



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.

Exhibit A	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
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	5,780,732	5,556,793	18,095,588	18,018,299	23,876,320	23,575,092
Liabilities						
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	4,597,543	4,121,298	11,592,245	11,773,268	16,189,788	15,894,566
Deferred inflows of resources	2,625,142	2,501,097	0	0	2,625,142	2,501,097
Net position						
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	\$ (1,441,953)	\$ (1,065,602)	\$ 6,503,343	\$ 6,245,031	\$ 5,061,390	\$ 5,179,429

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>
Exhibit B						
Revenue						
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
Total revenue	4,200,733	4,149,814	3,553,302	3,745,815	7,754,035	7,895,629
Function/Program Expenses						
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
Total expenses	4,577,084	5,088,377	3,294,990	3,309,248	7,872,074	8,397,625
Increase (decrease) in Net Position	\$ (376,351)	\$ (938,563)	\$ 258,312	\$ 436,567	\$ (118,039)	\$ (501,996)

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

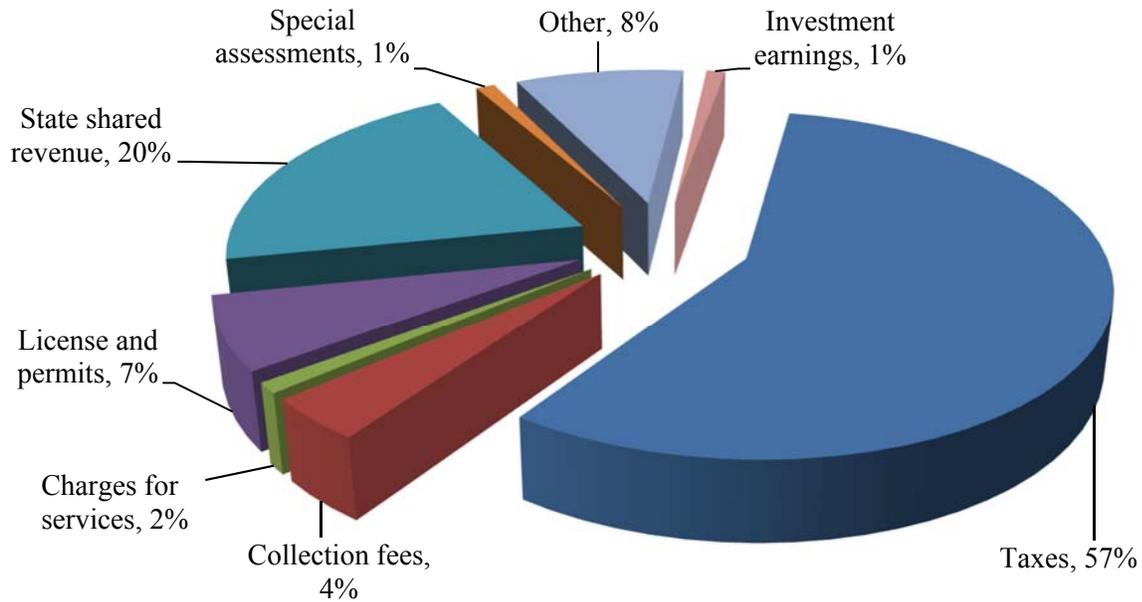
The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

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> <u>December 31, 2017</u>	<u>Fund Balance</u> <u>December 31, 2016</u>	<u>Increase</u> <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.



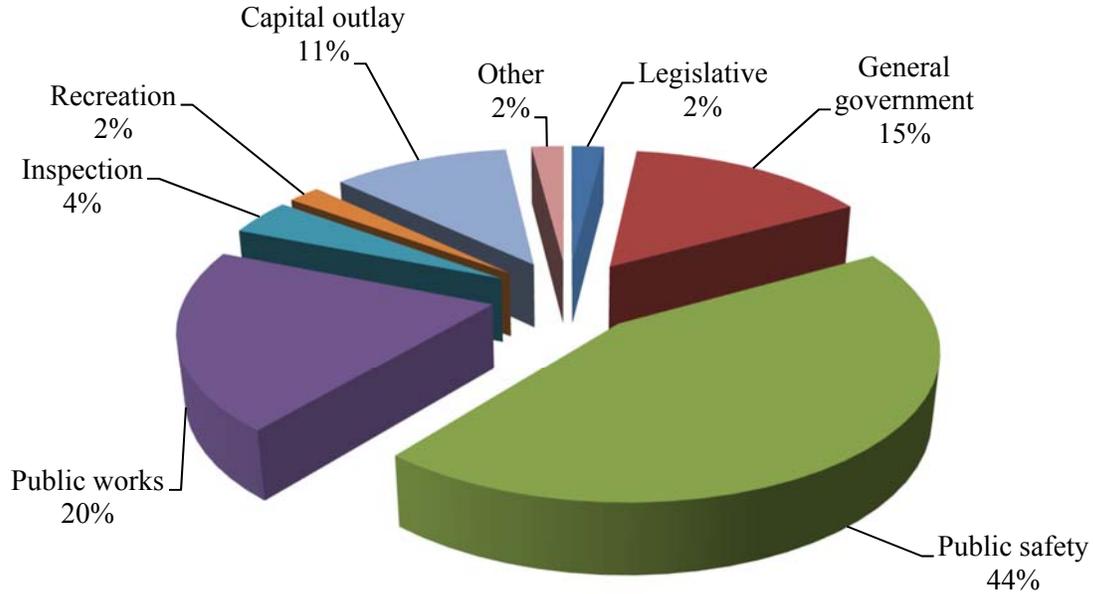
The chart below compares current year revenues with last year.

<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 Activities		Business-Type 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
Total capital assets	5,070,210	5,632,479	12,569,790	12,492,964	17,640,000	18,125,443
Less accumulated depreciation	3,524,315	3,995,808	2,180,357	1,864,407	5,704,672	5,860,215
Net capital assets	\$ 1,545,895	\$ 1,636,671	\$ 10,389,433	\$ 10,628,557	\$ 11,935,328	\$ 12,265,228

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:

	<u>2017</u>	<u>2016</u>
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 Unit
	Governmental Activities	Business-type 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 amortization of \$1,015,183	0	4,785,864	4,785,864	0
Capital assets, net of accumulated 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
Primary government:							
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
Total governmental activities	4,577,084	309,674	68,161	(4,199,249)	0	(4,199,249)	0
Business-type activities:							
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
Total business-type activities	3,294,990	3,548,715	0	0	253,725	253,725	0
Total primary government	\$ 7,872,074	\$ 3,858,389	\$ 68,161	(4,199,249)	253,725	(3,945,524)	0
Component Unit:							
Downtown Development Authority	118,272	0	0	0	0	0	(118,272)
Total component unit	\$ 118,272	\$ 0	\$ 0	0	0	0	(118,272)
General Revenues:							
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
Total general revenues				3,822,898	4,587	3,827,485	142,065
Change in net position				(376,351)	258,312	(118,039)	23,793
Net position - beginning of year				(1,065,602)	6,245,031	5,179,429	1,175,700
Net position - end of year				\$ (1,441,953)	\$ 6,503,343	\$ 5,061,390	\$ 1,199,493

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 Safety</u>	<u>Other Nonmajor Governmental 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
Total assets	<u>\$ 3,275,423</u>	<u>\$ 392,095</u>	<u>\$ 683,489</u>	<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
Total liabilities	<u>113,774</u>	<u>35,197</u>	<u>100,866</u>	<u>249,837</u>
 <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>
 <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
Total fund balance	<u>1,118,702</u>	<u>4,048</u>	<u>353,278</u>	<u>1,476,028</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 3,275,423</u>	<u>\$ 392,095</u>	<u>\$ 683,489</u>	<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 of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial 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 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 Safety	Other Nonmajor Governmental 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
Total revenues	<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
Total expenditures	<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>
Total other financing sources (uses)	<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 of activities are different because:</p>	
<p style="padding-left: 40px;">Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:</p>	
Capital outlay	70,656
Depreciation expense	(122,787)
<p style="padding-left: 40px;">Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:</p>	
Compensated absences	29,838
<p style="padding-left: 40px;">Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the 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 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 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 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 Tax Fund</u>	<u>Trust & Agency 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>
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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 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st 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 Activities	Business-Type Activities	Fiduciary Funds	Total	Component 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 Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
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 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 Balance	Additions	Disposals and Adjustments	Ending Balance
<u>Business-type activities:</u>				
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 capital assets - net of depreciation	\$ 10,628,557	\$ (239,124)	\$ 0	\$ 10,389,433
	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
<u>Component Unit:</u>				
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 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 Balance	Increase (Decrease)	Ending 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
<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 January 1, 2017	Additions	Retirements and Payments	Balance December 31, 2017	Amounts Due Within One 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 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 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 27th, 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:

Fund	Amount
DDA:	
Debt service	\$ (112,613)

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

	Water Fund	Sewer Fund	Total
Operating income (loss)	\$ 219,012	\$ 395,843	\$ 614,855
Adjustment to reconcile operating income (loss) 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	\$ 258,186	\$ 863,978	\$ 1,122,164

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 Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (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 Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (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 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	<u>\$ 420,245</u>	<u>\$ 353,351</u>	<u>\$ 1,118,702</u>	<u>\$ 765,351</u>

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

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (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 Improvement	Totals
<u>ASSETS</u>			
Cash and investments	\$ 164,867	\$ 329,580	\$ 494,447
Taxes receivable	0	189,042	189,042
Total Assets	\$ 164,867	\$ 518,622	\$ 683,489

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
Total Liabilities	98,094	2,772	100,866
<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
Total liabilities, deferred inflows of resources, and fund balance	\$ 164,867	\$ 518,622	\$ 683,489

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

	<u>Special Revenue Funds</u>		
	<u>Building</u>	<u>Road Improvement</u>	<u>Totals</u>
<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
	<u>126,593</u>	<u>241,612</u>	<u>368,205</u>
Total revenues			
<u>Expenditures</u>			
Inspection	148,019	0	148,019
Public works	0	18,873	18,873
	<u>148,019</u>	<u>18,873</u>	<u>166,892</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	(21,426)	222,739	201,313
Fund balance - beginning of year	<u>88,199</u>	<u>63,766</u>	<u>151,965</u>
Fund balance - end of year	<u>\$ 66,773</u>	<u>\$ 286,505</u>	<u>\$ 353,278</u>

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

<u>PURPOSE</u>	Provide funds to pay for a portion of the cost of certain capital improvements within the downtown area of the Township.		
<u>DATE OF ISSUE</u>	December 7, 2016		
<u>AMOUNT OF ISSUE</u>			\$ 645,000
<u>AMOUNT OF REDEEMED</u>			
	During prior years	\$ 0	
	During current year	<u>35,000</u>	<u>35,000</u>
<u>BALANCE OUTSTANDING - DECEMBER 31, 2017</u>			<u><u>\$ 610,000</u></u>

<u>Fiscal year</u>	<u>Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>50,000</u>	<u>1,650</u>	<u>51,650</u>
Total	<u><u>\$ 610,000</u></u>	<u><u>\$ 133,310</u></u>	<u><u>\$ 743,310</u></u>



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.