
Charter Township of Highland

Oakland County, Michigan

Financial Report
with Supplemental Information
December 31, 2019

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Independent Auditor's Report

To the Township Board of Trustees
Charter Township of Highland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Highland (the "Township") as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Charter Township of Highland's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Highland as of December 31, 2019 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 11 to the basic financial statements, during the year ended December 31, 2019, the Township adopted the new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which provides guidance on the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

To the Township Board of Trustees
Charter Township of Highland

As disclosed in Note 11 to the basic financial statements, during the year ended December 31, 2019, the Township determined that revenue received in 2019 should have been reported as revenue in 2018 for the Downtown Development Authority. As a result, beginning net position of the Downtown Development Authority was restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter Township of Highland's basic financial statements. The 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 other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moreau, PLLC

April 24, 2020

As management of the Charter Township of Highland (the "Township"), we offer readers this narrative overview and analysis of the financial activities for the year ended December 31, 2019.

Using This Annual Report

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

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

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Township, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$31,618,268 at the close of the most recent fiscal year.

The Township's Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 19,807,673	\$ 17,620,603	\$ 667,948	\$ -	\$ 20,475,621	\$ 17,620,603
Capital assets	11,401,839	12,863,940	7,827,230	-	19,229,069	12,863,940
Total assets	31,209,512	30,484,543	8,495,178	-	39,704,690	30,484,543
Liabilities						
Current liabilities	859,132	370,826	33,897	-	893,029	370,826
Noncurrent liabilities	97,601	420,691	755,000	-	852,601	420,691
Total liabilities	956,733	791,517	788,897	-	1,745,630	791,517
Deferred Inflows of Resources	6,340,792	6,368,442	-	-	6,340,792	6,368,442
Net Position						
Net investment in capital assets	11,401,839	12,513,837	7,072,230	-	18,474,069	12,513,837
Restricted	4,122,991	3,573,106	579,334	-	4,702,325	3,573,106
Unrestricted	8,387,157	7,237,641	54,717	-	8,441,874	7,237,641
Total net position	\$ 23,911,987	\$ 23,324,584	\$ 7,706,281	\$ -	\$ 31,618,268	\$ 23,324,584

The Township's net position increased approximately 36 percent from a year ago, increasing from \$23,324,584 to \$31,618,268. Unrestricted net position, the part of net position that can be used to finance day-to-day operations, totaled \$8,441,874 or about 80 percent of expenses. The increase in net position from the previous year is due largely to the addition of a water system transferred from Oakland County, Michigan (which is further disclosed in Note 1) and in smaller part due to increases in property values and decreases in debt and OPEB liability.

Public safety continues to be the Township's greatest expense, totaling approximately 42 percent of total governmental activities expenditures. Public works expense saw a large increase in 2019, which was due to the contribution of water infrastructure to the Water Fund.

Charter Township of Highland

Management's Discussion and Analysis (Continued)

The Township's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019*	2018	2019	2018	2019	2018
Revenue						
Program revenue:						
Charges for services	\$ 1,969,262	\$ 1,929,132	\$ 758,397	\$ -	\$ 2,727,659	\$ 1,929,132
Operating grants	577,292	357,289	-	-	577,292	357,289
Capital grants and contributions	-	-	1,656,449	-	1,656,449	-
General revenue:						
Taxes - Property taxes	5,207,718	4,410,304	-	-	5,207,718	4,410,304
Intergovernmental	1,765,175	1,669,489	-	-	1,765,175	1,669,489
Investment earnings	287,667	164,680	11,519	-	299,186	164,680
Other revenue	512,665	511,765	-	-	512,665	511,765
Total revenue	10,319,779	9,042,659	2,426,365	-	12,746,144	9,042,659
Expenses						
General government	1,572,838	1,565,977	-	-	1,572,838	1,565,977
Public safety	4,135,258	4,026,292	-	-	4,135,258	4,026,292
Public works	3,519,682	1,632,221	-	-	3,519,682	1,632,221
Health and welfare	320,734	279,845	-	-	320,734	279,845
Recreation and culture	185,104	175,314	-	-	185,104	175,314
Debt service	4,154	16,082	-	-	4,154	16,082
Water	-	-	815,227	-	815,227	-
Total expenses	9,737,770	7,695,731	815,227	-	10,552,997	7,695,731
Special and extraordinary items	-	-	6,095,143	-	6,095,143	-
Change in Net Position	\$ 582,009	\$ 1,346,928	\$ 7,706,281	\$ -	\$ 8,288,290	\$ 1,346,928

*The Township adopted a change in accounting method in order to comply with GASB Statement No. 84. See Note 11 for detail of adjustment reported.

Financial Analysis of Individual Funds

Our analysis of the Township's major funds begins on pages 9 and 10, following the government-wide financial statements. The Township's board creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millage. The Township's major funds for 2019 include the General Fund, the Refuse Fund, the Fire Operating Fund, the Police Fund, the Capital Improvement Fund, and the Fire Capital Fund.

The General Fund pays for the Township's governmental administrative services.

General Fund Budgetary Highlights

Some of the 2019 township budget expenditures included cemetery and county road gravel upgrades, staff adjustments, a 3 percent salary increase for hourly employees, and beginning the planning and construction of a new fire station. In 2018, the Downtown Development Authority purchased three tax-foreclosed properties from Oakland County, Michigan to supplement its budget and sold two during 2018. The third was sold in 2019.

Charter Township of Highland

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

At the end of 2019, the Township had \$19,229,069 invested in a broad range of capital assets, including buildings, property, equipment, water mains, water systems, and county-owned roads. Current year additions totaling \$8,732,699 primarily consisted of a water system and water equipment, land purchased for the construction of a new fire station, and construction in progress related the building of the new station.

At the end of 2019, the Township had outstanding long-term debt of \$755,000. The total amount represents bond debt associated with the water system assets transferred to the Township by Oakland County, Michigan. During 2019, the library bond debt and phone lease debt were paid off.

Economic Factors and Next Year's Budgets and Rates

When developing the 2019 budget, the Township considered what to anticipate in the coming year, such as projections for property tax revenue, state-shared revenue, and permits for new builds and renovations, at the same time as expenditure considerations for staff, maintenance, and projects.

The Township continued its commitment to staff and continues to provide employee health care and a fair benefit package. The Township has worked to decrease healthcare costs with employee contributions toward premiums for newer full-time employees and a healthcare buyout plan to encourage outside healthcare options.

In 2018, Highland residents showed their continued support for our community and approved renewals for the police and library millage and an additional 1 mill for fire department improvements. This fire millage allows us to move forward with two fire stations, as well as planning future capital improvements that include vehicle purchases and upgrades to Station 3. Groundbreaking for Station 1 on M59 is scheduled for May 2020.

The Township continued to move forward with additional projects, including a partnership with MDOT to complete a pathway from Highland Township Library to Tipsico Lake Road on the north side of M59. We are excited that a local nonprofit has raised funds to begin building a new playground on township property near the library, with the goal of providing for ongoing maintenance with private funds. WOTA (West Oakland Transportation Authority) was also successfully launched with partnerships solidified with White Lake, Walled Lake, and Waterford. In 2020, an architectural firm was hired to work on plans for much-needed renovations to the Highland Township Offices.

It is the Township's ongoing goal to listen and serve our constituents well. In doing so, we will strive to provide an exceptional quality of life with the tax dollars provided.

The 2019 audit was completed during the COVID-19 pandemic and the shutdown that came along with it. This unprecedented time brought a very unpredictable future to all Americans. Highland Township is very fortunate to be in a good financial position as a result of the fiscally conservative philosophy held by not only the current board of trustees but also the many leaders that came before us. Highland Township is a strong, solid community. We will continue to thrive and move forward.

Requests for Further Information

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 Position

December 31, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Assets				
Cash and investments (Note 3)	\$ 16,562,596	\$ 518,585	\$ 17,081,181	\$ 288,959
Receivables:				
Property taxes receivable	2,227,666	-	2,227,666	73,229
Special assessments receivable	370,527	-	370,527	-
Customer receivables	-	140,479	140,479	-
Other receivables	13,500	-	13,500	-
Due from other governments	434,213	-	434,213	-
Advance to component unit (Note 6)	199,171	-	199,171	-
Prepaid expenses and other assets	-	8,884	8,884	-
Capital assets: (Note 5)				
Assets not subject to depreciation	2,955,496	22,808	2,978,304	-
Assets subject to depreciation - Net	8,446,343	7,804,422	16,250,765	922,508
Total assets	31,209,512	8,495,178	39,704,690	1,284,696
Liabilities				
Accounts payable	300,517	9,478	309,995	4,028
Due to other governmental units	8,546	-	8,546	-
Refundable deposits, bonds, etc.	545,746	-	545,746	-
Accrued liabilities and other	4,323	24,419	28,742	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	47,601	-	47,601	-
Current portion of long-term advance	-	-	-	40,736
Current portion of long-term debt (Note 7)	-	55,000	55,000	-
Due in more than one year:				
Provision for claims	50,000	-	50,000	-
Long-term advance from primary government	-	-	-	158,435
Long-term debt (Note 7)	-	700,000	700,000	-
Total liabilities	956,733	788,897	1,745,630	203,199
Deferred Inflows of Resources (Note 4)	6,340,792	-	6,340,792	117,823
Net Position				
Net investment in capital assets	11,401,839	7,072,230	18,474,069	723,337
Restricted:				
Hauling route maintenance	113,463	-	113,463	-
Police	1,567,934	-	1,567,934	-
Fire	2,214,577	-	2,214,577	-
Refuse collection	227,017	-	227,017	-
Major maintenance reserve	-	108,482	108,482	-
Emergency repair reserve	-	77,059	77,059	-
Capital improvement reserve	-	393,793	393,793	-
Unrestricted	8,387,157	54,717	8,441,874	240,337
Total net position	\$ 23,911,987	\$ 7,706,281	\$ 31,618,268	\$ 963,674

Charter Township of Highland

Functions/Programs	Program Revenue			Expenses
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 1,572,838	\$ 378,676	\$ -	\$ -
Public safety	4,135,258	312,043	100,170	-
Public works	3,519,682	1,257,178	266,751	-
Health and welfare	320,734	21,165	210,371	-
Recreation and culture	185,104	200	-	-
Interest on long-term debt	4,154	-	-	-
Total governmental activities	9,737,770	1,969,262	577,292	-
Business-type activities - Water	815,227	758,397	-	1,656,449
Total primary government	\$ 10,552,997	\$ 2,727,659	\$ 577,292	\$ 1,656,449
Component units - Downtown Development Authority	\$ 155,759	\$ -	\$ -	\$ -

General revenue:

- Taxes
- Unrestricted state-shared revenue
- Unrestricted investment income
- Cable franchise fees
- Gain on sale of capital assets
- Other miscellaneous income

Total general revenue

Special items (Note 1)

Change in Net Position

Net Position - Beginning of year, as restated (Note 11)

Net Position - End of year

Statement of Activities

Year Ended December 31, 2019

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,194,162)	\$ -	\$ (1,194,162)	\$ -
(3,723,045)	-	(3,723,045)	-
(1,995,753)	-	(1,995,753)	-
(89,198)	-	(89,198)	-
(184,904)	-	(184,904)	-
(4,154)	-	(4,154)	-
(7,191,216)	-	(7,191,216)	-
-	1,599,619	1,599,619	-
(7,191,216)	1,599,619	(5,591,597)	-
-	-	-	(155,759)
5,207,718	-	5,207,718	173,613
1,765,175	-	1,765,175	-
287,667	11,519	299,186	5,076
307,612	-	307,612	-
2,244	-	2,244	16,338
202,809	-	202,809	4,872
7,773,225	11,519	7,784,744	199,899
-	6,095,143	6,095,143	-
582,009	7,706,281	8,288,290	44,140
23,329,978	-	23,329,978	919,534
\$ 23,911,987	\$ 7,706,281	\$ 31,618,268	\$ 963,674

Charter Township of Highland

	General	Refuse	Fire Operating	Police
Assets				
Cash and investments (Note 3)	\$ 3,915,477	\$ 958,690	\$ 1,829,822	\$ 3,380,689
Receivables:				
Property taxes receivable	210,252	-	480,020	1,190,506
Special assessments receivable	-	370,527	-	-
Other receivables	-	-	-	13,500
Due from other governments	296,757	-	-	-
Advance to component unit (Note 6)	-	-	-	-
Advances to other funds (Note 6)	20,000	-	-	-
	<u>\$ 4,442,486</u>	<u>\$ 1,329,217</u>	<u>\$ 2,309,842</u>	<u>\$ 4,584,695</u>
Total assets				
Liabilities				
Accounts payable	\$ 29,644	\$ -	\$ 18,393	\$ 217,290
Due to other governmental units	8,546	-	-	-
Due to other funds (Note 6)	-	-	-	-
Refundable deposits, bonds, etc.	545,746	-	-	-
Accrued liabilities and other	216	-	-	-
	<u>584,152</u>	<u>-</u>	<u>18,393</u>	<u>217,290</u>
Total liabilities				
Deferred Inflows of Resources (Note 4)				
Property taxes levied for the following year	495,349	-	1,129,209	2,799,471
Rubbish levied for the following year	-	1,102,200	-	-
	<u>495,349</u>	<u>1,102,200</u>	<u>1,129,209</u>	<u>2,799,471</u>
Total deferred inflows of resources				
Total liabilities and deferred inflows of resources	1,079,501	1,102,200	1,147,602	3,016,761
Fund Balances				
Nonspendable - Long-term receivable	20,000	-	-	-
Restricted:				
Hauling route maintenance	-	-	-	-
Police	-	-	-	1,567,934
Fire	-	-	1,162,240	-
Refuse collection	-	227,017	-	-
Committed:				
Capital projects	-	-	-	-
Roads	-	-	-	-
Assigned:				
Transportation	-	-	-	-
Budget stabilization	1,000,000	-	-	-
Capital improvements	600,000	-	-	-
Unassigned	1,742,985	-	-	-
	<u>3,362,985</u>	<u>227,017</u>	<u>1,162,240</u>	<u>1,567,934</u>
Total fund balances				
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,442,486</u>	<u>\$ 1,329,217</u>	<u>\$ 2,309,842</u>	<u>\$ 4,584,695</u>

Governmental Funds
Balance Sheet

December 31, 2019

Capital Improvement	Fire Capital	Nonmajor Funds	Total Governmental Funds
\$ 4,468,984	\$ 1,533,094	\$ 475,840	\$ 16,562,596
-	346,888	-	2,227,666
-	-	-	370,527
-	-	-	13,500
-	-	137,456	434,213
199,171	-	-	199,171
-	-	-	20,000
\$ 4,668,155	\$ 1,879,982	\$ 613,296	\$ 19,827,673
\$ 6,800	\$ 13,082	\$ 15,308	\$ 300,517
-	-	-	8,546
-	-	20,000	20,000
-	-	-	545,746
4,107	-	-	4,323
10,907	13,082	35,308	879,132
-	814,563	-	5,238,592
-	-	-	1,102,200
-	814,563	-	6,340,792
10,907	827,645	35,308	7,219,924
158,435	-	-	178,435
-	-	113,463	113,463
-	-	-	1,567,934
-	1,052,337	-	2,214,577
-	-	-	227,017
4,498,813	-	-	4,498,813
-	-	324,095	324,095
-	-	140,430	140,430
-	-	-	1,000,000
-	-	-	600,000
-	-	-	1,742,985
4,657,248	1,052,337	577,988	12,607,749
\$ 4,668,155	\$ 1,879,982	\$ 613,296	\$ 19,827,673

Charter Township of Highland

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

December 31, 2019

Fund Balances Reported in Governmental Funds	\$ 12,607,749
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	11,401,839
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities - Employee compensated absences	(47,601)
Other long-term liabilities, such as claims and judgments, do not present a claim on current financial resources and are not reported as fund liabilities	<u>(50,000)</u>
Net Position of Governmental Activities	<u><u>\$ 23,911,987</u></u>

Charter Township of Highland

	General	Refuse	Fire Operating	Police
Revenue				
Property taxes	\$ 467,250	\$ -	\$ 1,064,629	\$ 2,639,260
Special assessments	-	1,096,260	-	-
Intergovernmental:				
Federal grants	48,833	-	-	-
State sources	1,765,175	-	-	-
Charges for services	109,907	-	-	162,862
Licenses and permits	621,583	-	-	-
Investment income	76,348	10,161	29,734	45,486
Other revenue:				
Local donations	-	-	-	100,170
Other miscellaneous income	251,810	7,101	13,375	10,761
Total revenue	3,340,906	1,113,522	1,107,738	2,958,539
Expenditures				
Current services:				
General government	1,739,260	-	-	-
Public safety	315,348	-	1,012,112	2,668,666
Public works	34,155	1,025,640	-	-
Social services	320,734	-	-	-
Recreation and culture	33,212	-	-	-
Debt service	5,520	-	-	-
Total expenditures	2,448,229	1,025,640	1,012,112	2,668,666
Excess of Revenue Over (Under)				
Expenditures	892,677	87,882	95,626	289,873
Other Financing Sources				
Transfers in (Note 6)	70,065	-	-	-
Transfers out (Note 6)	(1,128,146)	-	-	-
Sale of capital assets	8,700	-	-	-
Total other financing (uses) sources	(1,049,381)	-	-	-
Net Change in Fund Balances	(156,704)	87,882	95,626	289,873
Fund Balances - Beginning of year, as restated (Note 11)	3,519,689	139,135	1,066,614	1,278,061
Fund Balances - End of year	<u>\$ 3,362,985</u>	<u>\$ 227,017</u>	<u>\$ 1,162,240</u>	<u>\$ 1,567,934</u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2019

Capital Improvement	Fire Capital	Nonmajor Funds	Total Governmental Funds
\$ -	\$ 766,619	\$ 269,960	\$ 5,207,718
-	-	-	1,096,260
-	-	196,638	245,471
-	-	253,105	2,018,280
-	-	-	272,769
-	-	-	621,583
100,090	23,066	2,782	287,667
-	-	-	100,170
139,425	-	80,245	502,717
239,515	789,685	802,730	10,352,635
-	-	-	1,739,260
-	298,393	-	4,294,519
287,870	-	515,568	1,863,233
-	-	-	320,734
-	-	-	33,212
-	-	350,606	356,126
287,870	298,393	866,174	8,607,084
(48,355)	491,292	(63,444)	1,745,551
1,006,500	-	121,646	1,198,211
-	-	(70,065)	(1,198,211)
-	-	-	8,700
1,006,500	-	51,581	8,700
958,145	491,292	(11,863)	1,754,251
3,699,103	561,045	589,851	10,853,498
\$ 4,657,248	\$ 1,052,337	\$ 577,988	\$ 12,607,749

Charter Township of Highland

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

Year Ended December 31, 2019

Net Change in Fund Balances Reported in Governmental Funds	\$ 1,754,251
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	762,335
Depreciation expense	(561,531)
Net book value of assets disposed of and proceeds from sale of land	(1,662,905)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(35,100)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	350,103
Interest expense is recognized in the government-wide statements as it accrues	1,869
Some employee costs (compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(27,013)
Change in Net Position of Governmental Activities	<u>\$ 582,009</u>

Charter Township of Highland

Proprietary Funds Statement of Net Position

December 31, 2019

	<u>Water</u>
Assets	
Current assets:	
Cash and investments (Note 3)	\$ 518,585
Customer receivables	140,479
Prepaid expenses	8,884
Total current assets	<u>667,948</u>
Noncurrent assets -	
Capital assets: (Note 5)	
Assets not subject to depreciation	22,808
Assets subject to depreciation - Net	7,804,422
Total noncurrent assets	<u>7,827,230</u>
Total assets	8,495,178
Liabilities	
Current liabilities:	
Accounts payable	9,478
Accrued liabilities	24,419
Current portion of long-term debt (Note 7)	55,000
Total current liabilities	88,897
Noncurrent liabilities - Bonds payable (Note 7)	<u>700,000</u>
Total liabilities	<u>788,897</u>
Net Position	
Net investment in capital assets	7,072,230
Restricted:	
Major maintenance reserve	108,482
Emergency repair reserve	77,059
Capital improvement reserve	393,793
Unrestricted	54,717
Total net position	<u><u>\$ 7,706,281</u></u>

Charter Township of Highland

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

Year Ended December 31, 2019

	<u>Water</u>
Operating Revenue	
Sale of water	\$ 737,899
Other revenue	<u>20,498</u>
Total operating revenue	758,397
Operating Expenses	
Cost of water	527,128
Billing and administrative costs	71,438
Other operating expenses	7,986
Depreciation	<u>165,942</u>
Total operating expenses	<u>772,494</u>
Operating Loss	(14,097)
Nonoperating Revenue (Expense)	
Investment income	11,519
Interest expense	(42,433)
Other nonoperating expenses	<u>(300)</u>
Total nonoperating expense	<u>(31,214)</u>
Loss - Before capital contributions	(45,311)
Capital Contributions (Note 1)	1,656,449
Special Items - Transfer of operations from Oakland County, Michigan (Note 1)	<u>6,095,143</u>
Change in Net Position	7,706,281
Net Position - Beginning of year	<u>-</u>
Net Position - End of year	<u><u>\$ 7,706,281</u></u>

Charter Township of Highland

Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2019

	<u>Water</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 617,918
Payments to suppliers	<u>(587,587)</u>
Net cash and cash equivalents provided by operating activities	30,331
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(241,580)
Principal and interest paid on capital debt	(91,685)
Receipt from transfer of operations	<u>810,000</u>
Net cash and cash equivalents provided by capital and related financing activities	476,735
Cash Flows Provided by Investing Activities - Interest received on investments	<u>11,519</u>
Net Increase in Cash and Cash Equivalents	518,585
Cash and Cash Equivalents - Beginning of year	<u>-</u>
Cash and Cash Equivalents - End of year	<u>\$ 518,585</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (14,097)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	165,942
Changes in assets and liabilities:	
Receivables	(140,479)
Prepaid and other assets	(8,884)
Accounts payable	<u>27,849</u>
Total adjustments	<u>44,428</u>
Net cash and cash equivalents provided by operating activities	<u>\$ 30,331</u>
Significant Noncash Transactions	
Transfer of operations from Oakland County, Michigan	\$ 6,095,143
Contribution of assets from governmental activities	1,656,449

Charter Township of Highland

**Fiduciary Funds
Statement of Fiduciary Net Position**

December 31, 2019

	<u>Postemployment Benefits Trust</u>	<u>Custodial Funds</u>
Assets		
Cash and investments (Note 3)	\$ 33,385	\$ 4,045,702
Investments:		
Alternative investments	93,092	-
Mutual funds	852,706	-
Total assets	979,183	4,045,702
Liabilities - Accounts payable	1,201	3,468,876
Net Position		
Restricted:		
Postemployment benefits other than pension	977,982	-
Individuals, organizations, and other governments	-	576,826
Total net position	<u><u>\$ 977,982</u></u>	<u><u>\$ 576,826</u></u>

Charter Township of Highland

Fiduciary Funds Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2019

	Postemployment	
	<u>Benefits Trust</u>	<u>Custodial Funds</u>
Additions		
Investment income - Interest	\$ 107,782	\$ 7,069
Contributions	-	630,924
Property tax collections	-	22,093,137
Total additions	107,782	22,731,130
Deductions		
Benefit payments	46,006	-
Administrative expenses	8,751	5,330
Activity center	-	15,563
Disbursement of escrows	-	552,935
Tax payments to other governments	-	22,090,125
Other deductions	-	5,909
Total deductions	54,757	22,669,862
Net Increase in Fiduciary Net Position	53,025	61,268
Net Position - Beginning of year - As restated (Note 11)	924,957	515,558
Net Position - End of year	<u><u>\$ 977,982</u></u>	<u><u>\$ 576,826</u></u>

December 31, 2019

Note 1 - Significant Accounting Policies

Reporting Entity

The Charter Township of Highland (the "Township") is governed by an elected seven-member board. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township.

Discretely Presented Component Units

Downtown Development Authority

The Downtown Development Authority (the "Authority" or DDA) was created to correct and prevent deterioration, encourage historical preservation, and promote economic growth within the downtown district. The Authority's governing body, which may consist of up to 12 individuals, is selected by the Township's board. In addition, the Authority's budget is subject to approval by the Township's board. The Authority does not issue its own separate financial statement.

Brownfield Development Authority

The Brownfield Development Authority (the "BRDA") was created, pursuant to Public Act 3881 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 the members of the board been appointed.

Postemployment Benefits Trust

The Postemployment Benefits Trust is governed by the Township's board. Although it is legally separate from the Township, it is reported as a fiduciary component unit because the Township appoints a voting majority to the board and the plan imposes a financial burden on the Township.

Accounting and Reporting Principles

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

Report Presentation

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

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

For the most part, the effect of interfund activity has been removed from these statements.

Note 1 - Significant Accounting Policies (Continued)

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

Fund Accounting

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

Governmental Funds

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Refuse Fund is used to account for the results of operations that provide refuse collection services to citizens that are financed primarily by a user charge for the provision of those services
- The Fire Operating Fund is used to account for the assets and operations of the fire department that are financed primarily by property taxes
- The Police Fund is used 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
- The Capital Improvement Fund is used to account for the proceeds from the Township's cell tower lease agreement and other unrestricted transfers from the General Fund committed for future capital improvement projects
- The Fire Capital Fund is used to account for capital activity and improvements for the fire department that are financed primarily by property taxes

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the Township). The Township reports the following fund as an enterprise fund:

- On February 20, 2019, the Township entered into an agreement with Oakland County, Michigan (which is a separate financial reporting entity) that transferred legal ownership the Township's water system infrastructure to the Township. As a result of the transfer, current assets of \$627,090 and capital assets of \$6,282,021 were transferred to the Township, along with \$58,968 and \$755,000 of current and long-term liabilities, respectively. The transfer resulted in net position of \$6,095,143.

As a result, the Township now reports the water activity in the Water Fund, which provides water to customers in exchange for quarterly user charges. Related Water Fund activity is also disclosed throughout this report.

The Township does not have any internal service funds.

Note 1 - Significant Accounting Policies (Continued)

Fiduciary Funds

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

- The Postemployment Benefits Trust accumulates resources for future retiree healthcare payments to retirees.
- The Tax Collection Fund collects taxes on behalf of all the taxing authorities (state, county, school district, township, and the various smaller authorities).
- Various escrow funds for township lakes receive contributions for the maintenance of these lakes.

Interfund Activity

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

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

Basis of Accounting

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

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

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

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

Note 1 - Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments

Investments are reported at fair value or estimated fair value. Fair value is determined based on quoted market prices or net asset value.

Prepaid Items

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

Capital Assets

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

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

	<u>Depreciable Life - Years</u>
Infrastructure	50-100
Buildings and improvements	10-50
Furniture and equipment	3-20
Library building	75

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The Water Fund is used to liquidate long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The Township reports had no deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Note 1 - Significant Accounting Policies (Continued)

The Township has property taxes and rubbish fees received before the period levied. These amounts are shown as deferred inflows of resources on both the governmental funds balance sheet, as well as the statement of net position. Those amounts will be recognized as revenue next year, as those amounts were levied for the subsequent year's budgeted operations.

Net Position

Net position of the Township is classified in three components. Net investment in capital assets - net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is further classified as expendable and nonexpendable. Expendable restricted net position has been limited for use by donors and is held in trust for debt service and self-insured professional liability. Nonexpendable restricted net position has been restricted by donors to be maintained in perpetuity. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

The Township will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

Note 1 - Significant Accounting Policies (Continued)

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Township has, by resolution, authorized the supervisor, clerk, and treasurer to assign fund balance. The board of trustees may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The fund balance policy prescribes the minimum fund balance as 40 percent of expenditures less nonrecurring capital expenditures in the General Fund. If unassigned fund balance approaches a level that greatly exceeds 60 percent of expenditures, the township board will consider using unassigned fund balance for the following purposes: funding OPEB trust, paying down future debt (drains/bonds), transferring funds to the Capital Projects Fund for future capital improvements, and other future obligations of the Township. Fund balance levels will be analyzed each fiscal year after the financial statement audit. This is deemed to be the prudent amount to maintain the Township's ability to meet obligations as they come due throughout the year.

Property Tax Revenue

Property taxes are levied on each December 1 and become an enforceable lien at that time; the tax is based 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 2019 property tax revenue was levied and collectible on December 1, 2018 and is recognized as revenue in the year ended December 31, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2018 taxable valuation of the Township totaled \$773.0 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, 0.3450 mills for library debt services, 1.3838 mills for fire operations, 1.000 mills for fire capital, and 3.4319 mills for police operations. This resulted in \$467,000 for operating, \$270,000 for library debt services, \$1,065,000 for fire operations, \$767,000 for fire capital, and \$2,639,000 for police operations. These amounts are recognized in the respective General, special revenue, and debt service funds financial statements as tax revenue.

Other Postemployment Benefit Costs

The Township offers retiree healthcare benefits to retirees. For the year ended December 31, 2019, the net OPEB asset, along with related deferred outflows, deferred inflows, and impact to OPEB expense, was deemed to be insignificant. Benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Compensated Absences (Paid Time Off)

It is the Township's policy to permit employees to accumulate earned but unused paid time off benefits (PTO). All PTO is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds. The governmental fund that pays out the PTO is the General Fund.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water Fund is charges to customers for sales and services. The Water Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

Upcoming Accounting Pronouncements

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

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

The GASB issued Statement No. 92, *Omnibus*, to address eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The Township does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

December 31, 2019

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

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

Shortfall at January 1, 2019		\$ (125,036)
Current year permit revenue		312,335
Related expenses:		
Direct costs	\$ (239,114)	
Estimated indirect costs	(43,898)	(283,012)
		<u>29,323</u>
Current year surplus		<u>29,323</u>
Cumulative shortfall at December 31, 2019		<u><u>\$ (95,713)</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 law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

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

The Township has designated 11 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority, as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township, including the DDA, had approximately \$11,400,000 of bank deposits (certificates of deposit and 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 Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

December 31, 2019

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a policy for custodial credit risk, nor does the Township have any investments subject to this risk.

Interest Rate Risk

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

At year end, the Township had the following investments:

Investment	Fair Value	Weighted-average Maturity (Days)
Primary Government		
Investment pools - MI CLASS	\$ 2,969,758	61
Investment pools - LGIP	1,683,986	121
Total	<u>\$ 4,653,744</u>	

Credit Risk

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

Investment	Fair Value	Rating	Rating Organization
Primary Government			
Investment pools - MI CLASS	\$ 2,969,758	AAAm	S&P
Investment pools - LGIP	1,683,986	N/A	Not rated
Money market	2,052,209	N/A	Not rated
Total	<u>\$ 6,705,953</u>		

Investment	Fair Value	Rating	Rating Organization
Fiduciary Funds			
Mutual funds	\$ 852,706	N/A	Not rated

Concentration of Credit Risk

The Township places no limit on the amount it may invest in any one issuer. More than 11 percent of the Township's investments are in Oakland County Local Government Investment Pool (LGIP). The LGIP is not registered with the Securities and Exchange Commission (SEC) and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares since the pool does not meet the requirements under GASB Statement No. 79 to report its value for financial reporting purposes at amortized cost.

Note 3 - Deposits and Investments (Continued)

Fair Value Measurements

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

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

The Township has the following recurring fair value measurements as of December 31, 2018:

- OPEB investments (\$852,706 of equity securities) are valued using quoted market prices (Level 1 inputs).
- The Township's investments in the Oakland County LGIP (\$1,683,986) and Michigan CLASS (\$2,969,758) are measured at net asset value (NAV).
- The Township's investments in real estate investment trusts (REIT) include Industrial Property Trust (\$61,842) and Northstar Healthcare Income (\$31,250) are measured at net asset value (NAV).

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

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

Investments in Entities that Calculate Net Asset Value per Share

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

At December 31, 2019, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Oakland County Local Government Investment Pool	\$ 1,683,986	\$ -	No restrictions	None
Michigan CLASS investment pool	2,969,758	-	No restrictions	None
Industrial Property Trust (REIT)	61,842	-	No restrictions	None
Northstar Healthcare Income (REIT)	31,250	-	No restrictions	None
Total	<u>\$ 4,746,836</u>	<u>\$ -</u>		

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

December 31, 2019

Note 3 - Deposits and Investments (Continued)

The Oakland County Local Government Investment Pool (LGIP) is not registered with the SEC and does not issue a separate report. The pool does not meet the requirements under GASB No. 79 to report its value for financial reporting purposes at amortized cost. Accordingly, the investment is reported at fair value. The fair value of the position in the pool is not the same as the value of the pool shares because the pool redeems shares at \$1 per share regardless of current fair value.

The Industrial Property Trust (REIT) operates high-quality distribution warehouses that are leased to corporate customers. The trust seeks to acquire properties that produce rental revenue for the trust by means of the rents the corporate customers pay to use the properties for their business.

The Northstar Healthcare Income (REIT) is a Maryland corporation formed to acquire, originate, and asset manage a diversified portfolio of equity and debt investments in healthcare real estate, with a focus on the midacuity senior housing sector.

Note 4 - Deferred Inflows/Outflows of Resources

At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	Governmental Funds	Government- wide Statements
Property taxes levied for the next fiscal year	\$ 5,238,592	\$ 5,238,592
Rubbish fee levied for the next fiscal year	1,102,200	1,102,200
Total deferred inflows	\$ 6,340,792	\$ 6,340,792

Deferred inflows of resources in the Downtown Development Authority of \$117,823 represent property taxes levied for the next fiscal year.

December 31, 2019

Note 5 - Capital Assets

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

Governmental Activities

	Balance January 1, 2019	Additions	Disposals and Adjustments	Transfers	Balance December 31, 2019
Capital assets not being depreciated:					
Land	\$ 2,474,073	\$ 218,068	\$ -	\$ -	\$ 2,692,141
Construction in progress	57,353	217,089	-	(11,087)	263,355
Subtotal	2,531,426	435,157	-	(11,087)	2,955,496
Capital assets being depreciated:					
Improvements to county-owned roads	413,222	-	-	-	413,222
Infrastructure	2,169,607	-	(2,169,607)	-	-
Building and improvements	5,129,166	172,863	-	11,087	5,313,116
Furniture and equipment	4,157,912	154,315	(50,136)	-	4,262,091
Library building	5,903,268	-	-	-	5,903,268
Subtotal	17,773,175	327,178	(2,219,743)	11,087	15,891,697
Accumulated depreciation:					
Infrastructure	513,158	-	(513,158)	-	-
Improvements to county-owned roads	70,050	22,859	-	-	92,909
Buildings and improvements	2,812,567	186,556	-	-	2,999,123
Furniture and equipment	2,091,408	233,290	(43,680)	-	2,281,018
Library building	1,953,478	118,826	-	-	2,072,304
Subtotal	7,440,661	561,531	(556,838)	-	7,445,354
Net capital assets being depreciated	10,332,514	(234,353)	(1,662,905)	11,087	8,446,343
Net governmental activities capital assets	\$ 12,863,940	\$ 200,804	\$ (1,662,905)	\$ -	\$ 11,401,839

December 31, 2019

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance January 1, 2019	Additions	Disposals and Adjustments	Balance December 31, 2019
Capital assets not being depreciated - Construction in progress	\$ -	\$ 22,808	\$ -	\$ 22,808
Capital assets being depreciated:				
Infrastructure - Water system	-	6,047,040	-	6,047,040
Infrastructure - Water mains	-	1,656,449	-	1,656,449
Buildings	-	47,995	-	47,995
Equipment	-	218,880	-	218,880
Subtotal	-	7,970,364	-	7,970,364
Accumulated depreciation:				
Infrastructure - Water system	-	1,521	-	1,521
Infrastructure - Water mains	-	17,400	-	17,400
Buildings	-	43,392	-	43,392
Equipment	-	103,629	-	103,629
Subtotal	-	165,942	-	165,942
Net capital assets being depreciated	-	7,804,422	-	7,804,422
Net business-type activities capital assets	<u>\$ -</u>	<u>\$ 7,827,230</u>	<u>\$ -</u>	<u>\$ 7,827,230</u>

There was no capital asset activity for the Charter Township of Highland's DDA for the year. Total depreciation expense for the land improvements was \$46,297 for the year ended December 31, 2019.

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

Governmental activities:	
General government	\$ 179,640
Public safety	229,999
Recreation and culture	<u>151,892</u>
Total governmental activities	<u>\$ 561,531</u>

Depreciation expense in the business-type activities for the year ended December 31, 2019 was \$165,942.

Note 6 - Interfund Receivables, Payables, and Transfers

The Township has made the following long-term advance to/from primary government and component units and to/from governmental funds:

Fund Borrowed From	Fund Loaned To	Amount
Capital Improvement Fund	Downtown Development Authority	\$ 199,171
General Fund	Nonmajor governmental fund	20,000

December 31, 2019

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

The long-term advance from the Capital Improvement Fund to the Downtown Development Authority is to fund land improvements related to the streetscape. The advance is being repaid at an interest rate of 2.5 percent through 2024.

The long-term advance from the General Fund to the Transportation Fund (nonmajor governmental fund) was to fund initial Transportation Fund expenditures. The advance did not include repayment terms.

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Capital Improvement Fund	\$ 1,006,500
	Nonmajor governmental funds	121,646
	Total General Fund	1,128,146
Nonmajor governmental funds	General Fund	70,065
	Total	<u>\$ 1,198,211</u>

The transfers from General Fund to the Capital Improvement Fund and the Road Capital Project Fund were for various capital projects. The transfer from the General Fund to the Transportation Fund was to provide additional funding for transportation activities. The transfer from the Library Building debt service fund to the General Fund was to transfer remaining collections at the end of the debt service, which is allowable under the levy.

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.

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -						
Direct placement:						
General obligations - Library building (\$3,135,000)	2.50%-3.25%	\$ 345,000	\$ -	\$ (345,000)	\$ -	\$ -
Phone system (\$25,155)	10.00%	5,103	-	(5,103)	-	-
Total bonds and contracts payable		350,103	-	(350,103)	-	-
Compensated absences		20,588	47,600	(20,587)	47,601	47,601
Total governmental activities long-term debt		<u>\$ 370,691</u>	<u>\$ 47,600</u>	<u>\$ (370,690)</u>	<u>\$ 47,601</u>	<u>\$ 47,601</u>

December 31, 2019

Note 7 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable - Direct placement - Special assessment bonds - Water Systems (\$810,000)	0%	\$ -	\$ 810,000	\$ (55,000)	\$ 755,000	\$ 55,000

General Obligation Bonds and Contracts

The Township issues general obligation 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 Township. During 2019, the Township paid off its governmental debts.

In February 2019, Oakland County, Michigan (the "County") transferred ownership of its water system to the Township, which included the transfer of associated debts, including bonds issued to fund the water system. These bonds were initially issued by the County at a value of \$1,200,000. As the County had paid its debt according to the amortization schedule issued with the bonds and prior to transferring them to the Township, when the water system's assets were transferred to the Township, the additional debt associated with those assets also became a liability of the Township in the amount of \$810,000.

Revenue Bonds

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets and to pay debt service. Business-type activities utilize revenue bonds to finance the water system. The Township has pledged substantially all of the Water Fund, net of operating expenses, to repay the water bonds listed above. Proceeds from the bonds provided financing for the construction of the a portion of the water infrastructure system. The bonds are payable solely from the net revenue from the water system. The remaining principal and interest to be paid on the bonds is \$979,720. During the current year, net revenue of the system was \$151,845, compared to annual debt requirements of \$91,685.

Other Long-term Liabilities

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

Debt Service Requirements to Maturity

Interest expense for the year ended December 31, 2019 was approximately \$53,976. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending December 31	Business-type Activities		
	Principal - Direct Placements	Interest	Total
2020	\$ 55,000	\$ 34,485	\$ 89,485
2021	60,000	32,178	92,178
2022	60,000	29,508	89,508
2023	65,000	26,868	91,868
2024	65,000	24,008	89,008
2025-2029	365,000	73,635	438,635
Thereafter	85,000	4,038	89,038
Total	\$ 755,000	\$ 224,720	\$ 979,720

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

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

	2019	2018
Unpaid claims - Beginning of year	\$ 50,000	\$ 50,000
Claim payments	-	-
Unpaid claims - End of year	<u>\$ 50,000</u>	<u>\$ 50,000</u>

Note 9 - Pension Plan

The Township provides pension benefits to all of its full-time employees and in-house elected officials through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Township employees are eligible to participate upon completion of six months of full-time employment. As established by the Township's board of trustees, the Township contributes 15 percent of the Township's employees' base annual salary for eligible employees (including in-house elected officials) hired before June 20, 2016 and 5 percent of the Township's employees' base annual salary for eligible employees (including in-house elected officials) hired on or after June 20, 2016. The Township's contributions for each employee are immediately fully vested. In accordance with these requirements, the Township contributed approximately \$115,000 during the current year. There are no provisions in the plan for employee contributions. As of December 31, 2019, there are 21 participants in the plan.

Note 10 - Other Postemployment Benefit Plan

The Township provides retiree healthcare benefits to eligible employees. The Township administers the Postemployment Benefits Trust (the "Plan"), a single-employer defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for various township employees. Employees hired before January 1, 2008 are eligible for retiree health benefits once they attain age 60 and have at least 10 years of service. Employees hired on or after January 1, 2008 are not eligible for retiree health benefits.

For retirees between the ages of 60 and 65, the Township agrees to pay a percentage of the cost of single coverage towards available retiree health benefits for eligible retirees based upon years of service. Once retirees reach age 65, there is no healthcare coverage provided by the Plan; instead, a reimbursement of up to \$450 per month is provided as a Medicare supplement, and retirees will be reimbursed up to \$1,000 for dental expenses and \$300 for vision expenses per year.

December 31, 2019

Note 10 - Other Postemployment Benefit Plan (Continued)

The Township has determined that the net OPEB liability (asset) is not material and, therefore, did not apply the provisions of GASB 74 or 75.

Note 11 - Change in Accounting Principle and Prior Period Adjustment

During the current year, the Township adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, the accounting for custodial funds, along with escrow and performance deposits has changed. Beginning fund balance in General Fund and net position for governmental activities were adjusted to account for the impact of now recording the escrow and performance deposits within the General Fund, and accounting for custodial activity was also changed. The impact of adoption is included below.

	Governmental Activities	General Fund	Custodial Funds
Net position/fund balance - Beginning of year, as previously reported	\$ 23,324,584	\$ 3,514,295	\$ -
Adjustment for GASB Statement No. 84	5,394	5,394	515,558
Net position/fund balance - Beginning of year, as restated	<u>\$ 23,329,978</u>	<u>\$ 3,519,689</u>	<u>\$ 515,558</u>

The impact on the prior year changes in net position could not be determined.

In addition to the adoption of GASB Statement No. 84, the beginning net position in the Downtown Development Authority has been restated to properly record revenue in 2018 for the sale of property. The effect of the restatement was to increase revenue by \$81,347. Previously reported net position was \$838,187 and has been restated to \$919,534.

Note 12 - Subsequent Events

The United States and the State of Michigan declared a state of emergency in early March 2020 due to the global coronavirus disease 2019 (COVID-19) pandemic. COVID-19 will financially impact subsequent periods of the Township. The impact on the Township's future operating costs and revenue and any recovery from emergency funding, federal, state, or local, cannot be estimated.

The Township also issued \$8,000,000 in bonds to construction two new fire stations.

Required Supplemental Information

Charter Township of Highland

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes - Property taxes	\$ 454,500	\$ 454,500	\$ 467,250	\$ 12,750
Intergovernmental:				
Federal grants	50,000	50,000	48,833	(1,167)
State sources	1,612,000	1,612,000	1,765,175	153,175
Charges for services	143,200	168,200	109,907	(58,293)
Licenses and permits	499,000	514,000	621,583	107,583
Investment income	30,000	30,000	76,348	46,348
Other revenue	96,500	96,500	251,810	155,310
Total revenue	2,885,200	2,925,200	3,340,906	415,706
Expenditures				
Current services:				
General government	1,858,271	1,987,581	1,739,260	248,321
Public safety	307,747	327,247	315,348	11,899
Public works	35,540	40,790	34,155	6,635
Social services	426,254	426,254	320,734	105,520
Recreation and culture	49,500	49,500	33,212	16,288
Debt service	-	-	5,520	(5,520)
Total expenditures	2,677,312	2,831,372	2,448,229	383,143
Excess of Revenue Over Expenditures	207,888	93,828	892,677	798,849
Other Financing Sources (Uses)				
Transfers in	-	-	70,065	70,065
Transfers out	-	(1,116,500)	(1,128,146)	(11,646)
Sale of capital assets	-	-	8,700	8,700
Total other financing uses	-	(1,116,500)	(1,049,381)	67,119
Net Change in Fund Balance	207,888	(1,022,672)	(156,704)	865,968
Fund Balance - Beginning of year, as restated	3,519,689	3,519,689	3,519,689	-
Fund Balance - End of year	\$ 3,727,577	\$ 2,497,017	\$ 3,362,985	\$ 865,968

Charter Township of Highland

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds
 Refuse

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Special assessments	\$ 1,072,830	\$ 1,083,590	\$ 1,096,260	\$ 12,670
Investment income	5,000	5,000	10,161	5,161
Other revenue	-	-	7,101	7,101
Total revenue	1,077,830	1,088,590	1,113,522	24,932
Expenditures - Current services - Public works	1,018,013	1,032,773	1,025,640	7,133
Net Change in Fund Balance	59,817	55,817	87,882	32,065
Fund Balance - Beginning of year	139,135	139,135	139,135	-
Fund Balance - End of year	<u>\$ 198,952</u>	<u>\$ 194,952</u>	<u>\$ 227,017</u>	<u>\$ 32,065</u>

Charter Township of Highland

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

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,051,924	\$ 1,051,924	\$ 1,064,629	\$ 12,705
Investment income	10,000	10,000	29,734	19,734
Other revenue	2,000	2,000	13,375	11,375
Total revenue	1,063,924	1,063,924	1,107,738	43,814
Expenditures - Current services - Public safety	1,053,363	1,114,363	1,012,112	102,251
Net Change in Fund Balance	10,561	(50,439)	95,626	146,065
Fund Balance - Beginning of year	1,066,614	1,066,614	1,066,614	-
Fund Balance - End of year	<u>\$ 1,077,175</u>	<u>\$ 1,016,175</u>	<u>\$ 1,162,240</u>	<u>\$ 146,065</u>

Charter Township of Highland

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

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,560,000	\$ 2,560,000	\$ 2,639,260	\$ 79,260
Charges for services	174,000	174,000	162,862	(11,138)
Investment income	15,000	15,000	45,486	30,486
Other revenue	114,600	114,600	110,931	(3,669)
Total revenue	2,863,600	2,863,600	2,958,539	94,939
Expenditures - Current services - Public safety	2,867,180	2,881,982	2,668,666	213,316
Net Change in Fund Balance	(3,580)	(18,382)	289,873	308,255
Fund Balance - Beginning of year	1,278,061	1,278,061	1,278,061	-
Fund Balance - End of year	<u>\$ 1,274,481</u>	<u>\$ 1,259,679</u>	<u>\$ 1,567,934</u>	<u>\$ 308,255</u>

December 31, 2019

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 and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." All annual appropriations lapse at fiscal year end. During the year, the budget was amended in a legally permissible manner.

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.

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.

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.

During the year, the Charter Township of Highland incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Debt service	\$ -	\$ 5,520	\$ (5,520)
Transfers out	1,116,500	1,128,146	(11,646)

Other Supplemental Information

Charter Township of Highland

Other Supplemental Information
Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2019

	Special Revenue Fund	Debt Service Fund	Capital Project Fund	
	Transportation	Library Building	Road	Total
Assets				
Cash and investments	\$ 38,282	\$ -	\$ 437,558	\$ 475,840
Receivables - Due from other governments	137,456	-	-	137,456
Total assets	\$ 175,738	\$ -	\$ 437,558	\$ 613,296
Liabilities				
Accounts payable	\$ 15,308	\$ -	\$ -	\$ 15,308
Advances from other funds	20,000	-	-	20,000
Total liabilities	35,308	-	-	35,308
Fund Balances				
Restricted - Hauling route maintenance	-	-	113,463	113,463
Committed - Roads	-	-	324,095	324,095
Assigned	140,430	-	-	140,430
Total fund balances	140,430	-	437,558	577,988
Total liabilities and fund balances	\$ 175,738	\$ -	\$ 437,558	\$ 613,296

Charter Township of Highland

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

Year Ended December 31, 2019

	Special Revenue Fund	Debt Service Fund	Capital Project Fund	Total
	Transportation	Library Building	Road	
Revenue				
Property taxes	\$ -	\$ 269,960	\$ -	\$ 269,960
Intergovernmental:				
Federal grants	196,638	-	-	196,638
State sources	253,105	-	-	253,105
Investment income	-	1,244	1,538	2,782
Other revenue	24,657	-	55,588	80,245
Total revenue	474,400	271,204	57,126	802,730
Expenditures				
Current services - Public works	418,571	-	96,997	515,568
Debt service	-	350,606	-	350,606
Total expenditures	418,571	350,606	96,997	866,174
Other Financing Sources (Uses)				
Transfers in (Note 6)	111,646	-	10,000	121,646
Transfers out (Note 6)	-	(70,065)	-	(70,065)
Total other financing sources (uses)	111,646	(70,065)	10,000	51,581
Net Change in Fund Balances	167,475	(149,467)	(29,871)	(11,863)
Fund Balances - Beginning of year	(27,045)	149,467	467,429	589,851
Fund Balances - End of year	\$ 140,430	\$ -	\$ 437,558	\$ 577,988

Charter Township of Highland

Other Supplemental Information
Combining Statement of Fiduciary Net Position
Custodial Funds

December 31, 2019

	Custodial Funds			Total
	Lake Escrow Funds	Current Tax Fund	Highland Adult Activity Center Fund	
Assets - Cash and investments	\$ 570,661	\$ 3,465,664	\$ 9,377	\$ 4,045,702
Liabilities - Accounts payable	2,684	3,465,664	528	3,468,876
Net Position -				
Restricted -				
Individuals, organizations, and other governments	<u>\$ 567,977</u>	<u>\$ -</u>	<u>\$ 8,849</u>	<u>\$ 576,826</u>

Charter Township of Highland

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

Year Ended December 31, 2019

	Custodial Funds			
	Lake Escrow Funds	Current Tax Fund	Highland Adult Activity Center Fund	Total
Additions				
Investment income - Interest	\$ 4,172	\$ 2,897	\$ -	\$ 7,069
Contributions	613,309	-	17,615	630,924
Property tax collections	-	22,093,137	-	22,093,137
Total additions	617,481	22,096,034	17,615	22,731,130
Deductions				
Administrative expenses	5,330	-	-	5,330
Activity center	-	-	15,563	15,563
Disbursement of escrows	552,935	-	-	552,935
Tax payments to other governments	-	22,090,125	-	22,090,125
Other deductions	-	5,909	-	5,909
Total deductions	558,265	22,096,034	15,563	22,669,862
Net Increase in Fiduciary Net Position	59,216	-	2,052	61,268
Net Position - Beginning of year, as restated	508,761	-	6,797	515,558
Net Position - End of year	\$ 567,977	\$ -	\$ 8,849	\$ 576,826