

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, 2007**

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, 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 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, 2007 and the respective changes in financial position, 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 required parts 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 6, 2008

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, 2007. 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, 2007:

- Total net assets related to the Township's governmental activities increased by approximately \$703,000. The General Fund fund balance increased by \$61,000. General Fund operations ultimately exceeded the budget by approximately \$166,000. This increase resulted from higher than anticipated earnings on interest, cable fees, passport and passport photo fees, along with the Township's 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 years:

	December 31	
	2007	2006
Assets		
Current assets	\$ 10,210,284	\$ 10,273,462
Noncurrent assets	<u>15,357,827</u>	<u>13,913,778</u>
Total assets	25,568,111	24,187,240
Liabilities		
Current liabilities	7,246,981	6,070,087
Long-term liabilities	<u>5,360,101</u>	<u>5,858,830</u>
Total liabilities	<u>12,607,082</u>	<u>11,928,917</u>
Net Assets		
Invested in capital assets - Net of related debt	8,060,511	7,554,209
Restricted	2,379,455	3,281,605
Unrestricted	<u>2,521,063</u>	<u>1,422,509</u>
Total net assets	<u>\$ 12,961,029</u>	<u>\$ 12,258,323</u>

The Township's combined net assets increased 5.7 percent from a year ago - increasing from \$12,258,323 to \$12,961,029. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - totaled \$2,521,063 or about 36 percent of expenditures. Public safety continues to be the Township's greatest expense, totaling approximately 48 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)
	2007	2006	
Revenue			
Program revenue:			
Charges for services	\$ 1,178,553	\$ 1,279,640	\$ (101,087)
Operating grants and contributions	42,466	30,547	11,919
Capital grants and contributions	224,831	137,411	87,420
General revenue:			
Property taxes	4,222,111	4,086,127	135,984
State-shared revenue	1,346,768	1,342,947	3,821
Unrestricted investment earnings	414,074	297,491	116,583
Miscellaneous revenue	271,559	279,011	(7,452)
Total revenue	7,700,362	7,453,174	247,188
Program Expenses			
General government	1,568,885	1,507,899	60,986
Public safety	3,374,451	3,441,498	(67,047)
Public works	958,543	891,411	67,132
Health and welfare	118,394	125,677	(7,283)
Community and economic development	27,559	23,792	3,767
Recreation and culture	639,289	684,811	(45,522)
Interest on long-term debt	310,535	271,206	39,329
Total program expenses	6,997,656	6,946,294	51,362
Change in Net Assets	\$ 702,706	\$ 506,880	\$ 195,826

Governmental Activities

The Township's total governmental revenues totaled \$7,700,362 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 \$6,997,656 during the year, an increase of less than 1 percent over 2006. This is a result of a conservative approach to spending, savings in employee health care, lower liability insurance costs, and attrition.

Charter Township of Highland

Management's Discussion and Analysis (Continued)

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 2007 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 2007.

General Fund Budgetary Highlights

Township departments stayed below budget while not compromising existing services. This resulted in total expenditures approximately \$166,000 below budget.

Capital Asset and Debt Administration

At the end of 2007, the Township had approximately \$14,618,000 invested in a broad range of capital assets, including buildings, equipment, and water mains. Current year additions totaling approximately \$2,054,000 included two fire trucks and the construction of sewer system improvements.

At the end of 2007, the Township had outstanding long-term debt of approximately \$6,818,000. Included in that amount is approximately \$4.1 million in outstanding general obligation bonds whose proceeds were used for the construction of the Township library building. The majority of the other \$2.7 million is made up of several outstanding special assessment bonds, sewer anticipation notes, and a loan for two new fire trucks.

Economic Factors and Next Year's Budgets and Rates

When putting together the 2008 budget, the Township considered what to anticipate in the coming year, over and above its normal operations, such as possible cuts in state-shared revenue, a changing real estate market, guaranteed increases in healthcare costs for employees and retirees, and continuing costs related to planning and implementing water and sanitary sewer services.

Be assured, the Township is poised to deal with the challenges this economy presents and continues to foster positive growth and sustainability for our existing residential, business, and commercial base. This is achieved through best practices in budgeting, planning, risk management, and customer service.

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.

Charter Township of Highland

Management's Discussion and Analysis (Continued)

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, 2007

	Primary Government - Governmental Activities	Component Unit - Downtown Development Authority
Assets		
Cash and investments (Note 3)	\$ 7,474,689	\$ 232,789
Due from other governmental units	228,623	18,074
Taxes receivable	2,181,070	182,276
Refuse assessment receivable	305,482	-
Special assessment receivable	740,096	-
Prepaid expenses	20,420	-
Capital assets (Note 5):		
Not being depreciated	3,031,374	-
Subject to depreciation	11,586,357	-
Total assets	25,568,111	433,139
Liabilities		
Accounts payable	276,980	8,972
Accrued and other liabilities	252,259	-
Deferred revenue (Note 4)	5,259,985	229,392
Current portion of long-term liabilities:		
Compensated absences (Note 7)	59,029	-
Long-term debt (Note 7)	1,398,728	-
Noncurrent portion of long-term liabilities - Long-term debt (Note 7)	5,360,101	-
Total liabilities	12,607,082	238,364
Net Assets		
Invested in capital assets - Net of related debt	8,060,511	-
Restricted (Note 12):		
Refuse	647,407	-
Police and fire operations	781,572	-
Debt service	158,930	-
Capital projects	51,450	-
Water projects	740,096	-
Unrestricted	2,521,063	194,775
Total net assets	<u>\$ 12,961,029</u>	<u>\$ 194,775</u>

Charter Township of Highland

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government -				
Governmental activities:				
General government	\$ 1,568,885	\$ 124,330	\$ -	\$ 88,873
Public safety	3,374,451	262,784	17,144	-
Public works - Refuse collection and roads	958,543	767,766	21,500	135,958
Health and welfare - Social services and senior center	118,394	11,540	3,822	-
Community and economic development	27,559	11,733	-	-
Recreation and culture	639,289	400	-	-
Interest on long-term debt	310,535	-	-	-
Total primary government	<u>\$ 6,997,656</u>	<u>\$ 1,178,553</u>	<u>\$ 42,466</u>	<u>\$ 224,831</u>
Component unit - Downtown Development Authority	<u>\$ 271,187</u>	<u>\$ -</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				
Net Assets - End of year				

Statement of Activities
Year Ended December 31, 2007

Net (Expense) Revenue and Changes in
Net Assets

Primary Government	Component Unit - Downtown Development Authority
\$ (1,355,682)	\$ -
(3,094,523)	-
(33,319)	-
(103,032)	-
(15,826)	-
(638,889)	-
(310,535)	-
(5,551,806)	-
-	(271,187)
4,222,111	237,725
1,346,768	-
414,074	14,309
271,559	4,227
6,254,512	256,261
702,706	(14,926)
12,258,323	209,701
\$ 12,961,029	\$ 194,775

Charter Township of Highland

	Major Funds		
	General	Capital Projects Funds	
		Water	Capital Improvements
Assets			
Cash and investments (Note 3)	\$ 972,244	\$ 578,105	\$ 853,473
Due from other governmental units	228,623	-	-
Due from other funds (Note 6)	64,892	-	-
Taxes receivable	247,744	-	-
Refuse assessment receivable	-	-	-
Special assessment receivable	-	667,182	-
Prepaid expenses and other assets	1,752	-	-
Total assets	<u>\$ 1,515,255</u>	<u>\$ 1,245,287</u>	<u>\$ 853,473</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 40,139	\$ -	\$ 10,837
Accrued and other liabilities	-	162,975	-
Due to other funds (Note 6)	-	64,892	-
Deferred revenue (Note 4)	504,374	667,650	-
Total liabilities	544,513	895,517	10,837
Fund Balances			
Reserved for:			
Prepaid expenses	1,752	-	-
Special Revenue Funds - Police service contract	-	-	-
Capital Projects Funds - Capital outlay and debt service	-	40,994	-
Unreserved, reported in:			
General Fund	968,990	-	-
Capital Project Funds	-	308,776	842,636
Special Revenue Funds	-	-	-
Total fund balances	<u>970,742</u>	<u>349,770</u>	<u>842,636</u>
Total liabilities and fund balances	<u>\$ 1,515,255</u>	<u>\$ 1,245,287</u>	<u>\$ 853,473</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, 2007**

Major Funds					Other Nonmajor Governmental Funds	Total Governmental Funds
Special Revenue Funds						
Refuse	Fire Operating	Fire Capital	Police			
\$ 1,121,109	\$ 1,211,681	\$ 439,253	\$ 1,618,115	\$ 680,709	\$ 7,474,689	
-	-	-	-	-	228,623	
-	-	-	-	-	64,892	
-	590,385	-	1,130,560	212,381	2,181,070	
305,482	-	-	-	-	305,482	
-	-	-	-	72,914	740,096	
-	-	-	17,381	1,288	20,421	
<u>\$ 1,426,591</u>	<u>\$ 1,802,066</u>	<u>\$ 439,253</u>	<u>\$ 2,766,056</u>	<u>\$ 967,292</u>	<u>\$ 11,015,273</u>	
\$ 8,544	\$ 16,963	\$ -	\$ 200,482	\$ -	\$ 276,965	
-	26,412	-	-	-	189,387	
-	-	-	-	-	64,892	
770,640	1,205,117	-	2,337,576	501,683	5,987,040	
779,184	1,248,492	-	2,538,058	501,683	6,518,284	
-	-	-	-	-	1,752	
-	-	-	17,381	-	17,381	
-	-	-	-	204,366	245,360	
-	-	-	-	-	968,990	
-	-	-	-	6,014	1,157,426	
647,407	553,574	439,253	210,617	255,229	2,106,080	
647,407	553,574	439,253	227,998	465,609	4,496,989	
<u>\$ 1,426,591</u>	<u>\$ 1,802,066</u>	<u>\$ 439,253</u>	<u>\$ 2,766,056</u>	<u>\$ 967,292</u>		
						14,617,731
						727,055
						(59,029)
						<u>(6,821,717)</u>
						<u>\$ 12,961,029</u>

Charter Township of Highland

	Major Funds		
	Capital Projects Funds		
	General	Water	Capital Improvements
Revenue			
General property taxes	\$ 467,914	\$ -	\$ -
Licenses and permits	132,049	-	-
Federal sources	20,157	-	-
State sources	1,350,590	-	-
Local sources	-	-	-
Charges for services	317,110	21,500	-
Special assessments	-	135,958	-
Interest and other revenue	191,199	37,552	120,840
Total revenue	2,479,019	195,010	120,840
Expenditures			
Legislative	22,324	-	-
Supervisor's office	151,776	-	-
Clerk's office	148,302	-	-
Treasurer's office	147,284	-	-
Accounting department	58,310	-	-
General government	1,100,392	-	-
Social services	10,643	-	-
Senior center	142,372	-	-
Refuse disposal	-	-	-
Cemetery	27,559	-	-
Law enforcement	24,726	-	-
Building, planning, and assessing	495,067	-	-
Zoning Board of Appeals	9,882	-	-
Police services and fire department	-	-	-
Community parks	22,511	-	-
Debt service	-	150,117	-
Capital outlay and other	-	698,391	197,672
Total expenditures	2,361,148	848,508	197,672
Excess of Revenue Over (Under) Expenditures	117,871	(653,498)	(76,832)
Other Financing Sources (Uses)			
Proceeds from debt issuance	-	900,000	-
Transfers from other funds (Note 6)	-	-	-
Transfers to other funds (Note 6)	(56,871)	-	-
Total other financing sources (uses)	(56,871)	900,000	-
Net Change in Fund Balances	61,000	246,502	(76,832)
Fund Balances - Beginning of year	909,742	103,268	919,468
Fund Balances - End of year	<u>\$ 970,742</u>	<u>\$ 349,770</u>	<u>\$ 842,636</u>

Governmental Funds

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

Major Funds					
Special Revenue Funds					
Refuse	Fire Operating	Fire Capital	Police	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,127,637	\$ -	\$ 2,162,795	\$ 463,765	\$ 4,222,111
-	-	-	-	-	132,049
-	-	-	-	-	20,157
-	-	-	1,144	-	1,351,734
-	-	-	16,000	-	16,000
764,760	-	-	209,718	-	1,313,088
-	-	-	-	28,297	164,255
<u>55,842</u>	<u>56,351</u>	<u>22,531</u>	<u>78,657</u>	<u>20,113</u>	<u>583,085</u>
820,602	1,183,988	22,531	2,468,314	512,175	7,802,479
-	-	-	-	-	22,324
-	-	-	-	-	151,776
-	-	-	-	-	148,302
-	-	-	-	-	147,284
-	-	-	-	-	58,310
-	-	-	-	-	1,100,392
-	-	-	-	-	10,643
-	-	-	-	-	142,372
787,860	-	-	-	-	787,860
-	-	-	-	-	27,559
-	-	-	-	-	24,726
-	-	-	-	-	495,067
-	-	-	-	-	9,882
-	786,444	-	2,443,605	-	3,230,049
-	-	-	-	-	22,511
-	-	112,637	-	534,525	797,279
-	-	895,198	15,728	53,591	1,860,580
<u>787,860</u>	<u>786,444</u>	<u>1,007,835</u>	<u>2,459,333</u>	<u>588,116</u>	<u>9,036,916</u>
32,742	397,544	(985,304)	8,981	(75,941)	(1,234,437)
-	-	-	-	-	900,000
-	-	258,475	-	56,871	315,346
-	(258,475)	-	-	-	(315,346)
<u>-</u>	<u>(258,475)</u>	<u>258,475</u>	<u>-</u>	<u>56,871</u>	<u>900,000</u>
32,742	139,069	(726,829)	8,981	(19,070)	(334,437)
614,665	414,505	1,166,082	219,017	484,679	4,831,426
<u>\$ 647,407</u>	<u>\$ 553,574</u>	<u>\$ 439,253</u>	<u>\$ 227,998</u>	<u>\$ 465,609</u>	<u>\$ 4,496,989</u>

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, 2007

Net Change in Fund Balances - Total Governmental Funds \$ (334,437)

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	1,965,268
Depreciation	(442,022)

Capital grants and donations of capital assets are not reported in the funds	88,873
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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	(161,972)
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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	(6,097)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	493,868
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Issuance of new debt is a revenue in the governmental funds, but not in the statement of activities (where it increases long-term debt)	(900,000)
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Accrued interest is an expenditure in the statement of activities, but not in the governmental funds	(768)
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Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(7)
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Change in Net Assets of Governmental Activities \$ 702,706

Charter Township of Highland

Fiduciary Funds Statement of Assets and Liabilities December 31, 2007

	Special Escrow Fund	Current Tax Fund	Total Agency Funds
Assets - Cash and cash equivalents	<u>\$ 962,632</u>	<u>\$ 374,962</u>	<u>\$ 1,337,594</u>
Liabilities			
Performance bonds payable and other liabilities	\$ 962,632	\$ -	\$ 962,632
Tax collections distributable	<u>-</u>	<u>374,962</u>	<u>374,962</u>
Total liabilities	<u>\$ 962,632</u>	<u>\$ 374,962</u>	<u>\$ 1,337,594</u>

Charter Township of Highland

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

Note I - 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 legally 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 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, 2007

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, 2007**

Note I - 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.

Capital Improvements Fund - The Capital Improvements Fund is used by the Township to account for capital projects and capital acquisitions.

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, 2007**

Note I - 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 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 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 0.5800 mills for library debt service, 1.4372 mills for fire operations, and 2.7805 mills for police operations. This resulted in approximately \$487,000 for operating, \$464,000 for library building and debt service, \$1,128,000 for fire operations, and \$2,163,000 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, 2007

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.

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, 2007

Note 2 - Stewardship, Compliance, and Accountability

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

Shortfall as of December 31, 2006		\$	(207,184)
Current year building permit revenue			132,049
Related expenses:			
Direct costs	\$	(160,066)	
Estimated indirect costs		<u>(51,118)</u>	<u>(211,184)</u>
Current year shortfall			<u>(79,135)</u>
Shortfall as of December 31, 2007		\$	<u>(286,319)</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, 2007

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 Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$3,928,808 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	\$4,403,171	Aaa	Moody's

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	\$ 5,259,985	\$ -	\$ 5,259,985
Special assessments	<u>-</u>	<u>727,055</u>	<u>727,055</u>
Total	<u>\$ 5,259,985</u>	<u>\$ 727,055</u>	<u>\$ 5,987,040</u>

Charter Township of Highland

Notes to Financial Statements December 31, 2007

Note 5 - Capital Assets

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

	Balance January 1, 2007	Additions	Disposals and Adjustments	Balance December 31, 2007
Capital assets not being depreciated:				
Land	\$ 2,332,983	\$ -	\$ -	\$ 2,332,983
Construction in progress	-	698,391	-	698,391
Subtotal	2,332,983	698,391	-	3,031,374
Capital assets being depreciated:				
Buildings and improvements	3,931,316	364,653	9,240	4,286,729
Library building	5,897,468	-	-	5,897,468
Furniture and equipment	2,109,874	991,097	177,411	2,923,560
Water mains	1,599,100	-	-	1,599,100
Subtotal	13,537,758	1,355,750	186,651	14,706,857
Accumulated depreciation:				
Buildings and improvements	1,043,425	142,357	4,818	1,180,964
Library building	529,415	118,536	-	647,951
Furniture and equipment	1,157,330	149,147	175,736	1,130,741
Water mains	128,862	31,982	-	160,844
Subtotal	2,859,032	442,022	180,554	3,120,500
Net capital assets being depreciated	10,678,726	913,728	6,097	11,586,357
Net capital assets	\$ 13,011,709	\$ 1,612,119	\$ 6,097	\$ 14,617,731

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

Governmental activities:	
General government	\$ 127,133
Public safety	137,801
Public works	31,982
Recreation and culture	145,106
Total governmental activities	\$ 442,022

Charter Township of Highland

Notes to Financial Statements December 31, 2007

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

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

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	Nonmajor governmental funds	\$ 56,871
Special Revenue Funds - Fire Operating Fund	Special Revenue Funds - Fire Capital Fund	<u>258,475</u>
Total interfund transfers		<u>\$ 315,346</u>

The transfer from the General Fund to the nonmajor Special Revenue Funds is to cover future retiree health expenses, the Township's portion of Tri-Party obligations, and debt service payments. 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, 2007

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%	\$ 4,330,000	\$ -	\$ (275,000)	\$ 4,055,000	\$ 285,000
Special assessment bonds:						
Highland Lk. Augmentation Well						
Original issue \$140,000						
Maturing through 2012	5.60% - 6.30%	95,000	-	(15,000)	80,000	15,000
Kellogg Taggett Augmentation Well:						
Original issue \$170,000						
Maturing through 2011	6.40% - 6.80%	100,000	-	(20,000)	80,000	20,000
Lakeview Lane Road Improvement:						
Original issue \$85,000						
Maturing through 2007	N/A	8,500	-	(8,500)	-	-
Woodruff Lake Augmentation Well:						
Original issue \$77,000						
Maturing through 2010	7.60% - 9.00%	34,000	-	(8,000)	26,000	8,000
M-59 Water Main:						
Original issue \$1,060,000						
Maturing through 2016	3.75% - 4.70%	750,000	-	(75,000)	675,000	75,000
S. Milford Water Main:						
Original issue \$170,000						
Maturing through 2013	3.35% - 4.45%	140,000	-	(20,000)	120,000	20,000
Special Assessment Anticipation Loan:						
Original issue \$900,000						
Maturing through 2008	4.03%	-	900,000	-	900,000	900,000
Other long-term obligations -						
Installment purchase obligations -						
Fire vehicle:						
Original issue \$895,198						
Maturing through 2016	4.59%	895,198	-	(72,369)	822,829	75,728
Subtotal		6,352,698	900,000	(493,869)	6,758,829	1,398,728
Compensated absences		59,022	7	-	59,029	59,029
Total long-term debt		\$ 6,411,720	\$ 900,007	\$ (493,869)	\$ 6,817,858	\$ 1,457,757

Charter Township of Highland

Notes to Financial Statements December 31, 2007

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 \$740,000 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 \$197,000 set aside in these funds for the repayment of the bonds. The amount of receivables delinquent at December 31, 2007 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, 2007 totaled approximately \$311,000.

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, 2007 are as follows:

	Principal	Interest	Total
2008	\$ 1,398,728	\$ 295,888	\$ 1,694,616
2009	518,244	236,155	754,399
2010	526,923	211,892	738,815
2011	531,772	187,304	719,076
2012	530,801	162,767	693,568
2013-2017	2,502,361	487,113	2,989,474
2018-2019	750,000	34,500	784,500
Total	<u>\$ 6,758,829</u>	<u>\$ 1,615,618</u>	<u>\$ 8,374,447</u>

Charter Township of Highland

Notes to Financial Statements December 31, 2007

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 (the "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 \$134,117 during the current year. There are no provisions in the plan for employee contributions.

Note 10 - Postretirement Benefits

The Township provides healthcare benefits to all full-time employees upon retirement in accordance with the Township board's policy. Currently, six retirees are eligible. In addition, 19 active employees may be entitled to benefits upon retirement. Expenditures for postretirement healthcare benefits are recognized as the insurance premiums become due; during the year, this amounted to \$32,921.

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, 2009.

Charter Township of Highland

Notes to Financial Statements December 31, 2007

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).” Generally, annual appropriations lapse at fiscal year end; however, due to the length of time associated with the assembly and equipping of two fire trucks, the 2006 appropriation related to the fire trucks were carried over to 2007. 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, there were no significant budget overruns.

Charter Township of Highland

Notes to Financial Statements December 31, 2007

Note 12 - Restricted Net Assets

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

Police	\$ 227,998
Fire operations	<u>553,574</u>
Total police and fire operations	781,572
Debt service:	
Library	2,898
Lakeview Lane improvement	1,074
Woodruff Lake	18,633
Kellogg-Taggert	62,505
Highland Lake well	<u>73,820</u>
Total debt service	158,930
Capital projects:	
Library	42,815
Woodruff Lake	1,895
Highland Lake well	4,119
Peninsula Lake weed harvesting	<u>2,621</u>
Total capital projects	51,450
Water projects:	
Water	667,182
Lakeview Lane improvement	1,008
Woodruff Lake	6,440
Kellogg-Taggert	26,379
Highland Lake well	37,098
Peninsula Lake weed harvesting	<u>1,989</u>
Total water projects	740,096
Refuse	<u>647,407</u>
Total restricted net assets	<u>\$ 2,379,455</u>

Charter Township of Highland

Notes to Financial Statements December 31, 2007

Note 13 - Designations

Unreserved fund balances have been designated for the following purposes:

	General Fund	Capital Improvement Fund	Nonmajor Funds	Total
Master plan and ordinance revision	\$ 26,403	\$ -	\$ -	\$ 26,403
Hickory Ridge/Duck Park	24,872	-	-	24,872
Equipment and capital outlay	16,973	-	-	16,973
M-59 bicycle path	-	120,000	-	120,000
Tri-Party (Road Fund)	-	-	14,259	14,259
Other	5,367	-	-	5,367
Total designated for subsequent year's expenditures	<u>\$ 73,615</u>	<u>\$ 120,000</u>	<u>\$ 14,259</u>	<u>\$ 207,874</u>

Required Supplemental Information

Charter Township of Highland

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
General property taxes	\$ 478,274	\$ 492,846	\$ 467,914	\$ (24,932)
Licenses and permits	186,500	186,500	132,049	(54,451)
Federal sources	-	-	20,157	20,157
State-shared revenue	1,378,291	1,378,291	1,346,768	(31,523)
Charges for services	261,796	268,256	317,110	48,854
Interest	45,000	46,175	92,823	46,648
Other revenue	136,800	136,800	102,198	(34,602)
Total revenue	2,489,661	2,511,868	2,479,019	(32,849)
Expenditures				
Legislative	23,768	24,189	22,324	1,865
Supervisor's office	164,896	163,294	151,776	11,518
Clerk's office	152,228	152,818	148,302	4,516
Treasurer's office	147,443	148,033	147,284	749
Accounting department	62,422	62,422	58,310	4,112
General government	1,138,721	1,178,151	1,100,392	77,759
Social services	10,697	10,697	10,643	54
Senior center	142,144	143,816	142,372	1,444
Cemetery	27,080	27,080	27,559	(479)
Public safety	24,726	24,726	24,726	-
Building	192,063	192,063	160,066	31,997
Planning	205,620	222,023	188,523	33,500
Assessing	145,065	146,503	146,478	25
Zoning Board of Appeals	14,840	14,840	9,882	4,958
Community parks	30,460	50,809	22,511	28,298
Transfers to other funds	30,000	55,000	56,871	(1,871)
Total expenditures	2,512,173	2,616,464	2,418,019	198,445
Excess of Revenue Over (Under)				
Expenditures	(22,512)	(104,596)	61,000	165,596
Fund Balance - Beginning of year	909,742	909,742	909,742	-
Fund Balance - End of year	\$ 887,230	\$ 805,146	\$ 970,742	\$ 165,596

Charter Township of Highland

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Charges for services	\$ 763,440	\$ 763,440	\$ 764,760	\$ 1,320
Interest income	30,000	30,000	55,842	25,842
Total revenue	793,440	793,440	820,602	27,162
Expenditures - General government - Refuse collection				
	789,003	789,003	787,860	1,143
Excess of Revenue Over Expenditures	4,438	4,438	32,742	28,304
Fund Balance - Beginning of year	614,665	614,665	614,665	-
Fund Balance - End of year	<u>\$ 619,103</u>	<u>\$ 619,103</u>	<u>\$ 647,407</u>	<u>\$ 28,304</u>

Charter Township of Highland

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
General property taxes	\$ 1,120,475	\$ 1,120,475	\$ 1,127,637	\$ 7,162
Interest	20,000	20,000	47,612	27,612
Other revenue	2,000	2,000	8,739	6,739
Total revenue	1,142,475	1,142,475	1,183,988	41,513
Expenditures				
Fire department	864,000	864,000	786,444	77,556
Transfers to other funds	258,475	258,475	258,475	-
Total expenditures	1,122,475	1,122,475	1,044,919	77,556
Excess of Revenue Over Expenditures	20,000	20,000	139,069	119,069
Fund Balance - Beginning of year	414,505	414,505	414,505	-
Fund Balance - End of year	<u>\$ 434,505</u>	<u>\$ 434,505</u>	<u>\$ 553,574</u>	<u>\$ 119,069</u>

Charter Township of Highland

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Interest	\$ 5,000	\$ 5,000	\$ 22,531	\$ 17,531
Transfers from other funds	258,475	258,475	258,475	-
Total revenue	263,475	263,475	281,006	17,531
Expenditures - Fire vehicles and equipment	112,637	1,007,835	1,007,835	-
Excess of Revenue Over (Under)				
Expenditures	150,838	(744,360)	(726,829)	17,531
Fund Balance - Beginning of year	1,166,082	1,166,082	1,166,082	-
Fund Balance - End of year	<u>\$ 1,316,920</u>	<u>\$ 421,722</u>	<u>\$ 439,253</u>	<u>\$ 17,531</u>

Charter Township of Highland

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
General property taxes	\$ 2,167,743	\$ 2,167,743	\$ 2,162,795	\$ (4,948)
State grants	5,000	5,000	1,144	(3,856)
Local grants	16,000	16,000	16,000	-
Charges for services	208,206	208,206	209,718	1,512
Interest	50,000	50,000	77,947	27,947
Other revenue	1,000	1,000	710	(290)
Total revenue	2,447,949	2,447,949	2,468,314	20,365
Expenditures - Police expenditures	<u>2,454,686</u>	<u>2,466,997</u>	<u>2,459,333</u>	<u>7,664</u>
Excess of Revenue Over (Under) Expenditures	(6,737)	(19,048)	8,981	28,029
Fund Balance - Beginning of year	<u>219,017</u>	<u>219,017</u>	<u>219,017</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 212,280</u>	<u>\$ 199,969</u>	<u>\$ 227,998</u>	<u>\$ 28,029</u>

Other Supplemental Information

Charter Township of Highland

	<u>Special Revenue Funds</u>	
	Road	Postemployment Benefits
	<u> </u>	<u> </u>
Assets		
Cash and investments	\$ 28,941	\$ 225,000
Special assessment receivable	-	-
Taxes receivable	-	-
Prepaid expenses and other assets	-	1,288
	<u> </u>	<u> </u>
Total assets	<u>\$ 28,941</u>	<u>\$ 226,288</u>
Liabilities and Fund Balances		
Liabilities - Deferred revenue	\$ -	\$ -
Fund Balances		
Reserved for capital outlay	-	-
Reserved for debt service	-	-
Undesignated	28,941	226,288
	<u> </u>	<u> </u>
Total fund balances	<u>28,941</u>	<u>226,288</u>
	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 28,941</u>	<u>\$ 226,288</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2007**

Capital Projects Funds							Total Nonmajor Governmental Funds
Lakeview Lane Improvement	Woodruff Lake	Kellogg-Taggett	Highland Lake Well	Peninsula Lake Weed Harvesting	Library Building		
\$ 507	\$ 17,986	\$ 57,178	\$ 72,863	\$ 2,621	\$ 275,613	\$ 680,709	
1,008	6,440	26,379	37,098	1,989	-	72,914	
-	-	-	-	-	212,381	212,381	
-	-	-	-	-	-	1,288	
\$ 1,515	\$ 24,426	\$ 83,557	\$ 109,961	\$ 4,610	\$ 487,994	\$ 967,292	
\$ 441	\$ 3,898	\$ 21,052	\$ 32,022	\$ 1,989	\$ 442,281	\$ 501,683	
-	-	-	-	2,621	42,815	45,436	
1,074	18,633	62,505	73,820	-	2,898	158,930	
-	1,895	-	4,119	-	-	261,243	
1,074	20,528	62,505	77,939	2,621	45,713	465,609	
\$ 1,515	\$ 24,426	\$ 83,557	\$ 109,961	\$ 4,610	\$ 487,994	\$ 967,292	

Charter Township of Highland

	<u>Special Revenue Funds</u>	
	<u>Road</u>	<u>Postemployment Benefits</u>
Revenue		
General property taxes	\$ -	\$ -
Special assessments	-	-
Interest on investments	<u>2,527</u>	<u>-</u>
Total revenue	2,527	-
Expenditures		
Debt service	-	-
Capital outlay and other	<u>50,826</u>	<u>-</u>
Total expenditures	<u>50,826</u>	<u>-</u>
Excess of Revenue Over (Under) Expenditures	(48,299)	-
Other Financing Sources - Transfers from other funds	<u>25,000</u>	<u>30,000</u>
Net Change in Fund Balances	(23,299)	30,000
Fund Balances - Beginning of year	<u>52,240</u>	<u>196,288</u>
Fund Balances - End of year	<u>\$ 28,941</u>	<u>\$ 226,288</u>

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

Capital Projects Funds							Total Nonmajor Governmental Funds
Lakeview Lane Improvement	Woodruff Lake	Kellogg-Taggett	Highland Lake Well	Peninsula Lake Weed Harvesting	Library Building		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 463,765	\$ 463,765	
2,005	4,263	10,711	8,776	2,542	-	28,297	
23	824	2,732	3,488	11	10,508	20,113	
2,028	5,087	13,443	12,264	2,553	474,273	512,175	
8,976	10,704	26,235	20,480	-	468,130	534,525	
-	-	-	-	2,765	-	53,591	
8,976	10,704	26,235	20,480	2,765	468,130	588,116	
(6,948)	(5,617)	(12,792)	(8,216)	(212)	6,143	(75,941)	
1,871	-	-	-	-	-	56,871	
(5,077)	(5,617)	(12,792)	(8,216)	(212)	6,143	(19,070)	
6,151	26,145	75,297	86,155	2,833	39,570	484,679	
\$ 1,074	\$ 20,528	\$ 62,505	\$ 77,939	\$ 2,621	\$ 45,713	\$ 465,609	

Charter Township of Highland

**Report to the Township Board of Trustees
December 31, 2007**



Plante & Moran, PLLC
27400 Northwestern Highway
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Southfield, MI 48037-0307
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Fax: 248.352.0018
plantemoran.com

To the Township Board of Trustees
Charter Township of Highland

We have recently completed our audit of the basic financial statements of the Charter Township of Highland (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, and summary of unrecorded possible adjustments:

	<u>Page</u>
Report on Internal Control	1-3
Required Audit Communication of Significant Findings	4-6
Summaries of Unrecorded Possible Adjustments	7

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

Plante & Moran, PLLC

February 12, 2008



Plante & Moran, PLLC
27400 Northwestern Highway
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February 12, 2008

To the Township Board of Trustees
Charter Township of Highland

Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Township's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Township as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) 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.

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

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 accounting principles generally accepted in the United States of America 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.



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 the 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 following deficiencies to be material weaknesses.

Accounts Payable

During the audit, it was discovered that certain invoices - invoices that were received and paid subsequent to year end, but that pertain to the year under audit - were not included in the accounts payable balance at year end. It is important for the Township personnel to closely examine all invoices that are received near and after the end of the year to make sure that the related expenses and liabilities are being recorded in the appropriate fiscal year.

Capital Assets

The Township's accounting staff uses a capital asset management software module to record and track the capital assets of the Township. This year, steps were taken to integrate the capital asset module into the general ledger. There were difficulties implementing this change which resulted in material errors to the general ledger that were identified during the audit. Plante & Moran working with the Township's accounting staff, proposed entries to correct the balances on the general ledger. These entries have been posted. Subsequently, the capital asset management software module has been corrected to provide accurate and reliable adjustments to the general ledger.

Interfund Receivables and Payables

Interfund balances between the Special Assessment Funds and the Current Tax Fund for activity during 2006 were not properly adjusted in 2007. Also, the same activity in 2007 was not properly recorded as of December 31. These issues were identified during the course of the audit. Once the issue was discovered, the Township's accounting staff quickly calculated the correct balances and provided the appropriate entries to update the general ledger.

Audit Adjustments and General Ledger Review

Other than the adjustments noted above, there were several additional adjustments required during the audit in order for the financial statements to be in compliance with accounting principles generally accepted in the United States of America (GAAP). Several of these items were identified by the auditors and brought to the attention of the Township's accounting staff who were able to provide correcting journal entries. For several others, Plante & Moran, PLLC proposed the adjustment and submitted them to the accounting staff for approval. We feel that these audit adjustments can be eliminated in future engagements if a more thorough year-end review of the general ledger, prior to audit fieldwork, is performed.

This communication is intended solely for the information and use of management, the board of trustees, 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



Leslie J. Pulver



Brian J. Camiller

February 12, 2008

To the Township Board of Trustees
Charter Township of Highland

We have audited the financial statements of the Charter Township of Highland for the year ended December 31, 2007 and have issued our report thereon dated February 12, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 3, 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 U.S. generally accepted accounting principles. 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 controls of the Charter Township of Highland. Our consideration of internal controls was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

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.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated January 16, 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 Charter Township of Highland 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 Charter Township of Highland 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.

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 attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, there were several misstatements detected as a result of audit procedures and corrected by management which were material, either individually or in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as a result of audit procedures were corrected by management:

- Adjustments to accounts payable and related expense accounts
- Adjustment to the GASB 34 Fund to correct capital assets, capital outlay, depreciation expense, and accumulated depreciation
- Adjustment to the Tax Collection Fund and Special Assessment Funds to record receivable and payable balances
- Adjustments in other funds for various purposes

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 February 12, 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 Township'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

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

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

Very truly yours,

Plante & Moran, PLLC



Leslie J. Pulver



Brian J. Camiller

ATTACHMENT I

**CHARTER TOWNSHIP OF HIGHLAND
SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS**

Reporting Entity	Description of Misstatement	Increases (Decreases)				
		Assets	Liabilities	Net Assets	Revenue	Expenses
Known Misstatements:						
General						
Fund/Governmental	To reclassify prepaid expenses as an asset	\$ 16,896				\$ (16,896)
Fire Operating	To reclassify prepaid expenses as an asset	1,662				(1,662)
Police Fund/Governmental	To adjust AP for additional accrual required related to					
Activities	police OT pay from 12-22-07 to 12-31-07 (Oakland County sheriff contract)		\$ 8,319			8,319
General	To accrue for 4 days of Township payroll (portion					
Fund/Governmental	relating to general fund) that related to 2007 year		13,965			13,965
Fire Operating	To accrue for 4 days of Township payroll (portion					
	relating to fire chief paid out of Fire Fund) that related		999			999
	to 2007 year					
Component Unit (DDA)	To accrue for 4 days of Township payroll (portion					
	relating to DDA employee) that related to 2007 year		842			842
Estimate Adjustments:						
General	To adjust AP for estimate of amounts improperly					
Fund/Governmental	excluded from AP at YE. Amount estimated by					
Activities	extrapolation based on error percentage in subsequent					
	disbursement testing		29,490			29,490
Implied Adjustments:						
None						
		-	-	\$ -	\$ -	-
	Combined effect	<u>\$ 18,558</u>	<u>\$ 53,615</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,057</u>

Patricia M. Pilchowski, Supervisor

Mary L. McDonell, Clerk

Judith A Kiley, Treasurer

Linda Vance, Accountant