



# WEINLANDER FITZHUGH

CHARTER TOWNSHIP OF HAMPTON  
BAY COUNTY, MICHIGAN

FINANCIAL STATEMENTS  
DECEMBER 31, 2017



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# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

June 5, 2018

Township Board  
Charter Township of Hampton  
Bay County, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Charter Township of Hampton (Township), as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 from material misstatement.

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

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



Township Board  
Charter Township of Hampton  
June 5, 2018

## ***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 aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Charter Township of Hampton as of December 31, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining nonmajor fund financial statements and debt schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and debt schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining nonmajor fund financial statements and debt schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



# WEINLANDER FITZHUGH

Township Board  
Charter Township of Hampton  
June 5, 2018

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2018, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

*Weinlander Fitzhugh*

Charter Township of Hampton  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017

Our discussion and analysis of the Charter Township of Hampton's (Township) financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2017.

**Financial Highlights**

State shared revenues were \$831,537 or 24% of General Fund revenues, while tax collection revenue was \$1,840,829 or 54% of General Fund revenues. The General Fund reported a decrease in fund balance of \$78,654.

**Using this Annual Financial Report**

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Township financially as a whole. The Government-wide Financial Statements provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements look at the Township's operations in more detail than the Government-wide financial statements by providing information about the Township's most significant funds – the General Fund and Public Safety Fund with all other funds presented in one column as non-major funds. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the Government-wide financial statements for the Township's water and sewer operations. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the Township acts solely as an agent or trustee.

The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund and Public Safety Fund (Required Supplemental Information).

Other Supplemental Information



Charter Township of Hampton  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017

**Reporting the Township as a Whole**

*The Statement of Net Position and Statement of Activities*

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net position as a way to measure the Township's financial position. The change in net position provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, and facility conditions in arriving at their conclusion regarding the overall health of the Township.

In the Statement of Net Position and the Statement of Activities, the Township is divided into three kinds of activities:

- Governmental Activities – Most of the Township's basic services are reported here, including the fire, trash, inspection, drains and general administration. Sales taxes (state shared revenues), property taxes and franchise fees finance most of these activities.
- Business Type Activities – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township's water and sewer systems are reported here.
- Component Unit – The Township includes the Downtown Development Authority in their report. Although legally separate, this component unit is important because the Township is financially accountable for them.

**Reporting the Township's Most Significant Funds**

*Fund Financial Statements*

The Township's fund financial statements provide detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The Township's three types of funds, governmental, proprietary and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Charter Township of Hampton  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017

*Governmental Funds*

Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

*Proprietary Funds*

These funds are reported in fund financial statements and generally report services for which the Township charges a fee. Enterprise funds essentially encompass the same functions reported as business-type activities in the Government-wide statements.

These funds present the Township's water and sewer operations that are managed by the Township. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the system for the calendar year 2017.

*Fiduciary Funds*

The Township is the trustee, or fiduciary, for tax collections and other funds. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

Charter Township of Hampton  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017

**Township-wide Financial Analysis**

**Financial position** - The statement of net position provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net position as of December 31, 2017 and 2016.

| <u>Exhibit A</u>                                 | <u>Governmental Activities</u> |                       | <u>Business-Type Activities</u> |                     | <u>Total</u>        |                     |
|--|--------------------------------|-----------------------|---------------------------------|---------------------|---------------------|---------------------|
|  | <u>2017</u>                    | <u>2016</u>           | <u>2017</u>                     | <u>2016</u>         | <u>2017</u>         | <u>2016</u>         |
| <b>Assets</b>                                    |                                |                       |                                 |                     |                     |                     |
| Current and other assets                         | \$ 4,234,837                   | \$ 3,920,122          | \$ 7,706,155                    | \$ 7,389,742        | \$ 11,940,992       | \$ 11,309,864       |
| Capital assets - net of accumulated depreciation | 1,545,895                      | 1,636,671             | 10,389,433                      | 10,628,557          | 11,935,328          | 12,265,228          |
| Total assets                                     | <u>5,780,732</u>               | <u>5,556,793</u>      | <u>18,095,588</u>               | <u>18,018,299</u>   | <u>23,876,320</u>   | <u>23,575,092</u>   |
| <b>Liabilities</b>                               |                                |                       |                                 |                     |                     |                     |
| Current liabilities                              | 133,667                        | 65,528                | 1,083,245                       | 1,065,268           | 1,216,912           | 1,130,796           |
| Long-term liabilities                            | 4,463,876                      | 4,055,770             | 10,509,000                      | 10,708,000          | 14,972,876          | 14,763,770          |
| Total liabilities                                | <u>4,597,543</u>               | <u>4,121,298</u>      | <u>11,592,245</u>               | <u>11,773,268</u>   | <u>16,189,788</u>   | <u>15,894,566</u>   |
| <b>Deferred inflows of resources</b>             | <u>2,625,142</u>               | <u>2,501,097</u>      | <u>0</u>                        | <u>0</u>            | <u>2,625,142</u>    | <u>2,501,097</u>    |
| <b>Net position</b>                              |                                |                       |                                 |                     |                     |                     |
| Net investment in capital assets                 | 1,545,895                      | 1,636,671             | 4,467,297                       | 4,659,447           | 6,013,192           | 6,296,118           |
| Restricted                                       | 357,326                        | 156,141               | 304,006                         | 420,000             | 661,332             | 576,141             |
| Unrestricted                                     | (3,345,174)                    | (2,858,414)           | 1,732,040                       | 1,165,584           | (1,613,134)         | (1,692,830)         |
| Total net position                               | <u>\$ (1,441,953)</u>          | <u>\$ (1,065,602)</u> | <u>\$ 6,503,343</u>             | <u>\$ 6,245,031</u> | <u>\$ 5,061,390</u> | <u>\$ 5,179,429</u> |

Exhibit A focuses on net position. The Township's total net position was \$5,061,930 at December 31, 2017. Net investment in capital assets, totaling \$6,013,192 compares the original cost, less depreciation of the Township's capital assets and bond proceeds available to long-term debt used to finance the acquisition of those assets. Restricted net position of \$661,332 reported separately to show legal constraints that limit the Township's ability to use the net position for day-to-day operations.

The \$(1,613,134) of unrestricted net position of governmental and business-type activities represents the *accumulated* results of all past years' operations. The operating results of the general, special revenue and enterprise funds will have a significant impact on the change in unrestricted assets from year to year.

**Charter Township of Hampton**  
**Management's Discussion and Analysis**  
For the Year Ended December 31, 2017

**Results of operations** - The results of this year's operations for the Township as a whole are reported in the statement of activities, which shows the changes in net position for the year ended December 31, 2017. Exhibit B provides a summary of the Township's operations for the years ended December 31, 2017 and 2016.

|  | <u>Governmental Activities</u> |                     | <u>Business-Type Activities</u> |                   | <u>Total</u>        |                     |
|--|--------------------------------|---------------------|---------------------------------|-------------------|---------------------|---------------------|
|  | <u>2017</u>                    | <u>2016</u>         | <u>2017</u>                     | <u>2016</u>       | <u>2017</u>         | <u>2016</u>         |
| <b>Exhibit B</b>                           |                                |                     |                                 |                   |                     |                     |
| <b>Revenue</b>                             |                                |                     |                                 |                   |                     |                     |
| Program revenue:                           |                                |                     |                                 |                   |                     |                     |
| Charges for services                       | \$ 309,674                     | \$ 278,564          | \$ 3,548,715                    | \$ 3,739,823      | \$ 3,858,389        | \$ 4,018,387        |
| Operating grants and contributions         | 68,161                         | 55,087              | 0                               | 0                 | 68,161              | 55,087              |
| General revenue:                           |                                |                     |                                 |                   |                     |                     |
| Taxes                                      | 2,448,276                      | 2,539,171           | 0                               | 0                 | 2,448,276           | 2,539,171           |
| Special assessments                        | 6,421                          | 6,609               | 0                               | 0                 | 6,421               | 6,609               |
| State shared revenue                       | 833,000                        | 778,897             | 0                               | 0                 | 833,000             | 778,897             |
| Interest and investment                    | 7,344                          | 9,670               | 4,587                           | 2,360             | 11,931              | 12,030              |
| Other                                      | 527,857                        | 481,816             | 0                               | 3,632             | 527,857             | 485,448             |
| <b>Total revenue</b>                       | <b>4,200,733</b>               | <b>4,149,814</b>    | <b>3,553,302</b>                | <b>3,745,815</b>  | <b>7,754,035</b>    | <b>7,895,629</b>    |
| <b>Function/Program Expenses</b>           |                                |                     |                                 |                   |                     |                     |
| Legislative                                | 80,382                         | 66,381              | 0                               | 0                 | 80,382              | 66,381              |
| General government                         | 1,016,611                      | 1,134,246           | 0                               | 0                 | 1,016,611           | 1,134,246           |
| Public safety                              | 1,813,217                      | 2,054,856           | 0                               | 0                 | 1,813,217           | 2,054,856           |
| Public works                               | 850,009                        | 1,074,055           | 0                               | 0                 | 850,009             | 1,074,055           |
| Inspection                                 | 148,019                        | 151,001             | 0                               | 0                 | 148,019             | 151,001             |
| Recreation activities                      | 122,592                        | 94,883              | 0                               | 0                 | 122,592             | 94,883              |
| Capital outlay                             | 41,851                         | 79,725              | 0                               | 0                 | 41,851              | 79,725              |
| Other                                      | 504,403                        | 433,230             | 0                               | 0                 | 504,403             | 433,230             |
| Water and sewer                            | 0                              | 0                   | 3,294,990                       | 3,309,248         | 3,294,990           | 3,309,248           |
| <b>Total expenses</b>                      | <b>4,577,084</b>               | <b>5,088,377</b>    | <b>3,294,990</b>                | <b>3,309,248</b>  | <b>7,872,074</b>    | <b>8,397,625</b>    |
| <b>Increase (decrease) in Net Position</b> | <b>\$ (376,351)</b>            | <b>\$ (938,563)</b> | <b>\$ 258,312</b>               | <b>\$ 436,567</b> | <b>\$ (118,039)</b> | <b>\$ (501,996)</b> |

Charter Township of Hampton  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017

As reported in the statement of activities, the cost of all of our governmental and business-type activities this year was \$7,872,074. Certain activities were partially funded by \$3,858,389 from those who benefited from the programs and \$68,161 of operating grants. We paid for the remaining "public benefit" portion of our governmental and business-type activities with \$2,448,276 in taxes, \$833,000 in state shared revenue, and with our other revenues, such as interest and miscellaneous revenues.

The governmental activities net position experienced a decrease of \$376,351 as compared to a decrease of \$938,563 in 2016. The majority of the decrease was due to public safety, public works and general government expenditures decreasing.

The water and sewer funds experienced an increase of \$258,312 resulting from excess customer revenues over expenses for 2017.

**The Township's Funds**

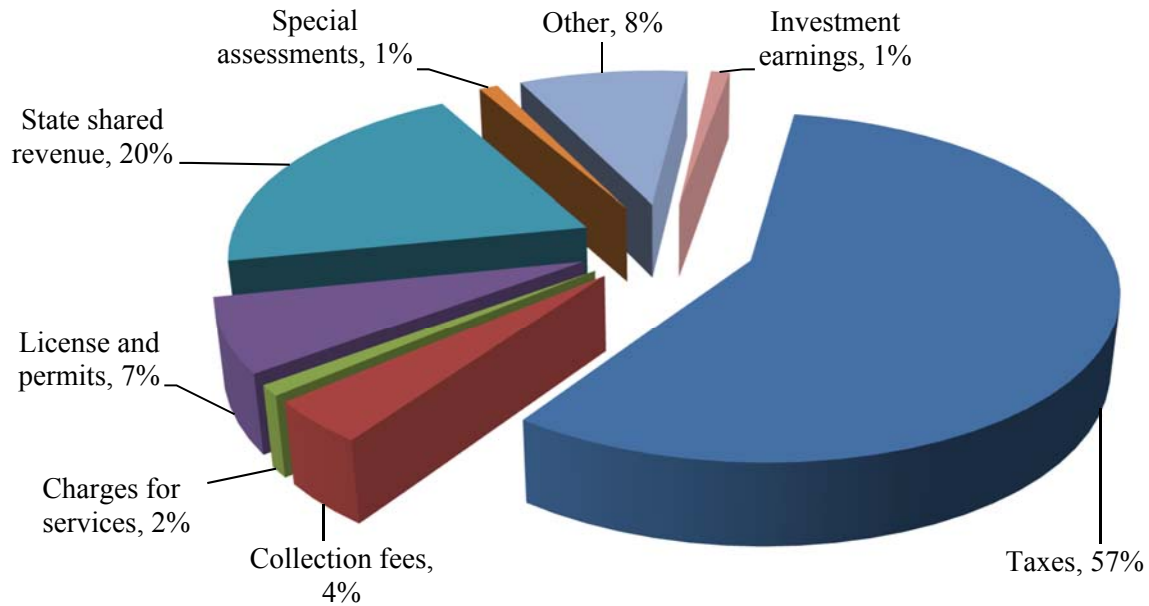
The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's governmental funds reported a combined fund balance of \$1,476,028, which is an increase from last year's total of \$1,353,497. The schedule below details the fund balance and the total change in fund balances as of December 31, 2017 and 2016.

|                       | <u>Fund Balance</u><br><u>December 31, 2017</u> | <u>Fund Balance</u><br><u>December 31, 2016</u> | <u>Increase</u><br><u>(Decrease)</u> |
|-----------------------|---|---|--------------------------------------|
| General fund          | \$ 1,118,702                                    | \$ 1,197,356                                    | \$ (78,654)                          |
| Special revenue funds | 357,326   | 156,141   | 201,185                              |
| Total                 | <u>\$ 1,476,028</u>                             | <u>\$ 1,353,497</u>                             | <u>\$ 122,531</u>                    |

Charter Township of Hampton  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2017

The graph below details the major sources of the Township's total governmental revenues.



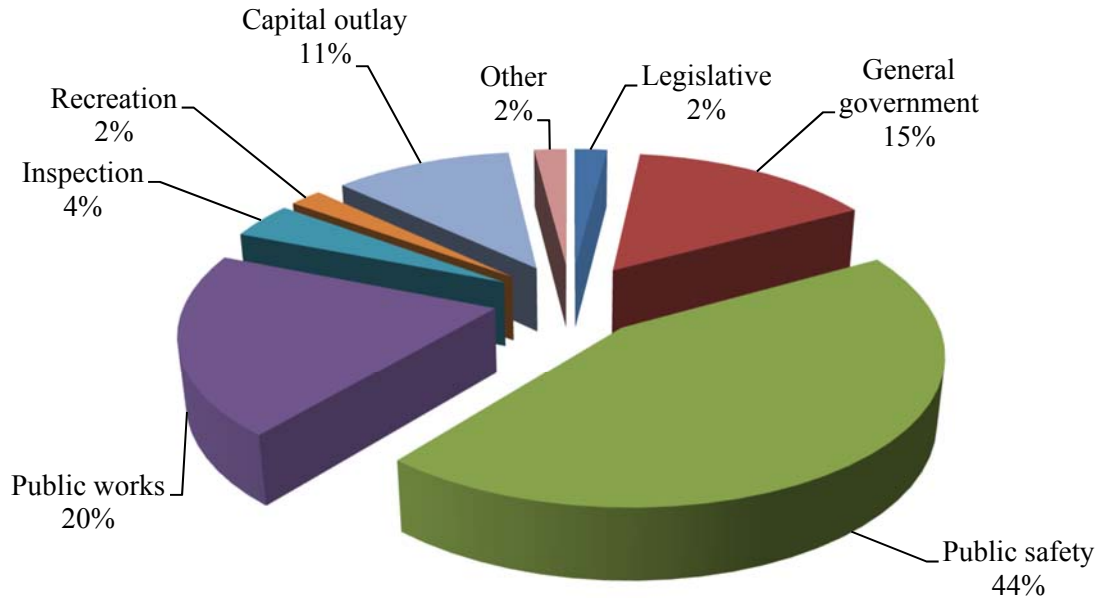
The chart below compares current year revenues with last year.

| <i>Revenues by Function</i> | 2017                | 2016                |
|-----------------------------|---------------------|---------------------|
| Taxes                       | \$ 2,448,000        | \$ 2,539,000        |
| Collection fees             | 161,000             | 174,000             |
| State shared revenue        | 833,000             | 779,000             |
| Special assessments levied  | 6,000               | 7,000               |
| Licenses and permits        | 310,000             | 279,000             |
| Charges for services        | 68,000              | 55,000              |
| Investment earnings         | 7,000               | 9,000               |
| Other                       | 368,000             | 308,000             |
|                             | <u>\$ 4,201,000</u> | <u>\$ 4,150,000</u> |

Overall, 2017 revenues increased \$51,000 or 1% mainly due to an increase in state shared revenue, licenses and permits and other income.

Charter Township of Hampton  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2017

The graph below details the total governmental expenditure categories of the Township.



The chart below compares current year expenditures with last year.

| <i>Expenditures by Function</i> | 2017                | 2016                |
|---------------------------------|---------------------|---------------------|
| Legislative                     | \$ 80,000           | \$ 67,000           |
| General government              | 612,000             | 627,000             |
| Public safety:                  |                     |                     |
| Police department               | 949,000             | 1,071,000           |
| Fire department                 | 842,000             | 908,000             |
| Other                           | 16,000              | 14,000              |
| Public works                    | 818,000             | 1,060,000           |
| Inspection                      | 148,000             | 151,000             |
| Recreation activities           | 72,000              | 87,000              |
| Capital outlay                  | 75,000              | 80,000              |
| Other                           | 466,000             | 433,000             |
|                                 | <u>\$ 4,078,000</u> | <u>\$ 4,498,000</u> |

Expenditures decreased by \$420,000 from the prior year due to a decrease in General Government, Public works, Police Department and Fire Department.

**Water and Sewer System Funds** - The Township's proprietary funds reported net position of \$6,503,343 which is an increase of \$258,312 from last year's net position of \$6,245,031. The increase was due to excess customer revenues over expenses.

Charter Township of Hampton  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017

**General Fund Budgetary Highlights**

Over the course of the year, the Township revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Changes to the general fund original budget were as follows:

- Budgeted revenues remained the same during the fiscal year.
- Budgeted expenditures increased by approximately \$67,000 during the fiscal year. This is mainly due to an increase of general government, other, capital outlay and legislative expenditures.
- Actual revenues for the year were approximately \$262,000 more than anticipated during the fiscal year. This is mainly due to state shared revenue, other income, and licenses and permits being more than anticipated.
- Actual expenditures for the year were approximately \$262,000 less than anticipated. This is mainly due to general government, capital outlay, and public works expenditures being less than anticipated.



Charter Township of Hampton  
Management's Discussion & Analysis  
For the Year Ended December 31, 2017

**Capital Assets**

At December 31, 2017, the Township had \$11.9 million invested in a broad range of capital assets, including land, buildings, equipment, transportation equipment, water and sewer systems. This amount represents a net decrease (including additions and disposals) of approximately \$330,000 from last year.

|                               | Governmental<br>Activities |                     | Business-Type<br>Activities |                      | Totals               |                      |
|-------------------------------|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
|                               | 2017                       | 2016                | 2017                        | 2016                 | 2017                 | 2016                 |
| Land                          | \$ 796,045                 | \$ 796,045          | \$ 0                        | \$ 0                 | \$ 796,045           | \$ 796,045           |
| Land improvements             | 593,257                    | 599,232             | 0                           | 0                    | 593,257              | 599,232              |
| Buildings and improvements    | 997,622                    | 1,055,761           | 0                           | 0                    | 997,622              | 1,055,761            |
| Vehicles and equipment        | 2,518,831                  | 3,024,615           | 0                           | 0                    | 2,518,831            | 3,024,615            |
| Infrastructure                | 156,826                    | 156,826             | 0                           | 0                    | 156,826              | 156,826              |
| Construction in progress      | 7,629                      | 0                   | 0                           | 0                    | 7,629                | 0                    |
| Sewer system                  | 0                          | 0                   | 12,569,790                  | 12,492,964           | 12,569,790           | 12,492,964           |
| <b>Total capital assets</b>   | <b>5,070,210</b>           | <b>5,632,479</b>    | <b>12,569,790</b>           | <b>12,492,964</b>    | <b>17,640,000</b>    | <b>18,125,443</b>    |
| Less accumulated depreciation | 3,524,315                  | 3,995,808           | 2,180,357                   | 1,864,407            | 5,704,672            | 5,860,215            |
| <b>Net capital assets</b>     | <b>\$ 1,545,895</b>        | <b>\$ 1,636,671</b> | <b>\$ 10,389,433</b>        | <b>\$ 10,628,557</b> | <b>\$ 11,935,328</b> | <b>\$ 12,265,228</b> |

The governmental funds additions of \$70,656 included the purchase of a new roof for the Township building, construction in progress, and two new vehicles.

The business-type activities additions of \$76,826 included purchase of land and an excavator.

We present more detailed information about our governmental activities capital assets in the notes to the financial statements.

**Debt**

At the end of this year, the Township had \$10,708,000 in long-term debt outstanding versus \$10,900,000 in the previous year. The Township's debt is related to sewer fund bonds, reported in the proprietary funds. This debt is summarized as follows:

|             | 2017                 | 2016                 |
|-------------|----------------------|----------------------|
| Proprietary | <u>\$ 10,708,000</u> | <u>\$ 10,900,000</u> |

Charter Township of Hampton  
Management's Discussion & Analysis  
For the Year Ended December 31, 2017

**Factors Expected to Have an Effect on Future Operations**

Loss in property tax revenues due to the Consumers Energy Karn Weadock Plant closing down.

There are Sewer improvements that are going to be needed in the future.

In 2018, the Township plans on having the Sewer Fund continue repaying back the General Fund for the money the General Fund advanced to the Sewer Fund by setting up a payment plan based on the sewer rate increase. The DDA already has payment plan set up to pay the General Fund back the money they advanced to the DDA.

**Contacting The Township's Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, contact the Township Clerk's Office at 801 W. Center Road, Essexville, MI 48732.

Charter Township of Hampton  
Statement of Net Position  
December 31, 2017

|   | Primary Government         |                             |                     | Component<br>Unit   |
|---|----------------------------|-----------------------------|---------------------|---------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total               |                     |
| <u>Assets</u>   |                            |                             |                     |                     |
| Cash and investments                                      | \$ 1,358,188               | \$ 1,899,267                | \$ 3,257,455        | \$ 133,248          |
| Cash - USDA RRI reserve                                   | 0                          | 304,006                     | 304,006             | 0                   |
| Receivables:  |                            |                             |                     |                     |
| Accounts  | 12,229                     | 854,858                     | 867,087             | 0                   |
| Taxes   | 2,162,580                  | 0                           | 2,162,580           | 59,234              |
| Internal balances   | 137,840                    | (137,840)                   | 0                   | 0                   |
| Advances to other funds                                   | 564,000                    | 0                           | 564,000             | 0                   |
| WWTP sewage system, net of<br>amortization of \$1,015,183 | 0                          | 4,785,864                   | 4,785,864           | 0                   |
| Capital assets, net of accumulated<br>depreciation        | 1,545,895                  | 10,389,433                  | 11,935,328          | 1,793,169           |
| Total assets  | <u>5,780,732</u>           | <u>18,095,588</u>           | <u>23,876,320</u>   | <u>1,985,651</u>    |
| <u>Current Liabilities</u>                                |                            |                             |                     |                     |
| Accounts payable  | 10,182                     | 429,193                     | 439,375             | 0                   |
| Accrued payroll   | 66,578                     | 5,052                       | 71,630              | 0                   |
| Internal balances   | 35,602                     | 0                           | 35,602              | 0                   |
| Deposits payable  | 21,305                     | 0                           | 21,305              | 0                   |
| Bonds payable   | 0                          | 199,000                     | 199,000             | 40,000              |
| Advances from other funds                                 | 0                          | 450,000                     | 450,000             | 114,000             |
| Total current liabilities                                 | <u>133,667</u>             | <u>1,083,245</u>            | <u>1,216,912</u>    | <u>154,000</u>      |
| <u>Long-term liabilities</u>                              |                            |                             |                     |                     |
| Bonds payable   | 0                          | 10,509,000                  | 10,509,000          | 570,000             |
| Net OPEB liability  | 4,277,193                  | 0                           | 4,277,193           | 0                   |
| Compensated absences                                      | 186,683                    | 0                           | 186,683             | 0                   |
| Total long-term liabilities                               | <u>4,463,876</u>           | <u>10,509,000</u>           | <u>14,972,876</u>   | <u>570,000</u>      |
| Total liabilities   | <u>4,597,543</u>           | <u>11,592,245</u>           | <u>16,189,788</u>   | <u>724,000</u>      |
| <u>Deferred Inflows of Resources</u>                      |                            |                             |                     |                     |
| Unavailable revenue - property taxes                      | 2,391,844                  | 0                           | 2,391,844           | 62,158              |
| Unavailable revenue - special assessments                 | 233,298                    | 0                           | 233,298             | 0                   |
| Total deferred inflows of resources                       | <u>2,625,142</u>           | <u>0</u>                    | <u>2,625,142</u>    | <u>62,158</u>       |
| <u>Net position</u>                                       |                            |                             |                     |                     |
| Net investment in capital assets                          | 1,545,895                  | 4,467,297                   | 6,013,192           | 1,183,169           |
| Restricted  | 357,326                    | 304,006                     | 661,332             | 0                   |
| Unrestricted  | (3,345,174)                | 1,732,040                   | (1,613,134)         | 16,324              |
| Total net position  | <u>\$ (1,441,953)</u>      | <u>\$ 6,503,343</u>         | <u>\$ 5,061,390</u> | <u>\$ 1,199,493</u> |

See accompanying notes to financial statements.

Charter Township of Hampton  
Statement of Activities  
For the Year Ended December 31, 2017

| Functions/Programs                      | Program Revenues    |                      |                                    | Net (Expenses) Revenue and Changes in Net Position |                          |                     |                     |
|---|---------------------|----------------------|------------------------------------|--|--------------------------|---------------------|---------------------|
|   | Expenses            | Charges for Services | Operating Grants and Contributions | Governmental Activities                            | Business-type Activities | Total               | Component Unit      |
| <b>Primary government:</b>              |                     |                      |                                    |  |                          |                     |                     |
| Legislative                             | \$ 80,382           | \$ 0                 | \$ 0                               | \$ (80,382)  | \$ 0                     | \$ (80,382)         | \$ 0                |
| General government                      | 1,016,611           | 183,257              | 68,161                             | (765,193)  | 0                        | (765,193)           | 0                   |
| Public safety                           | 1,813,217           | 0                    | 0                                  | (1,813,217)  | 0                        | (1,813,217)         | 0                   |
| Public works                            | 850,009             | 0                    | 0                                  | (850,009)  | 0                        | (850,009)           | 0                   |
| Inspection                              | 148,019             | 126,417              | 0                                  | (21,602)   | 0                        | (21,602)            | 0                   |
| Recreation activities                   | 122,592             | 0                    | 0                                  | (122,592)  | 0                        | (122,592)           | 0                   |
| Capital outlay                          | 41,851              | 0                    | 0                                  | (41,851)   | 0                        | (41,851)            | 0                   |
| Other                                   | 504,403             | 0                    | 0                                  | (504,403)  | 0                        | (504,403)           | 0                   |
| <b>Total governmental activities</b>    | <b>4,577,084</b>    | <b>309,674</b>       | <b>68,161</b>                      | <b>(4,199,249)</b>                                 | <b>0</b>                 | <b>(4,199,249)</b>  | <b>0</b>            |
| <b>Business-type activities:</b>        |                     |                      |                                    |  |                          |                     |                     |
| Water                                   | 1,286,448           | 1,505,460            | 0                                  | 0  | 219,012                  | 219,012             | 0                   |
| Sewer                                   | 2,008,542           | 2,043,255            | 0                                  | 0  | 34,713                   | 34,713              | 0                   |
| <b>Total business-type activities</b>   | <b>3,294,990</b>    | <b>3,548,715</b>     | <b>0</b>                           | <b>0</b>   | <b>253,725</b>           | <b>253,725</b>      | <b>0</b>            |
| <b>Total primary government</b>         | <b>\$ 7,872,074</b> | <b>\$ 3,858,389</b>  | <b>\$ 68,161</b>                   | <b>(4,199,249)</b>                                 | <b>253,725</b>           | <b>(3,945,524)</b>  | <b>0</b>            |
| <b>Component Unit:</b>                  |                     |                      |                                    |  |                          |                     |                     |
| Downtown Development Authority          | 118,272             | 0                    | 0                                  | 0  | 0                        | 0                   | (118,272)           |
| <b>Total component unit</b>             | <b>\$ 118,272</b>   | <b>\$ 0</b>          | <b>\$ 0</b>                        | <b>0</b>   | <b>0</b>                 | <b>0</b>            | <b>(118,272)</b>    |
| <b>General Revenues:</b>                |                     |                      |                                    |  |                          |                     |                     |
| Taxes                                   |                     |                      |                                    | 2,448,276  | 0                        | 2,448,276           | 103,363             |
| Special assessments levied              |                     |                      |                                    | 6,421  | 0                        | 6,421               | 0                   |
| State shared revenue                    |                     |                      |                                    | 833,000  | 0                        | 833,000             | 0                   |
| Interest and investment earnings        |                     |                      |                                    | 7,344  | 4,587                    | 11,931              | 81                  |
| Other                                   |                     |                      |                                    | 527,857  | 0                        | 527,857             | 38,621              |
| <b>Total general revenues</b>           |                     |                      |                                    | <b>3,822,898</b>                                   | <b>4,587</b>             | <b>3,827,485</b>    | <b>142,065</b>      |
| <b>Change in net position</b>           |                     |                      |                                    | <b>(376,351)</b>                                   | <b>258,312</b>           | <b>(118,039)</b>    | <b>23,793</b>       |
| <b>Net position - beginning of year</b> |                     |                      |                                    | <b>(1,065,602)</b>                                 | <b>6,245,031</b>         | <b>5,179,429</b>    | <b>1,175,700</b>    |
| <b>Net position - end of year</b>       |                     |                      |                                    | <b>\$ (1,441,953)</b>                              | <b>\$ 6,503,343</b>      | <b>\$ 5,061,390</b> | <b>\$ 1,199,493</b> |

See accompanying notes to financial statements.

Charter Township of Hampton  
Governmental Funds  
Balance Sheet  
December 31, 2017

|                         | <u>ASSETS</u>           |                          |  | <u>Total</u>            |
|-------------------------|-------------------------|--------------------------|--|-------------------------|
|                         | <u>General</u>          | <u>Public<br/>Safety</u> | <u>Other<br/>Nonmajor<br/>Governmental<br/>Funds</u> |                         |
| Cash and investments    | \$ 775,312              | \$ 88,429                | \$ 494,447   | \$ 1,358,188            |
| Receivables:            |                         |                          |  |                         |
| Accounts                | 12,224                  | 5                        | 0  | 12,229                  |
| Taxes                   | 1,682,696               | 290,842                  | 189,042  | 2,162,580               |
| Advances to other funds | 564,000                 | 0                        | 0  | 564,000                 |
| Due from other funds    | 241,191                 | 12,819                   | 0  | 254,010                 |
| <br>Total assets        | <br><u>\$ 3,275,423</u> | <br><u>\$ 392,095</u>    | <br><u>\$ 683,489</u>                                | <br><u>\$ 4,351,007</u> |

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE

|  |                         |                       |                       |                         |
|--|-------------------------|-----------------------|-----------------------|-------------------------|
| <u>Liabilities</u>   |                         |                       |                       |                         |
| Accounts payable   | \$ 6,965                | \$ 445                | \$ 2,772              | \$ 10,182               |
| Accrued expenses   | 30,821                  | 34,752                | 1,005                 | 66,578                  |
| Due to other funds   | 54,683                  | 0                     | 97,089                | 151,772                 |
| Deposits payable   | 21,305                  | 0                     | 0                     | 21,305                  |
| <br>Total liabilities  | <br><u>113,774</u>      | <br><u>35,197</u>     | <br><u>100,866</u>    | <br><u>249,837</u>      |
| <br><u>Deferred Inflows of Resources</u>                                 |                         |                       |                       |                         |
| Unavailable revenue - property taxes                                     | 1,809,649               | 352,850               | 229,345               | 2,391,844               |
| Unavailable revenue - special assessments                                | 233,298                 | 0                     | 0                     | 233,298                 |
| Total deferred inflows of resources                                      | <u>2,042,947</u>        | <u>352,850</u>        | <u>229,345</u>        | <u>2,625,142</u>        |
| <br><u>Fund Balance</u>  |                         |                       |                       |                         |
| Nonspendable - advances  | 476,000                 | 0                     | 0                     | 476,000                 |
| Restricted   | 0                       | 4,048                 | 353,278               | 357,326                 |
| Unassigned   | 642,702                 | 0                     | 0                     | 642,702                 |
| <br>Total fund balance   | <br><u>1,118,702</u>    | <br><u>4,048</u>      | <br><u>353,278</u>    | <br><u>1,476,028</u>    |
| <br>Total liabilities, deferred inflows of<br>resources and fund balance | <br><u>\$ 3,275,423</u> | <br><u>\$ 392,095</u> | <br><u>\$ 683,489</u> | <br><u>\$ 4,351,007</u> |

See accompanying notes to financial statements.

Charter Township of Hampton  
 Reconciliation of Balance Sheet of Governmental Funds  
 to the Statement of Net Position  
December 31, 2017

|  |                    |                       |
|--|--------------------|-----------------------|
| Total fund balance - governmental funds  |                    | \$ 1,476,028          |
| <p>Amounts reported for governmental activities in the statement<br/>of net position are different because:</p>            |                    |                       |
| <p>Capital assets used in governmental activities are not financial<br/>resources and are not reported in the funds:</p>   |                    |                       |
| Cost of the capital assets   | 5,070,210          |                       |
| Accumulated depreciation   | <u>(3,524,315)</u> | 1,545,895             |
| <p>Long-term liabilities are not due and payable in current period<br/>and are not reported in the governmental funds:</p> |                    |                       |
| Net OPEB liability   | (4,277,193)        |                       |
| Compensated absences   | <u>(186,683)</u>   | <u>(4,463,876)</u>    |
| Total net position - governmental activities   |                    | <u>\$ (1,441,953)</u> |

See accompanying notes to financial statements.

Charter Township of Hampton  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended December 31, 2017

|  | General             | Public<br>Safety   | Other<br>Nonmajor<br>Governmental<br>Funds | Total               |
|--|---------------------|--------------------|--|---------------------|
| <u>Revenues</u>  |                     |                    |  |                     |
| Taxes  | \$ 1,840,829        | \$ 368,154         | \$ 239,293                                 | \$ 2,448,276        |
| Collection fees  | 160,614             | 0                  | 0  | 160,614             |
| State shared revenue   | 831,537             | 1,463              | 0  | 833,000             |
| Special assessments levied                                       | 6,421               | 0                  | 0  | 6,421               |
| Charges for services   | 68,161              | 0                  | 0  | 68,161              |
| Interest   | 6,866               | 95                 | 383  | 7,344               |
| Licenses and permits   | 183,257             | 0                  | 126,417                                    | 309,674             |
| Other  | 358,439             | 6,692              | 2,112                                      | 367,243             |
|  | <u>3,456,124</u>    | <u>376,404</u>     | <u>368,205</u>                             | <u>4,200,733</u>    |
| <u>Expenditures</u>  |                     |                    |  |                     |
| Legislative  | 80,382              | 0                  | 0  | 80,382              |
| General government   | 611,864             | 0                  | 0  | 611,864             |
| Public safety  | 15,568              | 1,791,532          | 0  | 1,807,100           |
| Public works   | 799,470             | 0                  | 18,873                                     | 818,343             |
| Inspection   | 0                   | 0                  | 148,019                                    | 148,019             |
| Recreation activities  | 71,968              | 0                  | 0  | 71,968              |
| Other  | 465,758             | 0                  | 0  | 465,758             |
| Capital outlay   | 74,768              | 0                  | 0  | 74,768              |
|  | <u>2,119,778</u>    | <u>1,791,532</u>   | <u>166,892</u>                             | <u>4,078,202</u>    |
| Excess (deficiency) of revenues over expenditures                | <u>1,336,346</u>    | <u>(1,415,128)</u> | <u>201,313</u>                             | <u>122,531</u>      |
| Other financing sources (uses):                                  |                     |                    |  |                     |
| Transfers in   | 0                   | 1,415,000          | 0  | 1,415,000           |
| Transfers out  | <u>(1,415,000)</u>  | <u>0</u>           | <u>0</u>                                   | <u>(1,415,000)</u>  |
|  | <u>(1,415,000)</u>  | <u>1,415,000</u>   | <u>0</u>                                   | <u>0</u>            |
| Excess (deficiency) of revenues over expenditures and other uses | (78,654)            | (128)              | 201,313                                    | 122,531             |
| Fund balance - beginning of year                                 | <u>1,197,356</u>    | <u>4,176</u>       | <u>151,965</u>                             | <u>1,353,497</u>    |
| Fund balance - end of year                                       | <u>\$ 1,118,702</u> | <u>\$ 4,048</u>    | <u>\$ 353,278</u>                          | <u>\$ 1,476,028</u> |

See accompanying notes to financial statements.

Charter Township of Hampton  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2017

|  |                            |
|--|----------------------------|
| Net change in fund balance - total governmental funds  | \$ 122,531                 |
| <p>Amounts reported for governmental activities in the statement<br/>of activities are different because:</p>  |                            |
| <p>Governmental funds report capital outlays as expenditures; in the<br/>statement of activities, these costs are allocated over their<br/>estimated useful lives as depreciation:</p>                 |                            |
| Capital outlay   | 70,656                     |
| Depreciation expense   | (122,787)                  |
| <p>Long-term liabilities are not due and payable in the current period<br/>and are not reported in the governmental funds:</p>   |                            |
| Compensated absences   | 29,838                     |
| <p>Some expenses reported in the statement of activities do not require<br/>the use of current financial resources and, therefore, are not<br/>reported as expenditures in the governmental funds:</p> |                            |
| Net OPEB liability   | (437,944)                  |
| Loss on disposal of capital assets   | <u>(38,645)</u>            |
| Change in net position of governmental activities  | <u><u>\$ (376,351)</u></u> |

See accompanying notes to financial statements.



Charter Township of Hampton  
Proprietary Funds  
Statement of Net Position  
December 31, 2017

|   | Business-Type Activities |                     |                     |
|---|--------------------------|---------------------|---------------------|
|   | Enterprise Funds         |                     |                     |
|   | Water Fund               | Sewer Fund          | Total               |
| <u>Assets</u>   |                          |                     |                     |
| Current Assets:   |                          |                     |                     |
| Cash and investments                                      | \$ 1,158,772             | \$ 740,495          | \$ 1,899,267        |
| Accounts receivable                                       | 345,684                  | 509,174             | 854,858             |
| Due from other funds                                      | 10,838                   | 19,167              | 30,005              |
| Total current assets                                      | <u>1,515,294</u>         | <u>1,268,836</u>    | <u>2,784,130</u>    |
| Non-current assets:                                       |                          |                     |                     |
| Cash - USDA RRI reserve                                   | 0                        | 304,006             | 304,006             |
| WWTP sewage system, net of<br>amortization of \$1,015,183 | 0                        | 4,785,864           | 4,785,864           |
| Capital assets - at cost                                  | 0                        | 12,569,790          | 12,569,790          |
| Less allowance for depreciation                           | 0                        | (2,180,357)         | (2,180,357)         |
| Net capital assets  | <u>0</u>                 | <u>10,389,433</u>   | <u>10,389,433</u>   |
| Total assets  | <u>1,515,294</u>         | <u>16,748,139</u>   | <u>18,263,433</u>   |
| <u>Liabilities</u>  |                          |                     |                     |
| Current Liabilities:                                      |                          |                     |                     |
| Accounts payable  | 257,234                  | 171,959             | 429,193             |
| Accrued payroll   | 1,169                    | 3,883               | 5,052               |
| Advances from other funds                                 | 0                        | 450,000             | 450,000             |
| Due to other funds  | 19,167                   | 148,678             | 167,845             |
| Current portion of bonds payable                          | 0                        | 199,000             | 199,000             |
| Total current liabilities                                 | <u>277,570</u>           | <u>973,520</u>      | <u>1,251,090</u>    |
| Long-term Liabilities:                                    |                          |                     |                     |
| Bonds payable   | 0                        | 10,509,000          | 10,509,000          |
| Total liabilities   | <u>277,570</u>           | <u>11,482,520</u>   | <u>11,760,090</u>   |
| <u>Net position</u>                                       |                          |                     |                     |
| Net investment in capital assets                          | 0                        | 4,467,297           | 4,467,297           |
| Restricted  | 0                        | 304,006             | 304,006             |
| Unrestricted  | 1,237,724                | 494,316             | 1,732,040           |
| Total net position  | <u>\$ 1,237,724</u>      | <u>\$ 5,265,619</u> | <u>\$ 6,503,343</u> |

See accompanying notes to financial statements

Charter Township of Hampton  
Proprietary Funds  
Statement of Revenues, Expenses and Changes in Fund Net Position  
For the Year Ended December 31, 2017

|                                      | Business-Type Activities |                     |                     |
|--------------------------------------|--------------------------|---------------------|---------------------|
|                                      | Enterprise Funds         |                     |                     |
|                                      | Water Fund               | Sewer Fund          | Total               |
| Operating revenues:                  |                          |                     |                     |
| Charges for services                 | \$ 1,505,460             | \$ 2,043,255        | \$ 3,548,715        |
| Total operating revenues             | <u>1,505,460</u>         | <u>2,043,255</u>    | <u>3,548,715</u>    |
| Operating expenses:                  |                          |                     |                     |
| Water and sewer treatment            | 1,185,513                | 694,978             | 1,880,491           |
| Depreciation and amortization        | 0                        | 460,976             | 460,976             |
| Salaries and wages                   | 58,447                   | 194,597             | 253,044             |
| Payroll taxes and fringe benefits    | 30,347                   | 113,661             | 144,008             |
| Supplies                             | 6,478                    | 64,868              | 71,346              |
| Utilities                            | 1,536                    | 63,057              | 64,593              |
| Contracted services                  | 2,687                    | 18,457              | 21,144              |
| Repairs and maintenance              | 275                      | 24,234              | 24,509              |
| Miscellaneous                        | 1,165                    | 12,584              | 13,749              |
| Total operating expenses             | <u>1,286,448</u>         | <u>1,647,412</u>    | <u>2,933,860</u>    |
| Operating income (loss)              | <u>219,012</u>           | <u>395,843</u>      | <u>614,855</u>      |
| Nonoperating revenues (expenses):    |                          |                     |                     |
| Interest income                      | 3,741                    | 846                 | 4,587               |
| Interest expense                     | 0                        | (361,130)           | (361,130)           |
| Total nonoperating revenue (expense) | <u>3,741</u>             | <u>(360,284)</u>    | <u>(356,543)</u>    |
| Change in net position               | 222,753                  | 35,559              | 258,312             |
| Net position - beginning of year     | <u>1,014,971</u>         | <u>5,230,060</u>    | <u>6,245,031</u>    |
| Net position - end of year           | <u>\$ 1,237,724</u>      | <u>\$ 5,265,619</u> | <u>\$ 6,503,343</u> |

See accompanying notes to financial statements

Charter Township of Hampton  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended December 31, 2017

|   | Business-Type Activities   |                            |                            |
|---|----------------------------|----------------------------|----------------------------|
|   | Enterprise Funds           |                            |                            |
|   | Water Fund                 | Sewer Fund                 | Total                      |
| Cash flows from operating activities:                     |                            |                            |                            |
| Cash received from customers                              | \$ 1,425,644               | \$ 1,944,350               | \$ 3,369,994               |
| Cash payments to suppliers for<br>goods and services      | (1,132,705)                | (882,323)                  | (2,015,028)                |
| Cash payments to employees for services                   | (88,794)                   | (308,085)                  | (396,879)                  |
| Other operating income                                    | 54,041                     | 110,036                    | 164,077                    |
| Net cash flows from operating activities                  | <u>258,186</u>             | <u>863,978</u>             | <u>1,122,164</u>           |
| Cash flows from capital and related financing activities: |                            |                            |                            |
| Principal paid on long-term debt                          | 0                          | (242,000)                  | (242,000)                  |
| Interest paid on long-term debt                           | 0                          | (361,131)                  | (361,131)                  |
| Acquisition of capital assets                             | 0                          | (76,826)                   | (76,826)                   |
| Net cash flows from financing activities                  | <u>0</u>                   | <u>(679,957)</u>           | <u>(679,957)</u>           |
| Cash flows from investing activities:                     |                            |                            |                            |
| Interest and investment earnings                          | <u>3,741</u>               | <u>846</u>                 | <u>4,587</u>               |
| Net increase (decrease) in cash and<br>cash equivalents   | 261,927                    | 184,867                    | 446,794                    |
| Cash and cash equivalents - beginning of year             | <u>896,845</u>             | <u>859,634</u>             | <u>1,756,479</u>           |
| Cash and cash equivalents - end of year                   | <u><u>\$ 1,158,772</u></u> | <u><u>\$ 1,044,501</u></u> | <u><u>\$ 2,203,273</u></u> |

See accompanying notes to financial statements

Charter Township of Hampton  
Statement of Fiduciary Net Position  
December 31, 2017

ASSETS

|                                   | <u>Current<br/>Tax<br/>Fund</u> | <u>Trust &amp;<br/>Agency<br/>Fund</u> | <u>Total</u>             |
|-----------------------------------|---------------------------------|--|--------------------------|
| Cash and investments              | \$ 434,536                      | \$ 1,183                               | \$ 435,719               |
| Due from other governmental funds | <u>35,602</u>                   | <u>0</u>                               | <u>35,602</u>            |
| Total assets                      | <u><u>\$ 470,138</u></u>        | <u><u>\$ 1,183</u></u>                 | <u><u>\$ 471,321</u></u> |

LIABILITIES

|  |                          |                        |                          |
|--|--------------------------|------------------------|--------------------------|
| Undistributed current and delinquent taxes | <u><u>\$ 470,138</u></u> | <u><u>\$ 1,183</u></u> | <u><u>\$ 471,321</u></u> |
|--|--------------------------|------------------------|--------------------------|

See accompanying notes to financial statements.

Charter Township of Hampton  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Charter Township of Hampton (Township) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

**Reporting Entity**

The Township was organized in 1843 and covers an area of approximately 28.1 square miles in Bay County, Michigan. The Township operates under an elected board (seven members) and provides services to its more than 6,500 residents in many areas including fire protection, highways and streets. The reporting entity for the Township is based on criteria set forth by statements issued by the Governmental Accounting Standards Board. All activities over which the Township exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters of the entity.

Discretely Presented Component Unit - The component unit column in the basic financial statements, which represents the financial data of the Charter Township of Hampton Downtown Development Authority (Authority) is reported in a separate column to emphasize that it is legally separate from the Township. The Authority operates under the directorship of a Board consisting of nine members appointed by the Charter Township of Hampton Board (Township Board). The Authority was established to halt property value deterioration and increase property tax valuation where possible eliminate the causes of that deterioration and to promote economic growth within the development district.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, state shared revenues and other items not properly included among program revenues are reported instead as general revenue.

Charter Township of Hampton  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Charter Township of Hampton  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Government reports the following major funds:

**General Fund** – The General Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

**Public Safety Fund** – The Public Safety Fund is used to record transactions for the support of the fire department and police department.

The Government reports the following major proprietary funds:

**Water Fund** – The Water Fund accounts for activities of the water distribution system.

**Sewer Fund** – The Sewer Fund accounts for activities of the sewage collection system.

**Assets, Liabilities, and Net position or Equity**

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as “internal balances”.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Restricted Cash – \$304,006 of the Enterprise Fund’s cash and investments is restricted for required bond reserves (Note 14).

Charter Township of Hampton  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets – Capital assets, which include land, buildings, equipment and infrastructure assets are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$6,000. 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. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Land, building, equipment and infrastructure are depreciated using the straight-line method over the following useful lives:

|                           |             |
|---------------------------|-------------|
| Building and improvements | 15-50 Years |
| Vehicles and equipment    | 3-25 Years  |
| Infrastructure            | 20 Years    |

Amortization – The West Bay County Regional Wastewater Treatment Plant is being amortized over 40 years, which is the life of the bond. Amortization expense for 2017 was \$145,026.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity/Net position – The fund balance classifications are reported primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form. The Township's nonspendable fund balance represents prepaid expenditures. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance represents funds formally set aside by the Township Board for a particular purpose. The use of committed funds would be approved by Township Board through the budget process or official board action.



Charter Township of Hampton  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Assigned fund balance would represent tentative management plans that are subject to change. The Township's intent would be to spend uncommitted/unassigned funds prior to the use of committed funds. 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.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Property Taxes - For Township taxpayers, properties are assessed as of December 31 and related property taxes are levied and become a lien on December 1 of the following year. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

The 2016 taxable valuation of the Township totaled 370 million, on which ad valorem taxes levied consisted of 5.000 mills for Township operating purposes, .6500 mills for road maintenance and 1.0000 mills for public safety (fire and police), raising \$1,840,829 for operating, \$239,293 for road improvements and \$368,154 for public safety. These amounts are recognized in the respective General Fund and Special Revenue Funds financial statements as tax revenue.

Events Occurring After Reporting Date – Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying Independent Auditor's Report, which is the date the financial statements were available to be issued.

Charter Township of Hampton  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**NOTE 2 - BUDGETS**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

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

1. The Township's Clerk submits to the Township Board a proposed budget prior to the beginning of each fiscal year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Township Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted at the activity level by a majority vote of the Township Board and they can only be amended by a majority vote of the Township Board.
4. The budgets are adopted on the modified accrual basis of accounting.
5. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

During the year ended December 31, 2017, the Township did not incur expenditures in certain budgetary funds which were in excess of the amounts appropriated.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Township Board) for the General Fund and Public Safety Fund are presented as Required Supplemental Information.

Charter Township of Hampton  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority.

At year-end, the Government's deposits and investments were reported in the basic financial statements in the following categories:

|                      | Governmental<br>Activities | Business-Type<br>Activities | Fiduciary<br>Funds | Total        | Component<br>Units |
|----------------------|----------------------------|-----------------------------|--------------------|--------------|--------------------|
| Cash and investments | \$ 1,358,188               | \$ 2,203,273                | \$ 435,719         | \$ 3,997,180 | \$ 133,248         |

The breakdown between deposits and investments for the Primary Government is as follows:

|   |              |
|---|--------------|
| Deposits (checking and savings accounts, certificates of deposit) | \$ 3,702,602 |
| Investments (money market mutual funds)                           | 293,863      |
| Petty cash and cash on hand                                       | 715          |
| Total   | \$ 3,997,180 |

**Custodial Credit Risk - Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2017, \$3,533,103 of the Township's bank balance of \$3,783,103 was exposed to custodial credit risk because it was uninsured and uncollateralized. At December 31, 2017, none of the component unit's bank balance of \$133,248 was exposed to custodial credit risk. The composition of deposits and investments and the amount of deposits covered by federal depository insurance cannot be determined.

The Township's investment policy does not identify interest rate risk, foreign currency risk or concentration of credit risk.

Charter Township of Hampton  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity of the Township for the current year was as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>   | <u>Disposals and<br/>Adjustments</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------|--------------------------------------|-----------------------|
| <b><u>Governmental activities:</u></b>                                 |                              |                    |                                      |                       |
| Capital assets not being depreciated:                                  |                              |                    |                                      |                       |
| Land   | \$ 796,045                   | \$ 0               | \$ 0                                 | \$ 796,045            |
| Constuction in progress  | 0                            | 7,629              | 0                                    | 7,629                 |
| Subtotal   | <u>796,045</u>               | <u>7,629</u>       | <u>0</u>                             | <u>803,674</u>        |
| Capital assets being depreciated:                                      |                              |                    |                                      |                       |
| Land improvements  | 599,232                      | 0                  | 5,975                                | 593,257               |
| Buildings and improvements   | 1,055,761                    | 12,000             | 70,139                               | 997,622               |
| Vehicles and equipment   | 3,024,615                    | 51,027             | 556,811                              | 2,518,831             |
| Infrastructure   | 156,826                      | 0                  | 0                                    | 156,826               |
| Subtotal   | <u>4,836,434</u>             | <u>63,027</u>      | <u>632,925</u>                       | <u>4,266,536</u>      |
| Less accumulated depreciation for:                                     |                              |                    |                                      |                       |
| Land improvements  | 432,157                      | 22,310             | 414                                  | 454,053               |
| Buildings and improvements   | 832,964                      | 20,619             | 34,717                               | 818,866               |
| Vehicles and equipment   | 2,693,463                    | 73,039             | 559,149                              | 2,207,353             |
| Infrastructure   | 37,224                       | 6,819              | 0                                    | 44,043                |
| Subtotal   | <u>3,995,808</u>             | <u>122,787</u>     | <u>594,280</u>                       | <u>3,524,315</u>      |
| Net capital assets being depreciated                                   | <u>840,626</u>               | <u>(59,760)</u>    | <u>38,645</u>                        | <u>742,221</u>        |
| Governmental activities, total<br>capital assets - net of depreciation | <u>\$ 1,636,671</u>          | <u>\$ (52,131)</u> | <u>\$ 38,645</u>                     | <u>\$ 1,545,895</u>   |

Charter Township of Hampton  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

|   | Beginning<br>Balance | Additions    | Disposals and<br>Adjustments | Ending Balance |
|---|----------------------|--------------|------------------------------|----------------|
| <b><u>Business-type activities:</u></b>                                 |                      |              |                              |                |
| Capital assets not being depreciated:                                   |                      |              |                              |                |
| Land  | \$ 0                 | \$ 17,500    | \$ 0                         | \$ 17,500      |
| Capital assets being depreciated:                                       |                      |              |                              |                |
| Sewer system  | \$ 12,492,964        | \$ 59,326    | \$ 0                         | \$ 12,552,290  |
| Subtotal  | 12,492,964           | 59,326       | 0                            | 12,552,290     |
| Less accumulated depreciation for:                                      |                      |              |                              |                |
| Sewer system  | 1,864,407            | 315,950      | 0                            | 2,180,357      |
| Subtotal  | 1,864,407            | 315,950      | 0                            | 2,180,357      |
| Business-type activities, total<br>capital assets - net of depreciation | \$ 10,628,557        | \$ (239,124) | \$ 0                         | \$ 10,389,433  |
|   |                      |              |                              |                |
|   | Beginning<br>Balance | Additions    | Disposals and<br>Adjustments | Ending Balance |
| <b><u>Component Unit:</u></b>   |                      |              |                              |                |
| Capital assets being depreciated:                                       |                      |              |                              |                |
| Infrastructure  | \$ 2,490,514         | \$ 0         | \$ 0                         | \$ 2,490,514   |
| Subtotal  | 2,490,514            | 0            | 0                            | 2,490,514      |
| Less accumulated depreciation for:                                      |                      |              |                              |                |
| Infrastructure  | 597,724              | 99,621       | 0                            | 697,345        |
| Subtotal  | 597,724              | 99,621       | 0                            | 697,345        |
| Component unit, total<br>capital assets - net of depreciation           | \$ 1,892,790         | \$ (99,621)  | \$ 0                         | \$ 1,793,169   |

Charter Township of Hampton  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions as follows:

|   |    |                   |
|---|----|-------------------|
| Governmental activities:                            |    |                   |
| General government                                  | \$ | 8,641             |
| Public safety                                       |    | 31,856            |
| Public works  |    | 31,666            |
| Recreation  |    | <u>50,624</u>     |
| Total governmental activities depreciation expense  |    | <u>\$ 122,787</u> |
| Business-type activities:                           |    |                   |
| Sewer   | \$ | <u>315,950</u>    |
| Total business-type activities depreciation expense |    | <u>\$ 315,950</u> |
| Component Unit:                                     |    |                   |
| Downtown development authority                      | \$ | <u>99,621</u>     |
| Total component unit depreciation expense           |    | <u>\$ 99,621</u>  |

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

A summary of inter-fund receivable and payable balances at December 31, 2017 is as follows:

|             |               | Payables         |                  |                   |                  | Total             |
|-------------|---------------|------------------|------------------|-------------------|------------------|-------------------|
|             |               | General          | Building         | Sewer Fund        | Water Fund       |                   |
| Receivables | General       | \$ 0             | \$ 97,089        | \$ 144,102        | \$ 0             | \$ 241,191        |
|             | Public Safety | 12,819           | 0                | 0                 | 0                | 12,819            |
|             | Water Fund    | 6,262            | 0                | 4,576             | 0                | 10,838            |
|             | Sewer Fund    | 0                |                  |                   | 19,167           | 19,167            |
|             | Tax Fund      | <u>35,602</u>    | <u>0</u>         | <u>0</u>          | <u>0</u>         | <u>35,602</u>     |
|             |               | <u>\$ 54,683</u> | <u>\$ 97,089</u> | <u>\$ 148,678</u> | <u>\$ 19,167</u> | <u>\$ 319,617</u> |

These inter-fund receivable and payable balances resulted from the time lag between the dates that; (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Charter Township of Hampton  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)**

|             |               | <u>Transfer Out</u> |
|-------------|---------------|---------------------|
|             |               | <u>General</u>      |
| Transfer In | Public Safety | \$ 1,415,000        |
|             |               | \$ 1,415,000        |

The interfund transfers resulted from the General Fund's contribution to help current year operations for the fire and police departments.

**NOTE 6 - LONG-TERM DEBT**

The following details the Township's long-term debt:

|  | Beginning<br>Balance | Increase<br>(Decrease) | Ending<br>Balance |
|--|----------------------|------------------------|-------------------|
| <u>Business-type Activities</u>  |                      |                        |                   |
| West Bay County Regional Wastewater Treatment Plant Sewage System, dated March 16, 2010, due in annual installments through 2050 with an interest rate of 3.25%                | \$ 10,900,000        | \$ (192,000)           | \$ 10,708,000     |
| <br>   |                      |                        |                   |
| <u>Component Unit</u>  |                      |                        |                   |
| General Obligation Limited Tax Refunding Bond, Series 2016, dated December 7, 2016, due in annual installments through 2031 with an interest rate varying between 1.1% to 3.3% | \$ 645,000           | \$ (35,000)            | \$ 610,000        |

Charter Township of Hampton  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

The Township defeased the outstanding debt listed above by placing the proceeds of new debt in an irrevocable trust to provide for the future debt service payments on callable portions of the old debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Township's financial statements.

Long-term debt obligation activity is summarized as follows:

|                            | Balance<br>January 1,<br>2017 | Additions         | Retirements<br>and<br>Payments | Balance<br>December 31,<br>2017 | Amounts Due<br>Within One<br>Year |
|----------------------------|-------------------------------|-------------------|--------------------------------|---------------------------------|-----------------------------------|
| Bonds - Primary Government | \$ 10,900,000                 | \$ 0              | \$ 192,000                     | \$ 10,708,000                   | \$ 199,000                        |
| Bonds - Component Unit     | 645,000                       | 0                 | 35,000                         | 610,000                         | 40,000                            |
| Compensated Absences       | 216,521                       | 0                 | 29,838                         | 186,683                         | 0                                 |
| Net OPEB liability         | 3,839,249                     | 760,884           | 322,940                        | 4,277,193                       | 0                                 |
|                            | <u>\$ 15,600,770</u>          | <u>\$ 760,884</u> | <u>\$ 579,778</u>              | <u>\$ 15,781,876</u>            | <u>\$ 239,000</u>                 |

Annual debt service requirements to maturity for the above obligations are as follows:

| Year End<br>December 31 | Business-Type Activities |                     |                      |
|-------------------------|--------------------------|---------------------|----------------------|
|                         | Principal                | Interest            | Total                |
| 2018                    | \$ 199,000               | \$ 344,776          | \$ 543,776           |
| 2019                    | 206,000                  | 338,195             | 544,195              |
| 2020                    | 213,000                  | 331,387             | 544,387              |
| 2021                    | 221,000                  | 324,335             | 545,335              |
| 2022                    | 228,000                  | 317,039             | 545,039              |
| 2023-2027               | 1,267,000                | 1,466,549           | 2,733,549            |
| 2028-2032               | 1,506,000                | 1,241,732           | 2,747,732            |
| 2033-2037               | 1,788,000                | 974,840             | 2,762,840            |
| 2038-2042               | 2,123,000                | 657,721             | 2,780,721            |
| 2043-2047               | 1,958,000                | 305,015             | 2,263,015            |
| 2048-2050               | 999,000                  | 49,416              | 1,048,416            |
| Total                   | <u>\$ 10,708,000</u>     | <u>\$ 6,351,005</u> | <u>\$ 17,059,005</u> |



Charter Township of Hampton  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

| Year End<br>December 31 | Component Unit    |                   |                   |
|-------------------------|-------------------|-------------------|-------------------|
|                         | Principal         | Interest          | Total             |
| 2018                    | \$ 40,000         | \$ 15,075         | \$ 55,075         |
| 2019                    | 40,000            | 14,535            | 54,535            |
| 2020                    | 40,000            | 13,915            | 53,915            |
| 2021                    | 40,000            | 13,215            | 53,215            |
| 2022                    | 40,000            | 12,455            | 52,455            |
| 2023-2027               | 215,000           | 48,265            | 263,265           |
| 2028-2031               | 195,000           | 15,850            | 210,850           |
| Total                   | <u>\$ 610,000</u> | <u>\$ 133,310</u> | <u>\$ 743,310</u> |

**NOTE 7 - ADVANCES TO OTHER FUNDS**

Business-Type Activities – The General Fund advanced the Sewer Fund \$500,000 on August 27, 2013 at 2% interest. The interest is due annually on August 27<sup>th</sup>, until the balance of the advancement is paid back. The outstanding balance on the advancement as of December 31, 2017 was \$450,000.

Component Unit – The General Fund advanced the Downtown Development Authority (DDA) \$190,000 on May 1, 2016 at 2% interest payable in 5 years. The outstanding balance of the advancement as of December 31, 2017 was \$114,000.

**NOTE 8 - COMPENSATED ABSENCES PAYABLE**

Under various negotiated union contracts and Department Head Policies, it states that employees have twelve (12) sick days per year. After accumulation of thirty (30) days, which are banked, an employee is paid for any unused sick days at the end of their respective contract year.

Charter Township of Hampton  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**NOTE 9 - POST-EMPLOYMENT BENEFITS**

Plan Description – The Township provides another post-employment benefit (OPEB), in accordance with contractual language, to all employees and their current spouse when they retire. The Townships Retiree Medical Plan is a single-employer Plan administered by the Township and can be amended at its discretion. Effective December 31, 2008, the Township adopted the provisions of GASB statement No. 45 “Accounting and Financial Reporting By Employers for Postemployment Benefits Other Than Pensions.” At the time of this reporting, the membership of the plan consisted of the following:

|  |    |
|--|----|
| Active plan members                      | 34 |
| Inactive plan members receiving benefits | 34 |
| Total Plan Members                       | 68 |

The Township has the authority to establish the funding policy for the Plan, and to amend the obligations of both the Township and members.

Active members are not obligated to make contributions to the Plan at this time.

Determination of Annual Required Contribution (ARC) – As of the date of this reporting, the Township has not yet made contributions to the Trust that are in excess of the benefit payments due in current year. The determination of the ARC is as follows:

Determination of Annual Required Contribution (ARC)

|                                |            |
|--------------------------------|------------|
| Service Cost (End of Year)     | \$ 150,398 |
| Amortization Component         |            |
| AAL                            | 9,666,360  |
| Less: Assets                   | 77,915     |
| UAAL                           | 9,588,445  |
| Divided by amortization factor | 12.0850    |
| Amortization of UAAL           | 793,414    |
| Annual Required Contribution   | \$ 943,812 |

Charter Township of Hampton  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**NOTE 9 - POST-EMPLOYMENT BENEFITS (CONTINUED)**

Annual OPEB and Net OPEB Obligation – The Township’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Township’s annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Township’s net OPEB obligation:

|  |    |                         |
|--|----|-------------------------|
| Annual Required Contributions              | \$ | 943,812                 |
| Interest on Net OPEB Obligation            |    | 134,758                 |
| Adjustment to annual required contribution |    | <u>(317,686)</u>        |
| Annual OPEB cost (expense)                 |    | 760,884                 |
| Contributions made                         |    | <u>322,940</u>          |
| Increase in Net OPEB Obligation            |    | 437,944                 |
| Net OPEB Obligation - beginning of year    |    | <u>3,839,249</u>        |
| Net OPEB Obligation - end of year          | \$ | <u><u>4,277,193</u></u> |

**NOTE 10 - RETIREMENT PLAN**

The Township has a John Hancock defined contribution pension plan that covers all Township Board members and full-time employees of the Township. The Township’s current year covered payroll was \$1,784,540 and its total current year payroll for all employees was \$2,105,798. The plan was established under Act 27, P.A. 1960 and Township ordinances 24 and 24.1. All full-time employees who work over 30 hours per week plus Township Board members are covered under the plan. The Township contributes 10 to 15% of each employee’s compensation and the employees can contribute additional amounts. All participants covered are immediately vested. The Township’s contribution requirements for year ended December 31, 2017 was \$267,668, which was entirely paid during the year. Employee contributions for the year ended December 31, 2017, were \$117,958, which was entirely paid during the year.

Charter Township of Hampton  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**NOTE 11 - DEFERRED COMPENSATION PLAN**

The Township offers its employees a deferred compensation plan created in accordance to Internal Revenue Code Section 457. The plan, is available to all Township employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

As of January 1, 1999, the plan's assets are required to be held in a trust for the exclusive benefit of the participants and their beneficiaries in order to remain an eligible plan. Under these new requirements, the Township would no longer own the amounts deferred by employees. Consequently, the Township no longer reports these assets and liabilities in their financial statements.

**NOTE 12 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in of the past three fiscal years.

**NOTE 13 - CONNECTION TO WEST BAY COUNTY REGIONAL WASTEWATER TREATMENT PLANT SEWAGE SYSTEM**

During 2010, the Charter Township of Hampton entered into an agreement with the Bay County Department of Water and Sewer for sewer treatment services. The agreement requires the Charter Township of Hampton to pay a one-time fee for connection to the West Bay County Regional Wastewater Treatment Plant. The agreement also requires the Charter Township of Hampton to run a joint force main pipe with the City of Essexville to the West Bay County Regional Wastewater Treatment Plant. This process also required the Charter Township of Hampton to pay a percentage of the cost of upgrading the sewage storage system at the West Bay County Regional Wastewater Treatment Plant. These facilities will be owned by the Bay County Department of Water and Sewer. These costs were recorded in the financial statements as an intangible asset called connection to West Bay County Regional Wastewater Treatment Plant Sewage System in the amount of \$5,801,048, which will be amortized over the outstanding life of the bonds. The agreement also requires the Charter Township of Hampton to pay 100% force main pipe. This cost was recorded in the financial statements as capital assets in the amount of \$12,403,249. The connection cost and the construction in progress costs were financed by Federal USDA bonds in the amount of \$13,224,000 and by a Federal USDA grant in the amount of \$4,776,000. This construction was completed as of December 31, 2013.

Charter Township of Hampton  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**NOTE 14 - RESTRICTED EQUITY**

As required by various bond ordinances, the Township has established and funded reserves for bond retirement of \$304,006 for the Sewer Fund.

Net position includes restrictions for the governmental funds which includes \$179,048 for Public Safety, \$66,773 for Building and \$286,505 for Road Improvements.

**NOTE 15 - DEFICIT FUND BALANCE**

For the year ended December 31, 2017, the Township had a deficit fund balance in the following funds:

| <u>Fund</u>  | <u>Amount</u>       |
|--------------|---------------------|
| DDA:         |                     |
| Debt service | <u>\$ (112,613)</u> |

**NOTE 16 - RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES**

|   | <u>Water<br/>Fund</u> | <u>Sewer<br/>Fund</u> | <u>Total</u>        |
|---|-----------------------|-----------------------|---------------------|
| Operating income (loss)   | \$ 219,012            | \$ 395,843            | \$ 614,855          |
| Adjustment to reconcile operating income (loss)<br>to net cash flows from operating activities: |                       |                       |                     |
| Depreciation and amortization   | 0                     | 460,976               | 460,976             |
| Changes in assets and liabilities:  |                       |                       |                     |
| Accounts receivable   | (79,816)              | (98,905)              | (178,721)           |
| Due from other funds  | 34,874                | 11,843                | 46,717              |
| Accounts payable  | 64,949                | (4,145)               | 60,804              |
| Due to other funds  | 19,167                | 98,193                | 117,360             |
| Accrued payroll   | 0                     | 173                   | 173                 |
| Net cash flows from operating activities  | <u>\$ 258,186</u>     | <u>\$ 863,978</u>     | <u>\$ 1,122,164</u> |

Charter Township of Hampton  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**NOTE 17 - DEFERRED INFLOWS OF RESOURCES**

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

|   |                            |
|---|----------------------------|
| Property taxes levied for 2017 operations | \$ 2,391,844               |
| Special assessments levied for 2017       | <u>233,298</u>             |
| Total deferred inflows                    | <u><u>\$ 2,625,142</u></u> |

**NOTE 18 - TAX ABATEMENTS**

The Township entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act (known as the Industrial Facilities Exception) PA 198 of 1974, as amended. The Act provides a tax incentive to manufacturers to enable renovations and expansion of aging facilities, assist in the building of new facilities and to promote the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. The IFT on a new plan facility or non-industrial personal property is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%.

For the year ended December 31, 2017, the Township abated property tax revenues totaling approximately \$108,000 under this program.

Charter Township of Hampton  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**NOTE 18 - TAX ABATEMENTS (CONTINUED)**

The Township entered into property tax abatement agreement with local businesses under the Commercial Rehabilitation Act PA 210 of 2005. The Act provides a tax incentive to businesses to enable renovation and expansion of qualified facilities and qualified retail food establishments. A Commercial Rehabilitation Exemption (CRE) certificate entitles the facility to exemption from certain ad valorem real and personal property taxes for a term of 1-10 years as determined by the local unit of government. The CRT is computed on the frozen taxable value the year before the certificate becomes effective at the ad valorem tax rates.

For the year ended December 31, 2017, the Township abated property tax revenues totaling approximately \$41,000 under this program.

**NOTE 19 - UPCOMING ACCOUNTING PRONOUNCEMENT**

Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was issued by the Governmental Accounting Standards Board in June 2015 and will be effective for the Township's 2018 fiscal year. The Statement requires governments that participate in other postemployment benefit plans (OPEB) to report in their statement of net position as an OPEB liability. The OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries. Statement No. 75 requires employers to record a liability and expense equal to the net OPEB liability and expense for the plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense. The Township is in the process of evaluating the financial impact of this statement.

Charter Township of Hampton  
 Required Supplemental Information  
 Budgetary Comparison Schedule - General Fund  
For the Year Ended December 31, 2017

|                               | Original<br>Budget | Final Amended<br>Budget | Actual       | Variances with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|-------------------------------|--------------------|-------------------------|--------------|--|
| <u>Revenues</u>               |                    |                         |              |  |
| Taxes                         | \$ 1,821,840       | \$ 1,821,840            | \$ 1,840,829 | \$ 18,989  |
| State shared revenue          | 752,500            | 752,500                 | 831,537      | 79,037   |
| Other                         | 235,124            | 235,124                 | 358,439      | 123,315  |
| Licenses and permits          | 154,700            | 154,700                 | 183,257      | 28,557   |
| Collection fees               | 171,000            | 171,000                 | 160,614      | (10,386)   |
| Charges for services          | 54,000             | 54,000                  | 68,161       | 14,161   |
| Interest                      | 5,000              | 5,000                   | 6,866        | 1,866  |
| Special assessments levied    | 0                  | 0                       | 6,421        | 6,421  |
|                               | <hr/>              | <hr/>                   | <hr/>        | <hr/>  |
| Total revenues                | 3,194,164          | 3,194,164               | 3,456,124    | 261,960  |
| <u>Expenditures:</u>          |                    |                         |              |  |
| Legislative:                  |                    |                         |              |  |
| Township Board                | 74,615             | 84,615                  | 80,382       | 4,233  |
| General Government:           |                    |                         |              |  |
| Supervisor                    | 104,320            | 104,320                 | 95,356       | 8,964  |
| Elections                     | 6,900              | 6,900                   | 9,419        | (2,519)  |
| Accounting department         | 108,335            | 118,944                 | 108,369      | 10,575   |
| Assessor                      | 101,185            | 101,185                 | 104,703      | (3,518)  |
| Attorney                      | 19,000             | 22,400                  | 21,023       | 1,377  |
| Consultant                    | 25,000             | 25,000                  | 22,736       | 2,264  |
| Clerk                         | 89,600             | 89,600                  | 84,602       | 4,998  |
| Geographic information system | 1,500              | 1,500                   | 957          | 543  |
| Board of Review               | 2,090              | 2,090                   | 861          | 1,229  |
| Treasurer                     | 84,620             | 86,718                  | 83,493       | 3,225  |
| Township hall and grounds     | 78,860             | 78,860                  | 51,795       | 27,065   |
| Citizens community building   | 26,140             | 26,140                  | 24,738       | 1,402  |
| Public relations              | 4,000              | 4,314                   | 3,814        | 500  |
| Public safety:                |                    |                         |              |  |
| Planning Commission           | 14,550             | 14,550                  | 12,271       | 2,279  |
| Board of Appeals              | 7,615              | 7,615                   | 3,297        | 4,318  |
| Public works:                 |                    |                         |              |  |
| Department of Public Works    | 559,905            | 559,905                 | 504,067      | 55,838   |
| Weed control                  | 8,640              | 8,640                   | 8,640        | 0  |
| Drains                        | 53,000             | 53,000                  | 31,992       | 21,008   |
| Highways and streets          | 25,000             | 25,000                  | 234          | 24,766   |
| Engineering                   | 3,000              | 3,000                   | 270          | 2,730  |
| Street lighting               | 120,000            | 120,000                 | 109,693      | 10,307   |
| Sanitation                    | 175,010            | 175,010                 | 144,574      | 30,436   |



Charter Township of Hampton  
Required Supplemental Information  
Budgetary Comparison Schedule - General Fund  
For the Year Ended December 31, 2017

|   | Original<br>Budget | Final Amended<br>Budget | Actual       | Variances with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|---|--------------------|-------------------------|--------------|--|
| Expenditures: (continued)   |                    |                         |              |  |
| Recreation and culture:   |                    |                         |              |  |
| Recreation - parks  | \$ 67,620          | \$ 68,478               | \$ 57,208    | \$ 11,270  |
| Recreation - parks - other  | 12,500             | 13,200                  | 10,583       | 2,617  |
| Rail Trail  | 4,500              | 4,210                   | 4,176        | 34   |
| Other Functions:  |                    |                         |              |  |
| Insurance   | 135,000            | 150,035                 | 150,034      | 1  |
| Hospitalization   | 300,000            | 311,624                 | 305,723      | 5,901  |
| Other post-employment benefits  | 10,000             | 10,000                  | 10,000       | 0  |
| Capital outlay  | 92,750             | 105,296                 | 74,768       | 30,528   |
| Total expenditures  | 2,315,255          | 2,382,149               | 2,119,778    | 262,371  |
| Excess (deficiency) of revenues over expenditures                             | 878,909            | 812,015                 | 1,336,346    | 524,331  |
| <u>Other financing uses</u>   |                    |                         |              |  |
| Transfers out   | (1,656,020)        | (1,656,020)             | (1,415,000)  | 241,020  |
| Total other financing uses  | (1,656,020)        | (1,656,020)             | (1,415,000)  | 241,020  |
| Excess (deficiency) of revenues over expenditures<br>and other financing uses | (777,111)          | (844,005)               | (78,654)     | 765,351  |
| Fund balance - beginning of year  | 1,197,356          | 1,197,356               | 1,197,356    | 0  |
| Fund balance - end of year  | \$ 420,245         | \$ 353,351              | \$ 1,118,702 | \$ 765,351   |

Charter Township of Hampton  
 Required Supplemental Information  
 Budgetary Comparison Schedule - Public Safety Fund  
For the Year Ended December 31, 2017

|   | Original<br>Budget  | Final<br>Amended<br>Budget | Actual             | Variances with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|---|---------------------|----------------------------|--------------------|--|
| <u>Revenues</u>   |                     |                            |                    |  |
| Taxes   | \$ 364,216          | \$ 364,216                 | \$ 368,154         | \$ 3,938   |
| Other   | 4,500               | 4,500                      | 6,692              | 2,192  |
| State shared revenue  | 1,000               | 1,000                      | 1,463              | 463  |
| Interest  | 100                 | 100                        | 95                 | (5)  |
| Total revenues  | <u>369,816</u>      | <u>369,816</u>             | <u>376,404</u>     | <u>6,588</u>   |
| <u>Expenditures</u>   |                     |                            |                    |  |
| Public Safety   | <u>2,203,000</u>    | <u>2,203,000</u>           | <u>1,791,532</u>   | <u>411,468</u>   |
| Total expenditures  | <u>2,203,000</u>    | <u>2,203,000</u>           | <u>1,791,532</u>   | <u>411,468</u>   |
| Excess (deficiency) of revenues over expenditures                             | <u>(1,833,184)</u>  | <u>(1,833,184)</u>         | <u>(1,415,128)</u> | <u>418,056</u>   |
| <u>Other financing sources</u>  |                     |                            |                    |  |
| Transfers in  | <u>1,656,020</u>    | <u>1,834,106</u>           | <u>1,415,000</u>   | <u>(419,106)</u>   |
| Excess (deficiency) of revenues and other financing sources over expenditures | (177,164)           | 922                        | (128)              | (1,050)  |
| Fund balance - beginning of year  | <u>4,176</u>        | <u>4,176</u>               | <u>4,176</u>       | <u>0</u>   |
| Fund balance - end of year  | <u>\$ (172,988)</u> | <u>\$ 5,098</u>            | <u>\$ 4,048</u>    | <u>\$ (1,050)</u>  |

Charter Township of Hampton  
Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2017

|                      | Special Revenue Funds |                     |                   |
|----------------------|-----------------------|---------------------|-------------------|
|                      | Building              | Road<br>Improvement | Totals            |
| <u>ASSETS</u>        |                       |                     |                   |
| Cash and investments | \$ 164,867            | \$ 329,580          | \$ 494,447        |
| Taxes receivable     | 0                     | 189,042             | 189,042           |
| <b>Total Assets</b>  | <b>\$ 164,867</b>     | <b>\$ 518,622</b>   | <b>\$ 683,489</b> |

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE

|   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|
| <u>Liabilities</u>  |                   |                   |                   |
| Accrued expenses  | \$ 1,005          | \$ 0              | \$ 1,005          |
| Accounts payable  | 0                 | 2,772             | 2,772             |
| Due to governmental funds   | 97,089            | 0                 | 97,089            |
| <b>Total Liabilities</b>  | <b>98,094</b>     | <b>2,772</b>      | <b>100,866</b>    |
| <u>Deferred Inflows of Resources</u>  |                   |                   |                   |
| Unavailable revenue - property taxes  | 0                 | 229,345           | 229,345           |
| <u>Fund Balance</u>   |                   |                   |                   |
| Restricted  | 66,773            | 286,505           | 353,278           |
| <b>Total liabilities, deferred inflows of<br/>resources, and fund balance</b> | <b>\$ 164,867</b> | <b>\$ 518,622</b> | <b>\$ 683,489</b> |

Charter Township of Hampton  
 Other Supplemental Information  
 Combining Statement of Revenues, Expenditures and Changes  
 in Fund Balance - Nonmajor Governmental Funds  
For the Year Ended December 31, 2017

|   | Special Revenue Funds |                     |            |
|---|-----------------------|---------------------|------------|
|   | Building              | Road<br>Improvement | Totals     |
| <u>Revenues</u>                                   |                       |                     |            |
| Taxes   | \$ 0                  | \$ 239,293          | \$ 239,293 |
| Interest  | 176                   | 207                 | 383        |
| License and permits                               | 126,417               | 0                   | 126,417    |
| Other   | 0                     | 2,112               | 2,112      |
| Total revenues                                    | 126,593               | 241,612             | 368,205    |
| <u>Expenditures</u>                               |                       |                     |            |
| Inspection  | 148,019               | 0                   | 148,019    |
| Public works                                      | 0                     | 18,873              | 18,873     |
| Total expenditures                                | 148,019               | 18,873              | 166,892    |
| Excess (deficiency) of revenues over expenditures | (21,426)              | 222,739             | 201,313    |
| Fund balance - beginning of year                  | 88,199                | 63,766              | 151,965    |
| Fund balance - end of year                        | \$ 66,773             | \$ 286,505          | \$ 353,278 |

Charter Township of Hampton  
 Other Supplemental Information  
 Debt Schedule - 2010 Sewer Bonds  
 For the Year Ended December 31, 2017

|  |   |               |
|--|---|---------------|
| <u>PURPOSE</u>                                 | Provide funds to pay for the cost of connecting to the West Bay County Regional Wastewater Treatment Sewage System. |               |
| <u>DATE OF ISSUE</u>                           | March 10, 2010  |               |
| <u>AMOUNT OF ISSUE</u>                         |   | \$ 13,224,000 |
| <u>AMOUNT OF REDEEMED</u>                      |   |               |
|  | During prior years  | \$ 2,324,000  |
|  | During current year   | 192,000       |
|  |   | 2,516,000     |
| <u>BALANCE OUTSTANDING - DECEMBER 31, 2017</u> |   | \$ 10,708,000 |

| <u>Fiscal year</u> | Requirements  |              |               |
|--------------------|---------------|--------------|---------------|
|                    | Principal     | Interest     | Total         |
| 2018               | \$ 199,000    | \$ 344,776   | \$ 543,776    |
| 2019               | 206,000       | 338,195      | 544,195       |
| 2020               | 213,000       | 331,387      | 544,387       |
| 2021               | 221,000       | 324,335      | 545,335       |
| 2022               | 228,000       | 317,039      | 545,039       |
| 2023               | 236,000       | 309,499      | 545,499       |
| 2024               | 245,000       | 301,682      | 546,682       |
| 2025               | 253,000       | 293,589      | 546,589       |
| 2026               | 262,000       | 285,220      | 547,220       |
| 2027               | 271,000       | 276,559      | 547,559       |
| 2028               | 281,000       | 267,590      | 548,590       |
| 2029               | 291,000       | 258,295      | 549,295       |
| 2030               | 301,000       | 248,674      | 549,674       |
| 2031               | 311,000       | 238,729      | 549,729       |
| 2032               | 322,000       | 228,444      | 550,444       |
| 2033               | 333,000       | 217,800      | 550,800       |
| 2034               | 345,000       | 206,782      | 551,782       |
| 2035               | 357,000       | 195,374      | 552,374       |
| 2036               | 370,000       | 183,560      | 553,560       |
| 2037               | 383,000       | 171,324      | 554,324       |
| 2038               | 396,000       | 158,665      | 554,665       |
| 2039               | 410,000       | 145,568      | 555,568       |
| 2040               | 424,000       | 132,016      | 556,016       |
| 2041               | 439,000       | 117,992      | 556,992       |
| 2042               | 454,000       | 103,480      | 557,480       |
| 2043               | 470,000       | 88,465       | 558,465       |
| 2044               | 487,000       | 72,914       | 559,914       |
| 2045               | 390,000       | 58,663       | 448,663       |
| 2046               | 300,000       | 47,451       | 347,451       |
| 2047               | 311,000       | 37,522       | 348,522       |
| 2048               | 322,000       | 27,235       | 349,235       |
| 2049               | 333,000       | 16,591       | 349,591       |
| 2050               | 344,000       | 5,590        | 349,590       |
| Total              | \$ 10,708,000 | \$ 6,351,005 | \$ 17,059,005 |

Charter Township of Hampton  
 Other Supplemental Information  
 Debt Schedule - Downtown Development Authority  
For the Year Ended December 31, 2017

PURPOSE Provide funds to pay for a portion of the cost of certain capital improvements within the downtown area of the Township.

DATE OF ISSUE December 7, 2016

AMOUNT OF ISSUE \$ 645,000

AMOUNT OF REDEEMED

|                     |        |        |
|---------------------|--------|--------|
| During prior years  | \$ 0   |        |
| During current year | 35,000 | 35,000 |

BALANCE OUTSTANDING - DECEMBER 31, 2017 \$ 610,000

| <u>Fiscal year</u> | Requirements |            |            |
|--------------------|--------------|------------|------------|
|                    | Principal    | Interest   | Total      |
| 2018               | \$ 40,000    | \$ 15,075  | \$ 55,075  |
| 2019               | 40,000       | 14,535     | 54,535     |
| 2020               | 40,000       | 13,915     | 53,915     |
| 2021               | 40,000       | 13,215     | 53,215     |
| 2022               | 40,000       | 12,455     | 52,455     |
| 2023               | 40,000       | 11,635     | 51,635     |
| 2024               | 40,000       | 10,755     | 50,755     |
| 2025               | 45,000       | 9,795      | 54,795     |
| 2026               | 45,000       | 8,648      | 53,648     |
| 2027               | 45,000       | 7,432      | 52,432     |
| 2028               | 45,000       | 6,150      | 51,150     |
| 2029               | 50,000       | 4,800      | 54,800     |
| 2030               | 50,000       | 3,250      | 53,250     |
| 2031               | 50,000       | 1,650      | 51,650     |
| Total              | \$ 610,000   | \$ 133,310 | \$ 743,310 |



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 5, 2018

Township Board  
Charter Township of Hampton  
Bay County, Michigan

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Charter Township of Hampton (Township), as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise Charter Township of Hampton's basic financial statements and have issued our report thereon dated June 5, 2018.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Charter Township of Hampton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Charter Township of Hampton's internal control. Accordingly, we do not express an opinion on the effectiveness of Charter Township of Hampton's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2017-001, 2017-002 and 2017-003.



Township Board  
Charter Township of Hampton  
June 5, 2018

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Charter Township of Hampton's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Response to Findings**

Charter Township of Hampton's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Charter Township of Hampton's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Weinlander Fitzhugh*



CHARTER TOWNSHIP OF HAMPTON  
Schedule of Findings and Responses  
For the Year Ended December 31, 2017

**2017-001 (Repeat Finding 2016-002)**

Criteria

Establishment and maintenance of internal controls over financial reporting process.

Condition

During the course of the audit, we identified several material misstatements, some of which were material to the Township's financial statements, and provided audit entries to correct these misstatements. Material audit adjustments were required to reflect the appropriate year-end balances for the following: property tax receivables, deferred inflows and amounts due from the tax fund; the recording of the Water and Sewer fund receivables and payables and proper recording of the revenue; and the adjusting of various interfund loan accounts.

Context

Internal controls should be in place to allow the staff to detect and correct material misstatements in the general ledger accounts in the normal course of daily, monthly and annual reporting functions in accordance with GAAP without auditor involvement.

Effect

Material adjustments were required to be performed by the auditors to correct the General Fund, Water and Sewer Funds and Current Tax Fund. The material adjustments could lead to budget variances and violations due to inaccurate records and material misstatements of the Townships financial statements could go undetected.

Recommendation

The Township should review the audit entries, understand why they were necessary, and implement the necessary controls to ensure that the accounts and transactions affected are reviewed closely during the year and especially at year-end close.

Views of the responsible officials and planned corrective action

Will go through audit entries, discuss what was done and understand how to do the entries correctly in the future.

CHARTER TOWNSHIP OF HAMPTON  
Schedule of Findings and Responses  
For the Year Ended December 31, 2017

**2017-002**

Criteria

Establishment and maintenance of internal controls over financial reporting process.

Condition

The Township did not complete accurate and timely bank reconciliations during the year. Bank reconciliations and monthly journal entries were not reviewed.

Context

The finding is a result of observation and inquiry with the Township administration.

Effect

The effect of this condition is that there is a reasonable possibility that a material misstatement of the Township's financial statements could occur without being prevented or detected and corrected on a timely basis.

Recommendation

The Township should review internal controls and implement the necessary procedures to ensure that bank reconciliations are prepared and reviewed on a timely basis. In addition, after each month-end, journal entries should be reviewed for overall completeness and accuracy. These procedures should be implemented in conjunction with the monitoring of financial activities throughout the year.

Views of the responsible officials and planned corrective action

Reconciliations to be completed in a timely manner. General activity report will be reviewed for completeness and accuracy. Financial reports will be provided to board members monthly and for year end.

CHARTER TOWNSHIP OF HAMPTON  
Schedule of Findings and Responses  
For the Year Ended December 31, 2017

**2017-003**

Criteria

During the start of the engagement, we identified several accounts that needed material adjustments, reconciliations were not prepared and audit documentation was not readily available.

Condition

The Township did not ensure that all balances were reconciled and supporting audit documentation was ready and available for the beginning of audit fieldwork.

Context

The finding is a result of observation during the first day of fieldwork.

Effect

The effect of this condition was to extend fieldwork time, require additional auditor reconciliations and perform material adjustments.

Recommendation

The Township should follow the auditor provided prepared by client listing to ensure that all significant audit items are readily available, completed and reconciled at the commencement of fieldwork.

Views of the responsible officials and planned corrective action

All materials requested by auditor will be readily available and complete at the commencement of the scheduled audit.

CHARTER TOWNSHIP OF HAMPTON  
Summary Schedule of Prior Year Findings  
For the Year Ended December 31, 2017

**2016-001**

Audit Finding

Personnel responsible for financial reporting do not possess the skills necessary to monitor and report annual financial activity without auditor involvement.

Corrective Action Taken

The Township contracted with Frances DeWyse, a trustee on the Township's board, who has the skills, knowledge and experience to understand the financial statements and adjusting journal entries to accept the financial statements on the Township's behalf.

**2016-002**

See repeating finding 2017-001 for details.