

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

ANNUAL FINANCIAL STATEMENTS
with Supplementary Information

FOR THE YEAR ENDED
DECEMBER 31, 2014



CHARTER TOWNSHIP OF HARRISON, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Charter Township of Harrison
Harrison Township, Michigan

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 Harrison, Michigan as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Township'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 Township'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 Township'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 Harrison, Michigan, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note 14 to the financial statements, for 2014 the Township adopted GASB Statement No. 67 *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. As a result, GASB 67 enhances note disclosures and required supplementary information reported in anticipation of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress and employer contributions, and budgetary comparison information on pages 3-11 and 55-68 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 who 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 supplementary 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Harrison, Michigan's basic financial statements. The accompanying supplementary information as listed in the table of contents and presented on pages 69-81 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.


Certified Public Accountants

June 9, 2015

Management's Discussion and Analysis

As management of the Charter Township of Harrison, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2014.

Financial Highlights

- Harrison Township's assets exceeded its liabilities at the close of the most recent fiscal year by \$32,326,885 (*net position*). Of this amount, \$2,463,413 (*unrestricted net position*) may be used to meet the government's on-going obligations to citizens and creditors. Total net position decreased by \$2,079,865 for 2014.
- As of the close of the current fiscal year, Harrison Township's governmental funds reported combined ending fund balances of \$3,277,964, a decrease of \$968,943 in comparison with prior year. Approximately 69% of this total, or \$2,258,766, is available for spending at the government's discretion (unassigned fund balance).
- The counties of Macomb and Oakland continued to undertake a program in purchasing and maintaining sewer drains that were formerly owned by the Detroit Water and Sewer Board. This program includes reconstruction of the drains. The Counties have issued bonds/notes for the purchase and reconstruction, Harrison Township's apportioned share at December 31, 2014 is \$9,755,178.
- The Township added no additional special assessment debt during the current fiscal year. At year-end the Township's debt consisted of, special assessment debt of \$210,000, drain district debt of \$9,755,178, general obligation bonds on the Fire Station of \$300,000, other installment contracts \$105,532. During 2014 the Township entered into obligations for payment extending more than one year for additional in debt in the Water and Sewer Fund of \$1,534,351 relating to the apportioned share of drain district activity. Combined total indebtedness of the Township was \$10,370,710 excluding compensated absences, post-employment benefits and issuance premiums.
- Governmental activities expenditures for capital assets were \$110,496. The current year additions included new computer servers (\$57,653) and new insulated garage doors on fire station 1 to reduce utility costs.
- Water & Sewer Fund capital additions included \$1,948,530 primarily from the allocation of drains by Oakland and Macomb Counties that were formerly owned by the Detroit Water and Sewer Board (\$1,695,910) and meter reading system upgrades (\$18,416).
- Governmental Accounting Standard Board Statement No. 45 requires that the Township report a liability for other post-employment benefits. The Township underfunded the current year's annual required contribution and therefore the outstanding obligation rose to \$4,517,460 and \$1,126,509 for the Governmental Funds and Proprietary Funds respectively

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide* financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the Township's assets, liabilities and deferred inflow of resources, with the difference as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general administration, public safety, public works, health and welfare, recreation and cultural and community and economic development. The business-type activities include sanitary sewer and water operations and refuse. The government-wide financial statements appear on pages 12-14 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Township's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows* of spendable resources, as well as on *balances* of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the short-range financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between *governmental funds* and *governmental activities*.

The Township maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general, fire protection and police protection funds, each of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report (see pages 69-81).

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets. The basic governmental fund financial statements can be found on pages 15 and 17 of this report.

Proprietary Funds. The Township maintains one type of proprietary fund, enterprise funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses two enterprise funds, one to account for its water and sewer operations and one for trash collection service. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 19-21 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements, because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statement can be found on page 22-23 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-54 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Harrison Township, assets exceeded liabilities by \$32,326,885 at the close of the most recent fiscal year.

Harrison Township's Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$ 10,689,718	\$ 11,119,390	\$ 6,928,118	\$ 6,688,491	\$ 17,617,836	\$ 17,807,881
Restricted assets	-	-	428,055	780,381	428,055	780,381
Capital assets	9,294,244	9,658,454	30,130,921	29,252,298	39,425,165	38,910,752
Total assets	19,983,962	20,777,844	37,487,094	36,721,170	57,471,056	57,499,014
Liabilities						
Current liabilities	437,374	520,972	1,161,730	1,435,671	1,599,104	1,956,643
Non-current liabilities	6,011,668	5,533,000	10,991,315	9,567,732	17,002,983	15,100,732
Total liabilities	6,449,042	6,053,972	12,153,045	11,003,403	18,602,087	17,057,375
Deferred Inflows of Resources						
Taxes levied for subsequent period	6,542,084	6,034,889	-	-	6,542,084	6,034,889
Net Position						
Net Investment in capital assets,	8,678,712	8,734,897	20,637,430	21,349,559	29,316,142	30,084,456
Restricted assets	453,234	1,269,262	94,096	-	547,330	1,269,262
Unrestricted	(2,139,110)	(1,315,176)	4,602,523	4,368,208	2,463,413	3,053,032
	<u>\$ 6,992,836</u>	<u>\$ 8,688,983</u>	<u>\$ 25,334,049</u>	<u>\$ 25,717,767</u>	<u>\$ 32,326,885</u>	<u>\$ 34,406,750</u>

One of the largest portions of the Township's net position (90.7%) reflects its investments in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that remain outstanding. The Township uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Township's net position is divided into the two categories of governmental activities and business-type activities. Combined net position decreased by \$2,079,865 or 6.0% during the current fiscal year. Net position of governmental activities decreased by \$1,696,147, while net position from business-type activities decreased by \$383,718.

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue						
Program revenue:						
Charges for Services	\$ 1,116,841	\$ 990,401	\$ 8,729,072	\$ 8,297,446	\$ 9,845,913	\$ 9,287,847
Operating grants and contributions	133,406	125,340	-	-	133,406	125,340
Capital grants and contributions	45,822	45,981	109,859	18,030	155,681	64,011
General revenue:						
Property taxes	6,235,317	5,793,318	-	-	6,235,317	5,793,318
State-shared revenue	1,911,062	1,827,788	-	-	1,911,062	1,827,788
Franchise fees	510,478	466,523	-	-	510,478	466,523
Unrestricted investment earnings	9,873	11,320	80,792	81,504	90,665	92,824
Total revenue	<u>9,962,799</u>	<u>9,260,671</u>	<u>8,919,723</u>	<u>8,396,980</u>	<u>18,882,522</u>	<u>17,657,651</u>
Expenses						
General government	2,930,143	2,963,479	-	-	2,930,143	2,963,479
Public safety	8,268,810	7,994,625	-	-	8,268,810	7,994,625
Public works	274,577	80,974	9,303,441	9,074,472	9,578,018	9,155,446
Community and economic development	110,326	116,963	-	-	110,326	116,963
Recreation and culture	42,672	50,489	-	-	42,672	50,489
Interest on long-term debt	32,418	31,131	-	-	32,418	31,131
Total expenses	<u>11,658,946</u>	<u>11,237,661</u>	<u>9,303,441</u>	<u>9,074,472</u>	<u>20,962,387</u>	<u>20,312,133</u>
Change in Net Position	<u>\$ (1,696,147)</u>	<u>\$ (1,976,990)</u>	<u>\$ (383,718)</u>	<u>\$ (677,492)</u>	<u>\$ (2,079,865)</u>	<u>\$ (2,654,482)</u>

Governmental Activities. Governmental activities decreased the Township's net position by \$1,696,147. The Township's governmental revenues equaled \$9,962,799, with the largest source being property tax revenue. Revenues improved overall by \$702,128, mainly as a result of the increases in property tax revenue of \$442,000, charges for services of \$126,440, and state shared revenue of \$83,274. The Township's three largest revenue sources are property taxes, state shared revenue and charges for services at 62.6%, 19.2%, and 11.2% of the total respectively.

The largest services funded as governmental activities are police and fire protection under the public safety category. The Township operates its own fire department, and contracts with the Macomb County Sheriff's department for police patrols.

Business-type Activities. Harrison Township's business-type activities consist of the Water and Sewer Department, and trash collection services.

The Township operates a water distribution system providing its customers with water supplied by the cities of Detroit and Mt. Clemens. The Township also maintains a sewer collection system, which is connected to the City of Detroit sewage disposal network. Revenue from Water and Sewer operations increased by 4.2% or \$274,699. Operating expenses increased \$155,919. The most significant portion of the expense increase was the lookback charges from the City of Detroit included in the current year for 2007 through 2010 amounting to \$133,224. Also, there was an increase in employee benefits expense in group health insurance and pension costs. There was a decrease in net position of \$395,672, which is an improvement of \$293,623 for 2013.

The Township's trash collection service is provided by an outside contractor. The Township bills residents for this service on the monthly water/sewer bills and remits the cash receipts to the contractor. Total revenue for the year amounted to \$1,322,542 with expenses of \$1,310,558 resulting in a net income of \$11,954.

Financial Analysis of the Harrison Township Funds

As noted earlier, Harrison Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$3,277,964 a decrease of \$968,943 in comparison with prior year. Approximately 68.9% of this total amount (\$2,258,776) constitutes *unassigned* fund balance, which is available for spending at the Township's discretion. Also, the Township has \$153,201 of nonspendable fund balance for advances to other funds, \$453,234 restricted, \$54,457 fire services and \$396,777 debt services, \$294,363 committed for various purposes and \$118,400 assigned for next years budget.

The General fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the General fund was \$2,258,766 with a total fund balance of \$2,635,899. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 85.4% of total General Fund expenditures.

During the 2014 fiscal year, the fund balance of the Township's General Fund decreased by \$84,836. The General Fund net revenue increased as revenue rose and expense fell from last year's levels. General Fund revenues grew by \$91,455, because of increases in state revenue sharing, licenses and permits, and fines and forfeits. With few exceptions, most departmental expenditures were comparable to last year, and within amended budget levels. The decrease in General Fund expenditures was the net of a reduction in the cost of storm drain repairs, and debt service payments this year. The General Fund net decrease, however, resulted from appropriation transfers to the Building Inspection fund for \$156,466 and the Police Fund for \$17,831, both of which overspent their revenues.

The Fire Protection Fund fund balance has dropped to \$56,457, a decrease of \$590,096 during the year. The Fire Fund fund balance is critical to the operation of the department because it is used to replace aging equipment. The property tax millage was raised by 0.5 mill in 2014, tax revenue to this fund rose by \$331,106. However, since operating expense increased again this year this fund incurred an operating deficit. Expense increased over prior year by \$208,704.

The Police Fund has a fund balance of \$-0- at the end of the year. The sole purpose of this fund is to accumulate tax revenue for police services and to pay the Macomb County Sheriff's department for providing this service, so it generally breaks even every year and has no need for a fund balance. Tax revenue did fall short of the amount needed to cover the contract with the Sheriff's department, so this fund required a \$17,831 appropriation transfer in 2014 in order to avoid a deficit.

Proprietary Funds. The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

The net position of all the proprietary funds at year-end dropped to \$25,334,049. These funds experienced a decrease in net position of \$383,718. There was a deficit from operations of \$805,882 because the margin from sale of utilities is insufficient to cover operating costs (including depreciation of \$1,069,907). The operating loss was offset in part by non-operating revenues \$312,305 (net of interest expense \$363,310) and capital contributions of \$109,859 to generate the net decrease in net position at year-end.

General Fund Budgetary Highlights

During the course of the year, the Township Board and administration monitor and amend the budget to reflect changes in spending patterns and events that were not anticipated during the preparation of the budget. Final budgeted revenues were \$2.676 million, or 2.2% higher than the original budget and the expenditures were 2.808 million or 0.4% higher than the original budget. Adjustments were made to budgeted expenditures for increased storm drain repairs, required pension contributions, and needed appropriation transfers to other funds.

Capital Asset and Debt Administration

Capital Assets. Harrison Township's investment in capital assets for its governmental and business-type activities as of December 31, 2014 amounted to \$39,425,165 (net of depreciation). Investment in capital assets includes land, buildings and improvements, fire equipment, water and sewer lines, and park facilities. In the Governmental Funds, capital assets decreased in value by \$364,210 (net of depreciation), primarily due to depreciation exceeding the current year additions, primarily new computer servers and small building improvements. In the Proprietary Fund capital assets increased \$878,623 (net of depreciation) primarily due to the allocation of infrastructure assets related to the Macomb and Oakland County Drain projects did not exceed the depreciation expense for depreciable assets for the year.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,382,084	\$ 2,382,084	\$ 718,455	\$ 718,455	\$ 3,100,539	\$ 3,100,539
Building & Improvements	2,490,898	2,608,068	262,098	274,818	2,752,996	2,882,886
Construction in progress	59,988	37,500	4,000,786	2,211,594	4,060,774	2,249,094
Machinery and equipment	740,773	878,258	456,373	513,929	1,197,146	1,392,187
Infrastructure	3,620,501	3,752,544	24,693,209	25,533,502	28,313,710	29,286,046
	<u>\$ 9,294,244</u>	<u>\$ 9,658,454</u>	<u>\$ 30,130,921</u>	<u>\$ 29,252,298</u>	<u>\$ 39,425,165</u>	<u>\$ 38,910,752</u>

During the year ended December 31, 2014, the counties of Macomb and Oakland continued with several projects for drain system improvements. The Macomb county projects are referred to as the North Gratiot Interceptor projects and the Macomb Interceptors. Joint projects between the two counties are referred to in the footnotes as the Oakland-Macomb Interceptor drains. The Township's share of these infrastructure projects is \$10,071,343 including construction in progress net of accumulated depreciation.

Long-term Debt. At the end of the current fiscal year, the Township had total long term obligations outstanding of \$17,002,983. Of this amount, \$300,000 comprises debt backed by the full faith and credit of the Township, and \$210,000 is special assessment debt for which the Township is liable in the event of default by the property owners subject to the assessments. The general obligation bonds were issued in 2002 for construction of a new fire station with the outstanding balance of \$300,000. The Township has a long-term loan with Macomb County with a remaining balance in the amount of \$105,532 for the re-construction of a bridge in the center of the Township. As previously mentioned the Water & Sewer department has been apportioned a share of the bond debt associated with county programs to take over responsibility for drains previously managed by the City of Detroit. The Township's outstanding debt associated with this drain program is \$9,755,178 at year end.

The Governmental Accounting Standards Board Statement No. 45 requires reporting a liability for other post employment benefits (OPEB), which in Harrison Township's case refers to retiree healthcare costs. The Statement of Net Position includes a line in the Liabilities section labeled Net OPEB Obligation. The amount reported on this line is the difference between the actuarially calculated annual required contribution and the actual payment made.

Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 300,000	\$ 395,000	\$ -	\$ -	\$ 300,000	\$ 395,000
Special assessment debt with governmental commitment	210,000	345,000	-	-	210,000	345,000
Long-term obligations	-	60,898	-	-	-	60,898
Other obligations	105,532	122,659	9,755,178	8,581,538	9,860,710	8,704,197
Bond premium	-	-	95,938	101,582	95,938	101,582
Compensated Absences	878,676	1,037,265	13,690	13,152	892,366	1,050,417
Post employment benefits	4,517,460	3,572,178	1,126,509	871,460	5,643,969	4,443,638
Total	<u>\$ 6,011,668</u>	<u>\$ 5,533,000</u>	<u>\$ 10,991,315</u>	<u>\$ 9,567,732</u>	<u>\$ 17,002,983</u>	<u>\$ 15,100,732</u>

During 2014 the Township added \$2,735,220, or 18.1% of debt, a substantial portion of which is due to the valuation of the other post-employment benefit of \$1,200,331 and the addition of the apportioned debt from Oakland and Macomb County Drain projects of \$1,534,351. No new special assessment bonds were issued this year. Regularly scheduled debt payments were made in the amount of \$668,736, excluding compensated absences and postemployment benefits.

Economic Factors and Next Year's Budgets and Rates

The following are some of the factors considered in preparing the fiscal year 2015 budget.

The State of Michigan's economy continues to transition from automotive manufacturing to high tech, medical, and green industries to help secure its future. However, the only significant commercial enterprise that has moved into the Township is Yanfeng USA, the largest Chinese manufacturer of automotive interior components plans which invested \$13 million in 2011 to convert three vacant buildings in Harrison Township into new facilities.

Township residents chose to renew the prior year millage rate for the three years 2014-2016. The Township residents approved a millage rate of 6.6876. Although the millage was approved for this higher rate, the Board of Trustees chose to set the rate at the same rate as previous years, which was at 6.67 mills. Township residents approved an additional 0.5000 mills for the same three year period dedicated to fund fire department operations. A new millage was approved to fund a public library in the Township at 0.5000 mills for the period of ten years, 2013 to 2022.

Harrison is a fully developed township and as such relies on stable property values to provide property taxes, state-shared revenues, and service fees to supply sufficient income to offset operating and capital expenditures. Although three revenue sources have shown significant declines over the past several years, state-shared revenue has increased an average of 3.6% over the last three years. Property values of started to rise modestly in 2015 by 1.3%, after dropping annually every year since 2009. Increased property values along with the new millages will raise property tax revenue in the coming year.

Revenue constraints and increased costs combined to present a challenge in developing the fiscal year 2015 budget. On the revenue side, the increased property values and additional authorized millage will likely be insufficient to cover the cost of operations for Public Safety. Both the Fire Fund and the Police Fund will likely require subsidies from the General Fund to make it through the year. When the market fully recovers, under Proposal A, taxable value losses over the past 6 years will not be fully recouped in the near-term due to the mandated inflationary cap on property assessments. The inflation rate provided by the State of Michigan in 2015 was 1.6%. On a more positive note, state shared revenues (the Township's second largest revenue source) have risen slowly in recent years. Although State revenue sharing had been cut by the State of Michigan by 30% in the decade of 2000-2010, state revenue sharing has increased recently as the State's economy has shown improvement. Revenue sharing is projected to increase by 3% in 2015.

The main concern regarding the fiscal condition of the Township revolves around the deficits incurred by the Fire Department, which have increased steadily over the last 5 years. Despite the fact that all of the General Fund's portion of property tax revenue and the additional 0.5 mill tax that was voted by the residents in 2013 have been entirely dedicated to the Fire Fund (less the amount required to fund police protection), this Fund is expected to incur a deficit again in 2015 which will leave the Fire Fund fund balance in a deficit position by year end.

The Township's funded ratio for the actuarial accrued liability as of December 31, 2013 (the date of the last available actuarial valuation.) for the general Employee's pension has leveled off at 65.5%, but is down from a high in 2003 of 87.9%, and for the Firefighters pension fell again to 58.3%, and remains off from a high of 100.7% in 2004. The Township began making modest contributions annually to a fund for retiree health care costs in 2004. A contribution was made at the end of 2014 in the amount of \$115,000 from the General Fund and \$70,000 for the Enterprise Fund. No contribution was made from the Fire Fund. No contribution was proposed into the 2015 budget.

The Township has implemented various budgeted savings and limited revenue enhancement measures over the past several years. The workforce has been reduced by 15 positions or 18% since 2001. Long-term trends such as the Headlee limit on recovering property values and the elimination of the personal property tax on businesses will have an impact on the Township's future revenue growth and provision of future services as costs are influenced by inflationary pressures.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for those with an interest in Harrison Township. Questions concerning any of the information should be addressed to the Township Accounting Department, 38151 L'Anse Creuse, Harrison Township, MI 48045.

BASIC FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF HARRISON

Macomb County, Michigan

STATEMENT OF NET POSITION

DECEMBER 31, 2014

	Primary Government			Component Unit (EDC)
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 3,829,273	\$ 4,853,130	\$ 8,682,403	\$ 24,451
Receivables (net of allowance)	6,618,660	1,897,591	8,516,251	-
Internal balances	21,010	(21,010)	-	-
Inventory	-	156,253	156,253	-
Prepaid expenses/deposits	220,775	42,154	262,929	-
Restricted assets -				
Deposits at County	-	428,055	428,055	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	2,442,072	4,719,241	7,161,313	-
Assets being depreciated	6,852,172	25,411,680	32,263,852	-
Total Assets	<u>19,983,962</u>	<u>37,487,094</u>	<u>57,471,056</u>	<u>24,451</u>
Liabilities:				
Payables and accrued liabilities	424,480	1,091,300	1,515,780	-
Accrued interest	12,894	70,430	83,324	-
Non-current liabilities				
Accrued compensated absences	878,676	13,690	892,366	-
Net OPEB obligation	4,517,460	1,126,509	5,643,969	-
Due within one year	216,895	407,582	624,477	-
Due in more than one year	398,637	9,443,534	9,842,171	-
Total Liabilities	<u>6,449,042</u>	<u>12,153,045</u>	<u>18,602,087</u>	<u>-</u>
Deferred Inflows of Resources:				
Taxes levied for subsequent period	<u>6,542,084</u>	<u>-</u>	<u>6,542,084</u>	<u>-</u>
Net Position:				
Net investment in capital assets	8,678,712	20,637,430	29,316,142	-
Restricted				
Public Safety	56,457	-	56,457	-
Debt Service/Special Assessment	396,777	-	396,777	-
Debt/Capital Improvement	-	94,096	94,096	-
Unrestricted (deficit)	(2,139,110)	4,602,523	2,463,413	24,451
Total Net Position	<u>\$ 6,992,836</u>	<u>\$ 25,334,049</u>	<u>\$ 32,326,885</u>	<u>\$ 24,451</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General Government	\$ 2,930,143	\$ 165,593	\$ 16,483	\$ -
Public Safety	8,268,810	910,744	13,045	-
Public Works	274,577	5,493	12,408	45,822
Recreation and Cultural	42,672	33,508	2,751	-
Community and Economic Development	110,326	1,503	88,719	-
Interest on Long Term Debt	32,418	-	-	-
Total governmental activities	<u>11,658,946</u>	<u>1,116,841</u>	<u>133,406</u>	<u>45,822</u>
Business-type activities:				
Water and Sewer	7,992,853	7,406,530	-	109,859
Refuse	1,310,588	1,322,542	-	-
Total Business-type activities	<u>9,303,441</u>	<u>8,729,072</u>	<u>-</u>	<u>109,859</u>
Total Primary Government	<u>\$ 20,962,387</u>	<u>\$ 9,845,913</u>	<u>\$ 133,406</u>	<u>\$ 155,681</u>
Component Unit				
Economic Development Corporation	<u>\$ 10,775</u>	<u>\$ -</u>	<u>\$ 16,195</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State shared revenue				
Franchise fees				
Unrestricted investment income				
Total general revenues				
Change in net position				
Net position at beginning of year				
Net position at end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Position

Governmental Activities	Primary Government		Component Unit (EDC)
	Business-Type Activities	Total	
\$(2,748,067)	\$ -	\$(2,748,067)	\$ -
(7,345,021)	-	(7,345,021)	-
(210,854)	-	(210,854)	-
(6,413)	-	(6,413)	-
(20,104)	-	(20,104)	-
(32,418)	-	(32,418)	-
<u>(10,362,877)</u>	<u>-</u>	<u>(10,362,877)</u>	<u>-</u>
-	(476,464)	(476,464)	-
-	11,954	11,954	-
<u>-</u>	<u>(464,510)</u>	<u>(464,510)</u>	<u>-</u>
(10,362,877)	(464,510)	(10,827,387)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,420</u>
6,235,317	-	6,235,317	-
1,911,062	-	1,911,062	-
510,478	-	510,478	-
9,873	80,792	90,665	-
<u>8,666,730</u>	<u>80,792</u>	<u>8,747,522</u>	<u>-</u>
(1,696,147)	(383,718)	(2,079,865)	5,420
<u>8,688,983</u>	<u>25,717,767</u>	<u>34,406,750</u>	<u>19,031</u>
<u>\$ 6,992,836</u>	<u>\$ 25,334,049</u>	<u>\$ 32,326,885</u>	<u>\$ 24,451</u>

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General	Fire	Police	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 2,125,896	\$ 717,972	\$ 176,477	\$ 808,928	\$ 3,829,273
Receivables -					
Property taxes	-	4,058,860	1,190,871	455,065	5,704,796
Interest and accounts (net of allowance)	140,338	59,863	-	4,096	204,297
Special assessments	57,812	-	-	252,213	310,025
Due from other governmental units -					
State	331,010	-	-	68,532	399,542
Due from other funds	34,703	-	-	-	34,703
Advance to other funds	153,201	-	-	-	153,201
Total Assets	\$ 2,842,960	\$ 4,836,695	\$ 1,367,348	\$ 1,588,834	\$ 10,635,837
Liabilities:					
Accounts payable	\$ 59,751	\$ 52,427	\$ -	\$ 40,400	\$ 152,578
Accrued liabilities	146,436	72,787	1,927	50,752	271,902
Due to other funds	-	-	-	13,693	13,693
Advance from other funds	-	-	-	153,201	153,201
Total Liabilities	206,187	125,214	1,927	258,046	591,374
Deferred Inflows of Resources					
Unavailable grant revenue	-	-	-	45,822	45,822
Unavailable special assessments	-	-	-	178,593	178,593
Taxes levied for subsequent period	874	4,655,024	1,365,421	520,765	6,542,084
Total Deferred Inflows of Resources	874	4,655,024	1,365,421	745,180	6,766,499
Fund Balance:					
Nonspendable	153,201	-	-	-	153,201
Restricted	-	56,457	-	396,777	453,234
Committed	105,532	-	-	188,831	294,363
Assigned	118,400	-	-	-	118,400
Unassigned	2,258,766	-	-	-	2,258,766
Total Fund Balance	2,635,899	56,457	-	585,608	3,277,964
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,842,960	\$ 4,836,695	\$ 1,367,348	\$ 1,588,834	\$ 10,635,837

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET POSITION
DECEMBER 31, 2014**

Fund Balances - total governmental funds		\$	3,277,964
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 therefore are not reported in the funds.			
Capital assets	\$	15,191,647	
Accumulated depreciation	(	<u>5,897,403)</u>	9,294,244
Expenses recorded in the funds on the purchase method			220,775
Other Long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds			
Grants		45,822	
Special assessments		<u>178,593</u>	224,415
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Bonds/Notes payable	(	615,532)	
Compensated benefits	(	878,676)	
Other postemployment benefits payable	(	4,517,460)	
Accrued interest payable	(	<u>12,894)</u>	<u>(6,024,562)</u>
Net Position of governmental activities		\$	<u><u>6,992,836</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General	Fire	Police	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 42,185	\$ 4,588,522	\$ 1,345,892	\$ 100,495	\$ 6,077,094
Licenses and permits	517,061	-	-	361,170	878,231
Intergovernmental	1,956,117	8,476	-	93,288	2,057,881
Charges for services	152,458	370,864	-	64,646	587,968
Fines and forfeits	56,402	-	46,062	22,377	124,841
Special assessments	-	-	-	115,092	115,092
Interest and rent	3,744	959	28	5,668	10,399
Other	7,264	2,846	-	12,230	22,340
Total Revenues	<u>2,735,231</u>	<u>4,971,667</u>	<u>1,391,982</u>	<u>774,966</u>	<u>9,873,846</u>
Expenditures:					
Current -					
General Government	2,268,277	-	-	-	2,268,277
Public Safety	79,160	5,561,763	1,410,221	578,341	7,629,485
Public Works	86,189	-	-	246,307	332,496
Recreation and Cultural	12,934	-	-	29,738	42,672
Community and Economic Development	-	-	-	110,326	110,326
Other Postemployment Benefits	115,000	-	-	-	115,000
Debt Service -					
Principal	78,025	-	-	230,000	308,025
Interest and Fees	6,185	-	-	30,323	36,508
Total Expenditures	<u>2,645,770</u>	<u>5,561,763</u>	<u>1,410,221</u>	<u>1,225,035</u>	<u>10,842,789</u>
Revenues over (under) expenditures	<u>89,461</u>	<u>(590,096)</u>	<u>(18,239)</u>	<u>(450,069)</u>	<u>(968,943)</u>
Other Financing Sources (Uses):					
Transfers from other funds	-	-	17,831	156,466	174,297
Transfers to other funds	(174,297)	-	-	-	(174,297)
Total Other Financing Sources (Uses)	<u>(174,297)</u>	<u>-</u>	<u>17,831</u>	<u>156,466</u>	<u>-</u>
Net Change in Fund Balances	(84,836)	(590,096)	(408)	(293,603)	(968,943)
Fund Balances at beginning of year	<u>2,720,735</u>	<u>646,553</u>	<u>408</u>	<u>879,211</u>	<u>4,246,907</u>
Fund Balances at end of year	<u>\$ 2,635,899</u>	<u>\$ 56,457</u>	<u>\$ -</u>	<u>\$ 585,608</u>	<u>\$ 3,277,964</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Net change in fund balances - total governmental funds	\$ (968,943)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 110,496	
Depreciation expense	<u>(474,706)</u>	(364,210)

Change in prepaid expenses recorded in the funds on the purchase method	22,631
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Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Special assessments	71,226	
Delinquent personal property taxes	(28,095)	
Grants	<u>45,822</u>	88,953

The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however has any effect on net position.

Principal payments on long term liabilities	308,025
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Decrease in accrued interest payable	4,090	
Increase in postemployment benefits payable	(945,282)	
Decrease in compensated absences	<u>158,589</u>	<u>(782,603)</u>

Change in net position of governmental activities	<u><u>\$ (1,696,147)</u></u>
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The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Water and Sewer	Refuse	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 4,619,224	\$ 233,906	\$ 4,853,130
Accounts receivable	1,599,455	239,717	1,839,172
Due from other governmental units -			
State	58,419	-	58,419
Prepaid expenses	42,154	-	42,154
Inventory	156,253	-	156,253
Total Current Assets	<u>6,475,505</u>	<u>473,623</u>	<u>6,949,128</u>
Property, Plant and Equipment:			
Land	718,455	-	718,455
Construction in progress	4,000,786	-	4,000,786
Building and equipment	3,282,451	-	3,282,451
Macomb/Oakland interceptors	6,869,386	-	6,869,386
Water mains and lines	40,230,120	-	40,230,120
	<u>55,101,198</u>	<u>-</u>	<u>55,101,198</u>
Less - accumulated depreciation	(24,970,277)	-	(24,970,277)
Total Property, Plant and Equipment	<u>30,130,921</u>	<u>-</u>	<u>30,130,921</u>
Restricted Assets:			
Deposits at County	428,055	-	428,055
Total Assets	<u>37,034,481</u>	<u>473,623</u>	<u>37,508,104</u>
Liabilities:			
Current Liabilities:			
Accounts payable	560,446	419,335	979,781
Accrued expenses	111,519	-	111,519
Accrued interest	70,430	-	70,430
Due to other funds	21,010	-	21,010
Current portion of long term debt	407,582	-	407,582
Total Current Liabilities	<u>1,170,987</u>	<u>419,335</u>	<u>1,590,322</u>
Long-term Liabilities:			
Accrued vacation and sick	13,690	-	13,690
Net OPEB obligation	1,126,509	-	1,126,509
Long-term debt - net of current portion	9,443,534	-	9,443,534
Total Long-term Liabilities	<u>10,583,733</u>	<u>-</u>	<u>10,583,733</u>
Total Liabilities	<u>11,754,720</u>	<u>419,335</u>	<u>12,174,055</u>
Net Position:			
Net Investment in capital assets	20,637,430	-	20,637,430
Restricted for interceptors	94,096	-	94,096
Unrestricted for:			
Capital improvements/replacement	2,423,109	-	2,423,109
Other	2,125,126	54,288	2,179,414
Total Net Position	<u>\$ 25,279,761</u>	<u>\$ 54,288</u>	<u>\$ 25,334,049</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Water and Sewer	Refuse	Total
Operating Revenues:			
Charges for services - user charges	\$ 6,666,698	\$ 1,300,086	\$ 7,966,784
Penalty on delinquent accounts	112,398	22,456	134,854
Other revenue	32,611	-	32,611
Total Operating Revenues	<u>6,811,707</u>	<u>1,322,542</u>	<u>8,134,249</u>
Operating Expenses:			
Personal services	1,886,098	-	1,886,098
Cost of water purchased	1,324,034	-	1,324,034
Cost of sewage treatment	2,840,359	-	2,840,359
Cost of refuse services	-	1,299,236	1,299,236
Operation and maintenance	509,145	11,352	520,497
Depreciation	1,069,907	-	1,069,907
Total Operating Expenses	<u>7,629,543</u>	<u>1,310,588</u>	<u>8,940,131</u>
Operating Income (Loss)	<u>(817,836)</u>	<u>11,954</u>	<u>(805,882)</u>
Non-Operating Revenues (Expenses):			
Interest expense	(363,310)	-	(363,310)
Interest subsidy on interceptor drains	72,975	-	72,975
Interest income	7,817	-	7,817
Amortization of bond premium	5,644	-	5,644
Debt service fees	589,179	-	589,179
Total Non-Operating Revenues (Expenses)	<u>312,305</u>	<u>-</u>	<u>312,305</u>
Net Income (Loss) Before Capital Contributions	(505,531)	11,954	(493,577)
Capital Contributions	<u>109,859</u>	<u>-</u>	<u>109,859</u>
Change in Net Position	(395,672)	11,954	(383,718)
Net Position at beginning of year	<u>25,675,433</u>	<u>42,334</u>	<u>25,717,767</u>
Net Position end of year	<u><u>\$ 25,279,761</u></u>	<u><u>\$ 54,288</u></u>	<u><u>\$ 25,334,049</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Water and Sewer	Refuse	Total
Cash Flows From Operating Activities:			
Cash receipts from customers	\$ 6,704,377	\$ 1,259,787	\$ 7,964,164
Cash payments to suppliers	(5,100,938)	(1,277,973)	(6,378,911)
Cash payments to employees	(1,579,526)	-	(1,579,526)
Net Cash Provided by (Used in) Operating Activities	<u>23,913</u>	<u>(18,186)</u>	<u>5,727</u>
Cash Flows From Capital and Related			
Financing Activities:			
Bond proceeds	1,534,351	-	1,534,351
Bond proceeds on deposit with County	352,326	-	352,326
Interest subsidy on interceptor drains	72,975	-	72,975
Bond payments	(366,355)	-	(366,355)
Interest paid	(354,497)	-	(354,497)
Capital contributions	69,383	-	69,383
Debt service fees	589,179	-	589,179
Acquisition and construction of capital assets	(1,948,530)	-	(1,948,530)
Net Cash Used in Capital and Related Financing Activities	<u>(51,168)</u>	<u>-</u>	<u>(51,168)</u>
Cash Flows From Investing Activities:			
Interest earned	<u>7,817</u>	<u>-</u>	<u>7,817</u>
Net Decrease in Cash and Cash			
Equivalents for the year	(19,438)	(18,186)	(37,624)
Cash and Cash Equivalents at Beginning of Year	<u>4,656,605</u>	<u>252,092</u>	<u>4,908,697</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 4,637,167</u></u>	<u><u>\$ 233,906</u></u>	<u><u>\$ 4,871,073</u></u>
Reconciliation of Operating Income (Loss) to			
Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss) for the year	\$(817,836)	\$ 11,954	\$(805,882)
Adjustments to reconcile operating income (loss)			
to net cash provided by (used in) operating activities -			
Depreciation and amortization	1,075,551	-	1,075,551
Change in assets and liabilities:			
Receivables	(188,910)	(62,755)	(251,665)
Inventory	15,822	-	15,822
Prepaid expenses	(8,517)	-	(8,517)
Accounts payable/accrued expenses	(314,831)	32,615	(282,216)
Due to other funds	7,585	-	7,585
Other postemployment benefits	<u>255,049</u>	<u>-</u>	<u>255,049</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 23,913</u></u>	<u><u>\$(18,186)</u></u>	<u><u>\$ 5,727</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014

	Pension and Other Employee Benefit Trusts	Agency Funds
Assets:		
Cash and cash equivalents	\$ 1,444,299	\$ 1,195,933
Investments		
U.S. Treasury and agency securities	2,106,138	-
Mortgage/asset backed securities	360,368	-
Corporate bonds	2,698,770	-
Exchange traded and closed end funds	5,501,621	-
Stock/equities	13,457,830	-
Mutual funds	2,821,370	-
Managed futures/hedge funds	469,865	-
Alternative investments	220,380	-
Receivables:		
Employer contributions	206,493	-
Accrued interest	10,645	-
Total assets	<u>29,297,779</u>	<u>\$ 1,195,933</u>
Liabilities:		
Accounts payable	11,988	\$ 2,524
Bonds and deposits	-	601,581
Undistributed taxes and fees	-	591,828
Total liabilities	<u>11,988</u>	<u>\$ 1,195,933</u>
Net Position:		
Restricted For Pension and Other Benefits	<u>\$ 29,285,791</u>	

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Pension and Other Employee Benefit Trust Funds
Additions:	
Contributions	
Employer contributions	\$ 1,633,002
Plan Member contributions	<u>291,658</u>
Total contributions	<u>1,924,660</u>
Investment income	
Net appreciation in fair value	532,101
Interest and dividends	<u>573,366</u>
Total investment income	1,105,467
Less investment expense	<u>(196,895)</u>
Net investment income	<u>908,572</u>
Total Additions	<u>2,833,232</u>
Deductions:	
Benefits and refunds to participants	2,627,266
Administrative expenses	<u>74,931</u>
Total Deductions	<u>2,702,197</u>
Net increase in net position restricted for benefits	131,035
Net Position - Restricted For Pension and Other Benefits -	
Beginning of year	<u>29,154,756</u>
End of year	<u><u>\$ 29,285,791</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity -

The Charter Township of Harrison, Michigan, a Municipal Corporation, was organized as a Township in 1827, under provisions of the constitution and general law of the State of Michigan and became a Charter Law Township on November 13, 1978, under Public Act 359, the Charter Township Act. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees, and provides services to its residents in many areas including law enforcement, fire protection, water, sewer, roads, parks and recreation, planning and economic development, and general administrative services.

These financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. The blended component unit, although legally a separate entity, is in substance, part of the governments' operations. The 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.

BLENDED COMPONENT UNIT -

The Township Building Authority is governed by the Board of Trustees. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings. The Building Authority was inactive during 2014 and has no assets or liabilities.

DISCRETELY PRESENTED COMPONENT UNIT -

The Economic Development Corporation is reported within the component unit column in the entity-wide financial statements. It is reported in a separate column to emphasize that it is legally separate from the Township. The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents of the Township. The Corporation's governing body is selected by the Township Board of Trustees.

JOINT VENTURE -

The Charter Townships' of Harrison and Clinton and the City of Mount Clemens entered into a joint venture for the management and operation of the 41-B Judicial District Court. A committee of one representative from each community oversees the administration and management of the Court. Revenues generated from fines, fees, costs, etc. from the boundaries of each unit are deposited directly with the Court but maintained by the unit. Expenditures for the Court, including operations and maintenance, debt retirement and improvements are allocated to each unit based on the number of cases for each municipality with any surplus or shortage the responsibility of the individual municipality. In connection, the Charter Township of Clinton has issued \$13.5 million of General Obligation Limited Tax Capital Improvement Bonds for the purpose of constructing, equipping and furnishing a new Court facility. The full faith and credit of each member is pledged for the repayment of bonds. The financial statements for the Court can be obtained at 41-B District Court, 22380 Starks, Clinton Township, Michigan, 48036.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

B. Government-wide and fund financial statements -

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 unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 revenues*.

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.

C. Measurement focus, basis of accounting and financial statement presentation -

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are 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 revenues in the year they are intended to finance (the December 2013 levy in 2014). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

State shared revenue, interest, licenses and permits associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes, which are levied and collected in December of each year, are budgeted and treated as revenue in the subsequent year. Only the portion of special assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

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.

Fire Fund - is a special revenue fund used to account for taxes and other related revenues restricted for fire service of the Township.

Police Fund - is a special revenue fund used to account for taxes and other related revenues restricted providing police protection of the Township.

The Township reports the following major proprietary funds:

Water and Sewer Fund - is used to account for the treatment and distribution of water and sanitary sewer services to residential and commercial users. Funding is provided primarily through user charges.

Refuse Fund - is used to account for the collection of refuse to residential and commercial customers. Funding is provided through user charges.

Additionally, the Township reports the following fund types:

Governmental Fund Types -

Special Revenue Funds - are used to account for the proceeds that are restricted or committed for expenditures for specific purposes other than debt service or capital projects.

Capital Project Funds - are used to account for financial resources that are restricted, committed or assigned for acquisition of capital assets not being financed by proprietary funds.

Debt Service Fund - is used to account for the accumulation of resources for, and the payment of principal and interest on long-term debt of governmental funds.

Fiduciary Fund Types -

Pension Trust and Other Employee Benefit Trust Funds - are used to accumulate resources for the pension and other postemployment benefits for qualified employees.

Agency Funds - are used to account for assets held by the Township as an agent for other governments and funds. Agency funds are custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

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

Amounts reported as *program revenues* 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 revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds principle on-going operations. The principle operating revenues of the Enterprise Funds are charges to customers for sale and services, cost of refuse services, the principle expenses, are for personal service, purchase of water and sewer treatment, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance-

Deposits and Investments -

The Township's cash and cash equivalents are considered to be cash on hand, and certificates of deposits with original maturities of three months or less from the date of acquisition and investment trust/money market funds. The investment trusts/money market funds have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonably approximates fair value.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

Receivables and Payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Advances between funds, as reported in the fund financial statements, are offset by a fund balance classification of nonspendable in applicable governmental funds to indicate that they are not available for appropriation.

All trade and property tax receivables are shown net of an allowance for uncollectible.

Inventories and Prepaid Items -

Inventories are stated at the lower of cost or market. Cost is determined by the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items in the government-wide statements.

Property Tax Calendar -

The Township's property tax is levied each December 1 on the taxable value of property located in the Township as of the proceeding December 31. On December 1, the property tax is an enforced lien on property and is payable by the last day of the following February. Property taxes are recognized as revenues in the year they were intended to finance (the 2013 levy is recognized in 2014).

The Township also collects taxes for various other municipalities and school districts. The collection and remittance of these taxes are accounted for in the Tax Collection Fund.

Capital Assets -

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Township defines capital assets as assets with an initial, individual cost of more than \$5,000 (\$35,000 for infrastructure) or a purchase of like items which together operate as part of a system have an aggregate cost of \$5,000 and an estimated useful life in excess of a 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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by GASB Statement No. 34, the Township has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to January 1, 2004.

Property, plant, and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Storm drains	50
Buildings and improvements	10-45
Machinery and equipment	5-20
Water and sewer lines and mains	27-50

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Deferred Outflows/Inflows of Resources -

In addition to assets, the statement of net position/balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The Township does not have any items that qualify for reporting this category.

In addition to liabilities, the statement of net position/balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The Township had two items, one reported on both the government-wide statement of net position (accrual basis of accounting) and the governmental fund balance sheet (modified accrual basis of accounting) for taxes levied for a subsequent period and another item on the governmental fund balance sheet for unavailable revenues that are not collected within 60 days. The unavailable revenues are primarily from special assessments and expenses reimbursement grants. The amounts are recognized as an inflow of resources in the period for which the tax is levied and in the period the amounts become available.

Compensated Absences -

In accordance with contracts negotiated with the various employee groups of the Township, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contracts. All vested vacation and sick leave is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for this amount is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations -

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts, if significant, 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.

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 on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Fund Balance -

In the fund financial statements, governmental funds reported fund balance in one or more of the following classifications:

Nonspendable fund balance - the portion of fund balance that cannot be spent because of their form or because they must be maintained intact.

Restricted fund balance - the portion of fund balance that has limitations imposed on use by external sources.

Committed fund balance - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action via Board resolution (e.g. to establish, modify or rescind) of the highest level of decision-making authority (Township Board).

Assigned fund balance - the portion of fund balance that reflects the Township's intended use of resources. Such intent currently must be determined by the Township Board or Full Time Trustee. Also, amounts in excess of nonspendable, restricted and committed fund balance in funds other than the General Fund is reported as assigned.

Unassigned fund balance - the portion of fund balance in the General Funds that cannot be classified into one of the four categories above.

The Board has established that the General Fund maintain a minimum Unrestricted/Unassigned fund balance of 25% of total General Fund revenues, which it is in compliance with as of December 31, 2014.

When different classifications of fund balance are present, it is the Township's policy that expenditures are to be spent from restricted fund balance first, if appropriate, followed in order by committed fund balance, assigned fund balance and lastly, unassigned fund balance.

Estimates -

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements -

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in June 2012 and will become effective for the Township's December 31, 2015 fiscal year. The statement requires governments providing defined benefit plans to report the net pension liability in their statement of net position. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expenses.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information -

The Township Supervisor, in conjunction with the Director of Finance and Department Heads, prepare and submit the proposed operating budgets for the year commencing January 1. The budgets include proposed expenditures and resources to finance them.

Prior to December 31, the proposed budget is presented to the Township Board. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Township Resolution. After the budget is adopted, the Township Board must approve all amendments.

The Township's approved budgets were adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds. These are the legally enacted levels under the State of Michigan Uniform Budgeting and Accounting Act. However, for control purposes all budgets are maintained at the object (account) level.

The Township does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Michigan Public Act 621 of 1978, Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. During the fiscal year ended December 31, 2014, the Township incurred expenditures, which were in excess of the amount appropriated as follows:

	<u>Total Appropriations</u>	<u>Amount Expended</u>	<u>Budget Variance</u>
General Fund -			
Supervisor	\$ 139,430	\$ 140,747	\$ 1,317
Accounting	288,132	291,043	2,911
Highways and Streets	12,000	15,652	3,652
Drains at large & water shed	45,000	70,537	25,537
Parks and recreation	12,800	12,934	134
Post-employment benefits	-	115,000	115,000
Police Fund -			
Public Safety	1,409,104	1,410,221	1,117
Grant Fund -			
Community & Economic Development	106,283	110,326	4,043
Building Inspection Fund -			
Public Safety	537,664	578,203	40,539

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (cont'd):

The Township amended the budget for the Fire Fund for the year ended December 31, 2014 to include a deficit at year end which is in violation of the Uniform Budgeting and Accounting Act (MCL 141.435).

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of December 31, 2014, the carrying amount of the deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Unit (EDC)	Reporting Entity
Cash on Hand				
Petty Cash	\$ 950	\$ -	\$ -	\$ 950
Deposits with Financial Institutions				
Deposits with Financial Institutions	8,681,453	1,313,851	24,451	10,019,755
Cash Held by Brokers	-	1,326,381	-	1,326,381
Total	8,681,453	2,640,232	24,451	11,346,136
Investments				
U.S. Treasury and Agency Securities	-	2,106,138	-	2,106,138
Mortgage/Asset Backed Securities	-	360,368	-	360,368
Corporate Bonds	-	2,698,770	-	2,698,770
Exchange Traded & Closed End Funds	-	5,501,621	-	5,501,621
Stock/Equity	-	13,457,830	-	13,457,830
Mutual Funds	-	2,821,370	-	2,821,370
Managed Futures/Hedge Funds	-	469,865	-	469,865
Alternate Investments	-	220,380	-	220,380
Total Investments	-	27,636,342	-	27,636,342
Total Cash, Cash Equivalents, and Investments	\$ 8,682,403	\$ 30,276,574	\$ 24,451	\$ 38,983,428

Deposits -

Act 217 PA 1982, as amended, authorizes the Township to deposit in certificates of deposit, saving accounts depository accounts, or depository receipts of a state or nationally chartered bank or state or federal chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintain a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended by section 21.145 and 21.146 of the Michigan Compiled Laws.

Custodial Credit Risk - Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned. As an indication of the level of deposit custodial credit risk assumed by the Township, as of December 31, 2014, the book value of the Township's deposits was \$10,019,755 with a corresponding bank balance of \$10,626,933. Insured deposits were \$500,000 and the remaining \$10,126,933, was uninsured and uncollateralized.

The Township's investment policy allows for the use of bank deposits, including certificates of deposit. There are no limitations placed on the use of bank deposits or the amount that can be deposited with any financial institution.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Investments -

The Township's investment policy and Act 20 of the Michigan Public Acts of 1943, as amended, authorizes the Township to invest surplus funds in bonds, securities and other direct obligations of the United States government or an agency or instrumentality of the United States; certificates of deposits, savings accounts, deposit accounts or depository receipts of a financial institution only if the bank, savings and loan association, or credit union is eligible to be a depository of funds belonging to the State; bankers' acceptance of United States banks; commercial paper rated at the time of purchase within the highest classification established by not less than two standard rating services, which mature not more than 270 days after the date of purchase; mutual funds registered under the Investment Company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 3657, 129.111 to 129.118; investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

The Township policy is to invest in a manner which will ensure the preservation of principal, while providing the highest investment return with maximum security, meeting daily cash flow requirements of the Township and conforming to all statutes governing the investment of public funds.

Cash and investments of the Township's retirement system are subject to the requirements of the Public Employee Retirement System Investments Act (MCL 38.1132).

Credit Risk - Investments - is the risk that an issuer of or other counterparty to an investment will not fulfill its obligations.

The Township's investment policy and state law limits investments in commercial paper to the top two ratings issued by nationally recognized organizations for the primary government. The Harrison Township Employees' Pension System specifies that all debt securities must have a qualifying rating of BBB (or equivalent) or above by one of the major rating agencies at the time of issue. The Harrison Township Firefighter's Pension System specifies a maximum of 30% of fixed income investments be BBB, the balance investment grade bonds rated A (or equivalent) or better at the time of purchase. In the event of a downgrading, the investment manager must notify the Board. In addition, the System assets may be invested in commercial paper, maturing within 270 days from any domestic issues, provided such commercial paper shall be rated A1 (or equivalent). As of year-end, the credit quality ratings of investments are as follows:

	Fair Market Value	Rating	Rating Organization
Mortgage/Asset Backed Securities	\$ 240,442	AAA	S & P
	119,926	AA+	S & P
Corporate Bonds	109,150	AAA	S & P
	107,293	AA+	S & P
	51,658	AA	S & P
	161,060	AA-	S & P
	309,463	A+	S & P
	753,192	A	S & P
	857,304	A-	S & P
	191,423	BBB+	S & P
	124,090	BBB	S & P
	34,137	BBB-	S & P

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Custodial Credit Risk - Investments - is the risk that in the event of the failure of the counterparty, the Township may not be able to recover the value of its investments that are in the possession of another party. The Township's policy requires that securities may be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts. As of December 31, 2014, \$28,962,723 of investments was held in third-party safekeeping not in the Township's name; however, they were evidenced by safekeeping receipts.

Concentration of Credit Risk - Investments - is the risk of loss attributed to the magnitude of the Township's investment in a single issuer.

Primary Government - The Township places no limits on the amounts the Township may invest with a single issuer.

Fiduciary Units - The Harrison Township Employees' Pension System requires that certain minimums and maximums may be invested in any asset class (Equities, Fixed Income Securities, and Cash and Cash Equivalents). Also, securities of any one company should not exceed 5% of the total fund, and no more than 20% of the fund should be invested in any one industry, with the exception of securities issued by the U.S. Government, its agencies, government sponsored enterprises, and mutual funds, which are excluded from this requirement.

The Harrison Township Firefighter's Pension System specifies in order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency should not exceed 5% of the total fund, and no more than 20% of the total fund should be invested in any one industry. The total allocation to treasury bonds and notes may represent up to 100% of the Harrison Township Firemen's Pension System's aggregate bond position and treasury securities may represent up to 60% of the total fund.

Interest Rate Risk - Investments - is the risk that the value of investments will decrease as a result of a rise in the interest rates. The investment policy adopted by the Township for the primary government specifies the investment portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycle taking into account the investment risk contracts and cash flow characteristics of the portfolio. At year-end, the Township's investments had the following range of maturity dates:

Investment Type	Fair Value	Maturity (Years)			
		<1	1-5	5-10	>10
U.S. Treasury and Agency Securities	\$ 2,106,138	\$ 190,048	\$ 1,136,140	\$ 452,435	\$ 327,515
Corporate Bonds	2,698,770	226,576	1,997,534	474,660	-
Mortgage and Asset Backed Securities	<u>360,368</u>	<u>-</u>	<u>118,215</u>	<u>148,384</u>	<u>93,769</u>
Total	<u>\$ 5,165,276</u>	<u>\$ 416,624</u>	<u>\$ 3,251,889</u>	<u>\$ 1,075,479</u>	<u>\$ 421,284</u>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 4 - RECEIVABLES:

Receivables in the governmental and business-type activities are as follows:

	Governmental Activities	Business-Type Activities
Taxes	\$ 5,704,796	\$ -
Special Assessments	310,025	-
Accounts and Interest	256,647	1,839,172
Intergovernmental	<u>399,542</u>	<u>58,419</u>
	6,671,010	1,897,591
Allowance for Doubtful Accounts	(<u>52,350</u>)	<u>-</u>
	<u>\$ 6,618,660</u>	<u>\$ 1,897,591</u>

NOTE 5 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

The composition of interfund balances as of December 31, 2014:

Due To/From Other Funds -

Receivable Fund	Payable Fund	Amount
General Fund	Grant Fund	\$ 13,693 (2)
	Water and Sewer Fund	<u>21,010 (1)</u>
		<u>\$ 34,703</u>

(1) Reimbursement of expenditures/expenses

(2) Short-term loan

Interfund Advance -

Interfund advances, described as Advance To/From Other Funds, reflect long-term amounts due or owed to a particular fund by another fund of the Township. A summary of this balance at December 31, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Debt Service Fund	<u>\$ 153,201 (*)</u>

(*) Advance for special assessment project.

Transfers From/To Other Funds -

Receiving Fund	Expending Fund	Amount
Police Fund	General Fund	\$ 17,831 (A)
Building Inspection Fund	General Fund	<u>156,466 (A)</u>
		<u>\$ 174,297</u>

(A) Annual appropriations for operations

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 6 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended December 31, 2014 was as follows:

	Jan. 1, 2014 <u>Balance</u>	<u>Additions</u>	Disposals/ <u>Adjustments</u>	Dec. 31, 2014 <u>Balance</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 2,382,084	\$ -	\$ -	\$ 2,382,084
Construction in Progress	<u>37,500</u>	<u>59,988</u>	<u>37,500</u>	<u>59,988</u>
Total Capital Assets, not being depreciated	<u>2,419,584</u>	<u>59,988</u>	<u>37,500</u>	<u>2,442,072</u>
Capital Assets, being depreciated:				
Buildings	4,303,687	25,044	-	4,328,731
Machinery and Equipment	4,065,767	48,440	-	4,114,207
Infrastructure	<u>4,292,113</u>	<u>14,524</u>	<u>-</u>	<u>4,306,637</u>
Total Capital Assets, being depreciated	<u>12,661,567</u>	<u>88,008</u>	<u>-</u>	<u>12,749,575</u>
Less accumulated depreciation:				
Buildings	1,695,619	142,214	-	1,837,833
Machinery and Equipment	3,187,509	185,925	-	3,373,434
Infrastructure	<u>539,569</u>	<u>146,567</u>	<u>-</u>	<u>686,136</u>
Total accumulated depreciation	<u>5,422,697</u>	<u>474,706</u>	<u>-</u>	<u>5,897,403</u>
Total Capital Assets, being depreciated, net	<u>7,238,870</u>	<u>(386,698)</u>	<u>-</u>	<u>6,852,172</u>
Governmental Activities Capital Assets, net	<u>\$ 9,658,454</u>	<u>\$ (326,710)</u>	<u>\$ 37,500</u>	<u>\$ 9,294,244</u>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 6 - CAPITAL ASSETS - (cont'd):

	Jan. 1, 2014		Disposals/	Dec. 31, 2014
	<u>Balance</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance</u>
Business-type Activities:				
Capital Assets, not being depreciated:				
Land	\$ 718,455	\$ -	\$ -	\$ 718,455
Construction in Progress *	<u>2,211,594</u>	<u>1,801,692</u>	<u>12,500</u>	<u>4,000,786</u>
Total Capital Assets, not being depreciated	<u>2,930,049</u>	<u>1,801,692</u>	<u>12,500</u>	<u>4,719,241</u>
Capital Assets, being depreciated:				
Buildings	733,429	-	-	733,429
Water Mains and Lines	15,078,578	-	-	15,078,578
Sewer Mains and Lines	25,053,907	26,980	-	25,080,887
Sprinkler (water main improvement)	70,656	-	-	70,656
Macomb/Oakland Interceptors *	6,769,856	99,530	-	6,869,386
Machinery and Equipment	<u>2,528,825</u>	<u>32,828</u>	<u>12,632</u>	<u>2,549,021</u>
Total Capital Assets, being depreciated	<u>50,235,251</u>	<u>159,338</u>	<u>12,632</u>	<u>50,381,957</u>
Less accumulated depreciation:				
Buildings	458,611	12,720	-	471,331
Water Mains and Lines	6,094,097	286,606	-	6,380,703
Sewer Mains and Lines	14,760,666	510,950	-	15,271,616
Sprinkler (water main improvements)	24,728	-	-	24,728
Macomb/Oakland Interceptors *	560,004	169,247	-	729,251
Machinery and Equipment	<u>2,014,896</u>	<u>90,384</u>	<u>12,632</u>	<u>2,092,648</u>
Total accumulated depreciation	<u>23,913,002</u>	<u>1,069,907</u>	<u>12,632</u>	<u>24,970,277</u>
Total Capital Assets, being depreciated, net	<u>26,322,249</u>	<u>(910,569)</u>	<u>-</u>	<u>25,411,680</u>
Business Activities Capital Assets, net	<u>\$ 29,252,298</u>	<u>\$ 891,123</u>	<u>\$ 12,500</u>	<u>\$ 30,130,921</u>

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

Governmental Activities:	
General Government	\$ 235,485
Public Safety	237,152
Public Works	<u>2,069</u>
Total depreciation expense - governmental activities	<u>\$ 474,706</u>
Business-type Activities:	
Water/Sewer Fund	<u>\$ 1,069,907</u>

* The Township has been apportioned a percentage of various Interceptor/Drain projects undertaken by Macomb and Oakland Counties. The assets classified above are a "right of use" as opposed to a specified portion of the capital improvements which lie within the municipality.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 7 - LONG-TERM DEBT:

The following is a summary of changes in long-term liabilities (including current portions) for the year ended December 31, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental-type Activities:					
General obligation bonds:					
2002 Fire Station Unlimited Tax General Obligation Bonds					
Amount of issue: \$995,000					
Maturing through March 1, 2017					
Interest rate ranges: 4.50% - 5.20%	\$ 395,000	\$ -	\$ 95,000	\$ 300,000	\$ 100,000
Special assessment bonds:					
2004 Dredging District No. 204 Limited Tax Bonds					
Amount of issue: \$225,000					
Maturing through: February 1, 2014					
Interest rate ranges: 3.20% - 6.20%	20,000	-	20,000	-	-
2005 Lakeshore/Lakeville No. 205 Limited Tax Bonds					
Amount of issue: \$220,000					
Maturing through: October 1, 2015					
Interest rate ranges: 4.00% - 4.50%	40,000	-	20,000	20,000	20,000
2006 Venice Shores No. 206 Limited Tax Bonds					
Amount of issue: \$950,000					
Maturing through: February 1, 2016					
Interest rate ranges: 4.125% - 4.25%	285,000	-	95,000	190,000	95,000
Other long-term obligations					
Note payable - vacant land					
Amount of issue: \$900,000					
Maturing through: May 24, 2014					
Interest rate of 4.00%	60,898	-	60,898	-	-
Bridgeview Bridge					
Amount of issue: \$218,686					
Maturing through: March 1, 2042					
Inputted interest rate of 5.00%	107,249	-	1,717	105,532	1,895
Installment purchase - software					
Amount of issue: \$30,820					
Maturing through: April 1, 2014					
Interest rate ranges: 0.00%	15,410	-	15,410	-	-
Compensated absences	1,037,265	-	158,589	878,676	-
Other postemployment benefits	<u>3,572,178</u>	<u>945,282</u>	<u>-</u>	<u>4,517,460</u>	<u>-</u>
Total governmental activities	<u>\$ 5,533,000</u>	<u>\$ 945,282</u>	<u>\$ 466,614</u>	<u>\$ 6,011,668</u>	<u>\$ 216,895</u>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 7 - LONG-TERM DEBT - (cont'd):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities:					
County Drain Contract Obligations:					
2008 North Gratiot Interceptor Drain District Amount of issued: \$494,748 Maturity through June 1, 2033 Interest rate ranges: 3.25%-5.0%	\$ 439,605	\$ -	\$ 16,610	\$ 422,995	\$ 16,610
2010 North Gratiot Interceptor Drain District Amount of issue: \$46,005 Maturity through May 1, 2035 Interest rate ranges: 1.0%-6.35%	42,304	-	1,437	40,867	1,451
2010A Oakland Macomb Interceptor Drain District Amount of issue: \$782,664 Maturity through April 1, 2031 Interest rate ranges: 2.5%	720,802	-	32,116	688,686	32,866
2010B Oakland Macomb Interceptor Drain District Amount of issue: \$201,099 Maturity through April 1, 2030 Interest rate ranges: 1.15%-5.90%	181,739	-	7,204	174,535	7,504
2011A Oakland Macomb Interceptor Drain District Amount of issue: \$940,812 Maturity through October 1, 2033 Interest rate ranges: 2.5%	640,293	203,100	65,251	778,142	37,773
2010 Macomb Interceptor Drain District Amount of issue: \$4,934,730 Maturity through November 1, 2035 Interest rate ranges: 1.25%-5.375%	4,559,297	-	155,165	4,404,132	157,200
2011 Macomb Interceptor Drain District Amount of issue: \$2,749,755 Maturity through October 1, 2031 Interest rate ranges: 5.00%	1,707,648	-	49,539	1,658,109	52,453
2013A Oakland Macomb Interceptor Drain District Amount of issue: \$2,052,984 Maturity through October 1, 2034 Interest rate ranges: 2.00%	289,850	1,031,081	33,389	1,287,542	84,464
2014A Oakland Macomb Interceptor Amount of issue: \$300,170 Maturity through October 1, 2034 Interest rate ranges: 2.00%-3.125%	-	300,170	-	300,170	11,617
Deferred amounts for -					
Issuance Premium	101,582	-	5,644	95,938	5,644
Compensated absences	13,152	538	-	13,690	-
Other postemployment benefits	871,460	255,049	-	1,126,509	-
Total business-type activities	<u>9,567,732</u>	<u>1,789,938</u>	<u>366,355</u>	<u>10,991,315</u>	<u>407,582</u>
Total primary government	<u>\$ 15,100,732</u>	<u>\$ 2,735,220</u>	<u>\$ 832,969</u>	<u>\$17,002,983</u>	<u>\$ 624,477</u>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 7 - LONG-TERM DEBT - (cont'd):

Annual Debt Requirements:

The annual requirements to pay the debt outstanding at December 31, 2014 for the following bonds and notes (excluding compensated absences and other postemployment benefits) are as follows:

	Governmental Activities					
	G.O. Bond		S.A. Bonds		Notes and Installments	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 100,000	\$ 12,900	\$ 115,000	\$ 6,456	\$ 1,895	\$ 5,395
2016	100,000	7,775	95,000	2,019	1,992	5,298
2017	100,000	2,600	-	-	2,094	5,196
2018	-	-	-	-	2,201	5,089
2019	-	-	-	-	2,314	4,976
2020-2024	-	-	-	-	13,470	22,980
2025-2029	-	-	-	-	17,287	19,163
2030-2034	-	-	-	-	22,187	14,264
2035-2039	-	-	-	-	28,473	7,977
2040-2041	-	-	-	-	13,619	1,047
	<u>\$ 300,000</u>	<u>\$ 23,275</u>	<u>\$ 210,000</u>	<u>\$ 8,475</u>	<u>\$ 105,532</u>	<u>\$ 91,385</u>
	Business-type Activities					
	Principal	Interest				
2015	\$ 401,937	\$ 338,924				
2016	414,398	307,727				
2017	427,623	296,697				
2018	441,357	284,942				
2019	460,792	272,217				
2020-2024	2,531,517	1,138,135				
2025-2029	2,792,072	674,740				
2030-2034	1,996,421	179,377				
2035	289,061	46				
	<u>\$ 9,755,178</u>	<u>\$ 3,492,805</u>				

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 7 - LONG-TERM DEBT - (cont'd):

The Oakland Macomb Drainage District allocated a percent of the Drainage District Bonds Phase I, Series 2011 bonds totaling \$25,530,000 to participating communities. Debt was allocated based on a three-year average flow calculation, of which \$941,812 is the Township's estimated total share, as of December 31, 2014 the allocated debt amounted to \$843,394 based on the work completed on the project.

The Oakland Macomb Interceptor Drain District allocated costs of the Drainage District Bonds Phase III 2013(A), with an estimated total cost of \$90,000,000 to participating communities. The participating counties are providing advances to cover costs until bonds are issued. The estimated share of the Township's share is 3.0015% with allocated cost through December 31, 2014 of \$1,320,931.

NOTE 8 - RISK MANAGEMENT:

Property and Liability -

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for medical benefits, participates in the Michigan Municipal League risk pool for claims related to workers' compensation, and the Michigan Townships Participating Plan (Michigan Municipal Risk Management Authority after February 2015) for general liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years, except the possible issue discussed in Note 13.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Township's Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Health Care Costs -

The Township has purchased insurance coverage for regular employees through Blue Cross Blue Shield of Michigan (BCBS) using a health savings plan account. The group health coverage for regular employees includes deductibles of \$1,300 and \$2,600 for single and family plan employees, and copays up to 20% of medical charges to a limit of \$2,600 and \$5,200, respectively. Copayments and deductibles are paid for from individual health savings accounts with an employer contribution each year of \$650 for individuals and \$1,300 for families. Employees contribute the amount of their choosing through payroll deductions up to the legal limits set by the Internal Revenue Service.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS:

Summary of Significant Accounting Policies -

a. Basis of Accounting -

Employees' Retirement System and Firemen's Pension Fund. The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The Township's contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The administrative costs are financed through investment earnings.

b. Method Used to Value Investments -

Employees' Retirement System and Firemen's Pension Fund. Equity investments and bonds are stated at fair value. Investments that have no quoted market price are stated at estimated fair market value as determined by the Trustee. Securities traded on a national exchange are valued at the last reported sales price.

EMPLOYEES' RETIREMENT SYSTEM

Plan Description -

The Employees Retirement System (the "System") is a single-employer defined benefit pension plan that is administered by the Charter Township of Harrison Employees' Retirement System Pension Board. This plan covers substantially all full-time employees (except firemen) of the Township. The Board (Committee) is a quasi-judicial body consisting of five (5) members, two (2) members from the Township Board, one (1) citizen and two (2) members of the retirement system. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 38151 L'Anse Creuse Road, Harrison Township, Michigan 48045.

Eligibility -

The System provides retirement, disability and death benefits to plan members and their beneficiaries in accordance with the Township's pension ordinance. All retirement benefits fully vest after age 55, with 8 years (15 years for AFSCME members hired on or after January 1, 2012) or more years of service, or completion of 25 or more years of service, whichever is earliest for AFSCME members. Supervisors hired on or after January 1, 2010 are not covered under the plan.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS - (cont'd):

Once vested, AFSCME members hired prior to January 1, 2012 are entitled to an annual retirement benefit, payable monthly in an amount equal to 2.5% of final average compensation (FAC) times all years of service accrued before January 1, 2013, plus 2.2% of FAC times all remaining years up to 25, plus 1% of FAC times years of service in excess of 25 years. Supervisory members received monthly payments equal to 2.5% of FAC times years of service up to 25 years plus 1% of FAC times years of service in excess of 25 years. AFSCME members hired on or after January 1, 2012 receive monthly payments equal to 1.8% of FAC times the first 25 years of service plus 0.8% of FAC times years of service in excess of 25 years.

At December 31, 2013, the Plan Participants consisted of:

Retirees and beneficiaries currently receiving benefits	55
Terminated plan members entitled to but not yet receiving benefits	5
Active plan members	<u>31</u>
Total	<u>91</u>

Investments - Policy and Rate of Return

Investment Policy - The Township maintains an investment policy for the Plan that provides the following Asset Allocation Guidelines (at market value):

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>
Equities	20 %	70 %	64 %
Fixed Income	25	40	25
Cash and Equivalents	0	10	2
Alternative Investments	0	15	9

Rate of Return - For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.38 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Required Contributions -

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's collective bargaining units and requires a contribution from the employees of 5% or 6.75% (weighted average of 6.32%) of payroll. The funding policy provides for periodic employer contributions at an actuarially determined rate for 2014 of 40.68%.

Contributions and Funding Policy -

For the year ended December 31, 2014, the Township's annual pension cost of \$666,487 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2012, using the entry age actuarial cost method. Significant actuarial assumptions include (a) 7% investment rate of return, (b) projected salary increases of 4.0% to 6.5% per year, and (c) cost of living adjustments for supervisory employees of 10% after 5 and 10 years. Both (a) and (b) include an inflation component of 5%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized using the level percent of payroll over a closed period. The remaining amortization period is 18 years.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS - (cont'd):

Schedule of Funding Progress -

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
12/31/2011	\$ 12,691,131	\$ 18,926,878	\$ 6,235,747	67.1 %	\$ 1,698,917	367.0 %
12/31/2012	12,639,315	19,642,087	7,002,727	64.3	1,542,460	454.0
12/31/2013	12,967,292	19,789,627	6,822,335	65.5	1,628,004	419.1

Schedule of Employer Contribution -

Year Ended December 31,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
12/31/12	\$ 513,614	100 %	\$ -
12/31/13	571,533	100	-
12/31/14	666,487	100	-

Net Pension Liability of the Township -

The Township reports pension expense based on funding requirements, as directed by GASB 27. Beginning next year, the Township will adopt GASB 68 which will require the measurement of pension expense as it is earned, rather than as it is funded.

The components of the net pension liability of the Employees' Retirement System at December 31, 2014, were as follows:

Total pension liability	\$ 20,020,081
Plan fiduciary net position	(14,274,119)
Net pension liability	<u>\$ 5,745,962</u>
Plan fiduciary net position as a percentage of the total pension liability	71.30 %

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of December 31, 2013, which used updated procedures to roll forward the estimated liability to December 31, 2014. The valuation used the following actuarial assumptions, included in the measurement:

December 31, 2014:

Salary increases	4.0 – 6.5 %
Investment rate of return	7.0 %

Mortality rates were based on the RP2000 Projected 2021 Mortality Table.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS - (cont'd):

Discount Rate – The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows – Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of December 31, 2014 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment section of this note, are summarized in the following table.

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
US Large Cap Core	9.3 %
US Mid Cap Core	10.3
US Small Cap Core	11.0
Dev. International Equity	9.8
Hedge Funds Diversified	8.3
Intermediate Taxable	4.3
Cash Equivalent	3.5

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Employees' Retirement System, calculated using the discount rate of 7.00 percent, as well as what the Employees' Retirement System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net pension liability	<u>\$ 7,879,277</u>	<u>\$ 5,745,962</u>	<u>\$ 3,904,169</u>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS - (cont'd):

Reserve of Net Position –

Employees' Contributions – The Employees' Contribution reserve represents amounts contributed by the members plus interest on these amounts at a rate set by the retirement system board of trustees (currently 2% per year on the outstanding balance and 1% on the current year's contributions). Members' deposits, including accumulated interest, are transferred to the Retirement Benefit Payments reserve upon retirement, unless eligible employees have exercised their option to request a lump-sum or annuity withdrawal, or they are returned to the employee if employment is terminated with no retirement benefit rights.

Employer's Contribution – The Employer's Contribution reserve represents accumulated contributions received from the Township. Transfers are made to the Retirement Benefit Payment reserve for the pensions awarded on the basis of actuarial computations of the amount necessary to pay the pension, less any amount transferred from the Employees' Contributions reserve.

Retirement Benefit Payments – The Retirement Benefit Payment reserve represents the accumulated amounts transferred for pensions from the Employees' Contributions reserve and Employer's Contribution reserve, plus earnings on these amounts, when available.

As of December 31, 2014, the System legally required pension reserves are as follows:

Reserve for Employees' Contributions	\$ 1,083,720
Reserve for Employer's Contributions	(1,064,285)
Reserve for Retirement Benefit Payments	<u>14,254,684</u>
	<u>\$ 14,274,119</u>

FIREMEN'S PENSION SYSTEM

Plan Description -

The Firemen's Pension Fund is a single-employer defined benefit pension plan that is administered by the Charter Township of Harrison Firemen's Pension Board. This plan covers substantially all full-time employees of the Charter Township of Harrison fire department. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 38151 L'Anse Creuse Road, Harrison Township, Michigan 48045.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS - (cont'd):

Eligibility -

The System provides retirement, disability and death benefits to plan members and their beneficiaries in accordance with the Township's pension ordinance. For members hired prior to July 1, 2011, retirement benefits fully vest after 20 years of credited service regardless of age or when the sum of age and credited services meet or exceed 70, with partial vesting granted for 10 and 20 years of service. For members hired on or after July 1, 2011 retirement benefits fully vest after 25 or more years of service regardless of age, or when the sum of age and credited service meet or exceed 75.

Employees who retire with full benefits are entitled to an annual retirement benefit, payable monthly in an amount equal to 2.8% of 3-year average final compensation (AFC) times the first 20 years of service plus 1.8% of AFC for the next five years, plus 1% of AFC times years of service in excess of 25 years up to 30 years. Maximum benefit is 70% times AFC.

At December 31, 2013, the Plan Participants consisted of:

Retirees and beneficiaries currently receiving benefits	29
Terminated plan member entitled to but not yet receiving benefits	0
Active plan members	<u>27</u>
Total	<u>56</u>

Investments - Policy and Rate of Return

Investment Policy - The Township maintains an investment policy for the Plan that provides the following Asset Allocation Guidelines:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>
Domestic Equities	10 %	60 %	30 %
International Equities	0	20	7
Global Equities	0	20	15
Fixed Income	10	100	40
Real Assets	0	8	5
Real Estate	0	5	0
Cash/Cash Equivalents	0	10	3

Rate of Return - For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (0.3) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Required Contributions -

The obligation to contribute to and maintain the System for these employees was established by negotiation with the Township's collective bargaining units and requires a contribution from the employees of 8.35% of the total actuarial required contribution. The funding policy provides for periodic employer contributions at actuarially determined rates for 2014 of 33.40%.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS - (cont'd):

Contributions and Funding Policy -

For the year ended December 31, 2014, the Township's annual pension cost of \$781,515 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2012, using the entry age actuarial cost method. Significant actuarial assumptions include (a) a 7.25% investment rate of return, and (b) a projected salary increase of 3.5% to 13.2% per year. There is no adjustment for cost of living. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects over a four-year period with a 40% corridor. The unfunded actuarial liability is being amortized using the level percent of payroll over a closed period. The remaining amortization period is 29 years.

Schedule of Funding Progress -

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
12/31/2011	\$ 13,294,669	\$ 20,239,057	\$ 6,944,388	65.7 %	\$ 2,126,019	326.6 %
12/31/2012	13,082,714	20,656,101	7,573,387	63.3	2,174,865	348.2
12/31/2013	12,849,086	22,029,683	9,180,597	58.3	2,209,659	415.5

Schedule of Employer Contribution -

Year Ended December 31,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
12/31/12	\$ 692,509	100 %	\$ -
12/31/13	722,091	100	-
12/31/14	781,515	100	-

Net Pension Liability of the Township -

The Township reports pension expense based on funding requirements, as directed by GASB 27. Beginning next year, the Township will adopt GASB 68 which will require the measurement of pension expense as it is earned, rather than as it is funded.

The components of the net pension liability of the Firemen's Pension System at December 31, 2014, were as follows:

Total pension liability	\$ 22,929,351
Plan fiduciary net position	(<u>11,623,148</u>)
Net pension liability	<u>\$ 11,306,203</u>

Plan fiduciary net position as a percentage of the total pension liability	50.69 %
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CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS - (cont'd):

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of December 31, 2013, which used updated procedures to roll forward the estimated liability to December 31, 2014. The valuation used the following actuarial assumptions, included in the measurement:

December 31, 2014:

Salary increases	3.5 - 13.2 %
Investment rate of return	7.25 %

Mortality rates were based on the RP2000 combined Healthy Mortality Table projected to 2017 using scale BB.

Discount Rate – The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows – Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of December 31, 2014 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment section of this note, are summarized in the following table.

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	7.50 %
International Equity	7.60
Investment Grade US Fixed	2.10
High Yield Fixed Income	5.70
Real Estate	7.50
Commodities	2.90
Cash	1.00

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS - (cont'd):

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Firemen's Pension System, calculated using the discount rate of 7.25 percent, as well as what the Firemen's Pension System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1 % Increase (8.25%)
Net pension liability	<u>\$ 14,055,991</u>	<u>\$ 11,306,203</u>	<u>\$ 9,008,575</u>

Reserve of Net Position -

Employees' Contributions - The Employees' Contribution reserve represents amounts contributed by the members plus interest on these amounts at a rate set by the retirement system board of trustees (currently 2% per year on the outstanding balance and 1% on the current year's contributions). Members' deposits, including accumulated interest, are transferred to the Retirement Benefit Payments reserve upon retirement, unless eligible employees have exercised their option to request a lump-sum or annuity withdrawal, or they are returned to the employee if employment is terminated with no retirement benefit rights.

Employer's Contribution – The Employer's Contribution reserve represents accumulated contributions received from the Township. Transfers are made to the Retirement Benefit Payment reserve for the pensions awarded on the basis of actuarial computations of the amount necessary to pay the pension, less any amount transferred from the Employees' Contributions reserve.

Retirement Benefit Payments – The Retirement Benefit Payment reserve represents the accumulated amounts transferred for pensions from the Employees' Contributions reserve and Employer's Contribution reserve, plus earnings on these amounts, when available.

As of December 31, 2014, the System legally required pension reserves are as follows:

Reserve for Employees' Contributions	\$ 1,633,133
Reserve for Employer's Contributions	(2,407,693)
Reserve for Retirement Benefit Payments	<u>12,397,708</u>
	<u>\$ 11,623,148</u>

NOTE 10 - POSTEMPLOYMENT BENEFITS:

Plan Description -

In addition to providing the pension benefits described in Note 9, the Township provides postemployment benefits, health care, life insurance, dental and optical, for retired employees as established by collective bargaining agreements with local unions and groups as approved by the Board (The employee must pay various deductibles and co-insurance). Eligibility for other postemployment benefits and memberships are the same as noted for the basic retirement benefits explained in Note 9.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 10 - POSTEMPLOYMENT BENEFITS - (cont'd):

In general other postemployment benefits are provided to those employees and their spouses who retire under the employee's retirement plan as follows:

	<u>Employees Hired Prior to January 1, 2012</u>	
AFSCME -	8 to 10 years of service	Employee 75%, Township 25%
	11 to 14 years of service	Employee 50%, Township 50%
	15 years or more	Employee 0%, Township 100%

Supervisors - Employees 15%, Township 85% (no retiree health care for employees entering this bargain unit after January 1, 2010)

Firefighters - Employees 0%, Township 100%

For members hired after January 1, 2012 and not eligible to receive healthcare benefits and upon completion of 15 years of service, the Township will deposit \$100 in a H.S.A. account for each month they are employed by the Township. The account is to be used to purchase healthcare after separation from the Township.

Funding Policy -

The Township recognizes the cost of providing these benefits on a "pay-as-you-go" basis, except in the entity-wide statements and the proprietary funds where the unfunded annual required contributions (ARC) is recorded as a long-term liability. The plan requires no member contributions.

In addition, the Township periodically makes contributions to an irrevocable trust to advance funds on these benefits.

Annual OPEB Cost and Net OPEB Obligation -

The Township's annual other postemployment benefits (OPEB) cost is based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding necessary to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) amortized over a period of thirty years. The Township's annual OPEB cost for the year, the amount actually contributed, and changes in the net OPEB obligation are as follows:

	<u>General Employees</u>	<u>Fire</u>	<u>Total</u>
Annual Required Contribution	\$ 1,483,520	\$ 1,167,870	\$ 2,651,390
Interest on Net OPEB Obligation	103,504	118,678	222,182
Adjustment to Annual Required Contribution	(134,662)	(154,404)	(289,066)
Annual OPEB Cost (expense)	1,452,362	1,132,144	2,584,506
Contributions Made	(822,573)	(561,602)	(1,384,175)
Increase in Net OPEB Obligation	629,789	570,542	1,200,331
Net OPEB Obligation - beginning of year	<u>2,070,087</u>	<u>2,373,551</u>	<u>4,443,638</u>
Net OPEB Obligation - end of year	<u>\$ 2,699,876</u>	<u>\$ 2,944,093</u>	<u>\$ 5,643,969</u>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 10 - POSTEMPLOYMENT BENEFITS - (cont'd):

Funded Status and Progress -

The projection of future benefit payments for an obligation for an ongoing plan involves estimates for the value of reported amounts and assumptions about the probability or occurrence into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Schedule of Funding Progress -

General Employees

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (AAL) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
6/30/06	\$ -	\$15,417,693	\$15,417,693	- %	\$ 1,824,131	845 %
12/31/08	-	13,382,785	13,382,785	-	2,007,697	667
12/31/11	1,161,189	17,574,951	16,413,762	6.6	1,698,917	966

Fire Employees

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (AAL) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
6/30/06	\$ -	\$14,428,920	\$14,428,920	- %	\$ 1,673,406	853 %
12/31/08	-	14,990,641	14,990,641	-	1,988,731	966
12/31/11	1,113,757	16,857,041	15,743,284	6.6	2,126,019	741

Schedule of Employer Contributions -

General Employees

Year Ended	Annual OPEB Cost	Percentage Contributed	Change in Net OPEB Obligation	Net OPEB Obligation
2012	\$ 1,433,478	46 %	\$ 767,845	\$ 1,384,859
2013	1,429,359	52	685,228	2,070,087
2014	1,452,362	57	629,789	2,699,876

Fire Employees

Year Ended	Annual OPEB Cost	Percentage Contributed	Change in Net OPEB Obligation	Net OPEB Obligation
2012	\$ 1,061,343	48 %	\$ 553,700	\$ 1,777,450
2013	1,096,197	46	596,101	2,373,551
2014	1,132,144	50	570,542	2,944,093

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

NOTE 10 - POSTEMPLOYMENT BENEFITS – (cont'd):

Methods and Assumptions –

The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

The required contribution was determined as part of the December 31, 2011 actuarial valuation using the individual entry age actuarial cost method. The actuarial assumptions included (a) 5% net investment rate of return, (b) projected salary increase of 4.7% to 8.3% for the general government participants and 0.2% to 6.0% for the firefighters and (c) projected health care cost increases of 4.5% to 9.0% across participants and coverages. The plan unfunded actuarial accrued liability is being amortized by a level percent of payroll contributions on an open period over 30 years.

The actuarial assumptions and determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

NOTE 11 - RESTRICTED ASSETS:

Specific assets of the Water and Sewer Fund are restricted as the result of external governments issuing bonds for which state law requires the proceeds of the issue to be used exclusively for the purpose the bonds were issued or the repayment of the bonds. Following is the detail of restricted assets at December 31, 2014:

	<u>Water and Sewer Fund</u>
Deposit with Oakland County *	<u>\$ 428,055</u>

- * This amount is held by Oakland and Macomb Counties in construction/debt funds maintained on behalf of the Township for the Oakland-Macomb Interceptor Drainage District.

NOTE 12 - FUND BALANCE

Fund Balance has been classified in the governmental funds based on the constraints imposed upon the resources. The fund balances with constraints is as follows:

Primary Government:

Nonspendable for:

General Fund	Advances to Other Funds	<u>\$ 153,201</u>
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Restricted for:

Fire Fund	Public Safety	\$ 56,457
Debt Service Fund	Debt Retirement	<u>396,777</u>
		<u>\$ 453,234</u>

Committed for:

General Fund	Capital Improvement and Debt Service	\$ 105,532
Grant Fund	Community and Economic Development	7,874
Building and Site Fund	Capital Improvement	4,982
Library Fund	Recreation and Cultural	116,242
Parks and Recreation Fund	Recreation and Cultural	18,412
Special Assessments – Revolving	Capital Improvement	<u>41,321</u>
		<u>\$ 294,363</u>

Assigned for:

General Fund	2015 Budget	<u>\$ 118,400</u>
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CHARTER TOWNSHIP OF HARRISON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 13 - CONTINGENT LIABILITIES:

During 2014 the Township insurance company settled a lawsuit against the Township for an excess of \$1,500,000. The insurance company is claiming that the Township only had \$1,000,000 of coverage for the matter and is seeking reimbursement for the excess; however, the Township believes they had \$5,000,000 of coverage. The insurance company has since resigned as the Township's insurance carrier. The Township has referred this matter to legal counsel and plan to aggressively defend this issue. Should the Township lose the case it could be in the \$600,000 to \$800,000 range. Due to the inconclusive nature, it is not possible for management to determine the probable outcome.

The Township is a defendant in various other legal actions filed against the Township, its employees and or current or former Board members. In most cases the Township's liability insurance would cover any potential losses unless the limits of insurance have been exceeded except for the required deductible.

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE:

During the year the Township adopted GASB Statement No. 67 *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. This statement enhances note disclosures and schedules of required supplementary information. The adoption of this statement has no effect on net position of the Township.

REQUIRED SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

EMPLOYEES' RETIREMENT SYSTEM

Schedule of Funding Progress
(Unaudited)

Actuarial Valuation Date (December 31)	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a/(c) UAAL as a % of Covered Payroll
12/31/2004	\$ 11,702,984	\$ 13,502,202	\$ 1,799,218	86.7%	\$ 1,793,292	100.3%
12/31/2005	11,925,599	14,588,605	2,663,006	81.7%	1,899,436	140.2%
12/31/2006	12,422,920	15,097,569	2,674,649	82.3%	2,022,252	132.3%
12/31/2007	13,163,984	15,657,167	2,493,183	84.1%	2,040,651	122.2%
12/31/2008	12,642,095	15,786,704	3,144,609	80.1%	2,007,697	156.6%
12/31/2009	12,625,242	16,572,543	3,947,301	76.2%	1,917,330	205.9%
12/31/2010 @	12,763,105	16,945,328	4,182,223	75.3%	1,815,025	230.4%
12/31/2011 #	12,691,131	18,926,878	6,235,747	67.1%	1,698,917	367.0%
12/31/2012	12,639,315	19,642,087	7,002,772	64.3%	1,542,460	454.0%
12/31/2013	12,967,292	19,789,627	6,822,335	65.5%	1,628,004	419.1%

@ Revised actuarial assumptions

Plan amended

Schedule of Employer Contributions
(Unaudited)

Year Ended (December 31)	Annual Required Contribution	Actual Annual Contribution	Percent Contributed
2005	\$ 314,665	\$ 314,665	100.0%
2006	353,258	353,258	100.0%
2007	435,838	435,838	100.0%
2008	398,126	398,106	100.0%
2009	441,414	441,414	100.0%
2010	402,698	402,698	100.0%
2011	424,006	424,006	100.0%
2012	513,614	513,614	100.0%
2013	571,533	571,533	100.0%
2014	666,487	666,487	100.0%

**CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan**

EMPLOYEES' RETIREMENT SYSTEM

**SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS**

(unaudited)

	<u>2014</u>	<u>2013-2005*</u>
Annual money-weighted rate of return, net of investment expenses	5.38%	0%

* GASB 67 was implemented for fiscal year ended December 31, 2014 and does not require retroactive implementation.

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

(unaudited)

	<u>2014</u>	<u>2013*</u>	<u>2012-2005*</u>
Total Pension Liability			
Service Cost	\$ 284,732	\$ -	\$ -
Interest	1,346,222	-	-
Benefit payments, including refunds	<u>(1,400,500)</u>	<u>-</u>	<u>-</u>
Change in total pension liability	230,454	-	-
Total pension liability, beginning of year	<u>19,789,627</u>	<u>-</u>	<u>-</u>
Total pension liability, end of year	<u><u>\$ 20,020,081</u></u>	<u><u>\$ 19,789,627</u></u>	<u><u>\$ -</u></u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 666,487	\$ -	\$ -
Contributions - Member	106,410	-	-
Net investment income	747,226	-	-
Benefit payments, including refunds	(1,400,500)	-	-
Administrative expenses	<u>(29,392)</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	90,231	-	-
Plan fiduciary net position, beginning of year	<u>14,183,888</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position, end of year	<u><u>\$ 14,274,119</u></u>	<u><u>\$ 14,183,888</u></u>	<u><u>\$ -</u></u>
Township's Net Pension Liability - Ending	<u><u>\$ 5,745,962</u></u>	<u><u>\$ 5,605,739</u></u>	<u><u>\$ -</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	71.30%	71.67%	0.00%
Covered Employee Payroll	\$ 1,638,367	\$ -	
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	350.71%	0.00%	0.00%

* GASB 67 was implemented for fiscal year ended December 31, 2014 and does not require retroactive implementation.

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF TOWNSHIP CONTRIBUTIONS
LAST TEN FISCAL YEARS

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contributions	\$ 666,487	\$ 571,533	\$ 513,614	\$ 424,006	\$ 402,698
Contributions in relation to the actuarially determined contribution	<u>666,487</u>	<u>571,533</u>	<u>513,614</u>	<u>424,006</u>	<u>402,698</u>
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered Payroll	\$ 1,638,367	\$ 1,628,004	\$ 1,542,460	\$ 1,698,917	\$ 1,815,025
Contributions as a Percentage of Covered Employee Payroll	40.68%	35.11%	33.30%	24.96%	22.19%

Valuation Date December 31, two fiscal years preceding

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age
Amortization method	Level percent of payroll
Remaining amortization period	18 years, closed
Asset valuation method	Closed, 4-year smoothed market value with 40% corridor
Inflation	4.0%
Salary increases	4.0% - 6.5%
Investment rate of return	7.00%
Retirement age	Earliest age participant becomes eligible for normal retirement
Mortality	RP2000 Projected to 2021 Mortality Table
Cost of living adjustments	
AFSCME	None
Supervisory	10% after 5 years, additional 10% after 10 years

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 441,414	\$ 398,126	\$ 435,838	\$ 353,259	\$ 314,665
<u>441,414</u>	<u>398,126</u>	<u>435,838</u>	<u>353,259</u>	<u>314,665</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,917,330	\$ 2,007,697	\$ 2,040,651	\$ 2,022,252	\$ 1,899,436
23.02%	19.83%	21.36%	17.47%	16.57%

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

FIREMEN'S PENSION FUND

Schedule of Funding Progress
(Unaudited)

Actuarial Valuation Date (December 31)	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a/c) UAAL as a % of Covered Payroll
12/31/2004	\$ 14,400,476	\$ 14,294,856	\$ (105,620)	100.7%	\$ 1,863,799	-5.7%
12/31/2005	14,821,085	15,779,232	958,147	93.9%	1,992,634	48.1%
12/31/2006 *	15,500,248	16,693,350	1,193,102	92.9%	1,994,621	59.8%
12/31/2007	16,192,586	17,359,058	1,166,472	93.3%	2,139,604	54.5%
12/31/2008	14,033,754	18,542,191	4,508,437	75.7%	1,988,731	226.7%
12/31/2009	13,508,403	19,063,126	5,554,723	70.9%	2,138,467	259.8%
12/31/2010	13,482,961	19,711,080	6,228,119	68.4%	1,998,689	311.6%
12/31/2011	13,294,669	20,239,057	6,944,388	65.7%	2,126,019	326.6%
12/31/2012	13,082,714	20,656,101	7,573,387	63.3%	2,174,865	348.2%
12/31/2013 *	12,849,086	22,029,683	9,180,597	58.3%	2,209,659	415.5%

* Revised actuarial methods and assumptions

Schedule of Employer Contributions
(Unaudited)

Year Ended (December 31)	Annual Required Contribution	Actual Annual Contribution	Percent Contributed
2005	\$ 436,636	\$ 436,636	100.0%
2006	409,663	409,663	100.0%
2007	495,935	495,935	100.0%
2008	463,914	463,914	100.0%
2009	497,579	497,579	100.0%
2010	693,421	693,421	100.0%
2011	670,168	670,168	100.0%
2012	692,509	692,509	100.0%
2013	722,091	722,091	100.0%
2014	781,515	781,515	100.0%

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

FIREMEN'S PENSION SYSTEM

SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS

	<u>2014</u>	<u>2013-2005*</u>
Annual money-weighted rate of return, net of investment expenses	-0.30%	0%

* GASB 67 was implemented for fiscal year ended December 31, 2014 and does not require retroactive implementation.

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

FIREMEN'S PENSION SYSTEM

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

	<u>2014</u>	<u>2013*</u>	<u>2012-2005*</u>
Total Pension Liability			
Service Cost	\$ 553,681	\$ -	\$ -
Interest	1,572,753	-	-
Benefit payments, including refunds	<u>(1,226,766)</u>	<u>-</u>	<u>-</u>
Change in total pension liability	899,668	-	-
Total pension liability, beginning of year	<u>22,029,683</u>	<u>-</u>	<u>-</u>
Total pension liability, end of year	<u><u>\$ 22,929,351</u></u>	<u><u>\$ 22,029,683</u></u>	<u><u>\$ -</u></u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 781,515	\$ -	\$ -
Contributions - Member	185,248	-	-
Net investment income	(35,649)	-	-
Benefit payments, including refunds	(1,226,766)	-	-
Administrative expenses	<u>(16,255)</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	(311,907)	-	-
Plan fiduciary net position, beginning of year	<u>11,935,055</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position, end of year	<u><u>\$ 11,623,148</u></u>	<u><u>\$ 11,935,055</u></u>	<u><u>\$ -</u></u>
Township's Net Pension Liability - Ending	<u><u>\$ 11,306,203</u></u>	<u><u>\$ 10,094,628</u></u>	<u><u>\$ -</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	50.69%	54.18%	0.00%
Covered Employee Payroll	\$ 2,315,601	\$ -	
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	488.3%	0.00%	0.00%

* GASB 67 was implemented for fiscal year ended December 31, 2014 and does not require retroactive implementation.

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

FIREMEN'S PENSION SYSTEM

SCHEDULE OF TOWNSHIP CONTRIBUTIONS
LAST TEN FISCAL YEARS

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contributions	\$ 781,515	\$ 722,091	\$ 692,509	\$ 670,168	\$ 693,421
Contributions in relation to the actuarially determined contribution	<u>781,515</u>	<u>722,091</u>	<u>692,509</u>	<u>670,168</u>	<u>693,421</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 2,315,601	\$ 2,209,659	\$ 2,174,865	\$ 2,126,019	\$ 1,998,689
Contributions as a Percentage of Covered Employee Payroll	33.75%	32.68%	31.84%	31.52%	34.69%

Valuation Date December 31, two fiscal years preceding

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Remaining amortization period	29 years, closed
Asset valuation method	4-year smoothed market value with 40% corridor
Salary increases	3.50% - 13.20%
Investment rate of return	7.25%
Retirement age	Earliest age participant becomes eligible for normal retirement
Mortality	RP-2000 Combined Health Mortality Tables projected to 2017 using scale BB

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 497,579	\$ 463,914	\$ 495,935	\$ 409,663	\$ 436,636
<u>497,579</u>	<u>463,914</u>	<u>495,935</u>	<u>409,663</u>	<u>436,636</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,138,647	\$ 1,988,731	\$ 2,139,604	\$ 1,994,621	\$ 1,992,634
23.27%	23.33%	23.18%	20.54%	21.91%

CHARTER TOWNSHIP OF HARRISON

Macomb County, Michigan

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 28,800	\$ 39,800	\$ 42,185	\$ 2,385
Licenses and permits	472,500	472,500	517,061	44,561
Intergovernmental	1,936,808	1,936,808	1,956,117	19,309
Charges for services	163,550	137,550	152,458	14,908
Fines and forfeits	1,500	82,300	56,402	(25,898)
Interest and rent	9,000	4,000	3,744	(256)
Other revenues	5,000	3,000	7,264	4,264
Total Revenues	2,617,158	2,675,958	2,735,231	59,273
Expenditures:				
General Government -				
Administration	476,111	485,609	446,703	38,906
Township Board	43,510	43,510	41,990	1,520
Supervisor	137,929	139,430	140,747	(1,317)
Elections	141,828	127,428	110,133	17,295
Assessor	429,337	422,837	416,918	5,919
Attorney	120,000	100,000	84,558	15,442
Clerk	200,304	206,304	203,549	2,755
Accounting	288,132	288,132	291,043	(2,911)
Cable television committee	8,400	5,400	572	4,828
Zoning Board	50,157	46,157	39,424	6,733
Treasurer	393,524	379,024	372,077	6,947
Grounds, hall and equipment	270,460	253,460	251,504	1,956
Ordinance	105,564	99,564	89,059	10,505
	2,665,256	2,596,855	2,488,277	108,578
Less: Reimbursements from other funds	(220,000)	(220,000)	(220,000)	-
	2,445,256	2,376,855	2,268,277	108,578
Public Safety -				
Planning Commission	89,628	85,628	79,160	6,468
Public Works -				
Highways and streets	22,000	12,000	15,652	(3,652)
Drains at large and watershed	35,000	45,000	70,537	(25,537)
	57,000	57,000	86,189	(29,189)

Continued

CHARTER TOWNSHIP OF HARRISON

Macomb County, Michigan

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Expenditures - (cont'd):				
Recreation and Cultural -				
Parks and recreation	\$ 12,800	\$ 12,800	\$ 12,934	\$(134)
Beautification Commission	1,525	1,525	-	1,525
	<u>14,325</u>	<u>14,325</u>	<u>12,934</u>	<u>1,391</u>
Other postemployment benefits	-	-	115,000	(115,000)
Debt Service				
Principal	66,013	78,014	78,025	(11)
Interest and fees	5,895	6,895	6,185	710
	<u>71,908</u>	<u>84,909</u>	<u>84,210</u>	<u>699</u>
Total Expenditures	<u>2,678,117</u>	<u>2,618,717</u>	<u>2,645,770</u>	<u>(27,053)</u>
Revenues over (under) expenditures	(60,959)	57,241	89,461	32,220
Other Financing Uses:				
Transfers to other funds	(118,164)	(189,164)	(174,297)	14,867
Net Change in Fund Balance	(179,123)	(131,923)	(84,836)	47,087
Fund Balance at beginning of year	<u>2,720,735</u>	<u>2,720,735</u>	<u>2,720,735</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 2,541,612</u>	<u>\$ 2,588,812</u>	<u>\$ 2,635,899</u>	<u>\$ 47,087</u>

Concluded

CHARTER TOWNSHIP OF HARRISON**Macomb County, Michigan****FIRE FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2014**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 4,595,454	\$ 4,585,455	\$ 4,588,522	\$ 3,067
Intergovernmental	8,000	8,000	8,476	476
Charges for services	489,500	405,500	370,864	(34,636)
Interest	5,000	1,000	959	(41)
Other	2,000	2,000	2,846	846
	<u>5,099,954</u>	<u>5,001,955</u>	<u>4,971,667</u>	<u>(30,288)</u>
Expenditures:				
Public Safety	<u>5,653,954</u>	<u>5,733,955</u>	<u>5,561,763</u>	<u>172,192</u>
Net change in fund balance	(554,000)	(732,000)	(590,096)	141,904
Fund Balance at beginning of year	<u>646,553</u>	<u>646,553</u>	<u>646,553</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 92,553</u>	<u>\$(85,447)</u>	<u>\$ 56,457</u>	<u>\$ 141,904</u>

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

POLICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Property taxes	\$ 1,348,936	\$ 1,344,936	\$ 1,345,892	\$ 956
Fines	61,000	46,000	46,062	62
Interest	168	168	28	(140)
	<u>1,410,104</u>	<u>1,391,104</u>	<u>1,391,982</u>	<u>878</u>
Expenditures:				
Public Safety -				
Contracted services	<u>1,410,104</u>	<u>1,409,104</u>	<u>1,410,221</u>	<u>(1,117)</u>
Revenues under expenditures	-	(18,000)	(18,239)	(239)
Other Financing Sources:				
Transfers from other funds	<u>-</u>	<u>18,000</u>	<u>17,831</u>	<u>(169)</u>
Net change in fund balance	-	-	(408)	(408)
Fund Balance at beginning of year	<u>408</u>	<u>408</u>	<u>408</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 408</u></u>	<u><u>\$ 408</u></u>	<u><u>\$ -</u></u>	<u><u>\$(408)</u></u>

SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014

Special Revenue Funds

Assets:

	Grant	Parks & Recreation	Building Inspections	Library Fund
Cash and cash equivalents	\$ -	\$ 18,412	\$ 57,839	\$ 170,369
Receivables -				
Property taxes	-	-	-	366,075
Interest and accounts (net of allowance)	-	-	-	-
Special assessments	-	-	-	-
Due from other governmental units	22,710	-	-	-
	<u>22,710</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 22,710</u>	<u>\$ 18,412</u>	<u>\$ 57,839</u>	<u>\$ 536,444</u>

Liabilities:

Accounts payable	\$ 532	\$ -	\$ 7,698	\$ 1,492
Accrued liabilities	611	-	50,141	-
Due to other funds	13,693	-	-	-
Advance from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>14,836</u>	<u>-</u>	<u>57,839</u>	<u>1,492</u>

Deferred Inflows of Resources:

Unavailable grant revenue	-	-	-	-
Unavailable special assessments	-	-	-	-
Taxes levied for subsequent period	-	-	-	418,710
	<u>-</u>	<u>-</u>	<u>-</u>	<u>418,710</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>418,710</u>

Fund Balance:

Restricted	-	-	-	-
Committed	7,874	18,412	-	116,242
Total Fund Balance	<u>7,874</u>	<u>18,412</u>	<u>-</u>	<u>116,242</u>

Total Liabilities, Deferred Inflows of
Resources and Fund Balance

<u>\$ 22,710</u>	<u>\$ 18,412</u>	<u>\$ 57,839</u>	<u>\$ 536,444</u>
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Debt Service Fund		Capital Projects Funds		
Debt Service	Special Assessments Revolving	Building and Site	Total	
\$ 515,624	\$ 37,225	\$ 9,459	\$ 808,928	
88,990	-	-	455,065	
-	4,096	-	4,096	
252,213	-	-	252,213	
-	-	45,822	68,532	
<u>\$ 856,827</u>	<u>\$ 41,321</u>	<u>\$ 55,281</u>	<u>\$ 1,588,834</u>	
\$ 26,201	\$ -	\$ 4,477	\$ 40,400	
-	-	-	50,752	
-	-	-	13,693	
153,201	-	-	153,201	
179,402	-	4,477	258,046	
-	-	45,822	45,822	
178,593	-	-	178,593	
102,055	-	-	520,765	
280,648	-	45,822	745,180	
396,777	-	-	396,777	
-	41,321	4,982	188,831	
396,777	41,321	4,982	585,608	
\$ 856,827	\$ 41,321	\$ 55,281	\$ 1,588,834	

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

Special Revenue Funds

	Grant	Parks & Recreation	Building Inspections	Library Fund
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	361,170	-
Intergovernmental -				
Federal/State	88,719	-	4,569	-
Charges for services	-	2,751	55,898	5,997
Fines and forfeits	-	-	-	22,377
Special assessments	-	-	-	-
Interest and rent	-	-	-	-
Other	1,503	-	100	5,134
Total Revenues	<u>90,222</u>	<u>2,751</u>	<u>421,737</u>	<u>33,508</u>
Expenditures:				
Current -				
Public Safety	-	-	578,203	-
Public Works	-	-	-	-
Recreation and Cultural	-	441	-	29,297
Community and Economic Development	110,326	-	-	-
Debit Service -				
Principal	-	-	-	-
Interest and charges	-	-	-	-
Total Expenditures	<u>110,326</u>	<u>441</u>	<u>578,203</u>	<u>29,297</u>
Revenues over (under) expenditures	(20,104)	2,310	(156,466)	4,211
Other Financing Sources:				
Transfers from other funds	<u>-</u>	<u>-</u>	<u>156,466</u>	<u>-</u>
Net Change in Fund Balances	(20,104)	2,310	-	4,211
Fund Balances at beginning of year	<u>27,978</u>	<u>16,102</u>	<u>-</u>	<u>112,031</u>
Fund Balances at end of year	<u>\$ 7,874</u>	<u>\$ 18,412</u>	<u>\$ -</u>	<u>\$ 116,242</u>

<u>Debt Service Fund</u>		<u>Capital Projects Funds</u>		
<u>Debt Service</u>	<u>Special Assessments Revolving</u>	<u>Building and Site</u>	<u>Total</u>	
\$ 100,495	\$ -	\$ -	\$ 100,495	
-	-	-	361,170	
-	-	-	93,288	
-	-	-	64,646	
-	-	-	22,377	
115,092	-	-	115,092	
5,668	-	-	5,668	
-	5,493	-	12,230	
<u>221,255</u>	<u>5,493</u>	<u>-</u>	<u>774,966</u>	
138	-	-	578,341	
186,318	-	59,989	246,307	
-	-	-	29,738	
-	-	-	110,326	
230,000	-	-	230,000	
<u>30,323</u>	<u>-</u>	<u>-</u>	<u>30,323</u>	
<u>446,779</u>	<u>-</u>	<u>59,989</u>	<u>1,225,035</u>	
(225,524)	5,493	(59,989)	(450,069)	
<u>-</u>	<u>-</u>	<u>-</u>	<u>156,466</u>	
(225,524)	5,493	(59,989)	(293,603)	
<u>622,301</u>	<u>35,828</u>	<u>64,971</u>	<u>879,211</u>	
<u>\$ 396,777</u>	<u>\$ 41,321</u>	<u>\$ 4,982</u>	<u>\$ 585,608</u>	

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Grant income	\$ 85,118	\$ 85,118	\$ 88,719	\$ 3,601
Other	1,000	1,000	1,503	503
	<u>86,118</u>	<u>86,118</u>	<u>90,222</u>	<u>4,104</u>
 Expenditures:				
Community and Economic Development	<u>106,283</u>	<u>106,283</u>	<u>110,326</u>	<u>(4,043)</u>
Net Change in Fund Balance	(20,165)	(20,165)	(20,104)	61
Fund Balance at beginning of year	<u>27,978</u>	<u>27,978</u>	<u>27,978</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 7,813</u></u>	<u><u>\$ 7,813</u></u>	<u><u>\$ 7,874</u></u>	<u><u>\$ 61</u></u>

CHARTER TOWNSHIP OF HARRISON**Macomb County, Michigan****PARKS & RECREATION FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 15,500	\$ 15,500	\$ 2,751	\$(12,749)
Expenditures:				
Recreation and Cultural	<u>15,500</u>	<u>15,500</u>	<u>441</u>	<u>15,059</u>
Net Change in Fund Balance	-	-	2,310	2,310
Fund Balance at beginning of year	<u>16,102</u>	<u>16,102</u>	<u>16,102</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 16,102</u>	<u>\$ 16,102</u>	<u>\$ 18,412</u>	<u>\$ 2,310</u>

CHARTER TOWNSHIP OF HARRISON**Macomb County, Michigan****BUILDING INSPECTIONS FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2014**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Licenses and permits	\$ 400,000	\$ 355,000	\$ 361,170	\$ 6,170
Charges for services	57,500	57,500	55,898	(1,602)
Intergovernmental	4,000	4,000	4,569	569
Other	5,000	-	100	100
	<u>466,500</u>	<u>416,500</u>	<u>421,737</u>	<u>5,237</u>
Expenditures:				
Public Safety	<u>584,664</u>	<u>537,664</u>	<u>578,203</u>	<u>(40,539)</u>
Revenues under expenditures	(118,164)	(121,164)	(156,466)	(35,302)
Other financing sources:				
Transfers from other funds	<u>118,164</u>	<u>121,164</u>	<u>156,466</u>	<u>35,302</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Charges for services	\$ 5,200	\$ 5,200	\$ 5,997	\$ 797
Fines and forfeits	17,000	17,000	22,377	5,377
Other	6,200	6,200	5,134	(1,066)
	<u>28,400</u>	<u>28,400</u>	<u>33,508</u>	<u>5,108</u>
Expenditures:				
Recreation and Cultural	<u>36,400</u>	<u>36,400</u>	<u>29,297</u>	<u>7,103</u>
Net Change in Fund Balance	(8,000)	(8,000)	4,211	12,211
Fund Balance at beginning of year	<u>112,031</u>	<u>112,031</u>	<u>112,031</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 104,031</u>	<u>\$ 104,031</u>	<u>\$ 116,242</u>	<u>\$ 12,211</u>

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan
COMBINING STATEMENT OF NET POSITION
WATER AND SEWER FUND
DECEMBER 31, 2014

	Operating	Capital Replacement	Macomb/Oakland Interceptors	Total
Assets:				
Current Assets:				
Cash and cash equivalents	\$ 2,213,221	\$ 2,393,489	\$ 12,514	\$ 4,619,224
Accounts receivable	1,517,873	-	81,582	1,599,455
Due from other governmental units -				
State	17,943	40,476	-	58,419
Prepaid expenses	42,154	-	-	42,154
Inventory	156,253	-	-	156,253
Total Current Assets	<u>3,947,444</u>	<u>2,433,965</u>	<u>94,096</u>	<u>6,475,505</u>
Property, Plant and Equipment:				
Land	718,455	-	-	718,455
Construction in progress	69,578	-	3,931,208	4,000,786
Building and Equipment	3,282,451	-	-	3,282,451
Macomb/Oakland interceptors	-	-	6,869,386	6,869,386
Water mains and lines	40,230,120	-	-	40,230,120
Total Property, Plant and Equipment:	44,300,604	-	10,800,594	55,101,198
Less - accumulated depreciation	(24,241,027)	-	(729,250)	(24,970,277)
	<u>20,059,577</u>	<u>-</u>	<u>10,071,344</u>	<u>30,130,921</u>
Restricted Assets:				
Deposits at County	-	-	428,055	428,055
Total Assets	<u>24,007,021</u>	<u>2,433,965</u>	<u>10,593,495</u>	<u>37,034,481</u>
Liabilities:				
Current Liabilities:				
Accounts payable	549,590	10,856	-	560,446
Accrued expenses	111,519	-	-	111,519
Accrued interest	-	-	70,430	70,430
Due to other funds	21,010	-	-	21,010
Current portion of long term debt	-	-	407,582	407,582
Total Current Liabilities	<u>682,119</u>	<u>10,856</u>	<u>478,012</u>	<u>1,170,987</u>
Long-term Liabilities:				
Accrued vacation and sick	13,690	-	-	13,690
Net OPEB obligation	1,126,509	-	-	1,126,509
Long-term debt - net of current portion	-	-	9,443,534	9,443,534
Total Long-term Liabilities	<u>1,140,199</u>	<u>-</u>	<u>9,443,534</u>	<u>10,583,733</u>
Total Liabilities	<u>1,822,318</u>	<u>10,856</u>	<u>9,921,546</u>	<u>11,754,720</u>
Net Position:				
Net Investment in capital assets	20,059,577	-	577,853	20,637,430
Restricted for interceptors	-	-	94,096	94,096
Unrestricted for:				
Capital improvement/replacement	-	2,423,109	-	2,423,109
Undesignated	2,125,126	-	-	2,125,126
Total Net Position	<u>\$ 22,184,703</u>	<u>\$ 2,423,109</u>	<u>\$ 671,949</u>	<u>\$ 25,279,761</u>

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Operating	Capital Replacement	Macomb/Oakland Interceptor	Total
Operating Revenues:				
Charges for services - user charges	\$ 6,666,698	\$ -	\$ -	\$ 6,666,698
Penalty on delinquent accounts	112,398	-	-	112,398
Other revenue	32,611	-	-	32,611
Total Operating Revenues	<u>6,811,707</u>	<u>-</u>	<u>-</u>	<u>6,811,707</u>
Operating Expenses:				
Personal services	1,886,098	-	-	1,886,098
Cost of water purchased	1,324,034	-	-	1,324,034
Cost of sewage treatment	2,840,359	-	-	2,840,359
Operation and maintenance	509,049	-	96	509,145
Depreciation	900,660	-	169,247	1,069,907
Total Operating Expenses	<u>7,460,200</u>	<u>-</u>	<u>169,343</u>	<u>7,629,543</u>
Operating Loss	<u>(648,493)</u>	<u>-</u>	<u>(169,343)</u>	<u>(817,836)</u>
Non-Operating Revenues (Expenses):				
Interest expense	-	-	(363,310)	(363,310)
Interest subsidy on interceptor drains	-	-	72,975	72,975
Interest income	12	1,050	6,755	7,817
Amortization of bond premium	-	-	5,644	5,644
Debt service fees	-	-	589,179	589,179
Total Non-Operating Revenues	<u>12</u>	<u>1,050</u>	<u>311,243</u>	<u>312,305</u>
Net Income (Loss) Before Capital Contributions (	<u>648,481)</u>	<u>1,050</u>	<u>141,900</u>	<u>(505,531)</u>
Capital Contributions	<u>69,383</u>	<u>40,476</u>	<u>-</u>	<u>109,859</u>
Net Income (Loss) Before Transfers	<u>(579,098)</u>	<u>41,526</u>	<u>141,900</u>	<u>(395,672)</u>
Transfers:				
Transfer In	69,578	904,923	-	974,501
Transfer Out	(904,923)	(69,578)	-	(974,501)
Total Transfers	<u>(835,345)</u>	<u>835,345</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>(1,414,443)</u>	<u>876,871</u>	<u>141,900</u>	<u>(395,672)</u>
Net position at beginning of year	<u>23,599,146</u>	<u>1,546,238</u>	<u>530,049</u>	<u>25,675,433</u>
Net Position end of year	<u>\$ 22,184,703</u>	<u>\$ 2,423,109</u>	<u>\$ 671,949</u>	<u>\$ 25,279,761</u>

FIDUCIARY FUNDS

CHARTER TOWNSHIP OF HARRISON

Macomb County, Michigan

FIDUCIARY FUNDS COMBINING STATEMENT OF FIDUCIARY NET POSITION DECEMBER 31, 2014

Pension and Other Employee Benefit Trust Funds				
	Firemen's Pension Trust	Employees' Retirement System Trust	Retiree Healthcare Fund	Total
Assets:				
Cash and cash equivalents	\$ 629,650	\$ 557,734	\$ 256,915	\$ 1,444,299
Investments -				
U.S. Treasury and agency securities	749,121	1,357,017	-	2,106,138
Mortgage/asset backed securities	-	360,368	-	360,368
Corporate bonds	872,739	1,826,031	-	2,698,770
Exchange traded and closed end funds	3,770,137	-	1,731,484	5,501,621
Stock/equities	3,763,302	9,694,528	-	13,457,830
Mutual funds	1,606,245	-	1,215,125	2,821,370
Managed futures/hedge funds	-	469,865	-	469,865
Alternative investments	220,380	-	-	220,380
Receivables -				
Employer contributions	12,917	8,576	185,000	206,493
Interest and dividend receivable	10,645	-	-	10,645
Total Assets	<u>11,635,136</u>	<u>14,274,119</u>	<u>3,388,524</u>	<u>29,297,779</u>
Liabilities:				
Accounts payable	11,988	-	-	11,988
Bonds and deposits	-	-	-	-
Undistributed taxes and fees	-	-	-	-
Total Liabilities	<u>11,988</u>	<u>-</u>	<u>-</u>	<u>11,988</u>
Net Position:				
Restricted For Pension and Other Benefits	<u>\$ 11,623,148</u>	<u>\$ 14,274,119</u>	<u>\$ 3,388,524</u>	<u>\$ 29,285,791</u>

Agency Funds		
Tax Receiving	Trust and Agency	Total
\$ 591,828	\$ 604,105	\$ 1,195,933
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>\$ 591,828</u>	<u>\$ 604,105</u>	<u>\$ 1,195,933</u>
\$ -	\$ 2,524	\$ 2,524
-	601,581	601,581
591,828	-	591,828
<u>\$ 591,828</u>	<u>\$ 604,105</u>	<u>\$ 1,195,933</u>

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

	Firemen's Pension Trust	Employees' Retirement System Trust	Retiree Healthcare Fund	Total
Additions:				
Contributions -				
Employer contributions	\$ 781,515	\$ 666,487	\$ 185,000	\$ 1,633,002
Plan Member contributions	185,248	106,410	-	291,658
	<u>966,763</u>	<u>772,897</u>	<u>185,000</u>	<u>1,924,660</u>
Total contributions				
Investment income -				
Net appreciation (depreciation) in fair value	(105,668)	539,518	98,251	532,101
Interest and dividends	183,743	290,879	98,744	573,366
	<u>78,075</u>	<u>830,397</u>	<u>196,995</u>	<u>1,105,467</u>
Total investment income				
Less investment expense	(113,724)	(83,171)	-	(196,895)
	<u>(35,649)</u>	<u>747,226</u>	<u>196,995</u>	<u>908,572</u>
Net investment income				
Total Additions	<u>931,114</u>	<u>1,520,123</u>	<u>381,995</u>	<u>2,833,232</u>
Deductions:				
Benefits and refunds to participants	1,226,766	1,400,500	-	2,627,266
Administrative expenses	16,255	29,392	29,284	74,931
	<u>1,243,021</u>	<u>1,429,892</u>	<u>29,284</u>	<u>2,702,197</u>
Total Deductions				
Net increase (decrease) in net position available for benefits	(311,907)	90,231	352,711	131,035
Net Position-Restricted For Pension and Other Benefits -				
Beginning of year	<u>11,935,055</u>	<u>14,183,888</u>	<u>3,035,813</u>	<u>29,154,756</u>
End of year	<u>\$ 11,623,148</u>	<u>\$ 14,274,119</u>	<u>\$ 3,388,524</u>	<u>\$ 29,285,791</u>

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL**

To the Members of the Board
Charter Township of Harrison
Harrison Township, Michigan

In planning and performing our audit of the financial statements of the Charter Township of Harrison (the Township) as of and for the year ended December 31, 2014 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 audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given those limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Township Board, others within the Township, and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

June 9, 2015

AUDIT COMMUNICATION LETTER

June 9, 2015

To the Members of the Board
Charter Township of Harrison
Harrison Township, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Charter Township of Harrison for the year ended December 31, 2014, and have issued our report thereon dated June 9, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated February 18, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Charter Township of Harrison are described in Note 1 to the financial statements. The Township implemented GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* in 2014. As a result of GASB No. 67, note disclosures and additional Required Supplementary Information is reported to better inform the readers on the Pension Plans of the Township and on the Net Pension Liability of the Plan. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. The most sensitive estimates affecting the financial statements were:

Management's estimate of the unbilled water and sewer services, which was based on subsequent billings and historical data.

Management's estimate for depreciation, which is based on historical data and estimated useful lives.

Management's estimate of the annual other postemployment benefits' cost is based on the actuarial report prepared by the actuary.

Management's estimate of the annual pension costs, which are based on the actuarial report prepared by the actuary.

We evaluated the key factors and assumptions used to develop these estimates in determining their reasonableness in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the custodial credit risk of deposits in Note 3 of the financial statements indicates the Township holds \$10,626,933 total deposits of which \$500,000 is insured with the remaining \$10,126,933 uninsured/uncollateralized, is particularly sensitive to the financial users given the risk of a bank failure, the Township's deposit may not be returned.

The disclosure of Other Postemployment Benefits in Note 10 to the financial statements describes the benefits provided to retirees other than pensions. This disclosure is particularly sensitive to financial statement users because of the dollar amount of the Net OPEB obligation at year-end and the future impact this number will have if the annual required contribution is also not met in future years.

During the past few years there has been a significant amount of debt incurred by the Water and Sewer Fund as a result of the improvements to Drainage Districts in Oakland and Macomb Counties as illustrated in Note 7. The improvements are being shared by all municipalities who derive a direct benefit from the improvements and as the projects progress or there is a change in the allocation of the proportionate share to the Township, additional costs may be incurred.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no 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. Management has corrected all such misstatements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Assistance with GASB No. 34 Presentation

As a result of our assistance with the GASB No. 34 presentation, we proposed several entries to the December 31, 2014 account balances to reflect the differences between the Governmental Funds and the Government-wide financial statements. These entries are described on page 16 and 18 to the financial statements.

Disagreements with Management

For purposes 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 Representations

We have requested certain representations from management that are included in the management representation letter dated June 9, 2015.

Management 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 applications of an accounting principle to the governmental unit’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 factors. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the Independent Auditor’s Report on Internal Control, we noted no deficiencies in internal control over financial reporting that we consider to be a material weakness.

In addition to the Independent Auditor’s Report on Internal Control, we noted a few items that, although are not considered material weaknesses or significant deficiencies, could improve controls, the operational efficiency and/or compliance with laws and regulations. These items are discussed in Attachment A.

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 governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters


We applied certain limited procedures to Management’s Discussion and Analysis letter and budgetary comparison information, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

We appreciate the opportunity to be of service to the Charter Township of Harrison Board members.


Certified Public Accountants

Attachment A

The following are items that we discussed with administration that are not considered material weaknesses or significant deficiencies, however, are items that could improve controls, the operational efficiency of the accounting department and/or compliance with laws and regulations:

The special assessment districts should be reviewed for potential cash surplus in relation to related debt.

It appears that multiple special assessment districts may have experienced cash surpluses regarding the related debt issues.

We recommend that the Township Board review the cash surplus balances and investigate either extending the special assessment projects to incur additional cost or refund the excess funds.

A special assessment district resolution was approved in 2014 by the Township Board with a project cost of \$145,558 but the actual parcels were assessed \$186,317.

It appears that the total cost of the special assessment project increased from the time that the Township Board approved the resolution to establish the roll to the time that the individual parcels were assessed.

We recommend that the Township Board review with legal counsel the need to formally adopt a revised resolution noting the increased cost.

A budget should be approved for the Economic Development Corporation (Component Unit).

Michigan Public Act 621 of 1978, Section 18, as amended provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. No budget was approved for the Economic Development Corporation, however, they incurred expenditures during the year.

We recommend that a budget be approved by the Township Board which includes the proposed expenditures and resources to finance them.

The BS&A listing of the performance bonds held by the Township should be reconciled to the general ledger on a monthly basis. Also, escrow accounts outstanding should be reviewed for the status of the project.

The Township collects various performance bonds and escrows from individuals and companies performing work in the Township, many of which are refunded when performance has been completed and some of which are forfeited because the individual(s) did not fulfill the requirements. During our audit we noted that the Township's accounting system didn't reconcile to the performance bonds subsidiary ledgers. It was also noted that several of the escrow accounts have balances from 2010 still outstanding with no activity.

We recommend that the Township review each of the lists to determine the accurate amount of bonds/escrows outstanding and expected to be refunded. This process should include reviewing all old performance bonds/escrow accounts to see if they should be refunded or forfeited. Once the lists are completed they should be reconciled to the general ledger on a monthly basis.