12,890	12,890	9,752	3,138
Community parks	25,000	46,487	24,954	21,533
Transfers to other funds	70,000	519,128	519,128	-
Total expenditures	2,539,067	3,061,033	2,867,897	193,136
Excess of Expenditures Over Revenue	(32,559)	(511,465)	(343,493)	167,972
Fund Balance - Beginning of year	1,253,235	1,253,235	1,253,235	-
Fund Balance - End of year	<u>\$ 1,220,676</u>	<u>\$ 741,770</u>	<u>\$ 909,742</u>	<u>\$ 167,972</u>

Charter Township of Highland

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Refuse Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Charges for services	\$ 756,960	\$ 756,960	\$ 785,216	\$ 28,256
Interest income	15,000	15,000	45,224	30,224
Other	-	-	8,629	8,629
Total revenue	771,960	771,960	839,069	67,109
Expenditures - General government - Refuse collection	770,297	770,297	779,730	(9,433)
Excess of Revenue Over Expenditures	1,664	1,664	59,339	57,675
Fund Balance - Beginning of year	555,326	555,326	555,326	-
Fund Balance - End of year	<u>\$ 556,990</u>	<u>\$ 556,990</u>	<u>\$ 614,665</u>	<u>\$ 57,675</u>

Charter Township of Highland

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Fire Operating Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
General property taxes	\$ 1,068,967	\$ 1,068,967	\$ 1,069,898	\$ 931
Federal grants	-	-	5,010	5,010
Interest	8,500	36,500	47,476	10,976
Other revenue	3,000	3,000	2,646	(354)
Total revenue	1,080,467	1,108,467	1,125,030	16,563
Expenditures				
Fire department	768,967	813,967	770,292	43,675
Transfers to other funds	305,000	305,000	305,000	-
Total expenditures	1,073,967	1,118,967	1,075,292	43,675
Excess of Revenue Over (Under)				
Expenditures	6,500	(10,500)	49,738	60,238
Fund Balance - Beginning of year	364,767	364,767	364,767	-
Fund Balance - End of year	<u>\$ 371,267</u>	<u>\$ 354,267</u>	<u>\$ 414,505</u>	<u>\$ 60,238</u>

Charter Township of Highland

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Fire Capital Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Interest	\$ 5,000	\$ 5,000	\$ 5,796	\$ 796
Proceeds from debt issue	-	-	895,198	895,198
Transfers from other funds	305,000	305,000	305,000	-
Total revenue	310,000	310,000	1,205,994	895,994
Expenditures - Fire vehicles and equipment	350,000	350,000	188,432	161,568
Excess of Revenue Over (Under)				
Expenditures	(40,000)	(40,000)	1,017,562	1,057,562
Fund Balance - Beginning of year	148,520	148,520	148,520	-
Fund Balance - End of year	<u>\$ 108,520</u>	<u>\$ 108,520</u>	<u>\$ 1,166,082</u>	<u>\$ 1,057,562</u>

Charter Township of Highland

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Police Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
General property taxes	\$ 2,087,451	\$ 2,087,451	\$ 2,069,913	\$ (17,538)
State grants	5,000	8,700	9,911	1,211
Local grants	16,000	16,000	16,456	456
Charges for services	197,238	197,238	200,227	2,989
Interest	25,000	55,000	67,079	12,079
Other revenue	1,000	1,000	491	(509)
Total revenue	2,331,689	2,365,389	2,364,077	(1,312)
Expenditures - Police expenditures	<u>2,368,074</u>	<u>2,419,774</u>	<u>2,402,832</u>	<u>16,942</u>
Excess of Expenditures Over Revenue	(36,385)	(54,385)	(38,755)	15,630
Fund Balance - Beginning of year	<u>257,772</u>	<u>257,772</u>	<u>257,772</u>	-
Fund Balance - End of year	<u>\$ 221,387</u>	<u>\$ 203,387</u>	<u>\$ 219,017</u>	<u>\$ 15,630</u>

Other Supplemental Information

Charter Township of Highland

		Special Revenue Funds	
		Road	Postemployment Benefits
Assets			
Cash and investments		\$ 52,240	\$ 195,000
Special assessment receivable		-	-
Taxes receivable		-	-
Prepaid expenses and other assets		-	1,288
Total assets		<u>\$ 52,240</u>	<u>\$ 196,288</u>
Liabilities and Fund Balances			
Liabilities - Deferred revenue		\$ -	\$ -
Fund Balances			
Reserved for capital outlay		-	-
Reserved for debt service		-	-
Designated for future years' projects		52,240	196,288
Total fund balances		<u>52,240</u>	<u>196,288</u>
Total liabilities and fund balances		<u>\$ 52,240</u>	<u>\$ 196,288</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2006**

Capital Projects Funds						Total Nonmajor Governmental Funds
Lakeview Lane Improvement	Woodruff Lake	Kellogg-Taggett	Highland Lake Well	Peninsula Lake Weed Harvesting	Library Building	
\$ 5,584	\$ 23,603	\$ 69,971	\$ 81,078	\$ 2,833	\$ 276,839	\$ 707,148
3,013	11,414	38,365	46,389	4,641	-	103,822
-	-	-	-	-	224,791	224,791
-	-	-	-	-	-	1,288
<u>\$ 8,597</u>	<u>\$ 35,017</u>	<u>\$ 108,336</u>	<u>\$ 127,467</u>	<u>\$ 7,474</u>	<u>\$ 501,630</u>	<u>\$ 1,037,049</u>
\$ 2,446	\$ 8,872	\$ 33,039	\$ 41,312	\$ 4,641	\$ 462,060	\$ 552,370
-	-	-	-	2,833	32,307	35,140
6,151	25,074	75,297	85,524	-	7,263	199,309
-	1,071	-	631	-	-	250,230
<u>6,151</u>	<u>26,145</u>	<u>75,297</u>	<u>86,155</u>	<u>2,833</u>	<u>39,570</u>	<u>484,679</u>
<u>\$ 8,597</u>	<u>\$ 35,017</u>	<u>\$ 108,336</u>	<u>\$ 127,467</u>	<u>\$ 7,474</u>	<u>\$ 501,630</u>	<u>\$ 1,037,049</u>

Charter Township of Highland

	Special Revenue Funds	
	Road	Postemployment Benefits
Revenue		
General property taxes	\$ -	\$ -
Special assessments	-	-
Interest on investments	1,418	-
Other revenue	<u>14,200</u>	<u>-</u>
Total revenue	15,618	-
Expenditures		
Debt service	-	-
Capital outlay and other	<u>124,708</u>	<u>-</u>
Total expenditures	<u>124,708</u>	<u>-</u>
Excess of Revenue Over (Under) Expenditures	(109,090)	-
Other Financing Sources - Transfers from other funds	<u>134,128</u>	<u>85,000</u>
Net Change in Fund Balances	25,038	85,000
Fund Balances - Beginning of year as restated	<u>27,202</u>	<u>111,288</u>
Fund Balances - End of year	<u>\$ 52,240</u>	<u>\$ 196,288</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2006

Capital Projects Funds							Total Nonmajor Governmental Funds
Lakeview Lane Improvement	Woodruff Lake	Kellogg-Taggett	Highland Lake Well	Peninsula Lake Weed Harvesting	Library Building		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 464,919	\$ 464,919	
4,108	7,852	21,250	18,110	3,757	-	55,077	
382	987	2,965	3,531	95	9,133	18,511	
-	-	-	-	-	-	14,200	
4,490	8,839	24,215	21,641	3,852	474,052	552,707	
9,444	11,424	22,348	21,253	-	465,435	529,904	
-	-	-	-	2,764	6,000	133,472	
9,444	11,424	22,348	21,253	2,764	471,435	663,376	
(4,954)	(2,585)	1,867	388	1,088	2,617	(110,669)	
-	-	-	-	-	-	219,128	
(4,954)	(2,585)	1,867	388	1,088	2,617	108,459	
11,105	28,730	73,430	85,767	1,745	36,953	376,220	
\$ 6,151	\$ 26,145	\$ 75,297	\$ 86,155	\$ 2,833	\$ 39,570	\$ 484,679	



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February 7, 2007

To the Members of the Township Board
Charter Township of Highland
205 N. John Street
Highland, MI 48357

Dear Board Members:

We have recently completed our audit of the financial statements for the Charter Township of Highland for the year ended December 31, 2006. As a result of our audit, we offer the following observations and comments for your consideration:

The Township continues to improve the condition of its financial records and strengthen its internal controls. Most of our suggestions from the previous audits have been adopted over the past several years.

In addition to these comments and recommendations, our audit also identified a material weakness in internal control that has 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. This report letter has been issued separately.

Overview of the Township's Financial Condition

The General Fund fund balance at December 31, 2006 is approximately \$910,000, of which \$58,089 has been designated for expenditures in future years. The undesignated portion of fund balance represents approximately 36 percent of 2006 expenditures. In the coming years, the Township will continue to face future revenue reductions as the State's economic growth and associated revenue-sharing payments decline. The Township has appropriately placed emphasis in the past on maintaining a sufficient level of fund balance to be able to adjust to expected and unanticipated financial changes, such as you are currently experiencing. An adequate level of fund balance positions the Township to address negative financial changes without disrupting the level of services provided to citizens or the Township's ability to fund future obligations.

Informational Topics

Retiree Health Care Benefits

The Governmental Accounting Standards Board has 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 intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government-wide financial statements rather than the individual fund level. Therefore, the manner in which retiree health care benefits are budgeted will not change, unless you begin funding the benefits (however, as discussed below, there are incentives to do so).

The new pronouncement will require a valuation of the obligation to provide retiree health care benefits, including an amortization of the past service cost over a period of up to 30 years. The valuation must include an annual recommended contribution (ARC). While the ARC does not need to be funded each year, any underfunding must be reported as a liability on the government-wide statement of net assets.

This valuation will need to be performed by an actuary if the total participants exceed 100. Participants are defined as employees in active service, terminated employees not yet receiving benefits, plus retirees and beneficiaries currently receiving benefits. Due to the number of participants being under 100, Highland Township is not required to have a formal valuation prepared; however, a valuation may prove beneficial for long-term planning.

This statement is being phased in over a three-year period, similar to GASB 34. For Highland Township, this statement is effective for the 2009 fiscal year. Remember that planning to make the annual recommended contribution generally requires up to three to six months for an actuarial valuation plus six months’ lead time to work the numbers into the budget. Therefore, we recommend that you begin the actuarial valuation at least one year prior to the above dates.

The GASB statement has provided substantial incentive to fund the obligation in accordance with the annual recommended contribution. In addition to the normal fairness issue of paying for a service as you use it, the GASB has directed that lower rates of return be used for evaluating the annual recommended contribution in situations where the recommended contribution is not being funded. This will significantly increase the calculation of the following year’s contribution; thus, funding the contribution will actually reduce your long-run cost.

Legislative Topics

Revenue Sharing

This year's budget discussion offered hope of an increase in revenue sharing from the last several years. Revenue sharing was identified as a priority by the Legislature during its initial budget discussions in the winter and several proposals existed which included a blanket increase in revenue sharing of several percent and one which tied the increase in revenue sharing to local governments who demonstrated that they had engaged in service sharing, service consolidation, etc. In the end, the summer budget compromises that occurred in July saw no increases in revenue sharing over the last several years.

However, an additional appropriation was made for special census payments in 2006. The revenue sharing act does provide that a city, village, or township with a minimum 10 percent population growth confirmed by a special census, and levying at least one mill, is eligible for an annual payment for a portion or all of the growth in population. Despite this, even if the local government meets these criteria, funds for the special census payment must be appropriated by the Legislature. Therefore, there is risk that a community with a 10 percent or greater population increase since the 2000 census will incur the time and expense of a special census and not have monies appropriated by the Legislature.

With the appropriation reductions to revenue sharing since 2001 (including approximately \$600 million in fiscal year 2006/2007 over amounts calculated by the statutory formula), a number of townships are no longer receiving any statutory revenue sharing. To accomplish the appropriation reductions mandated in the State's budget, the State is required to reduce the statutory portion of a local unit's revenue sharing (remember that the constitutional portion cannot be adjusted). Many townships no longer have any statutory revenue sharing remaining as a result. For those communities, because sales tax collections have increased, their revenue sharing is actually increasing because they are now only receiving constitutional revenue sharing. Essentially, the remaining amount of statutory revenue sharing in the State's budget (approximately \$400 million) is supporting cities, villages, and larger urban townships.

The statutory formula sunsets in 2007, so these remaining statutory revenue-sharing dollars will receive considerable attention next year. Next year, the State will also need to begin dealing with counties again as it relates to statutory revenue sharing. In fiscal year 2004/2005, the State eliminated statutory revenue sharing received by counties (which was approximately \$182 million in fiscal year 2003/2004) and, in return, allowed the counties to advance the levy of their operating millage to July from December.

The additional monies from the earlier levy were utilized to create a reserve fund by the counties to replace lost statutory revenue sharing. The expectation is that when the reserve funds at individual counties become depleted, the counties will re-enter the State's statutory revenue sharing formula. It is very possible that the return of county statutory revenue sharing could be at the expense of city, village, and township statutory revenue sharing.

February 7, 2007

Considering the unknown impact of the State's budget crisis, the anticipated sunset of the statutory formula, and the elimination of the single business tax (see "Update on Business Tax Reform") on state-shared revenue, we encourage you to develop a contingency plan to deal with possible additional reductions to this revenue item.

Update on Business Tax Reform (and Its impact on Local Government)

On August 9, 2006, the Michigan Legislature approved a voters' legislative "initiative" to repeal the Michigan Single Business Tax ("SBT") for tax years beginning after December 31, 2007, two years earlier than it was originally slated to end. In addition to the repeal, the law requires the Michigan Department of Treasury to prorate the SBT to result in the equivalent of zero tax on business activity occurring after December 31, 2007. Previously, the SBT was scheduled to be repealed for tax years beginning after December 31, 2009.

Currently, there is no plan for replacement of this \$1.9 billion in lost revenue to the State. If no replacement revenue is identified, statutory revenue sharing may become a target to fill the hole in the State's budget.

Cable Franchise Fees

Signed into law in December 2006, Enrolled House Bill No. 6456 will create a state video service authorization system that will replace the current system of local franchising of cable TV providers, and also will apply to new providers who will provide service through phone lines. Providers will have to provide customers with local stations and "public access" stations, as is currently required for cable systems. Providers will have to pay a fee of up to 5 percent of gross revenues that will be given to local governments in lieu of the current local cable franchise fees. The new law is effective as of January 1, 2007.

Task Force Report Issued on Local Government Finance

In 2005, the governor commissioned a task force to further study Michigan's Municipal Finance Model. The Commission has completed their work and released their report in May 2006. Findings of the report include:

- Revenue for local governments is flat, or declining, due to reductions in state revenue sharing and the interaction of the Headlee Amendment and Proposal A. Mature urban centers have been impacted the hardest.
- While revenues have been restricted, many expenditures are increasing beyond the control of local government. The expenditures include, but are not limited to health care, pension liabilities, and public safety costs.
- The current finance system, based on obsolete revenue foundations, is not resilient or flexible enough to withstand out-migration of taxpayers, whether due to economic downturn or availability of developable land.

- Legacy costs of postemployment benefits to retired workers threaten to overtake the majority of available new revenue for local units.
- Deferring maintenance on critical infrastructure such as roads, sewers, water mains, and buildings to meet ongoing increases in operating expenditures has left many local governments with crumbling infrastructure and growing future cost liabilities.

The full report can be accessed at: www.migfoa.org.

We would like to thank the Township personnel for the courtesy and assistance extended to us during the audit. We would be happy to answer any questions or concerns you have regarding the annual financial report and the above comments and recommendations at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Leslie J. Pulver".

Leslie J. Pulver

A handwritten signature in black ink, appearing to read "Brian J. Camiller".

Brian J. Camiller



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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based
on an Audit of the Financial Statements**

To the Members of the Township Board
Charter Township of Highland
205 N. John Street
Highland, MI 48357

Dear Board Members:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Highland as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated February 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township'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 Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We identified the following control deficiency that would be considered a significant deficiency in internal control over financial reporting.

To the Members of the Township Board
Charter Township of Highland

For several years, certain audit adjustments related to the receivables and payables between the Special Assessment Funds and the Current Tax Fund were not reversed in the following year. As a result, revenues were overstated since the appropriate special assessment collections were recorded as revenue when transferred from the Current Tax Fund to the different Special Assessment Funds after having already been recorded as revenue via the year-end audit adjustment. On an annual basis, these amounts were relatively minor. It was not until the accumulation grew to a more significant amount this year did we focus our attention on it. Working together with the Township's accounting staff, we determined that this had merely been overlooked in prior years due to the small annual amounts. However, since the accumulation reached its current level, an adjustment became necessary. During the audit, we proposed journal entries to remedy this situation by reducing the receivables and accumulated fund balances in the Special Assessment Funds. As soon as this was discussed with the Township's accounting staff, a procedure was immediately implemented to prevent this from occurring again. Reversing the applicable journal entries in the following year will ensure that the correct amount of revenue is reflected in the Township's records.

We feel that your staff has the ability to perform these functions, and with a minimum of guidance, these recommendations can easily be accomplished by the Township staff.

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the significant deficiency stated above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township'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.

To the Members of the Township Board
Charter Township of Highland

This report is intended solely for the information and use of management, the members of the Township Board, and others within the Township, 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 "Leslie J. Pulver". The signature is written in a cursive style with a large, stylized 'L' and 'P'.

Leslie J. Pulver