

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

ANNUAL FINANCIAL STATEMENTS
with Supplementary Information

FOR THE YEAR ENDED
DECEMBER 31, 2010

Stewart,
Beauvais
& Whipple P.C.



CERTIFIED PUBLIC ACCOUNTANTS

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

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

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, 2010, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Harrison's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Harrison, Michigan, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 2, 2011 on our consideration of the Charter Township of Harrison's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 and schedules of funding progress, employee contributions and budgetary comparisons on pages 52 through 57 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Harrison's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Certified Public Accountants

June 2, 2011

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 years ended December 31, 2010 and 2009.

Financial Highlights

- Harrison Township's assets exceeded its liabilities at the close of the most recent fiscal year by \$36,708,718 (*net assets*). Of this amount, \$5,647,205 (*unrestricted net assets*) may be used to meet the government's on-going obligations to citizens and creditors.
- The governmental activities total net assets decreased by \$136,524.
- As of the close of the current fiscal year, Harrison Township's governmental funds reported combined ending fund balances of \$8,330,786, an increase of \$32,469 in comparison with prior year. Approximately 88.6% of this total, or \$7,379,596, is available for spending at the government's discretion (unreserved and undesignated fund balance.)
- The counties of Macomb and Oakland have undertaken a program of purchasing and maintaining sewer drains that were formerly owned by the Detroit Water and Sewer Board. This program includes some new construction of drains. The total principal of the five bond series issued is \$183,625,000. Harrison Township's apportioned share is \$5,768,113.
- The Township added no additional special assessment debt during the current fiscal year. At year-end, special assessment debt equaled \$1,495,000, drain district debt was \$5,803,388 and land contract of \$470,699. Combined total indebtedness of \$7,769,087 excluding compensated absences and post employment benefits.
- Governmental activities expenditures for capital assets of \$921,931. The current year additions included expenditures for the initial stages of the Bike Paths (\$845,105), a standby generator (\$32,726) and exercise equipment for the firefighters (\$53,918). Of the amounts expended on capital assets \$740,551 was funded through grants.
- Water & Sewer Fund capital expenditures included \$6,543,240 primarily from the allocation of drains by Oakland and Macomb Counties that were formerly owned by the Detroit Water and Sewer Board.
- Building Fund expenditures were reduced by 12.0%, with building permit revenue decreasing by 13.9%, requiring approximately \$150,000 in appropriation transfers from the General Fund in 2010.
- 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 \$2,813,879 and \$701,333 for the Governmental Funds and Proprietary Fund 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 assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, and recreation and cultural. The business-type activities include sanitary sewer and water operations. 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 twelve 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, police protection, debt service, each of which are considered to be major funds. Data from the other eight 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 58-64).

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 15-16 and 18-19 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 21-23 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 24-25 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 26-51 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Harrison Township, assets exceeded liabilities by \$36,708,718 at the close of the most recent fiscal year.

	Harrison Township's Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and other assets	\$ 15,526,909	\$ 15,955,705	\$ 5,717,000	\$ 4,772,040	\$ 21,243,909	\$ 20,727,745
Capital assets	8,165,856	7,638,246	27,371,654	21,794,729	35,537,510	29,432,975
Total assets	<u>23,692,765</u>	<u>23,593,951</u>	<u>33,088,654</u>	<u>26,566,769</u>	<u>56,781,419</u>	<u>50,160,720</u>
Liabilities						
Current liabilities	6,663,294	6,973,905	1,101,005	603,413	7,764,299	7,577,318
Long-term liabilities	5,831,347	5,285,398	6,477,055	530,925	12,308,402	5,816,323
Total liabilities	<u>12,494,641</u>	<u>12,259,303</u>	<u>7,578,060</u>	<u>1,134,338</u>	<u>20,072,701</u>	<u>13,393,641</u>
Net Assets						
Invested in capital assets, net of related debt	6,142,957	5,256,499	21,740,019	21,794,729	27,882,976	27,051,228
Restricted assets	3,060,537	3,236,886	118,000	-	3,178,537	3,236,886
Unrestricted	1,994,630	2,841,263	3,652,575	3,637,702	5,647,205	6,478,965
	<u>\$ 11,198,124</u>	<u>\$ 11,334,648</u>	<u>\$ 25,510,594</u>	<u>\$ 25,432,431</u>	<u>\$ 36,708,718</u>	<u>\$ 36,767,079</u>

One of the largest portions of the Township's net assets (76.0%) 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 assets are divided into the two categories of governmental activities and business-type activities. Combined net assets decreased by \$58,361 or 0.2% during the current fiscal year. Net assets of governmental activities decreased by \$136,524. Net assets from business-type activities increased by \$78,163.

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue						
Program revenue:						
Charges for Services	\$ 1,000,651	\$ 1,120,560	\$ 6,707,704	\$ 5,181,626	\$ 7,708,355	\$ 6,302,186
Operating grants and contributions	159,807	129,539	-	5,551	159,807	135,090
Capital grants and contributions	740,551	17,933	552,165	63,200	1,292,716	81,133
General revenue:						
Property taxes	6,680,469	6,993,102	-	-	6,680,469	6,993,102
State-shared revenue	1,560,241	1,588,955	-	-	1,560,241	1,588,955
Unrestricted investment earnings	74,894	44,633	10,467	4,772	85,361	49,405
Franchise fees	404,954	384,919	-	-	404,954	384,919
Transfers	59,000	70,500	(59,000)	(70,500)	-	-
Total revenue	<u>10,680,567</u>	<u>10,350,141</u>	<u>7,211,336</u>	<u>5,184,649</u>	<u>17,891,903</u>	<u>15,534,790</u>
Expenses						
General government	2,460,609	2,346,579	-	-	2,460,609	2,346,579
Public safety	7,925,714	8,091,581	-	-	7,925,714	8,091,581
Public works	210,187	99,104	7,133,173	6,437,819	7,343,360	6,536,923
Community and economic development	111,754	164,327	-	-	111,754	164,327
Recreation and culture	18,870	7,035	-	-	18,870	7,035
Interest on long-term debt	89,957	108,398	-	-	89,957	108,398
Total expenses	<u>10,817,091</u>	<u>10,817,024</u>	<u>7,133,173</u>	<u>6,437,819</u>	<u>17,950,264</u>	<u>17,254,843</u>
Change in Net Assets	<u>\$ (136,524)</u>	<u>\$ (466,883)</u>	<u>\$ 78,163</u>	<u>\$ (1,253,170)</u>	<u>\$ (58,361)</u>	<u>\$ (1,720,053)</u>

Governmental Activities. Governmental activities decreased the Township's net assets by \$136,524. The Township's governmental revenues equaled \$10,680,567, with the largest source being property tax revenue. Revenue fell in property taxes (\$312,633), but rose overall due to Federal Grants related to the Hike Bike Path project (\$722,618). The Township's three largest revenue sources are property taxes, State shared revenue, and charges for services at 62.5%, 14.6%, and 9.4% of the total respectively.

The Township's current year deficit was due primarily to the reduction in revenue, rather than increased expense. State revenue sharing, in particular, has fallen 30% over the last decade. Total governmental expenditures at \$10,817,091 remained consistent with prior year. As with most municipalities, labor cost constitutes the largest portion of the budget. General government expense increased for election worker payments because of more elections than in 2009, and also due to increased costs related to the assessing department. Public Safety expense also decreased due to a reduction in the police services contract amount with the Macomb County offset by the increased fire expense due to increased health insurance and pension cost.

The largest services funded as governmental activities are police and fire protection under the public service 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 operations increased by 14.0% due to rate increases instituted in the current year as a result in increases in rates during the year. Operating expenses decreased \$128,233. Most of the expense decrease was related to the water and sewage treatment purchased from the City of Detroit, because volume and rates were reduced. Also, there was a noticeable decrease in operation and maintenance expenses primarily due to reduced purchases relating to meter replacements. The charge for unfunded ARC (annual required contribution) for post employment benefits recorded in the fund for the current year was \$362,710. Net income after interest earnings on invested funds and capital contributions but before transfers was \$129,476 for the year due to capital contributions from the Macomb and Oakland drain projects.

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.

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, unreserved 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 \$8,330,786, an increase of \$32,469 in comparison with prior year. Approximately 88.6% of this total amount (\$7,379,596) constitutes *unreserved, undesignated* fund balance, which is available for spending at the Township's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending, because it has already been committed for capital projects and debt service.

The General fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the General fund was \$3,157,424 with a total fund balance of \$3,161,424. As a measure of the General fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 108.5% of total General Fund expenditures and required transfers.

The fund balance of the Township's General fund decreased by \$101,090 during fiscal year 2010. The General Fund would have had a surplus were it not for the \$150,466 transfer to cover the deficit in the Building Fund. General Fund total expense was under amended budget by 3.1% for the year. Health care expense rose 12.4% over prior year. Expenditures for equipment were held to a minimum again this year.

The Fire Protection Fund has a total fund balance of \$1,960,733, which decreased by \$157,377 during the year primarily due to the reduction in tax revenues collected. Fire Fund surplus fund balance is used to replace aging equipment. The next scheduled purchase is for an ambulance in 2012.

The Police Fund has an ending fund balance of \$52,548 at the end of the year, due to a reduction in the police services contract. The fund balance generated in the current year is intended to be absorbed by an estimated deficit in 2011 and 2012.

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

Total net assets of the Water and Sewer fund at year-end increased to \$25,502,907. This fund experienced an increase in net assets of \$70,476. There was a deficit from operations because a margin from sale of utilities is insufficient to cover operating costs. Sales of utilities produced net margin of \$2,591,782 which does not cover departmental operating expenses of \$3,140,820. Charges for services increased from last year by 13.6% primarily due to rate increase. Non-utility revenue, such as tap fees and inspections increased slightly due to higher rates and a slight increase in housing starts.

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 revenue/expenditures were \$3.2 million, or 6.0% lower than the original budget. State revenue sharing was adjusted downward to reflect the actual distribution received from the State. Adjustments were made to most departments for increases to group health insurance and pension cost. Budget was reduced favorably for wages and benefit expense related to the unpaid furlough days agreed to by the AFSCME union members and their supervisors. Unexpected expense was incurred for road and drain repairs.

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, 2010 amounted to \$35,537,510 (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 increased in value by \$527,610, primarily due to the addition related to the Hike/Bike Path net of annual depreciation. The Proprietary Fund added \$5,576,925 with the addition of the Township's share of the Oakland and Macomb Drains net of the current years depreciation expense.

Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 2,382,084	\$ 2,382,084	\$ 718,455	\$ 704,292	\$ 3,100,539	\$ 3,086,376
Buildings & improvements	2,974,852	3,113,431	288,912	324,181	3,263,764	3,437,612
Construction in progress	709,080	-	1,857,060	209,500	2,566,140	209,500
Machinery and Equipment	1,290,136	1,441,281	207,029	240,231	1,497,165	1,681,512
Infrastructure	809,704	701,450	24,300,198	20,316,525	25,109,902	21,017,975
Total	\$ 8,165,856	\$ 7,638,246	\$ 27,371,654	\$ 21,794,729	\$ 35,537,510	\$ 29,432,975

Also, during the year ended December 31, 2010, the counties of Macomb and Oakland embarked on several projects for drain system improvements. The three Macomb county projects are referred to as two North Gratiot Interceptor projects and the third project as the Macomb Interceptor drain. Joint projects between the two counties are referred to as the Oakland-Macomb Interceptor drains 2010A and 2010B. The Township's share of these projects is \$6,043,232 including construction in progress.

Long-term Debt. At the end of the current fiscal year, the Township had total debt outstanding of \$12,308,402. Of this amount, \$620,000 comprises debt backed by the full faith and credit of the Township, and \$875,000 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. The Township has a long-term loan for a vacant land purchase with an outstanding balance at year-end of \$470,699. 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 \$5,746,188 at year end.

The Governmental Accounting Standards Board Statement No. 45 now 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 Assets now includes a new line in the Liabilities section labeled Post Employment Benefits. 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	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 620,000	\$ 695,000	\$ -	\$ -	\$ 620,000	\$ 695,000
Special assessment debt						
with governmental commitment	875,000	1,090,000	-	-	875,000	1,090,000
Long-term obligations	470,699	596,747	-	-	470,699	596,747
County Drain obligations	57,200	-	5,746,188	-	5,803,388	-
Compensated Absences	994,569	974,291	29,534	28,136	1,024,103	1,002,427
Post employment benefits	2,813,879	1,929,360	701,333	502,789	3,515,212	2,432,149
Total	\$ 5,831,347	\$ 5,285,398	\$ 6,477,055	\$ 530,925	\$ 12,308,402	\$ 5,816,323

The Township's total debt increased by \$6,492,079, or 111.6% during the fiscal year, a substantial portion of which is due to the addition of the apportioned debt from Oakland and Macomb County Drain projects of \$5,768,113. No new special assessment bonds were issued this year. Regularly scheduled debt payments were made in the amount of \$437,973.

Economic Factors and Next Year's Budgets and Rates

The following are some of the factors considered in preparing the fiscal year 2011 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, an event that should benefit the Township for some time to come, Yanfeng USA, the largest Chinese manufacturer of automotive interior components plans to invest \$13 million to convert three vacant buildings in Harrison Township into new facilities. Yanfeng has an existing production facility in Warren. The Harrison Township plant is expected to employ 131 employees.

For fiscal year 2011, Township residents chose to renew the prior year millage rate. The Township residents approved a millage rate of 6.6876 for one year. 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.

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. All three revenue sources have shown significant declines over the past several years with no increase in funding expected in the near-term.

Revenue constraints and increased costs combined to present a challenge in developing the fiscal year 2011 budget. On the revenue side, the Township's taxable values will drop again in fiscal year 2011 due to falling home prices, resulting in a projected decline in property tax revenues. The Township's tax base has fallen back to 2006 levels. However, a recent communiqué from the Macomb County Executive states that County property tax values fell 7 % for 2011, only half as much as anticipated. When the market does recover, under Proposal A, taxable value losses will not be fully recouped in the near-term due to the mandated inflationary cap on property assessments. In addition, as a result of continued state budget problems and the slow state economy, state shared revenues (the Township's third largest revenue source) are expected to remain sluggish. State revenue sharing has been cut by the State of Michigan in eight of the last nine years.

On the expenditure side, spending pressures have resulted from personnel benefit costs, particularly health insurance premium and pension contribution expenses, and utilities, fuel, and supply costs. Expenditures for repairs and maintenance as well as temporary staffing positions were curtailed in order to balance the 2011 budget.

The Township's funded ratio for the actuarial accrued liability for the general Employees pension was at 76.2% and for the Firefighters pension was at 70.9%, as of December 31, 2009 (the date of the last available actuarial valuation.) The Township began making modest contributions annually to a fund for retiree health care costs in 2004. The contribution was reduced in 2010 to 7.0% of wages, but no contribution was planned in the 2011 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 reduced property values and shrinking state-shared revenues will have an impact on the Township's ability to provide services in the future as costs are influenced by inflationary pressures. Future expenditures will be limited to available revenue, and thus may affect available services.

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.

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BASIC FINANCIAL STATEMENTS

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CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Primary Government			Component Unit (EDC)
	Governmental Activities	Business Type Activities	Total	
ASSETS:				
Cash and cash equivalents	\$ 6,665,225	\$ 3,596,871	\$ 10,262,096	\$ 12,446
Investments	750,000	250,000	1,000,000	-
Receivables (net of allowance)	7,861,763	1,676,841	9,538,604	-
Internal balances	146,470	(146,470)	-	-
Inventory	-	205,785	205,785	-
Prepaid expenses/deposits	103,451	19,420	122,871	-
Deposits at County	-	114,553	114,553	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	3,091,164	2,575,515	5,666,679	-
Assets being depreciated	5,074,692	24,796,139	29,870,831	-
Total Assets	<u>23,692,765</u>	<u>33,088,654</u>	<u>56,781,419</u>	<u>12,446</u>
LIABILITIES:				
Payables and accrued liabilities	367,937	1,101,005	1,468,942	-
Accrued interest	27,413	-	27,413	-
Unearned revenue	6,267,944	-	6,267,944	-
Non-current liabilities				
Accrued compensated absences	994,569	29,534	1,024,103	-
Net OPEB obligation	2,813,879	701,333	3,515,212	-
Due within one year	444,783	23,598	468,381	-
Due in more than one year	1,578,116	5,722,590	7,300,706	-
Total Liabilities	<u>12,494,641</u>	<u>7,578,060</u>	<u>20,072,701</u>	<u>-</u>
NET ASSETS:				
Investment in capital assets, net of related debt	6,142,957	21,740,019	27,882,976	-
Restricted				
Acquisition/construction of capital assets	183,131	118,000	301,131	-
Public safety	2,013,281	-	2,013,281	-
Recreation and culture	47,009	-	47,009	-
Grants	53,057	-	53,057	-
Debt Service	764,059	-	764,059	-
Unrestricted	<u>1,994,630</u>	<u>3,652,575</u>	<u>5,647,205</u>	<u>12,446</u>
Total Net Assets	<u>\$ 11,198,124</u>	<u>\$ 25,510,594</u>	<u>\$ 36,708,718</u>	<u>\$ 12,446</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, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General Government	\$ 2,460,609	\$ 164,283	\$ 8,272	\$ -
Public Safety	7,925,714	798,493	22,897	48,600
Public Works	210,187	-	13,568	-
Recreation and Culture	18,870	36,203	-	691,951
Community and Economic Development	111,754	1,672	115,070	-
Interest on Long Term Debt	89,957	-	-	-
Total governmental activities	<u>10,817,091</u>	<u>1,000,651</u>	<u>159,807</u>	<u>740,551</u>
Business type activities				
Water and Sewer	<u>7,133,173</u>	<u>6,707,704</u>	<u>-</u>	<u>552,165</u>
Total Primary Government	<u>17,950,264</u>	<u>7,708,355</u>	<u>159,807</u>	<u>1,292,716</u>
Component Unit - Economic Development Corporation				
	<u>\$ 916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Property taxes / assessments
State shared revenue
Franchise Fees
Unrestricted investment income
Transfers
Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

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

Net (Expense) Revenue and Change in Net Assets

Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit (EDC)
\$(2,288,054)	\$ -	\$(2,288,054)	\$ -
(7,055,724)	-	(7,055,724)	-
(196,619)	-	(196,619)	-
709,284	-	709,284	-
4,988	-	4,988	-
(89,957)	-	(89,957)	-
(8,916,082)	-	(8,916,082)	-
-	126,696	126,696	-
(8,916,082)	126,696	(8,789,386)	-
(916)	-	-	(916)
6,680,469	-	6,680,469	-
1,560,241	-	1,560,241	-
404,954	-	404,954	-
74,894	10,467	85,361	1
59,000	(59,000)	-	-
8,779,558	(48,533)	8,731,025	1
(136,524)	78,163	(58,361)	(915)
11,334,648	25,432,431	36,767,079	13,361
\$ 11,198,124	\$ 25,510,594	\$ 36,708,718	\$ 12,446

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General	Fire	Police	Debt Service
ASSETS				
Current assets -				
Cash and cash equivalents	\$ 2,095,728	\$ 1,777,160	\$ 53,312	\$ 631,219
Investment	250,000	250,000	-	-
Receivables -				
Property taxes	327,597	4,561,960	1,408,180	-
Interest and accounts (net of allowance)	261,942	73,228	-	-
Special assessments	63,752	-	-	525,120
Due from other governmental units -				
Federal/State	546,688	-	-	-
Due from other funds	135,064	-	-	-
Deposits	4,000	-	-	-
Total Assets	\$ 3,684,771	\$ 6,662,348	\$ 1,461,492	\$ 1,156,339
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 81,663	\$ 45,068	\$ 153	\$ 240
Accrued liabilities	38,725	78,542	-	-
Due to other funds	53,060	-	-	-
Deferred revenue	349,899	4,578,005	1,408,791	392,040
Total Liabilities	523,347	4,701,615	1,408,944	392,280
Fund Balances:				
Reserved				
Deposits	4,000	-	-	-
Debt Service	-	-	-	764,059
Capital Projects	-	-	-	-
Unreserved -				
Undesignated -				
General Fund	3,157,424	-	-	-
Special Revenue Funds	-	1,960,733	52,548	-
Total Equity	3,161,424	1,960,733	52,548	764,059
Total Liabilities and Fund Equity	\$ 3,684,771	\$ 6,662,348	\$ 1,461,492	\$ 1,156,339

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

Other Governmental Funds	Total Governmental Funds
\$ 2,107,806	\$ 6,665,225
250,000	750,000
-	6,297,737
4,356	339,526
-	588,872
64,586	611,274
92,989	228,053
-	4,000
<u>\$ 2,519,737</u>	<u>\$ 15,484,687</u>

\$ 114,971	\$ 242,095
8,563	125,830
4,181	57,241
-	6,728,735
<u>127,715</u>	<u>7,153,901</u>

-	4,000
-	764,059
183,131	183,131
-	3,157,424
<u>2,208,891</u>	<u>4,222,172</u>
<u>2,392,022</u>	<u>8,330,786</u>
<u>\$ 2,519,737</u>	<u>\$ 15,484,687</u>

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CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010**

Fund Balances - total governmental funds	\$	8,330,786
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Capital assets	12,239,613	
Accumulated depreciation	(4,073,757)	8,165,856
<p>Expenses recorded in the funds on the purchase method</p>		
		99,451
<p>Other Long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds</p>		
Long-term charges for services	21,103	
Delinquent personal property taxes (net of allowance)	47,648	
Special assessments	392,040	460,791
<p>Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Bonds/Notes payable	(2,022,899)	
Compensated absences	(994,569)	
Post employment benefits payable	(2,813,879)	
Accrued interest payable	(27,413)	(5,858,760)
Net Assets of governmental activities	\$	<u>11,198,124</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, 2010

	General	Fire	Police	Debt Service
Revenues:				
Taxes	\$ 496,327	\$ 4,710,334	\$ 1,347,849	\$ 107,363
Licenses and permits	438,398	-	-	-
Intergovernmental -				
Federal/State	1,595,408	70,858	-	-
Charges for services	198,824	389,436	-	-
Special assessments	-	-	-	129,510
Interest and rent	14,887	11,398	1,212	28,246
Other	7,018	15,803	-	-
Total Revenues	2,750,862	5,197,829	1,349,061	265,119
Expenditures:				
Current -				
General Government	2,121,356	-	-	-
Public Safety	75,790	5,188,606	1,296,513	1,250
Public Works	183,773	-	-	-
Recreation and Cultural	6,638	-	-	-
Community and Economic Development	-	-	-	-
Debt Service				
Principal	126,048	-	-	290,000
Interest and fees	21,575	-	-	73,466
Total Expenditures	2,535,180	5,188,606	1,296,513	364,716
Revenues over (under) expenditures	215,682	9,223	52,548	(99,597)
Other Financing Sources (Uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	(373,972)	(166,600)	-	-
Note proceeds	57,200	-	-	-
Total Other Financing Sources (Uses)	(316,772)	(166,600)	-	-
Net Change in Fund Balances	(101,090)	(157,377)	52,548	(99,597)
Fund Balances at beginning of year	3,262,514	2,118,110	-	863,656
Fund Balances at end of year	\$ 3,161,424	\$ 1,960,733	\$ 52,548	\$ 764,059

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

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 6,661,873
315,106	753,504
807,660	2,473,926
50,410	638,670
-	129,510
9,456	65,199
26,739	49,560
<u>1,209,371</u>	<u>10,772,242</u>
8,150	2,129,506
491,713	7,053,872
848,657	1,032,430
12,232	18,870
110,206	110,206
-	416,048
-	95,041
<u>1,470,958</u>	<u>10,855,973</u>
(261,587)	(83,731)
616,072	616,072
(16,500)	(557,072)
-	57,200
<u>599,572</u>	<u>116,200</u>
337,985	32,469
<u>2,054,037</u>	<u>8,298,317</u>
<u>\$ 2,392,022</u>	<u>\$ 8,330,786</u>

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, 2010**

Net change in fund balances - total governmental funds \$ 32,469

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	921,931	
Depreciation expense	(388,404)	
Loss on sale/disposal of capital assets.	<u>(5,917)</u>	527,610

Change in prepaid expenses recorded in the funds on the purchase method (5,063)

Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Special assessments	(129,510)	
Delinquent personal property taxes (net of allowance)	18,596	
Long-term charges for services	<u>(39,761)</u>	(150,675)

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 assets.

Principal payments on long term liabilities	416,048	
Note proceeds	<u>(57,200)</u>	358,848

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	5,084	
Increase in post employment benefits payable	(884,519)	
Increase in accrued compensated absences	<u>(20,278)</u>	<u>(899,713)</u>

Change in net assets of governmental activities \$ (136,524)

The notes to the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010

	Water and Sewer	Refuse	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 3,355,139	\$ 241,732	\$ 3,596,871
Investments	250,000		250,000
Accounts receivable	1,486,790	190,051	1,676,841
Prepaid expenses	19,420	-	19,420
Inventory	205,785	-	205,785
Total Current Assets	<u>5,317,134</u>	<u>431,783</u>	<u>5,748,917</u>
Property, Plant and Equipment:			
Land	718,455	-	718,455
Construction in progress	1,857,060	-	1,857,060
Equipment	2,294,601	-	2,294,601
Macomb/Oakland interceptors	4,864,539	-	4,864,539
Water mains and lines	38,756,580	-	38,756,580
	<u>48,491,235</u>	<u>-</u>	<u>48,491,235</u>
Less - accumulated depreciation	(21,119,581)	-	(21,119,581)
	<u>27,371,654</u>	<u>-</u>	<u>27,371,654</u>
Other Assets			
Deposits at County	114,553	-	114,553
	<u>114,553</u>	<u>-</u>	<u>114,553</u>
Total Assets	<u>32,803,341</u>	<u>431,783</u>	<u>33,235,124</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	646,452	424,096	1,070,548
Accrued expenses	30,457	-	30,457
Due to other funds	146,470	-	146,470
Current portion of long term debt	23,598	-	23,598
Total Current Liabilities	<u>846,977</u>	<u>424,096</u>	<u>1,271,073</u>
Long-term Liabilities:			
Accrued vacation and sick	29,534	-	29,534
Net OPEB obligation	701,333	-	701,333
Long term debt - net of current portion	5,722,590	-	5,722,590
	<u>6,453,457</u>	<u>-</u>	<u>6,453,457</u>
Total Liabilities	<u>7,300,434</u>	<u>424,096</u>	<u>7,724,530</u>
NET ASSETS:			
Investment in capital assets, net of related debt	21,740,019	-	21,740,019
Restricted - capital improvement	118,000	-	118,000
Unrestricted			
Designated	2,231,723	-	2,231,723
Undesignated	1,413,165	7,687	1,420,852
Total Net Assets	<u>\$ 25,502,907</u>	<u>\$ 7,687</u>	<u>\$ 25,510,594</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 ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Water and Sewer	Refuse	Total
Operating Revenues:			
Charges for services - user charges	\$ 5,760,548	\$ 781,560	\$ 6,542,108
Penalty on delinquent accounts	131,488	13,243	144,731
Grant income	6,413	-	6,413
Other revenue	14,452	-	14,452
Total Operating Revenues	<u>5,912,901</u>	<u>794,803</u>	<u>6,707,704</u>
Operating Expenses:			
Personal services	1,315,884	-	1,315,884
Post employment benefit	362,710	-	362,710
Cost of water purchased	1,201,662	-	1,201,662
Cost of sewage treatment	1,967,104	-	1,967,104
Cost of refuse services	-	787,116	787,116
Operation and maintenance	495,911	-	495,911
Depreciation	966,315	-	966,315
Total Operating Expenses	<u>6,309,586</u>	<u>787,116</u>	<u>7,096,702</u>
Operating Income (Loss)	<u>(396,685)</u>	<u>7,687</u>	<u>(388,998)</u>
Non-Operating Revenues (Expenses):			
Interest expense	(36,471)	-	(36,471)
Interest income	10,467	-	10,467
Total Non-Operating Revenues (Expenses)	<u>(26,004)</u>	<u>-</u>	<u>(26,004)</u>
Net Income (Loss) Before Capital Contributions	<u>(422,689)</u>	<u>7,687</u>	<u>(415,002)</u>
Capital Contributions:	<u>552,165</u>	<u>-</u>	<u>552,165</u>
Net Income (Loss) Before Transfers	129,476	7,687	137,163
Transfers:			
Transfers Out	<u>(59,000)</u>	<u>-</u>	<u>(59,000)</u>
Change in Net Assets	70,476	7,687	78,163
Net assets at beginning of year	<u>25,432,431</u>	<u>-</u>	<u>25,432,431</u>
Net Assets end of year	<u>\$ 25,502,907</u>	<u>\$ 7,687</u>	<u>\$ 25,510,594</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, 2010

	Water and Sewer	Refuse	Total
Cash Flows From Operating Activities:			
Cash receipts from customers	\$ 5,803,256	\$ 604,752	\$ 6,408,008
Cash payments to suppliers	(3,665,812)	(363,020)	(4,028,832)
Cash payments to employees	(1,477,554)	-	(1,477,554)
Net Cash Used by Operating Activities	<u>659,890</u>	<u>241,732</u>	<u>901,622</u>
Cash Flows From Noncapital Financing Activities:			
Operating transfers to other funds	(59,000)	-	(59,000)
Cash Flows From Capital and Related Financing Activities:			
Bond proceeds	6,459,247	-	6,459,247
Long-term debt payments	(21,925)	-	(21,925)
Federal forgiveness on long-term debt	(691,134)	-	(691,134)
Interest expense	(36,471)	-	(36,471)
Capital Contributions	552,165	-	552,165
Acquisition and construction of capital assets	(6,543,240)	-	(6,543,240)
Net Cash Used by Capital and Related Financing Activities	<u>(281,358)</u>	<u>-</u>	<u>(281,358)</u>
Cash Flows From Investing Activities:			
Purchase of investments	(250,000)	-	(250,000)
Interest earned	10,467	-	10,467
Net Cash Provided by Investing Activities	<u>(239,533)</u>	<u>-</u>	<u>(239,533)</u>
Net Decrease in Cash and Cash Equivalents for the year	79,999	241,732	321,731
Cash and Cash Equivalents at Beginning of Year	<u>3,275,140</u>	<u>-</u>	<u>3,275,140</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,355,139</u>	<u>\$ 241,732</u>	<u>\$ 3,596,871</u>
Reconciliation of Net Loss to Net Cash Provided (Used) by Operating Activities:			
Operating loss for the year	\$(396,685)	\$ 7,687	\$(388,998)
Adjustments to reconcile operating loss to net cash provided by operating activities -			
Depreciation	966,315	-	966,315
Change in assets and liabilities:			
Receivables	(368,306)	(190,051)	(558,357)
Inventory	26,076	-	26,076
Prepaid expenses	14,944	-	14,944
Deposits at County	(114,553)	-	(114,553)
Due to other funds	258,661	-	258,661
Post employment benefits	198,544	-	198,544
Accounts payable/accrued expenses	74,894	424,096	498,990
Net Cash Used By Operating Activities	<u>\$ 659,890</u>	<u>\$ 241,732</u>	<u>\$ 901,622</u>

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

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010

	<u>Pension and Other Employee Benefit Trusts</u>	<u>Agency Funds</u>
ASSETS:		
Cash and cash equivalents	\$ 1,032,559	\$ 4,806,926
Investments		
U.S. Treasury	1,494,722	-
Federal agencies	1,612,147	-
Mortgage/asset backed securities	796,762	-
Corporate bonds	2,497,698	-
Stock/equities	12,161,536	-
Mutual funds	3,964,586	-
International Bonds	236,690	-
Alternative investments	310,227	-
Receivables:		
Due from other funds	-	12
Employer contributions	72,727	-
Accrued interest	25,869	-
Total assets	<u>24,205,523</u>	<u>\$ 4,806,938</u>
LIABILITIES:		
Accounts payable	-	\$ 230
Due to other funds	-	24,354
Bonds and deposits	-	540,463
Undistributed taxes and fees	-	4,241,891
Total liabilities	<u>-</u>	<u>\$ 4,806,938</u>
NET ASSETS		
Held in trust for pension benefits and other purposes	<u>\$ 24,205,523</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 ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Pension and Other Employee Benefit Trust Funds</u>
Additions:	
Contributions	
Employer contributions	\$ 1,096,119
Plan Member contributions	<u>205,530</u>
Total contributions	<u>1,301,649</u>
Investment income	
Net appreciation in fair value	2,770,261
Interest and dividends	<u>540,484</u>
Total investment income	3,310,745
Less investment expense	<u>(178,890)</u>
Net investment income	<u>3,131,855</u>
Total Additions	<u>4,433,504</u>
Deductions	
Benefits and refunds to participants	2,363,257
Administrative expenses	<u>7,919</u>
Total deductions	<u>2,371,176</u>
Net increase in plan net assets	2,062,328
Net assets held in trust for pension benefits - beginning of year	<u>22,143,195</u>
Net assets held in trust for pension benefits - end of year	<u>\$ 24,205,523</u>

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

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CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

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. Blended component units, although legally separate entities, are in substance, part of the governments' operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township.

BLENDDED COMPONENT UNITS -

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 2010 and has no assets or liabilities.

DISCRETELY PRESENTED COMPONENT UNITS -

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 board of trustees.

JOINT VENTURE -

The Charter Township's 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, One Crocker Boulevard, Mt. Clemens, Michigan, 48043.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

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 assets and the statement of changes in net assets) 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 2009 levy in 2010). 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 judgment are recorded only when payment is due.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

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. 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 a tax levy for the purpose of providing police protection for the Township.

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.

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:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulation provisions or administrative actions.

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

Capital Projects Fund - is used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary Funds and Trust Funds).

Agency Funds - are used to account for assets held by the Township as an agent for other governments and other funds.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

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, administrative expense, 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 and Net Assets or Equity -

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 demand deposits. 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, 2010

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 reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

Inventories and Prepaid Items -

All inventories are valued at cost using 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 2009 levy is recognized in 2010).

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) 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, 2010

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

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 assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts 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.

Fund Equity -

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 Changes -

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing fund type definitions. This statement establishes fund balance classification that comprise a hierarchy based primarily on the extent to which a governmental is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The new pronouncement is effective for the Township's year ending December 31, 2011.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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. However, for control purposes all budgets are maintained at the object (account) level. These are the legally enacted levels under the State of Michigan Uniform Budgeting and Accounting Act.

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, 2010, the Township incurred expenditures, which were in excess of the amount appropriated as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount</u> <u>Expended</u>	<u>Budget</u> <u>Variance</u>
General Fund -			
Attorney	\$ 115,000	\$ 117,189	\$(2,189)
Drains at large	49,500	121,688	(72,188)
Transfers to other funds	307,084	373,972	(66,888)
Fire Fund -			
Public safety	5,186,638	5,188,606	(1,968)
Building Inspection Fund	484,711	491,713	(7,002)

The Harrison Township Library Committee adopted a budget for the Library Fund; however, it was not approved by the Harrison Township Committee.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of December 31, 2010, the carrying amount of the deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Government</u>	<u>Component Unit (EDC)</u>	<u>Reporting Entity</u>
Cash on Hand				
Petty Cash	\$ 1,450	\$ -	\$ -	\$ 1,450
Deposits with Financial Institutions				
Deposits with Financial Institutions	10,260,646	4,868,772	12,446	15,141,864
Cash Held by Brokers	-	970,713	-	970,713
Certificates of Deposit	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Total	<u>\$ 11,260,646</u>	<u>\$ 5,839,485</u>	<u>\$ 12,446</u>	<u>\$ 17,112,577</u>
Investments				
U.S. Treasury	\$ -	\$ 1,494,722	\$ -	\$ 1,494,722
Federal Agencies	-	1,612,147	-	1,612,147
Mortgage/Asset Backed Securities	-	796,762	-	796,762
Corporate Bonds	-	2,497,698	-	2,497,698
International Bonds	-	236,690	-	236,690
Stock/Equity	-	12,161,536	-	12,161,536
Mutual Funds	-	3,964,586	-	3,964,586
Alternate Investments	-	310,227	-	310,227
Total Investments	<u>-</u>	<u>23,074,368</u>	<u>-</u>	<u>23,074,368</u>
Total Cash on Hand, Deposits, and Investments	<u>\$ 11,262,096</u>	<u>\$ 28,913,853</u>	<u>\$ 12,446</u>	<u>\$ 40,188,395</u>
Reconciliation to Combined Balance Sheet				
Reported as Cash and Cash Equivalents -				
Petty Cash	\$ 1,450	\$ -	\$ -	\$ 1,450
Checking	10,260,646	4,868,772	12,446	15,141,864
Cash Held by Brokers	<u>-</u>	<u>970,713</u>	<u>-</u>	<u>970,713</u>
Total Cash and Cash Equivalents	<u>10,262,096</u>	<u>5,839,485</u>	<u>12,446</u>	<u>16,114,027</u>
Reported as Investments -				
Certificates of Deposit	1,000,000	-	-	1,000,000
U.S. Treasury and Agency Securities	-	1,494,722	-	1,494,722
Federal Agencies	-	1,612,147	-	1,612,147
Mortgage/Asset Backed Securities	-	796,762	-	796,762
Corporate Bonds	-	2,497,698	-	2,497,698
International Bonds	-	236,690	-	236,690
Stock/Equity	-	12,161,536	-	12,161,536
Mutual Funds	-	3,964,586	-	3,964,586
Alternate Investments	<u>-</u>	<u>310,227</u>	<u>-</u>	<u>310,227</u>
Total Investments	<u>1,000,000</u>	<u>23,074,368</u>	<u>-</u>	<u>24,074,368</u>
Total Cash, Cash Equivalents, and Investments	<u>\$ 11,262,096</u>	<u>\$ 28,913,853</u>	<u>\$ 12,446</u>	<u>\$ 40,188,395</u>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

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

Deposits -

Act 217 PA 1982, as amended, authorizes the Township to deposit in certificate 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, 2010, the book value of the Township's deposits was \$16,141,864 with a corresponding bank balance of \$14,502,153. Insured deposits were \$750,000, and the remaining \$13,752,153 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.

Deposit of insurance regulations provide that deposits of governmental units are to be separately insured for the amount of \$250,000 for interest bearing accounts and \$250,000 for non-interest bearing accounts (unlimited insurance for certain non-interest bearing accounts).

As of January 1, 2011, regulations regarding the amount and accounts that are covered by the Federal Deposit Insurance Corporation (FDIC) changed significantly. As a result the amounts of deposits covered by the FDIC insurance and the amount uninsured may be significantly different from the amounts at December 31, 2010.

Investments -

The Township's investment policy and Act 20 of the Michigan Public Acts of 1943, as amended, authorizes the City 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 principle, 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).

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

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

The Township investment policy and state law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical 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 of 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:

<u>Investments</u>	<u>Fair Market Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Federal Securities	\$ 1,612,147	N/A	N/A
Mortgage and Asset Backed Securities	54,686	AAA	Moody's
	213,366	AAA	S & P
	44,571	AA	S & P
	64,114	AA-	S & P
	45,295	A+	S & P
	83,450	A	S & P
	176,320	A-	S & P
	114,960	BBB+	S & P
Corporate Debt	97,584	AA+	S & P
	169,040	AA	S & P
	81,298	AA-	S & P
	358,494	A+	S & P
	301,177	A	S & P
	469,846	A-	S & P
	371,919	BBB+	S & P
	362,058	BBB	S & P
	264,022	BBB-	S & P
Preferred Securities	22,260	W/R	Moody's
International Bonds	40,538	AA	S & P
	31,870	AAI	S & P
	41,573	A	S & P
	59,164	A-	S & P
	17,305	BBB+	S & P
	25,482	BBB	S & P
	20,758	BBB-	S & P

In addition, the Township utilizes a money market fund designed for governmental units in the State of Michigan, which invests primarily in commercial paper, repurchase agreements and U.S. governmental or its agencies. The fund had an average weighted maturity of 34 days and a rating of Aaa by Moody's investor service. The bank and book balance as of December 31, 2010 was \$91,008.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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, 2010, \$23,074,368 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	6-10	>10
U.S. Treasury	\$ 1,494,722	\$ 10,056	\$ 1,043,282	\$ 407,417	\$ 33,967
Federal Agencies	1,612,147	-	308,460	483,535	820,152
Mortgage and Asset Backed Securities	796,762	-	210,621	-	586,141
Corporate Debt/Preferred Securities	2,497,698	-	607,249	1,042,040	848,409
International Bonds	236,690	-	103,242	80,507	52,941
	<u>\$ 6,638,019</u>	<u>\$ 10,056</u>	<u>\$ 2,272,854</u>	<u>\$ 2,013,499</u>	<u>\$ 2,341,610</u>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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

Foreign Currency Risk - Investment - is the risk that significant fluctuations in exchange rates may adversely affect the fair value of an investment. The Township's exposure to foreign currency risk at December 31, 2010 is summarized as follows:

International Bonds -	
Canada	\$ 79,356
Luxemburg	26,048
Germany	6,700
Australia	20,131
France	20,407
Netherlands	15,359
United Kingdom	19,902
Switzerland	21,671
Norway	16,510
Tokyo	<u>10,606</u>
	<u>\$ 236,690</u>

NOTE 4 - RECEIVABLES:

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

	Governmental Activities	Business-Type Activities
Taxes	\$ 6,297,737	\$ -
Special Assessments	588,872	-
Accounts and Interest	380,466	1,676,841
Amount due from Fiduciary Funds	24,354	-
Intergovernmental	<u>611,274</u>	<u>-</u>
	7,902,703	1,676,841
Allowance for Doubtful Accounts	(40,940)	-
	<u>\$ 7,861,763</u>	<u>\$ 1,676,841</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned or are received in advance of the period they are intended to finance. At the end of the current fiscal year the components of deferred revenue reported in the governmental funds was as follows:

	Unavailable	Unearned
General Fund		
Property Taxes	\$ 3,130	\$ 325,666
Fees	21,103	-
Fire Fund		
Property Taxes	38,135	4,539,870
Police Fund		
Property Taxes	6,383	1,402,408
Debt Service Fund		
Special Assessments	<u>392,040</u>	<u>-</u>
	<u>\$ 460,791</u>	<u>\$ 6,267,944</u>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 5 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

The composition of interfund balances as of December 31, 2010:

Due To/From Other Funds -

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Building Inspections	\$ 4,181 (1)
	Water and Sewer Fund	130,883 (3) (5)
Building and Site Fund	General Fund	53,048 (2)
Tax Receiving Fund	General Fund	12 (3)
Building Inspection Fund	Water and Sewer Fund	15,587 (3)
Library Fund	Trust and Agency Fund	<u>24,354 (4)</u>
		<u>\$ 228,065</u>

- (1) Annual appropriations for operations
- (2) Matching funds for capital projects
- (3) Reimbursement of expenditures
- (4) Transfer of library assets to separate fund
- (5) Short-term cash advance

Transfers From/To Other Funds -

<u>Receiving Fund</u>	<u>Expending Fund</u>	<u>Amount</u>
Building Inspection Fund	General Fund	\$ 150,466 (1)
Building and Site Fund	General Fund	156,706 (1)
Retiree Health Care Fund	General Fund	66,800 (2)
	Fire Fund	166,600 (2)
	Building Inspection Fund	13,300 (2)
	Grant Fund	3,200 (2)
	Water & Sewer Fund	<u>59,000 (2)</u>
		<u>\$ 616,072</u>

- (1) Annual appropriations for operations
- (2) Transfer for postemployment benefits

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 6 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended December 31, 2010 was as follows:

	Jan. 1, 2010		Disposals/	Dec. 31, 2010
	<u>Balance</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 2,382,084	\$ -	\$ -	\$ 2,382,084
Construction in Progress	-	709,080	-	709,080
Total Capital Assets, not being depreciated	<u>2,382,084</u>	<u>709,080</u>	<u>-</u>	<u>3,091,164</u>
Capital Assets, being depreciated:				
Buildings	4,247,781	-	-	4,247,781
Machinery and Equipment	3,843,270	76,826	105,035	3,815,061
Infrastructure	<u>949,582</u>	<u>136,025</u>	<u>-</u>	<u>1,085,607</u>
Total Capital Assets, being depreciated	<u>9,040,633</u>	<u>212,851</u>	<u>105,035</u>	<u>9,148,449</u>
Less accumulated depreciation:				
Buildings	1,134,350	138,579	-	1,272,929
Machinery and Equipment	2,401,989	222,054	99,118	2,524,925
Infrastructure	<u>248,132</u>	<u>27,771</u>	<u>-</u>	<u>275,903</u>
Total accumulated depreciation	<u>3,784,471</u>	<u>388,404</u>	<u>99,118</u>	<u>4,073,757</u>
Total Capital Assets, being depreciated, net	<u>5,256,162</u>	<u>(175,553)</u>	<u>5,917</u>	<u>5,074,692</u>
Governmental Activities Capital Assets, net	<u>\$ 7,638,246</u>	<u>\$ 533,527</u>	<u>\$ 5,917</u>	<u>\$ 8,165,856</u>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

	Jan. 1, 2010 <u>Balance</u>	<u>Additions</u>	Disposals/ <u>Adjustments</u>	Dec. 31, 2010 <u>Balance</u>
Business-type Activities:				
Capital Assets, not being depreciated:				
Land	\$ 704,292	\$ 14,163	\$ -	\$ 718,455
Construction in Progress	<u>209,500</u>	<u>1,648,434</u>	<u>874</u>	<u>1,857,060</u>
Total Capital Assets, not being depreciated	<u>913,792</u>	<u>1,662,597</u>	<u>874</u>	<u>2,575,515</u>
Capital Assets, being depreciated:				
Buildings	689,549	-	-	689,549
Water Mains and Lines	12,925,490	874	-	12,926,364
Sewer Mains and Lines	25,053,907	-	-	25,053,907
Sprinkler (water main improvement)	70,656	-	-	70,656
Macomb/Oakland Interceptors *	-	4,864,539	-	4,864,539
Machinery and Equipment	<u>2,294,601</u>	<u>16,104</u>	<u>-</u>	<u>2,310,705</u>
Total Capital Assets, being depreciated	<u>41,034,203</u>	<u>4,881,517</u>	<u>-</u>	<u>45,915,720</u>
Less accumulated depreciation:				
Buildings	374,368	26,269	-	400,637
Water Mains and Lines	4,987,436	248,797	-	5,236,233
Sewer Mains and Lines	12,716,603	518,916	-	13,235,519
Sprinkler (water main improvements)	20,489	1,413	-	21,902
Macomb/Oakland Interceptors *	-	121,614	-	121,614
Machinery and Equipment	<u>2,054,370</u>	<u>49,306</u>	<u>-</u>	<u>2,103,676</u>
Total accumulated depreciation	<u>20,153,266</u>	<u>966,315</u>	<u>-</u>	<u>21,119,581</u>
Total Capital Assets, being depreciated, net	<u>20,880,937</u>	<u>3,915,202</u>	<u>-</u>	<u>24,796,139</u>
Business Activities Capital Assets, net	<u>\$ 21,794,729</u>	<u>\$ 5,577,799</u>	<u>\$ 874</u>	<u>\$ 27,371,654</u>

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

Governmental Activities:	
General Government	\$ 98,690
Public Safety	261,577
Public Works	27,771
Community and Economic Development	<u>366</u>
Total depreciation expense - governmental activities	<u>\$ 388,404</u>
Business-type Activities:	
Water/Sewer Fund	<u>\$ 966,315</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, 2010

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, 2010:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
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%	\$ 695,000	\$ -	\$(75,000)	\$ 620,000	\$ 75,000
Special assessment bonds:					
2001 Paving District No. 202 Limited Tax Bonds Amount of issue: \$205,000 Maturing through: February 1, 2011 Interest rate ranges: 3.80% - 4.70%	40,000		(20,000)	20,000	20,000
2002 Paving District No. 203 Limited Tax Bonds Amount of issue: \$420,000 Maturing through: February 1, 2012 Interest rate ranges: 3.75% - 6.75%	125,000		(45,000)	80,000	40,000
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%	115,000		(25,000)	90,000	25,000
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%	135,000		(25,000)	110,000	25,000
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%	675,000		(100,000)	575,000	100,000
Other long-term obligations					
Loan to purchase vacant land	596,747		(126,048)	470,699	131,183
2010 Cottrel Creek Obligation	-	57,200	-	57,200	28,600
Compensated absences	974,291	994,572	(974,294)	994,569	-
Post employment benefits	1,929,360	884,519	-	2,813,879	-
Total governmental activities	<u>\$ 5,285,398</u>	<u>\$ 1,936,291</u>	<u>\$(1,390,342)</u>	<u>\$ 5,831,347</u>	<u>\$ 444,783</u>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-type Activities:					
County Drain Contract Obligations:					
2008 North Gratiot Interceptor					
Drain District					
Amount of issued: \$494,749					
Maturity through June 1, 2033					
Interest rate ranges: 3.25%-5.0%					
	\$ -	\$ 494,749	\$(21,925)	\$ 472,824	\$ 11,073
2010 North Gratiot Interceptor					
Drain District					
Amount of issue: \$46,005					
Maturity through May 1, 2035					
Interest rate ranges: 1.0%-6.35%					
	-	46,005	-	46,005	881
2010 Oakland Macomb Interceptor					
Drain District					
Amount of issue: \$161,721, net of forgivable portion					
Maturity through April 1, 2031					
Interest rate ranges: 2.5%					
	-	161,721	-	161,721	6,301
2010B Oakland Macomb Interceptor					
Drain District					
Amount of issue: \$201,099					
Maturity through April 1, 2030					
Interest rate ranges: 1.15%-5.90%					
	-	201,099	-	201,099	5,703
2010 Macomb Interceptor Drain District					
Amount of issue: \$4,864,539					
Maturity through November 1, 2035					
Interest rate ranges: 1.25%-5.375%					
	-	4,864,539	-	4,864,539	-
Compensated absences	28,136	29,534	(28,136)	29,534	-
Postemployment benefits	502,789	198,544	-	701,333	-
Total business-type activities	<u>530,925</u>	<u>5,996,191</u>	<u>(50,061)</u>	<u>6,477,055</u>	<u>23,958</u>
Total primary government	<u>\$ 5,816,323</u>	<u>\$ 7,932,482</u>	<u>\$(1,440,403)</u>	<u>\$12,308,402</u>	<u>\$ 468,741</u>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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

Annual Debt Requirements:

The annual requirements to pay the debt outstanding at December 31, 2010 for the following bonds and notes (excluding compensated absences) are as follows:

	<u>Governmental Activities</u>					
	<u>G.O. Bond</u>		<u>S.A. Bond</u>		<u>Land Note / Cottrel Creek</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 75,000	\$ 29,144	\$ 210,000	\$ 29,243	\$ 159,783	\$ 16,440
2012	75,000	25,619	185,000	21,929	165,128	11,095
2013	75,000	22,019	135,000	16,131	142,090	5,533
2014	95,000	17,825	135,000	11,294	60,898	610
2015	100,000	12,900	115,000	6,456	-	-
2016-2018	200,000	10,375	95,000	2,019	-	-
	<u>\$ 620,000</u>	<u>\$ 117,882</u>	<u>\$ 875,000</u>	<u>\$ 87,072</u>	<u>\$ 527,899</u>	<u>\$ 33,678</u>
	<u>Business-type Activities</u>					
	<u>Principal</u>	<u>Interest</u>				
2011	\$ 23,958	\$ 176,479				
2012	178,193	174,601				
2013	180,205	172,296				
2014	188,242	169,337				
2015	190,892	165,959				
2016-2020	1,025,880	758,734				
2021-2025	1,183,833	592,813				
2026-2030	1,392,254	366,448				
2031-2035	<u>1,382,731</u>	<u>103,497</u>				
2036-2040	<u>\$ 5,746,188</u>	<u>\$ 2,680,164</u>				

During the year, the Oakland-Macomb Interceptor Drainage District (OMID) issued \$6,700,000 of county drain bonds, of which \$201,099 is the Township's share. The proceeds are being used to improve and repair the OMID Interceptor which is a multi-jurisdictional drainage system. These bonds were issued as taxable Recovery Zone Economic Development Bonds (RZEDBs). RZEDBs are eligible to recover tax credit payments from the United States Treasury equal to 45 percent of the interest payable on the bonds. The Township anticipates receiving credits in the future for its proportionate share of recovered interest costs.

Also during the year, the OMID was approved for \$42,000,000 of loans through the Michigan State Revolving Loan Fund Program (SRF), of which approximately \$161,721 is the Township's share. The SRF loans are, in part, supported by grant funding from the American Recovery and Reinvestment Act of 2009 (ARRA) and includes loan principal forgiveness which will equal 40 percent of final allowable project costs. The ARRA amounts are recognized as contributed capital when construction costs are incurred. For the year ended December 31, 2010, approximately \$25,900,000 of costs was incurred by OMID, resulting in approximately \$487,000 of contributed capital recognized as the Township's share. No amounts were drawn on the SRF loan at that time.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

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

During the year, the North Gratiot Interceptor Drainage District (NGID) allocated a percent of the Drainage District Bonds Phase I, Series 2008 bonds totaling \$22,340,000 to participating communities. Debt was allocated based on a three-year average flow calculation, of which \$494,749 is the Township's share.

During the year, the North Gratiot Interceptor Drainage District (NGID) allocated a percent of the Drainage District Bonds Phase II, Series 2010 bonds totaling \$16,965,000 to participating communities. Debt was allocated based on a three-year average flow calculation, of which \$46,005 is the Township's share.

During the year, the Macomb Interceptor Drain District allocated a percentage of the Macomb Interceptor, Series 2010A bonds totaling \$95,620,000 to participating communities. The Township's share was \$4,864,539.

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 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.

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 Townships 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 is self-insured for health care benefits for all employees (and their families) up to a limit of \$7,000. The Township has purchased insurance coverage for regular employees through Blue Cross Blue Shield of Michigan (BCBS). Group health insurance is purchased from Total Health Care for supervisors and elected and appointed officials. The group health coverage for regular employees includes deductibles of \$1,000 and \$2,000 for single and family plan employees, and copays up to 20% of medical charges to a limit of \$2,500 and \$5,000, respectively. Copayments and deductibles are paid for by the Township through a third party administrator, in order to reduce the overall cost of the Township's health care insurance premiums. Supervisory employees and elected and appointed officials receive health care coverage through Total Health Care with deductibles of \$900/\$1,800 and copay limits of \$1,100 and \$2,200. The current year costs of the administration and benefits were \$9,755 and \$190,358.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS:

Plan Description -

Employees' Retirement System. The Employees Retirement 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 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.

Firemen's Pension Fund. 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 in writing to the system at 38151 L'Anse Creuse Road, Harrison Township, Michigan 48045.

Eligibility -

Employees' Retirement System. The Plan provides eligible participants with retirement benefits as well as disability benefits. For AFSCME employees hired before January 1, 2008, all retirement benefits fully vest after age 55 with 8 years of service, or completion of 25 years of service, whichever is earliest. For AFSCME employees hired on or after January 1, 2008, retirement at age 55 requires a minimum of 15 years of service. For Supervisory employees hired before January 1, 2010, all retirement benefits fully vest after age 55 with 8 years of service, or completion of 25 years of service, whichever is earliest. For Supervisory employees hired on or after January 1, 2010, employee shall not participate in the Employees Retirement System, but instead the Township will match the employee's contributions (up to 10% of wages) into a deferred compensation plan.

Once fully vested, employees are entitled to an annual retirement benefit, payable in an amount equal to 2.5% of final average compensation (FAC) times first 25 years of service, plus 1% of FAC times years of service in excess of 25 years. Supervisory employees annual retirement benefit is equal to 2.5% of FAC for all years of service.

At December 31, 2010, the Plan Participants consisted of:

Retirees and beneficiaries currently receiving benefits	42
Terminated plan members entitled to but not yet receiving benefits	9
Active plan members	<u>38</u>
Total	<u>89</u>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

Firemen's Pension Fund. The Plan provides eligible participants with retirement benefits as well as disability benefits. All retirement benefits fully vest after 20 years of service regardless of age; or when the sum of age and credited service meets or exceeds 70, with partial vesting granted for service of 10 and 20 years. Employees who retire are entitled to an annual retirement benefit, payable monthly in an amount equal to 2.8% of 3-year average final compensation (AFC) times first 20 years of service plus 1.8% of AFC times years of service in excess of 20 years, up to 25 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, 2010, the Plan Participants consisted of:

Retirees and beneficiaries currently receiving benefits	30
Active plan members	<u>27</u>
Total	<u><u>57</u></u>

Investments -

Employees' Retirement System. 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 %	65.0 %
Fixed Income	25	40	34.5
Cash and Equivalents	0	10	0.5

Firemen's Pension Fund. 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
Cash/Cash Equivalents	0	10	3

Required Contributions -

Employees' Retirement System. The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units and requires a contribution for the employees of 5% of gross wages, or 12.5% for employees hired on or after January 1, 2009. The funding policy provides for periodic employer contributions at actuarially determined rates, which for 2010 was 21.6% of covered payroll.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

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

Firemen's Pension Fund. The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining unit and requires a contribution for the employees of 5% of gross wages. The funding policy provides for periodic employer contributions at actuarially determined rates, which for 2010 was 30.87% of covered payroll.

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. 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 reported at fair value. Guaranteed Investment Certificates are valued at estimated fair value. The investments of both plans are not federally insured.

c. *Annual Pension Cost and Net Pension Obligation*

Employees' Retirement System. For the year ended December 31, 2010, the Township's annual pension cost of \$402,698 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, 2009, using the entry age actuarial cost method. Significant actuarial assumptions include (a) 7% investment rate of return, (b) projected salary increases of 5% to 8.8% 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 open method. The remaining amortization period is 22 years.

Firemen's Pension Fund. For the year ended December 31, 2010, the Township's annual pension cost of \$693,421 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, 2009, using the entry age actuarial cost method. Significant actuarial assumptions include (a) a 7.5% investment rate of return, and (b) a projected salary increase of 4.5% to 14.2% 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 of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized using the level percent open method. The remaining amortization period is 30 years.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

Trend Information -

Employees' Retirement System

<u>Asset Class</u>	<u>Annual Pension Percentage of APC</u>		<u>Net Pension Obligation</u>
	<u>Cost (APC)</u>	<u>Contributed</u>	
12/31/08	\$ 398,126	100 %	\$ -
12/31/09	441,414	100	-
12/31/10	402,698	100	-

Firemen's Pension Fund

<u>Asset Class</u>	<u>Annual Pension Percentage of APC</u>		<u>Net Pension Obligation</u>
	<u>Cost (APC)</u>	<u>Contributed</u>	
12/31/08	\$ 463,914	100 %	\$ -
12/31/09	497,579	100	-
12/31/10	693,421	100	-

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. Eligibility for postemployment benefits and memberships are the same as noted for the basic retirement benefits explained in Note 9.

In general 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 December 31, 2007</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%
	<u>Employees Hired on or After January 1, 2008</u>	
	15 to 19 years of service	Employee 65%, Township 35%
	20 to 24 years of service	Employee 40%, Township 60%
	24 years or more	Employee 15%, Township 85%

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

Firefighters - Employees 0%, Township 100%

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

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 a Special Revenues Fund to advance funds on these benefits. However, since the contributions are not made to an irrevocable trust, which is not available to the Townships general creditors, they are not counted towards the ARC contribution.

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:

Annual Required Contribution	\$ 1,914,293
Interest on Net OPEB Obligation	121,607
Adjustment to Annual Required Contribution	(158,214)
Annual OPEB Cost (expense)	1,877,686
Contributions Made	(794,623)
Increase in Net OPEB Obligation	1,083,063
Net OPEB Obligation - beginning of year	2,432,149
Net OPEB Obligation - end of year	<u>\$ 3,515,212</u>

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 -

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 % of Covered Payroll (b-a)/c
6/30/06	\$ -	\$ 29,846,613	\$ 29,846,613	\$ -	\$ 3,497,537	853 %
12/31/08	-	39,633,756	39,633,756	-	3,996,428	992

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

Schedule of Employer Contributions -

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 2,132,768	36 %	\$ 1,367,842
2009	1,893,706	43	1,064,307
2010	1,877,686	42	1,083,063

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, 2008 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 coverage's. 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, 2010:

	<u>Water and Sewer Fund</u>
Deposit with Oakland County *	\$ <u>114,553</u>

- * This amount is held by Oakland County in a construction fund maintained on behalf of the Township for the Oakland-Macomb Interceptor Drainage District.

NOTE 12 - RESERVED/DESIGNATED FUND BALANCE/RETAINED EARNINGS:

Reserved Fund Balance -

Fund Balance has been reserved in the various fund types to indicate that a portion of the Fund Balance is not available but reserved for specific purposes:

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 12 - RESERVED/DESIGNATED FUND BALANCE/RETAINED EARNINGS - (cont'd):

Fund Balance -		
General Fund	Deposits	\$ 4,000
Debt Service Fund	Debt Retirement	764,059
Capital Projects Fund -		
Building and site	Capital Projects	2,055
Special Assessment -		
Capital Projects	Capital Projects	134,850
Special Assessment -		
Revolving	Capital Projects	<u>46,226</u>
		<u>\$ 951,190</u>

Designated Net Assets -

The Township board has the power to designate or set aside all or a portion of Unreserved Fund Balance/Net Assets for specific purpose. The following is a summary of Board Designations at December 31, 2010:

Water and Sewer Fund	Capital Improvements	<u>\$ 2,231,723</u>
----------------------	----------------------	---------------------

Restricted Net Assets:

The Township received \$118,000 from a local contractor upon completion of a subdivision to be utilized for future drain improvements. These funds have been restricted for capital improvements in the Water and Sewer Fund.

NOTE 13 - COMMITMENTS:

The Township has active construction projects as of December 31, 2010, some of which are partially funded by Federal Grants. At year end the Township's commitments with contractors are as follows:

Project Description	Spent To Date	Remaining Commitment
DWSD Meter Pit	\$ 135,566	\$ 291,434
Water Tower Project	67,500	1,311,500
Bike Path	278,475	2,781,525

NOTE 14 - CONTINGENT LIABILITIES:

The Township is a defendant in various legal actions filed against the Township, its employees and or current or former Board members. In most cases the Township's liability insurance through the Michigan Township Plan would cover any potential losses unless the limits of \$5,000,000 have been exceeded. However, legal counsel has advised that certain allegations being asserted in at least one of the legal actions may not be covered by the insurance contract.

REQUIRED SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

EMPLOYEES' RETIREMENT SYSTEM
(Unaudited)

Schedule of Funding Progress

Actuarial Valuation Date (December 31)	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Attained Age	(b-a) Unfunded Actuarial Accrued Liability (Asset)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a/c) UAAL as a % of Covered Payroll
12/31/2000	\$ 10,086,683	\$ 10,584,130	\$ 497,447	95.3%	\$ 2,129,790	23.4%
12/31/2001	10,603,709	11,437,172	833,463	92.7%	2,271,123	36.7%
12/31/2002	10,851,905	12,188,641	1,336,736	89.0%	2,544,024	52.5%
12/31/2003	11,274,486	12,823,259	1,548,773	87.9%	2,292,453	67.6%
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%

Schedule of Employer Contributions

Year Ended (December 31)	Annual Required Contribution	Actual Annual Contribution	Percent Contributed
2001	\$ 370,395	\$ 370,395	100.0%
2002	437,514	437,514	100.0%
2003	312,506	312,506	100.0%
2004	330,751	330,751	100.0%
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%

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

FIREMEN'S PENSION FUND
(Unaudited)

Schedule of Funding Progress

Actuarial Valuation Date (December 31)	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Attained Age	(b-a) Unfunded Actuarial Accrued Liability (Asset)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/(c)) UAAL as a % of Covered Payroll
12/31/2000	\$ 11,916,284	\$ 12,028,593	\$ 112,309	99.1%	\$ 1,828,011	6.1%
12/31/2001	12,483,861	12,291,086	(192,775)	101.6%	1,678,054	-11.5%
12/31/2002	12,816,039	12,921,489	105,450	99.2%	1,949,550	5.4%
12/31/2003	13,592,377	13,706,190	113,813	99.2%	2,046,793	5.6%
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%

Schedule of Employer Contributions

Year Ended (December 31)	Annual Required Contribution	Actual Annual Contribution	Percent Contributed
2001	\$ 345,071	\$ 345,071	100.0%
2002	429,662	429,662	100.0%
2003	437,191	437,191	100.0%
2004	410,281	410,281	100.0%
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%

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, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 497,628	\$ 497,628	\$ 496,327	\$(1,301)
Licenses and permits	401,760	425,935	438,398	12,463
Intergovernmental	1,734,898	1,572,342	1,595,408	23,066
Charges for services	200,050	186,650	198,824	12,174
Interest and rent	101,500	12,500	14,887	2,387
Other revenues	7,000	16,000	7,018	(8,982)
Total Revenues	<u>2,942,836</u>	<u>2,711,055</u>	<u>2,750,862</u>	<u>39,807</u>
Expenditures:				
General Government -				
Administration	401,700	341,849	304,731	37,118
Township Board	45,710	45,710	42,263	3,447
Supervisor	168,270	182,790	178,936	3,854
Elections	155,984	157,168	116,166	41,002
Assessor	400,943	415,158	412,114	3,044
Attorney	140,000	115,000	117,189	(2,189)
Clerk	192,563	196,895	183,570	13,325
Accounting	281,281	280,865	271,784	9,081
Cable television committee	9,400	9,400	1,426	7,974
Zoning Board	57,196	39,802	37,327	2,475
Treasurer	331,402	334,231	324,910	9,321
Grounds, hall and equipment	270,831	237,831	229,972	7,859
Ordinance	128,973	124,081	120,968	3,113
	<u>2,584,253</u>	<u>2,480,780</u>	<u>2,341,356</u>	<u>139,424</u>
Less: Reimbursement from other funds	(220,000)	(220,000)	(220,000)	-
	<u>2,364,253</u>	<u>2,260,780</u>	<u>2,121,356</u>	<u>139,424</u>
Public Safety -				
Planning Commission	87,152	79,035	75,790	3,245
Public Works -				
Highways and streets	26,000	70,075	62,085	7,990
Drains at large and watershed	49,500	49,500	121,688	(72,188)
	<u>75,500</u>	<u>119,575</u>	<u>183,773</u>	<u>(64,198)</u>

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, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Expenditures - (cont'd):				
Recreation and Cultural -				
Parks and recreation	\$ 13,600	\$ 8,600	\$ 5,853	\$ 2,747
Beautification Commission	1,525	1,525	785	740
	<u>15,125</u>	<u>10,125</u>	<u>6,638</u>	<u>3,487</u>
Debt Service				
Principal	126,048	126,048	126,048	-
Interest and fees	21,575	21,575	21,575	-
	<u>147,623</u>	<u>147,623</u>	<u>147,623</u>	<u>-</u>
 Total Expenditures	 <u>2,689,653</u>	 <u>2,617,138</u>	 <u>2,535,180</u>	 <u>81,958</u>
 Revenues over (under) expenditures	 <u>253,183</u>	 <u>93,917</u>	 <u>215,682</u>	 <u>121,765</u>
 Other Financing Sources (Uses):				
Transfers to other funds	(368,008)	(307,084)	(373,972)	(66,888)
Bond proceeds	-	-	57,200	57,200
	<u>(368,008)</u>	<u>(307,084)</u>	<u>(316,772)</u>	<u>(9,688)</u>
 Net Change in Fund Balance	 (114,825)	 (213,167)	 (101,090)	 112,077
 Fund Balance at beginning of year	 <u>3,262,514</u>	 <u>3,262,514</u>	 <u>3,262,514</u>	 <u>-</u>
 Fund Balance at end of year	 <u>\$ 3,147,689</u>	 <u>\$ 3,049,347</u>	 <u>\$ 3,161,424</u>	 <u>\$ 112,077</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, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 4,799,453	\$ 4,711,838	\$ 4,710,334	\$(1,504)
Intergovernmental - Federal/State	-	70,000	70,858	858
Charges for services	394,400	399,400	389,436	(9,964)
Interest	70,000	10,000	11,398	1,398
Other	2,000	12,000	15,803	3,803
	<u>\$ 5,265,853</u>	<u>\$ 5,203,238</u>	<u>5,197,829</u>	<u>(5,409)</u>
Expenditures:				
Public Safety -	<u>4,991,638</u>	<u>5,186,638</u>	<u>5,188,606</u>	<u>(1,968)</u>
Revenues over (under) expenditures	274,215	16,600	9,223	(7,377)
Other financing Uses				
Transfers to other funds	<u>(274,215)</u>	<u>(166,600)</u>	<u>(166,600)</u>	<u>-</u>
Net change in fund balance	-	(150,000)	(157,377)	(7,377)
Fund Balance at beginning of year	<u>2,118,110</u>	<u>2,118,110</u>	<u>2,118,110</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 2,118,110</u>	<u>\$ 1,968,110</u>	<u>\$ 1,960,733</u>	<u>\$(7,377)</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, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Property taxes	\$ 1,343,198	\$ 1,348,198	\$ 1,347,849	\$(349)
Interest	20,000	2,000	1,212	(788)
	<u>1,363,198</u>	<u>1,350,198</u>	<u>1,349,061</u>	<u>(1,137)</u>
Expenditures:				
Public Safety - Contracted services	<u>1,363,198</u>	<u>1,350,198</u>	<u>1,296,513</u>	<u>53,685</u>
Net change in fund balance	-	-	52,548	52,548
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>\$ 52,548</u>	<u>\$ 52,548</u>

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SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010

Special Revenue Funds

	Grant	Parks & Recreation	Retiree Healthcare Fund	Building Inspections
ASSETS				
Current assets -				
Cash and cash equivalents	\$ 32,435	\$ 23,038	\$ 1,858,019	\$ -
Investments	-	-	250,000	-
Receivables -				
Interest and accounts (net of allowance)	-	-	806	-
Due from other governmental units	23,857	-	-	-
Due from other funds	-	-	-	15,587
	<u>\$ 56,292</u>	<u>\$ 23,038</u>	<u>\$ 2,108,825</u>	<u>\$ 15,587</u>
 LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 1,820	\$ -	\$ -	\$ 4,258
Accrued liabilities	1,415	-	-	7,148
Due to other funds	-	-	-	4,181
Total Liabilities	<u>3,235</u>	<u>-</u>	<u>-</u>	<u>15,587</u>
 Fund Balance:				
Reserved-				
Capital Projects	-	-	-	-
Unreserved -				
Undesignated	53,057	23,038	2,108,825	-
Total Fund Balance	<u>53,057</u>	<u>23,038</u>	<u>2,108,825</u>	<u>-</u>
 Total Liabilities and Fund Balance	<u>\$ 56,292</u>	<u>\$ 23,038</u>	<u>\$ 2,108,825</u>	<u>\$ 15,587</u>

Capital Projects Funds

Library Fund	Building and Site	Special Assessments Capital Projects	Special Assessments Revolving	Total
\$ -	\$ 16,766	\$ 134,872	\$ 42,676	\$ 2,107,806
-	-	-	-	250,000
-	-	-	3,550	4,356
-	40,729	-	-	64,586
<u>24,354</u>	<u>53,048</u>	<u>-</u>	<u>-</u>	<u>92,989</u>
<u>\$ 24,354</u>	<u>\$ 110,543</u>	<u>\$ 134,872</u>	<u>\$ 46,226</u>	<u>\$ 2,519,737</u>
\$ 383	\$ 108,488	\$ 22	\$ -	\$ 114,971
-	-	-	-	8,563
-	-	-	-	4,181
<u>383</u>	<u>108,488</u>	<u>22</u>	<u>-</u>	<u>127,715</u>
-	2,055	134,850	46,226	183,131
23,971	-	-	-	2,208,891
<u>23,971</u>	<u>2,055</u>	<u>134,850</u>	<u>46,226</u>	<u>2,392,022</u>
<u>\$ 24,354</u>	<u>\$ 110,543</u>	<u>\$ 134,872</u>	<u>\$ 46,226</u>	<u>\$ 2,519,737</u>

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, 2010

	Special Revenue Funds			
	Grant	Parks & Recreation	Retiree Healthcare Fund	Building Inspections
Revenues:				
Licenses and permits	\$ -	\$ -	\$ -	\$ 315,106
Intergovernmental -				
Federal/State	115,070	-	-	639
Charges for services	-	-	-	38,802
Interest and rent	1	2	9,158	-
Other	1,672	-	-	-
Total Revenues	<u>116,743</u>	<u>2</u>	<u>9,158</u>	<u>354,547</u>
Expenditures:				
Current -				
General Government	-	-	8,150	-
Public Safety	-	-	-	491,713
Public Works	-	-	-	-
Recreation and Culture	-	-	-	-
Community and Economic Development	110,206	-	-	-
Total Expenditures	<u>110,206</u>	<u>-</u>	<u>8,150</u>	<u>491,713</u>
Revenues over (under) expenditures	<u>6,537</u>	<u>2</u>	<u>1,008</u>	<u>(137,166)</u>
Other Financing Sources (Uses):				
Transfers to other funds	(3,200)	-	-	(13,300)
Transfers from other funds	-	-	308,900	150,466
	<u>(3,200)</u>	<u>-</u>	<u>308,900</u>	<u>137,166</u>
Net Change in Fund Balances	3,337	2	309,908	-
Fund Balances at beginning of year	<u>49,720</u>	<u>23,036</u>	<u>1,798,917</u>	<u>-</u>
Fund Balances at end of year	<u>\$ 53,057</u>	<u>\$ 23,038</u>	<u>\$ 2,108,825</u>	<u>\$ -</u>

Capital Projects Funds

<u>Library Fund</u>	<u>Building and Site</u>	<u>Special Assessments Capital Projects</u>	<u>Special Assessments Revolving</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 315,106
-	691,951	-	-	807,660
11,608	-	-	-	50,410
-	-	295	-	9,456
24,595	-	-	472	26,739
<u>36,203</u>	<u>691,951</u>	<u>295</u>	<u>472</u>	<u>1,209,371</u>
-	-	-	-	8,150
-	-	-	-	491,713
-	848,657	-	-	848,657
12,232	-	-	-	12,232
-	-	-	-	110,206
<u>12,232</u>	<u>848,657</u>	<u>-</u>	<u>-</u>	<u>1,470,958</u>
<u>23,971</u>	<u>(156,706)</u>	<u>295</u>	<u>472</u>	<u>(261,587)</u>
-	-	-	-	(16,500)
-	156,706	-	-	616,072
<u>-</u>	<u>156,706</u>	<u>-</u>	<u>-</u>	<u>599,572</u>
23,971	-	295	472	337,985
-	2,055	134,555	45,754	2,054,037
<u>\$ 23,971</u>	<u>\$ 2,055</u>	<u>\$ 134,850</u>	<u>\$ 46,226</u>	<u>\$ 2,392,022</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, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Grant income	\$ 103,427	\$ 110,827	\$ 115,070	\$ 4,243
Interest and rent -	250	250	1	(249)
Other	200	200	1,672	1,472
	<u>103,877</u>	<u>111,277</u>	<u>116,743</u>	<u>5,466</u>
 Expenditures:				
Community Development	<u>167,717</u>	<u>126,550</u>	<u>110,206</u>	<u>16,344</u>
Revenues over (under) expenditures	<u>(63,840)</u>	<u>(15,273)</u>	<u>6,537</u>	<u>21,810</u>
 Other Financing Sources:				
Transfers to other funds	(3,200)	(3,200)	(3,200)	-
Transfers from other funds	67,040	18,473	-	18,473
	<u>63,840</u>	<u>15,273</u>	<u>(3,200)</u>	<u>18,473</u>
 Net Change in Fund Balance	-	-	3,337	40,283
 Fund Balance at beginning of year	<u>49,720</u>	<u>49,720</u>	<u>49,720</u>	<u>-</u>
 Fund Balance at end of year	<u>\$ 49,720</u>	<u>\$ 49,720</u>	<u>\$ 53,057</u>	<u>\$ 40,283</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, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Interest and rent -				
Interest on investment	\$ -	\$ -	\$ 2	\$ 2
	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
Expenditures:				
Recreation and Cultural	-	-	-	-
Capital Outlay	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	2	2
Fund Balance at beginning of year	<u>23,036</u>	<u>23,036</u>	<u>23,036</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 23,036</u>	<u>\$ 23,036</u>	<u>\$ 23,038</u>	<u>\$ 2</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, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Licenses and permits	\$ 280,000	\$ 297,000	\$ 315,106	\$ 18,106
Charges for services	25,000	35,000	38,802	3,802
Intergovernmental - Federal	-	-	639	639
Interest	5,000	-	-	-
	<u>310,000</u>	<u>332,000</u>	<u>354,547</u>	<u>22,547</u>
Expenditures:				
Public Safety -	<u>531,068</u>	<u>484,711</u>	<u>491,713</u>	(7,002)
Revenues over (under) expenditures	<u>(221,068)</u>	<u>(152,711)</u>	<u>(137,166)</u>	<u>15,545</u>
Other financing sources:				
Transfer to other funds	(13,300)	(13,300)	(13,300)	-
Transfers from other funds	<u>234,368</u>	<u>166,011</u>	<u>150,466</u>	<u>15,545</u>
	<u>221,068</u>	<u>152,711</u>	<u>137,166</u>	<u>15,545</u>
Net Change in Fund Balance	-	-	-	31,090
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>\$ 31,090</u>

FIDUCIARY FUNDS

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS AND LIABILITIES
DECEMBER 31, 2010

	Pension and Other Employee Benefit Trust Funds		
	Firemen's Pension Trust	Employees' Retirement System Trust	Total
Assets:			
Cash and cash equivalents	\$ 716,694	\$ 315,865	\$ 1,032,559
Investments			
U.S. Treasury	1,093,776	400,946	1,494,722
Federal agencies	894,330	717,817	1,612,147
Mortgage/asset backed securities	-	796,762	796,762
Corporate bonds	1,192,982	1,304,716	2,497,698
Preferred securities	-	-	-
Stock/equities	5,319,055	6,842,481	12,161,536
Mutual funds	2,350,652	1,613,934	3,964,586
International Bonds	-	236,690	236,690
Alternative investments	310,227	-	310,227
Receivables			
Due from other funds	-	-	-
Employer contributions	43,429	29,298	72,727
Interest and dividend receivable	25,869	-	25,869
Total assets	<u>11,947,014</u>	<u>12,258,509</u>	<u>24,205,523</u>
Liabilities:			
Accounts payable	-	-	-
Due to other funds	-	-	-
Bonds and deposits	-	-	-
Undistributed taxes and fees	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets:			
Held in trust for pension benefits and other purposes	<u>\$ 11,947,014</u>	<u>\$ 12,258,509</u>	<u>\$ 24,205,523</u>

Agency Funds

Tax Receiving	Trust and Agency	Total
\$ 4,241,879	\$ 565,047	\$ 4,806,926
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
12	-	12
-	-	-
-	-	-
<u>\$ 4,241,891</u>	<u>\$ 565,047</u>	<u>\$ 4,806,938</u>
\$ -	\$ 230	\$ 230
-	24,354	24,354
-	540,463	540,463
4,241,891	-	4,241,891
<u>\$ 4,241,891</u>	<u>\$ 565,047</u>	<u>\$ 4,806,938</u>

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Firemen's Pension Trust	Employees' Retirement System Trust	Total
Additions:			
Contributions			
Employer contributions	\$ 693,421	\$ 402,698	\$ 1,096,119
Plan Member contributions	112,313	93,217	205,530
Total contributions	805,734	495,915	1,301,649
Investment income			
Net appreciation (depreciation) in fair value	1,314,485	1,455,776	2,770,261
Interest and dividends	280,510	259,974	540,484
Total investment income	1,594,995	1,715,750	3,310,745
Less investment expense	(110,542)	(68,348)	(178,890)
Net investment income	1,484,453	1,647,402	3,131,855
Total Additions	2,290,187	2,143,317	4,433,504
Deductions			
Benefits and refunds to participants	1,308,853	1,054,404	2,363,257
Administrative expenses	4,769	3,150	7,919
	1,313,622	1,057,554	2,371,176
Net increase in plan net assets	976,565	1,085,763	2,062,328
Net assets held in trust for pension benefits - beginning of year	10,970,449	11,172,746	22,143,195
Net assets held in trust for pension benefits - end of year	\$ 11,947,014	\$ 12,258,509	\$ 24,205,523