



WEINLANDER FITZHUGH

CHARTER TOWNSHIP OF HAMPTON
BAY COUNTY, MICHIGAN

FINANCIAL STATEMENTS
DECEMBER 31, 2020

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WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

May 11, 2021

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, 2020 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 opinions 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
May 11, 2021

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, 2020 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.

Emphasis of Matter

As discussed in Note 19 to the financial statements, in 2020, the Township adopted new Accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles requires that management's discussion and analysis, budgetary comparison schedules, and the schedule of changes in the employer's net OPEB liability and related ratios, schedule of employer's OPEB contributions, 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
May 11, 2021

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2021, 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, 2020

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, 2020.

Financial Highlights

State shared revenues were \$906,829 or 22% of General Fund revenues, while tax collection revenue was \$2,051,873 or 50% of General Fund revenues. The General Fund reported an increase in fund balance of \$516,626.

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 SAW Grant 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 (Required Supplemental Information)

Budgetary Information for the SAW Grant Fund (Required Supplemental Information)

OPEB Schedules (Required Supplemental Information)

Other Supplemental Information

Charter Township of Hampton
Management's Discussion and Analysis
For the Year Ended December 31, 2020

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, 2020

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 2020.

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 and Changes in 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, 2020

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, 2020 and 2019.

Exhibit A	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 6,121,799	\$ 5,291,766	\$ 8,956,723	\$ 8,626,360	\$ 15,078,522	\$ 13,918,126
Capital assets - net of accumulated depreciation	1,934,035	1,506,607	9,521,316	9,756,875	11,455,351	11,263,482
Total assets	8,055,834	6,798,373	18,478,039	18,383,235	26,533,873	25,181,608
Deferred outflows of resources	353,272	446,599	0	0	353,272	446,599
Liabilities						
Current liabilities	255,022	203,424	764,493	1,180,689	1,019,515	1,384,113
Long-term liabilities	2,318,401	5,839,243	9,869,000	10,090,000	12,187,401	15,929,243
Total liabilities	2,573,423	6,042,667	10,633,493	11,270,689	13,206,916	17,313,356
Deferred inflows of resources	5,640,234	2,525,472	0	0	5,640,234	2,525,472
Net position						
Net investment in capital assets	1,934,035	1,506,607	3,782,102	3,949,687	5,716,137	5,456,294
Restricted	635,221	515,147	579,688	508,938	1,214,909	1,024,085
Unrestricted	(2,373,807)	(3,344,921)	3,482,756	2,653,921	1,108,949	(691,000)
Total net position	\$ 195,449	\$ (1,323,167)	\$ 7,844,546	\$ 7,112,546	\$ 8,039,995	\$ 5,789,379

Exhibit A focuses on net position. The Township's total net position was \$8,039,995 at December 31, 2020. Net investment in capital assets, totaling \$5,716,137 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 \$1,214,909 reported separately to show legal constraints that limit the Township's ability to use the net position for day-to-day operations.

The \$1,108,949 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, 2020

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, 2020. Exhibit B provides a summary of the Township's operations for the years ended December 31, 2020 and 2019.

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Exhibit B						
Revenue						
Program revenue:						
Charges for services	\$ 277,464	\$ 281,962	\$ 4,524,532	\$ 4,133,332	\$ 4,801,996	\$ 4,415,294
Operating grants and contributions	110,471	152,988	0	0	110,471	152,988
General revenue:						
Taxes	2,274,106	2,295,554	0	0	2,274,106	2,295,554
Special assessments	144,535	214,425	0	0	144,535	214,425
State shared revenue	1,421,764	1,125,729	0	0	1,421,764	1,125,729
Interest and investment	27,004	38,118	7,146	26,305	34,150	64,423
Other	740,909	519,583	411	0	741,320	519,583
Total revenue	4,996,253	4,628,359	4,532,089	4,159,637	9,528,342	8,787,996
Function/Program Expenses						
Legislative	63,717	63,888	0	0	63,717	63,888
General government	186,306	958,720	0	0	186,306	958,720
Public safety	1,205,604	1,430,840	0	0	1,205,604	1,430,840
Public works	898,219	1,166,751	0	0	898,219	1,166,751
Inspection	74,997	87,932	0	0	74,997	87,932
Recreation activities	117,471	115,500	0	0	117,471	115,500
Capital outlay	571,470	209,294	0	0	571,470	209,294
Other	359,853	398,374	0	0	359,853	398,374
Water and sewer	0	0	3,800,089	3,631,678	3,800,089	3,631,678
Total expenses	3,477,637	4,431,299	3,800,089	3,631,678	7,277,726	8,062,977
Increase (decrease) in Net Position	\$ 1,518,616	\$ 197,060	\$ 732,000	\$ 527,959	\$ 2,250,616	\$ 725,019

Charter Township of Hampton
Management's Discussion and Analysis
For the Year Ended December 31, 2020

As reported in the statement of activities, the cost of all of our governmental and business-type activities this year was \$7,277,726. Certain activities were partially funded by \$4,801,996 from those who benefited from the programs and \$110,471 of operating grants. We paid for the remaining "public benefit" portion of our governmental and business-type activities with \$2,274,106 in taxes, \$1,421,764 in state shared revenue, and with our other revenues, such as interest and miscellaneous revenues.

The governmental activities net position experienced an increase of \$1,518,616 as compared to an increase of \$197,060 in 2019. The majority of the increase in net position was due to decreased expense in our General Government: Health Reimbursement Account, Department of Public Works, Capital Improvements at Finn Road Park and legal fees. Also, the Township received more in State Revenue Sharing than anticipated.

The water and sewer funds experienced an increase of \$732,000 resulting from excess customer revenues over expenses for 2020.

The Township's Funds

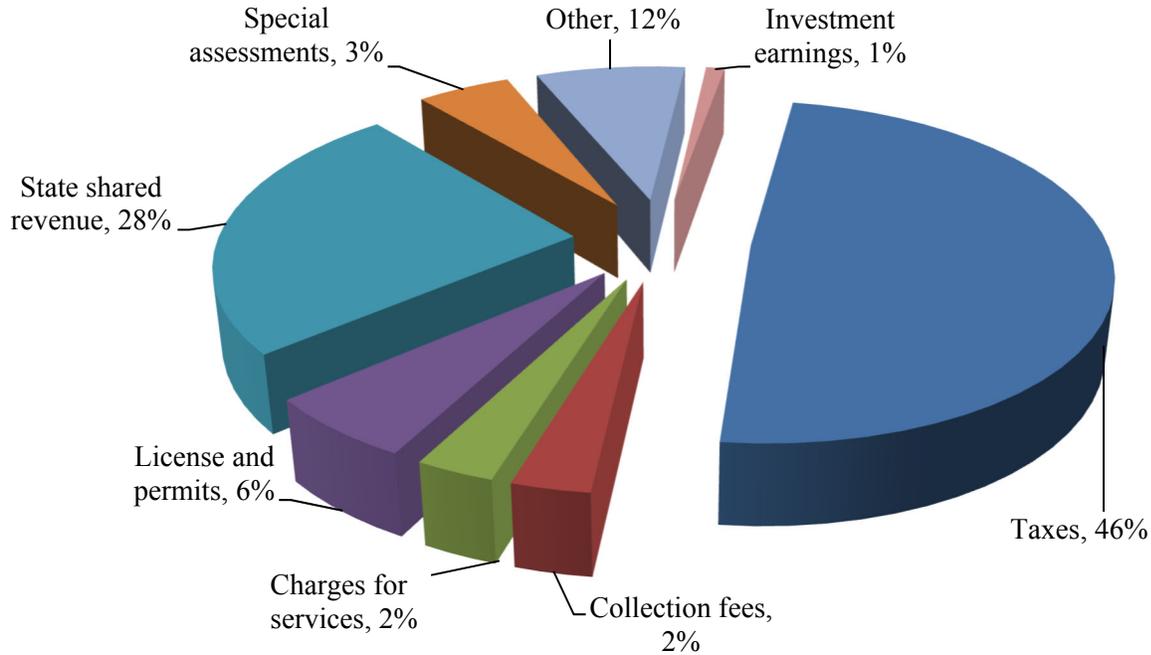
The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's governmental funds reported a combined fund balance of \$3,262,252, which is an increase from last year's total of \$2,625,552. The schedule below details the fund balance and the total change in fund balances as of December 31, 2020 and 2019.

	<u>Fund Balance</u> <u>December 31, 2020</u>	<u>Fund Balance</u> <u>December 31, 2019</u>	<u>Increase</u> <u>(Decrease)</u>
General fund	\$ 2,627,031	\$ 2,110,405	\$ 516,626
Special revenue funds	635,221	515,147	120,074
Total	<u>\$ 3,262,252</u>	<u>\$ 2,625,552</u>	<u>\$ 636,700</u>

Charter Township of Hampton
 Management's Discussion and Analysis
 For the Year Ended December 31, 2020

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



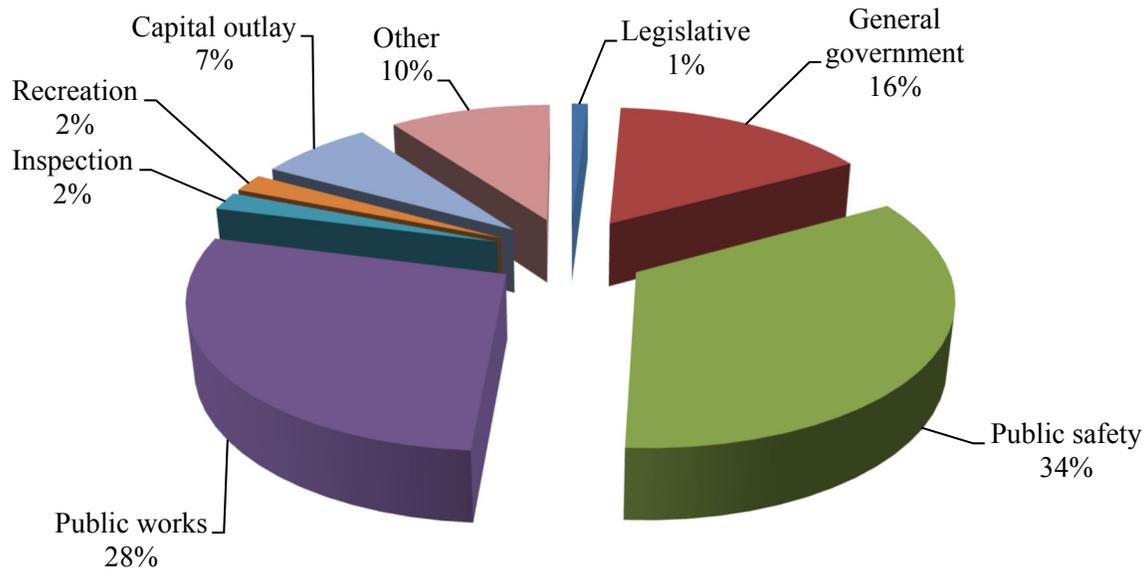
The chart below compares current year revenues with last year.

<i>Revenues by Function</i>	<u>2020</u>	<u>2019</u>
Taxes	\$ 2,274,000	\$ 2,295,000
Collection fees	143,000	146,000
State shared revenue	1,422,000	1,155,000
Special assessments levied	145,000	214,000
Licenses and permits	277,000	282,000
Charges for services	110,000	153,000
Investment earnings	27,000	38,000
Other	598,000	374,000
	<u>\$ 4,996,000</u>	<u>\$ 4,657,000</u>

Overall, 2020 revenues increased \$339,000 or 7% mainly due to an increase in state shared revenue, an increase in the drain special assessment.

Charter Township of Hampton
 Management's Discussion and Analysis
 For the Year Ended December 31, 2020

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>	2020	2019
Legislative	\$ 64,000	\$ 64,000
General government	666,000	658,000
Public safety:		
Police department	934,000	919,000
Fire department	636,000	464,000
Other	8,000	15,000
Public works	873,000	1,142,000
Inspection	75,000	88,000
Recreation activities	77,000	79,000
Capital outlay	671,000	311,000
Other	356,000	398,000
	<u>\$ 4,360,000</u>	<u>\$ 4,138,000</u>

Expenditures increased by \$222,000 from the prior year due to capital purchases of a fire truck, tractor with mower, and a police vehicle.

Water and Sewer System Funds - The Township's proprietary funds reported net position of \$7,844,546 which is an increase of \$732,000 from last year's net position of \$7,112,546. The increase was due to excess customer revenues over expenses, which was due to the increased sewer and water rates during the year.

Charter Township of Hampton
Management's Discussion and Analysis
For the Year Ended December 31, 2020

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 the required supplemental information of these financial statements.

Changes to the general fund original budget were as follows:

- Budgeted revenues decreased by approximately \$28,000 during the fiscal year. This is mainly due to the reduction of property tax revenue from the closing of the Consumers Energy Karn Plant.
- Budgeted expenditures decreased by approximately \$213,000 during the fiscal year. This is mainly due to the capital purchases of fire truck, tractor with mower, and a police vehicle.
- Actual revenues for the year were approximately \$302,000 more than anticipated during the fiscal year. This is mainly due to increased state revenue sharing payments.
- Actual expenditures for the year were approximately \$137,000 less than anticipated. This is mainly due to a personnel reduction of one employee and less rental building maintenance due to COVID-19.

**Charter Township of Hampton
Management's Discussion & Analysis
For the Year Ended December 31, 2020**

Capital Assets

At December 31, 2020, the Township had \$11.5 million invested in a broad range of capital assets, including land, buildings, equipment, transportation equipment, water and sewer systems. This amount represents a net increase (including additions and disposals) of approximately \$531,000 from last year.

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Land	\$ 796,045	\$ 796,045	\$ 0	\$ 0	\$ 796,045	\$ 796,045
Land improvements	730,716	593,257	0	0	730,716	593,257
Buildings and improvements	997,622	997,622	0	0	997,622	997,622
Vehicles and equipment	3,013,342	2,562,041	0	0	3,013,342	2,562,041
Infrastructure	156,826	156,826	0	0	156,826	156,826
Construction in progress	0	131,004	0	0	0	131,004
Sewer system	0	0	12,650,510	12,569,790	12,650,510	12,569,790
Total capital assets	5,694,551	5,236,795	12,650,510	12,569,790	18,345,061	17,806,585
Less accumulated depreciation	3,760,516	3,730,188	3,129,194	2,812,915	6,889,710	6,543,103
Net capital assets	\$ 1,934,035	\$ 1,506,607	\$ 9,521,316	\$ 9,756,875	\$ 11,455,351	\$ 11,263,482

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 \$10,090,000 in long-term debt outstanding versus \$10,303,000 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:

	2020	2019
Proprietary	<u>\$ 10,090,000</u>	<u>\$ 10,303,000</u>

Charter Township of Hampton
Management's Discussion & Analysis
For the Year Ended December 31, 2020

Factors Expected to Have an Effect on Future Operations

Loss of property tax revenues due to the closing of the Consumers Energy Karn Plant.

Aging roads, buildings and structures.

Rising health insurance and utility costs.

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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<u>Assets</u>				
Cash and investments	\$ 4,232,615	\$ 3,184,529	\$ 7,417,144	\$ 254,358
Cash - USDA RRI reserve	0	579,688	579,688	0
Receivables:				
Accounts	252,884	1,125,862	1,378,746	22,666
Taxes	1,329,103	0	1,329,103	70,122
Prepaid expenditures	3,000	0	3,000	0
Due from other governments	5,222	0	5,222	0
Internal balances	84,142	(84,142)	0	0
Internal balances - component unit	14,833	0	14,833	0
Advances to (from) other funds	200,000	(200,000)	0	0
WWTP sewage system, net of accumulated amortization	0	4,350,786	4,350,786	0
Capital assets, net of accumulated depreciation	<u>1,934,035</u>	<u>9,521,316</u>	<u>11,455,351</u>	<u>1,494,308</u>
Total assets	<u>8,055,834</u>	<u>18,478,039</u>	<u>26,533,873</u>	<u>1,841,454</u>
<u>Deferred Outflows of Resources</u>				
Related to OPEB	<u>353,272</u>	<u>0</u>	<u>353,272</u>	<u>0</u>
<u>Current Liabilities</u>				
Accounts payable	212,023	538,704	750,727	1,675
Accrued payroll	22,502	4,789	27,291	0
Accrued interest payable	0	0	0	4,638
Due to other governmental units	0	0	0	14,833
Deposits payable	20,497	0	20,497	0
Bonds payable	0	221,000	221,000	40,000
Total current liabilities	<u>255,022</u>	<u>764,493</u>	<u>1,019,515</u>	<u>61,146</u>
<u>Long-term liabilities</u>				
Bonds payable	0	9,869,000	9,869,000	450,000
Net OPEB liability	2,294,559	0	2,294,559	0
Compensated absences	23,842	0	23,842	0
Total long-term liabilities	<u>2,318,401</u>	<u>9,869,000</u>	<u>12,187,401</u>	<u>450,000</u>
Total liabilities	<u>2,573,423</u>	<u>10,633,493</u>	<u>13,206,916</u>	<u>511,146</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	2,259,259	0	2,259,259	92,788
Unavailable revenue - special assessments	345,266	0	345,266	0
Related to OPEB	3,035,709	0	3,035,709	0
Total deferred inflows of resources	<u>5,640,234</u>	<u>0</u>	<u>5,640,234</u>	<u>92,788</u>
<u>Net position</u>				
Net investment in capital assets	1,934,035	3,782,102	5,716,137	999,670
Restricted	635,221	579,688	1,214,909	237,850
Unrestricted	<u>(2,373,807)</u>	<u>3,482,756</u>	<u>1,108,949</u>	<u>0</u>
Total net position	<u>\$ 195,449</u>	<u>\$ 7,844,546</u>	<u>\$ 8,039,995</u>	<u>\$ 1,237,520</u>

See accompanying notes to financial statements.

Charter Township of Hampton
Statement of Activities
For the Year Ended December 31, 2020

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	\$ 63,717	\$ 0	\$ 0	\$ (63,717)	\$ 0	\$ (63,717)	\$ 0
General government	186,306	160,992	110,471	85,157	0	85,157	0
Public safety	1,205,604	0	0	(1,205,604)	0	(1,205,604)	0
Public works	898,219	0	0	(898,219)	0	(898,219)	0
Inspection	74,997	116,472	0	41,475	0	41,475	0
Recreation activities	117,471	0	0	(117,471)	0	(117,471)	0
Capital outlay	571,470	0	0	(571,470)	0	(571,470)	0
Other	359,853	0	0	(359,853)	0	(359,853)	0
Total governmental activities	3,477,637	277,464	110,471	(3,089,702)	0	(3,089,702)	0
Business-type activities:							
Water	1,723,527	2,078,931	0	0	355,404	355,404	0
Sewer	2,076,562	2,445,601	0	0	369,039	369,039	0
Total business-type activities	3,800,089	4,524,532	0	0	724,443	724,443	0
Total primary government	\$ 7,277,726	\$ 4,801,996	\$ 110,471	(3,089,702)	724,443	(2,365,259)	0
Component Unit:							
Downtown Development Authority	121,418	0	0	0	0	0	(121,418)
Total component unit	\$ 121,418	\$ 0	\$ 0	0	0	0	(121,418)
General Revenues:							
Taxes				2,274,106	0	2,274,106	141,944
Special assessments levied				144,535	0	144,535	0
State shared revenue				1,421,764	0	1,421,764	0
Interest and investment earnings				27,004	7,146	34,150	640
Other				740,909	411	741,320	0
Total general revenues				4,608,318	7,557	4,615,875	142,584
Change in net position				1,518,616	732,000	2,250,616	21,166
Net position - beginning of year				(1,323,167)	7,112,546	5,789,379	1,216,354
Net position - end of year				\$ 195,449	\$ 7,844,546	\$ 8,039,995	\$ 1,237,520

See accompanying notes to financial statements.

Charter Township of Hampton
 Governmental Funds
 Balance Sheet
December 31, 2020

	General	SAW Grant	Other Nonmajor Governmental Funds	Total
<u>ASSETS</u>				
Cash and investments	\$ 3,411,061	\$ 92,204	\$ 729,350	\$ 4,232,615
Receivables:				
Accounts	78,026	174,197	661	252,884
Taxes	1,218,964	0	110,139	1,329,103
Prepaid expenses	0		3,000	3,000
Due from other funds	216,983	0	498	217,481
Due from other governments	5,222	0	0	5,222
Advances to other funds	200,000	0	0	200,000
	<u>\$ 5,130,256</u>	<u>\$ 266,401</u>	<u>\$ 843,648</u>	<u>\$ 6,240,305</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accounts payable	\$ 19,956	\$ 192,067	\$ 0	\$ 212,023
Accrued expenses	22,502	0	0	22,502
Due to other funds	51,959	0	66,547	118,506
Deposits payable	20,497	0	0	20,497
	<u>114,914</u>	<u>192,067</u>	<u>66,547</u>	<u>373,528</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	2,043,045	0	216,214	2,259,259
Unavailable revenue - special assessments	345,266	0	0	345,266
Total deferred inflows of resources	<u>2,388,311</u>	<u>0</u>	<u>216,214</u>	<u>2,604,525</u>
<u>Fund Balance</u>				
Nonspendable - advances	200,000	0	0	200,000
Restricted	0	74,334	560,887	635,221
Unassigned	2,427,031	0	0	2,427,031
	<u>2,627,031</u>	<u>74,334</u>	<u>560,887</u>	<u>3,262,252</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 5,130,256</u>	<u>\$ 266,401</u>	<u>\$ 843,648</u>	<u>\$ 6,240,305</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, 2020

Total fund balance - governmental funds		\$ 3,262,252
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of the capital assets	5,694,551	
Accumulated depreciation	<u>(3,760,516)</u>	1,934,035
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds:		
Related to OPEB		353,272
Long-term liabilities are not due and payable in current period and are not reported in the governmental funds:		
Net OPEB liability	(2,294,559)	
Compensated absences	<u>(23,842)</u>	(2,318,401)
Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in governmental funds:		
Related to OPEB		<u>(3,035,709)</u>
Total net position - governmental activities		<u>\$ 195,449</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, 2020

	General	SAW Grant	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>				
Taxes	\$ 2,051,873	\$ 0	\$ 222,233	\$ 2,274,106
Collection fees	142,899	0	0	142,899
State shared revenue	906,829	514,437	498	1,421,764
Special assessments levied	144,535	0	0	144,535
Charges for services	110,471	0	0	110,471
Interest	24,325	141	2,538	27,004
Licenses and permits	160,992	0	116,472	277,464
Other	545,839	0	52,171	598,010
Total revenues	<u>4,087,763</u>	<u>514,578</u>	<u>393,912</u>	<u>4,996,253</u>
<u>Expenditures</u>				
Legislative	63,717	0	0	63,717
General government	666,336	0	0	666,336
Public safety	1,578,367	0	0	1,578,367
Public works	718,789	0	154,339	873,128
Inspection	0	0	74,997	74,997
Recreation activities	77,147	0	0	77,147
Other	355,355	0	0	355,355
Capital outlay	111,426	559,080	0	670,506
Total expenditures	<u>3,571,137</u>	<u>559,080</u>	<u>229,336</u>	<u>4,359,553</u>
Excess (deficiency) of revenues over expenditures	516,626	(44,502)	164,576	636,700
Fund balance - beginning of year	<u>2,110,405</u>	<u>118,836</u>	<u>396,311</u>	<u>2,625,552</u>
Fund balance - end of year	<u>\$ 2,627,031</u>	<u>\$ 74,334</u>	<u>\$ 560,887</u>	<u>\$ 3,262,252</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, 2020

Net change in fund balance - total governmental funds	\$ 636,700
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	531,119
Depreciation expense	(99,193)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:	
Compensated absences	(6,970)
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:	
Net OPEB liability	461,458
Loss on disposal of capital assets	<u>(4,498)</u>
Change in net position of governmental activities	<u><u>\$ 1,518,616</u></u>

See accompanying notes to financial statements.

Charter Township of Hampton
Proprietary Funds
Statement of Net Position
December 31, 2020

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 1,804,420	\$ 1,380,109	\$ 3,184,529
Accounts receivable	480,866	644,996	1,125,862
Due from other funds	17,531	56,205	73,736
Total current assets	<u>2,302,817</u>	<u>2,081,310</u>	<u>4,384,127</u>
Non-current assets:			
Cash - USDA RRI reserve	0	579,688	579,688
WWTP sewage system, net of amortization of \$1,450,262	0	4,350,786	4,350,786
Capital assets - at cost	0	12,650,510	12,650,510
Less allowance for depreciation	0	(3,129,194)	(3,129,194)
Net capital assets	<u>0</u>	<u>9,521,316</u>	<u>9,521,316</u>
Total assets	<u>2,302,817</u>	<u>16,533,100</u>	<u>18,835,917</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	345,132	193,572	538,704
Accrued payroll	1,585	3,204	4,789
Advances from other funds	0	200,000	200,000
Due to other funds	34,570	123,308	157,878
Current portion of bonds payable	0	221,000	221,000
Total current liabilities	<u>381,287</u>	<u>741,084</u>	<u>1,122,371</u>
Long-term Liabilities:			
Bonds payable	0	9,869,000	9,869,000
Total liabilities	<u>381,287</u>	<u>10,610,084</u>	<u>10,991,371</u>
<u>Net position</u>			
Net investment in capital assets	0	3,782,102	3,782,102
Restricted	0	579,688	579,688
Unrestricted	<u>1,921,530</u>	<u>1,561,226</u>	<u>3,482,756</u>
Total net position	<u>\$ 1,921,530</u>	<u>\$ 5,923,016</u>	<u>\$ 7,844,546</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, 2020

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating revenues:			
Charges for services	\$ 2,078,931	\$ 2,445,601	\$ 4,524,532
Other revenue	411	0	411
Total operating revenues	<u>2,079,342</u>	<u>2,445,601</u>	<u>4,524,943</u>
Operating expenses:			
Water and sewer treatment	1,576,903	769,058	2,345,961
Depreciation and amortization	0	461,305	461,305
Salaries and wages	43,015	198,595	241,610
Payroll taxes and fringe benefits	31,640	80,206	111,846
Supplies	11,201	25,922	37,123
Utilities	2,596	59,473	62,069
Contracted services	7,651	29,799	37,450
Repairs and maintenance	45,609	91,796	137,405
Miscellaneous	4,912	23,022	27,934
Total operating expenses	<u>1,723,527</u>	<u>1,739,176</u>	<u>3,462,703</u>
Operating income (loss)	<u>355,815</u>	<u>706,425</u>	<u>1,062,240</u>
Nonoperating revenues (expenses):			
Interest income	4,019	3,127	7,146
Interest expense	0	(337,386)	(337,386)
Total nonoperating revenue (expense)	<u>4,019</u>	<u>(334,259)</u>	<u>(330,240)</u>
Change in net position	359,834	372,166	732,000
Net position - beginning of year	<u>1,561,696</u>	<u>5,550,850</u>	<u>7,112,546</u>
Net position - end of year	<u>\$ 1,921,530</u>	<u>\$ 5,923,016</u>	<u>\$ 7,844,546</u>

See accompanying notes to financial statements

Charter Township of Hampton
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2020

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 2,029,311	\$ 2,383,365	\$ 4,412,676
Cash payments to suppliers for goods and services	(1,638,322)	(1,131,412)	(2,769,734)
Cash payments to employees for services	(73,070)	(282,789)	(355,859)
Other operating income (expense)	181,219	(76,735)	104,484
Net cash flows from operating activities	<u>499,138</u>	<u>892,429</u>	<u>1,391,567</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	0	(313,000)	(313,000)
Interest paid on long-term debt	0	(337,386)	(337,386)
Acquisition of capital assets	0	(80,720)	(80,720)
Net cash flows from financing activities	<u>0</u>	<u>(731,106)</u>	<u>(731,106)</u>
Cash flows from investing activities:			
Interest and investment earnings	<u>4,019</u>	<u>3,127</u>	<u>7,146</u>
Net increase (decrease) in cash and cash equivalents	503,157	164,450	667,607
Cash and cash equivalents - beginning of year	<u>1,301,263</u>	<u>1,795,347</u>	<u>3,096,610</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,804,420</u></u>	<u><u>\$ 1,959,797</u></u>	<u><u>\$ 3,764,217</u></u>

See accompanying notes to financial statements

Charter Township of Hampton
Statement of Fiduciary Net Position
December 31, 2020

	Current Tax Fund	Trust & Agency Fund	Trust Fund	Total
<u>ASSETS</u>				
Cash and investments	\$ 1,457,448	\$ 1,252	\$ 192,176	\$ 1,650,876
Total assets	<u>1,457,448</u>	<u>1,252</u>	<u>192,176</u>	<u>1,650,876</u>
<u>LIABILITIES</u>				
Undistributed current and delinquent taxes	1,137,097	608	0	1,137,705
Total liabilities	<u>1,137,097</u>	<u>608</u>	<u>0</u>	<u>1,137,705</u>
<u>NET POSITION</u>				
Total net position	<u>\$ 320,351</u>	<u>\$ 644</u>	<u>\$ 192,176</u>	<u>\$ 513,171</u>

Charter Township of Hampton
Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2020

	Current Tax Fund	Trust & Agency Fund	Trust Fund	Total
<u>Additions</u>				
Property tax collections for other governments	\$ 11,753,828	\$ 183,617	\$ 0	\$ 11,937,445
Investment gain (loss)	0	0	19,486	19,486
Employer OPEB contributions	0	0	186,893	186,893
Other	745	5	25,000	25,750
Total additions	<u>11,754,573</u>	<u>183,622</u>	<u>231,379</u>	<u>12,169,574</u>
<u>Deductions</u>				
Distributed property taxes to other governments	11,761,636	183,567	0	11,945,203
Retiree OPEB benefit payments	0	0	186,893	186,893
Advisory fees	0	0	698	698
Total deductions	<u>11,761,636</u>	<u>183,567</u>	<u>187,591</u>	<u>12,132,794</u>
Change in net position	(7,063)	55	43,788	36,780
Net position - beginning of year, restated	<u>327,414</u>	<u>589</u>	<u>148,388</u>	<u>476,391</u>
Net position - end of year	<u>\$ 320,351</u>	<u>\$ 644</u>	<u>\$ 192,176</u>	<u>\$ 513,171</u>

See accompanying notes to financial statements.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2020

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 and 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, 2020

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, 2020

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.

SAW Grant Fund – The SAW Grant Fund is used to account for all financial transactions relating to the SAW grant improvements that are submitted and reimbursement based on the grant agreement.

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 – \$579,688 of the Enterprise Fund’s cash and investments is restricted for required bond reserves (Note 15).

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2020

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 \$5,000. 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 2020 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, 2020

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 2019 taxable valuation of the Township totaled 348 million, on which ad valorem taxes levied consisted of 5.0000 mills for Township operating purposes, .6500 mills for road maintenance, 1.0000 mills for public safety (fire and police), and .4000 mills for drains, raising \$1,710,196 for operating, \$222,333 for road improvements, \$342,030 for public safety, and \$139,138 for drains. These amounts are recognized in the respective General Fund and Special Revenue Funds financial statements as tax revenue.

Deferred Outflows – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualify for reporting in this category. Both relate to the OPEB contributions reported in the statement of net position. The first is a deferred outflow recognized for the changes in assumptions. The second is a deferred outflow recognized for the net difference between projected and actual investment earnings on OPEB investments.

Deferred Inflows – In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Township has two items that qualify for reporting in this category. The first deferred inflow recognized relates to property taxes and special assessments that are assessed for the current year but not recognized as revenue until the following year. The second deferred inflow recognized relates to OPEB and the difference between expected and actual experience.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 the SAW Grant Fund are presented as Required Supplemental Information.

During the year ended December 31, 2020 the Township incurred expenditures, which were in excess of amounts appropriated as follows:

<u>SAW Grant</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variances with Final Budget (Unfavorable)</u>
Capital Outlay	\$ 0	\$ 559,080	\$ (559,080)

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2020

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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>	<u>Component Units</u>
Cash and investments	<u>\$ 4,232,615</u>	<u>\$ 3,764,217</u>	<u>\$ 1,650,876</u>	<u>\$ 9,647,708</u>	<u>\$ 254,358</u>

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

Deposits (checking and savings accounts, certificates of deposit)	\$ 9,646,993
Petty cash and cash on hand	<u>715</u>
Total	<u>\$ 9,647,708</u>

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, 2020, \$9,238,184 of the Township's bank balance of \$9,636,572 was exposed to custodial credit risk because it was uninsured and uncollateralized. At December 31, 2020, none of the component unit's bank balance of \$254,358 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, 2020

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 796,045	\$ 0	\$ 0	\$ 796,045
Constuction in progress	131,004	0	131,004	0
Subtotal	<u>927,049</u>	<u>0</u>	<u>131,004</u>	<u>796,045</u>
Capital assets being depreciated:				
Land improvements	593,257	137,459	0	730,716
Buildings and improvements	997,622	0	0	997,622
Vehicles and equipment	2,562,041	524,664	73,363	3,013,342
Infrastructure	156,826	0	0	156,826
Subtotal	<u>4,309,746</u>	<u>662,123</u>	<u>73,363</u>	<u>4,898,506</u>
Less accumulated depreciation for:				
Land improvements	474,860	33,904	0	508,764
Buildings and improvements	859,220	0	0	859,220
Vehicles and equipment	2,338,425	58,469	68,865	2,328,029
Infrastructure	57,683	6,820	0	64,503
Subtotal	<u>3,730,188</u>	<u>99,193</u>	<u>68,865</u>	<u>3,760,516</u>
Net capital assets being depreciated	<u>579,558</u>	<u>562,930</u>	<u>4,498</u>	<u>1,137,990</u>
Governmental activities, total capital assets - net of depreciation	<u>\$ 1,506,607</u>	<u>\$ 562,930</u>	<u>\$ 135,502</u>	<u>\$ 1,934,035</u>

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2020

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 17,500	\$ 0	\$ 0	\$ 17,500
Capital assets being depreciated:				
Sewer system	12,552,290	80,720	0	12,633,010
Subtotal	<u>12,552,290</u>	<u>80,720</u>	<u>0</u>	<u>12,633,010</u>
Less accumulated depreciation for:				
Sewer system	2,812,915	316,279	0	3,129,194
Subtotal	<u>2,812,915</u>	<u>316,279</u>	<u>0</u>	<u>3,129,194</u>
Business-type activities, total capital assets - net of depreciation	<u>\$ 9,756,875</u>	<u>\$ (235,559)</u>	<u>\$ 0</u>	<u>\$ 9,521,316</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
<u>Component Unit:</u>				
Capital assets being depreciated:				
Infrastructure	\$ 2,490,514	\$ 0	\$ 0	\$ 2,490,514
Subtotal	<u>2,490,514</u>	<u>0</u>	<u>0</u>	<u>2,490,514</u>
Less accumulated depreciation for:				
Infrastructure	896,586	99,620	0	996,206
Subtotal	<u>896,586</u>	<u>99,620</u>	<u>0</u>	<u>996,206</u>
Component unit, total capital assets - net of depreciation	<u>\$ 1,593,928</u>	<u>\$ (99,620)</u>	<u>\$ 0</u>	<u>\$ 1,494,308</u>

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2020

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government	\$	6,680
Public safety		27,098
Public works		25,091
Recreation		40,324
Total governmental activities depreciation expense		\$ 99,193
Business-type activities:		
Sewer	\$	316,279
Total business-type activities depreciation expense		\$ 316,279
Component Unit:		
Downtown development authority	\$	99,620
Total component unit depreciation expense		\$ 99,620

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

A summary of inter-fund receivable and payable balances at December 31, 2020 is as follows:

		Payables					Total
		General	Building	Sewer	Water	DDA	
Receivables	General	\$ 0	\$ 66,547	\$ 123,308	\$ 12,793	\$ 14,335	\$ 216,983
	Road	0	0	0	0	498	498
	Water Fund	17,531	0	0	0	0	17,531
	Sewer Fund	34,428	0	0	21,777	0	56,205
		\$ 51,959	\$ 66,547	\$ 123,308	\$ 34,570	\$ 14,833	\$ 291,217

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.

There were no interfund transfers during the year.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2020

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%	\$ 10,303,000	\$ (213,000)	\$ 10,090,000
	Beginning Balance	Increase (Decrease)	Ending Balance
<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%	\$ 530,000	\$ (40,000)	\$ 490,000

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2020

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, 2020	Additions	Retirements and Payments	Balance December 31, 2020	Amounts Due Within One Year
Bonds - Primary Government	\$ 10,303,000	\$ 0	\$ 213,000	\$ 10,090,000	\$ 221,000
Bonds - Component Unit	530,000	0	40,000	490,000	40,000
Compensated Absences	16,872	6,970	0	23,842	0
Net OPEB liability	5,822,371	387,860	3,915,672	2,294,559	0
	<u>\$ 16,672,243</u>	<u>\$ 394,830</u>	<u>\$ 4,168,672</u>	<u>\$ 12,898,401</u>	<u>\$ 261,000</u>

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

Year End December 31	Business-Type Activities		
	Principal	Interest	Total
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
2026-2030	1,406,000	1,336,338	2,742,338
2031-2035	1,668,000	1,087,129	2,755,129
2036-2040	1,983,000	791,133	2,774,133
2041-2045	2,240,000	441,514	2,681,514
2046-2050	1,610,000	134,389	1,744,389
Total	<u>\$ 10,090,000</u>	<u>\$ 5,336,647</u>	<u>\$ 15,426,647</u>

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2020

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Year End December 31	Component Unit		
	Principal	Interest	Total
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
2026-2030	235,000	30,280	265,280
2031	50,000	1,650	51,650
Total	<u>\$ 490,000</u>	<u>\$ 89,785</u>	<u>\$ 579,785</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, 2020 was \$200,000.

Component Unit – The General Fund advanced the Downtown Development Authority (DDA) \$190,000 on May 1, 2016 at 2% interest payable in 5 years. As of December 31, 2020, the remaining balance of the advancement was paid off.

NOTE 8 - COMPENSATED ABSENCES PAYABLE

Under various negotiated union contracts and Department Head Policies, it states the following for each different union contract. For the DPW and GSA it states that employees have twelve (12) sick days per year up to a total of thirty (30) sick days and sick days are not “paid out” in any circumstance. For the Department Heads it states sick leave is provided at the rate of one (1) eight (8) hour day per month (12 per year) up to a total of thirty (30) sick days and sick days are not “paid out” in any circumstance. For the Police it states that no sick days will be paid out to bargaining unit members during the life of the contract or upon the contract’s expiration. The Township does not have an obligation to “compensate” any such payments which, absent this agreement, would have otherwise been made.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2020

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, 2018, the Township adopted the provisions of GASB statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.”

Benefits – The purpose of the plan is to provide medical and health care benefits for the welfare of certain retirees of the Township. The levels of benefits are determined by the retirees’ date of employment, position within the Township and years of service with the Township.

The tables below summarizes the post-employment benefits provided:

Position	Eligibility	Benefit Eligibility
Administrative and Department of Public Works		Age 60; 25 years of service
Department Heads (Assessor, Police Chief, Fire Chief, DPW Superintendent)	Hired prior to 4/1/04	10 years of service
	Hired after 4/1/04	25 years of service
Police	Hired prior to 6/1/15	Age 50; 25 years of service
	Hired after 6/1/15	Age 55; 25 years of service
Fire		Age 55; 25 years of service

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2020

NOTE 9 - POST-EMPLOYMENT BENEFITS (CONTINUED)

Position	Eligibility	Benefits
Administrative and Department of Public Works	Retire prior to 3/1/18	Up to \$500/month total for retiree and spouse towards medical, dental and vision premium
	Retiring after 3/1/18	Up to \$500/month total for retiree only towards medical, dental and vision premium until Medicare eligibility age
Department Heads (Assessor, Police Chief, Fire Chief, DPW Superintendent)		Up to \$500/month for retiree only towards medical, dental and vision premium until Medicare eligibility age
Police	Retired prior to 3/1/2018	100% of premium for retiree and spouse for medical, dental, vision; at medicare eligibility, the medical plan switches to a Medicare supplement
	Retired after 3/1/18 and hired prior to 6/1/15	Up to \$1000/month for the retiree only towards medical, dental and vision premium until Medicare eligibility age
	Retiring after 3/1/18 and hired after 6/1/15	Up to \$500/month for the retiree only towards medical, dental and vision premium until Medicare eligibility age
Fire	Retired prior to 3/1/18 and hired prior to 1/1/94	For retiree and spouse, 100% of medical, dental, vision premium; at Medicare eligibility, the medical plan switches to a Medicare supplement
	Retired prior to 3/1/18 and hired after 1/1/94	For retirement before Medicare eligibility: Up to \$350/per month for the retiree and \$350/month for the spouse towards medical, dental, vision premiums
		For retirement after Medicare eligibility: Up to \$350/per month for retiree and spouse coverage and \$165/month toward single Medicare supplemental coverage
	Retiring after 3/1/18	Up to \$500/month for the retiree only towards medical, dental and vision premium until Medicare eligibility age

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2020

NOTE 9 - POST-EMPLOYMENT BENEFITS (CONTINUED)

As of December 31, 2020, Plan membership consisted of the following:

Active plan members	20
Retirees and beneficiaries	26
Total Plan Members	46

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

Contributions – The Township OPEB Plan was established and is being funded under the authority of the Township. The plan's funding policy is that the employer will contribute any required amounts as determined by an annual actuarial valuation as a reference but not as a definitive requirement. Currently, benefit payments are made from general operating funds. Active participants do not make contributions to the plan. There are no long term contracts for contributions to the plan. The plan has no legally required reserves.

Net OPEB Liability – The Township's net OPEB liability was measured as of December 31, 2020.

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of December 31, 2020 measurement date. The following actuarial assumptions were used in the measurement, unless otherwise specified:

Inflation	Included in investment rate of return
Salary increases	1.50%
Investment rate of return	7.00%
20-year Aa Municipal bond rate	1.93%
Mortality	Public General and Public Safety 2010 Employee and Healthy Retiree, Headcount weighted
Improvement Scale	MP-2020

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2020

NOTE 9 - POST-EMPLOYMENT BENEFITS (CONTINUED)

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	64.00%	8.00%
Global Fixed Income	26.00	5.50
Private Assets	5.00	6.20
Diversifying Strategies	5.00	2.75

The sum of each target allocation times its long-term expected real rate, plus inflation, is 7.0%.

Discount Rate – The discount rate used to measure the total OPEB liability was 6.19%. The projection of cash flows used to determine the discount rate assumed that Township contributions of \$25,000 annually in addition to paying retiree benefits from general operating funds until the plan is fully funded, prorated based on the projected number of active participants. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members through 2052 – the cross-over point. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. The discount rate used for December 31, 2019 was 3.02%.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2020

NOTE 9 - POST-EMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net OPEB Liability – Changes in the Plan’s net OPEB liability for the year ended December 31, 2020 were as follows:

	Increase (Decrease)		
	Plan		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at December 31, 2019	\$ 5,970,759	\$ 148,382	\$ 5,822,377
Changes for the year:			
Service cost	22,101	0	22,101
Interest	178,162	0	178,162
Experience (gains)/losses	(2,676,838)	0	(2,676,838)
Change in actuarial assumptions	(820,562)	0	(820,562)
Contributions to OPEB trust	0	25,000	(25,000)
Contributions - employer	0	186,893	(186,893)
Net investment income	0	19,486	(19,486)
Benefit payments	(186,893)	(186,893)	0
Administrative expense	0	(698)	698
Net Changes	(3,484,030)	43,788	(3,527,818)
Balance at December 31, 2020	\$ 2,486,729	\$ 192,170	\$ 2,294,559

Sensitivity of Net OPEB liability to the Single Discount Rate Assumption – The following represents the Township’s net OPEB liability, calculated using a Single Discount Rate of 6.19%, as well as what the Township’s net OPEB liability would be if it were calculated using a Single Discount rate that is one percent lower or one percent higher:

1% Decrease	Current Rate	1% Increase
\$ 2,530,152	\$ 2,294,559	\$ 2,093,430

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2020

NOTE 9 - POST-EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of Net OPEB liability to the Healthcare Cost Trend Assumption – The following represents the Township’s net OPEB liability, calculated using the assumed trend rates, as well as what the Township’s net OPEB liability would be if it were calculated using a Healthcare Cost Trend rate that is one percent lower or one percent higher:

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
\$ 2,141,373	\$ 2,294,559	\$ 2,471,601

OPEB expense, Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended December 31, 2020, the Township recognized OPEB expense of (\$461,458). At December 31, 2020 the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 0	\$ (2,332,826)
Changes in assumptions	353,272	(699,713)
Net difference between projected and actual investment earnings on OPEB investments	0	(3,170)
Total	\$ 353,272	\$ (3,035,709)

The amount reported as a deferred outflow of resources and deferred inflows of resources relating to OPEB will be recognized in OPEB expense as follows:

Year ended December 31,	Amount Recognized
2021	\$ (439,731)
2022	(439,731)
2023	(441,620)
2024	(441,620)
2025	(512,821)
Thereafter	(406,914)
	\$ (2,682,437)

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2020

NOTE 10 - RETIREMENT PLAN

The Township has a John Hancock defined contribution pension plan that covers all Township full-time employees of the Township. The Township's current year covered payroll was \$1,218,423 and its total current year payroll for all employees was \$1,568,188. 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 are covered under the plan. The Township contributes 10% 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, 2020 was \$125,738, which was entirely paid during the year. Employee contributions for the year ended December 31, 2020, were \$69,189, which was entirely paid during the year.

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 the past three fiscal years.

NOTE 13 - CONTINGENCY

The Township has been named as a defendant in pending litigation regarding a proposed medical marihuana grow facility. As of the date of this report, the outcome of this litigation could not be determined.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - 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% of the 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.

NOTE 15 - RESTRICTED EQUITY

As required by various bond ordinances, the Township has established and funded reserves for bond retirement of \$579,688 for the Sewer Fund.

Net position includes restrictions for the governmental funds which includes \$118,809 for Building, \$442,078 for Road Improvements and \$74,334 for the SAW Grant Fund.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2020

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

	Water Fund	Sewer Fund	Total
Operating income (loss)	\$ 355,815	\$ 706,425	\$ 1,062,240
Adjustment to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation and amortization	0	461,305	461,305
Changes in assets and liabilities:			
Accounts receivable	(49,620)	(62,234)	(111,854)
Due from other funds	146,238	(50,043)	96,195
Accounts payable	10,550	(132,344)	(121,794)
Due to other funds	34,570	(26,692)	7,878
Accrued payroll	1,585	(3,988)	(2,403)
Net cash flows from operating activities	\$ 499,138	\$ 892,429	\$ 1,391,567

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 2021 operations	\$ 1,710,399
Public safety taxes levied for 2021	332,646
Road taxes levied for 2021	216,214
Special assessments levied for 2021	345,266
Total deferred inflows	\$ 2,604,525

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, 2020, the Township abated property tax revenues totaling approximately \$50,000 under this program.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2020

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 CRE 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, 2020, the Township abated property tax revenues totaling approximately \$13,000 under this program.

NOTE 19 – NEW ACCOUNTING STANDARDS

For the year ended December 31, 2020, the Township implemented the following new pronouncement:

GASB Statement No. 84, *Fiduciary activities*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by GASB in January 2017 and will be effective for the Township's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Local governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

The restatement of the beginning of the year net position follows:

	Fiduciary Activities	
	Current Tax Fund	Trust & Agency Fund
Net position as previously stated, January 1, 2020	\$ 0	\$ 0
Property tax collections for other governments	15,782,066	183,016
Miscellaneous income	5,146	46
Distributed property taxes to other governments	(15,459,798)	(182,473)
	327,414	589
Net position as restated, January 1, 2020	\$ 327,414	\$ 589

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2020

NOTE 20 - UPCOMING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, was issued by the GASB in June 2017 and will be effective for the Township's 2022 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lease is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

NOTE 21 – UNCERTAINTY

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) a pandemic. As a result the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact the Township. While the disruption is currently expected to be temporary, there is considerable uncertainty regarding the duration. The overall financial impact of COVID-19 cannot be reasonably estimated at this time.

Charter Township of Hampton
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2020

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 1,960,000	\$ 1,871,900	\$ 2,051,873	\$ 179,973
State shared revenue	884,480	842,437	906,829	64,392
Other	410,949	412,868	545,839	132,971
Licenses and permits	154,588	150,088	160,992	10,904
Collection fees	125,000	227,500	142,899	(84,601)
Charges for services	126,000	126,000	110,471	(15,529)
Interest	10,000	10,000	24,325	14,325
Special assessments levied	142,660	144,647	144,535	(112)
Total revenues	<u>3,813,677</u>	<u>3,785,440</u>	<u>4,087,763</u>	<u>302,323</u>
<u>Expenditures:</u>				
Legislative:				
Township Board	68,593	67,393	63,717	3,676
General Government:				
Supervisor	84,750	85,025	80,105	4,920
Elections	21,700	21,700	20,699	1,001
Accounting department	114,974	134,934	115,224	19,710
Assessor	63,050	62,040	57,750	4,290
Attorney	45,000	19,200	16,237	2,963
Consultant	25,000	18,000	11,852	6,148
Clerk	80,260	81,285	79,051	2,234
Geographic information system	600	600	0	600
Board of Review	1,730	1,730	1,234	496
Treasurer	79,550	77,250	76,867	383
Township hall and grounds	163,265	102,615	98,393	4,222
Citizens community building	16,580	6,010	4,830	1,180
Public relations	4,900	104,125	104,094	31
Public safety:				
Police department	992,305	957,840	933,892	23,948
Fire department	391,140	691,645	636,302	55,343
Planning Commission	19,927	12,927	8,148	4,779
Board of Appeals	3,894	2,974	25	2,949
Public works:				
Department of Public Works	502,550	290,425	269,733	20,692
Weed control	8,640	8,640	8,640	0
Drains	441,000	200,730	189,490	11,240
Engineering	3,000	0	0	0
Street lighting	123,600	123,600	121,924	1,676
Sanitation	151,615	139,375	129,002	10,373

Charter Township of Hampton
 Required Supplemental Information
 Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2020

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
Expenditures: (continued)				
Recreation and culture:				
Recreation - parks	\$ 73,790	\$ 71,740	\$ 69,031	\$ 2,709
Recreation - parks - other	27,060	8,060	5,606	2,454
Rail Trail	3,500	2,820	2,510	310
Other Functions:				
Insurance	155,000	149,450	143,461	5,989
Hospitalization	150,000	186,900	186,894	6
Other post-employment benefits	25,000	25,000	25,000	0
Capital outlay	79,500	54,100	111,426	(57,326)
Total expenditures	<u>3,921,473</u>	<u>3,708,133</u>	<u>3,571,137</u>	<u>136,996</u>
Excess (deficiency) of revenues over expenditures	(107,796)	77,307	516,626	439,319
Fund balance - beginning of year	<u>2,110,405</u>	<u>2,110,405</u>	<u>2,110,405</u>	<u>0</u>
Fund balance - end of year	<u><u>\$ 2,002,609</u></u>	<u><u>\$ 2,187,712</u></u>	<u><u>\$ 2,627,031</u></u>	<u><u>\$ 439,319</u></u>

Charter Township of Hampton
 Required Supplemental Information
 Budgetary Comparison Schedule - SAW Grant
For the Year Ended December 31, 2020

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
State sources	\$ 0	\$ 0	\$ 514,437	\$ 514,437
Interest	0	0	141	141
Total revenues	<u>0</u>	<u>0</u>	<u>514,578</u>	<u>514,578</u>
<u>Expenditures</u>				
Capital outlay	<u>0</u>	<u>0</u>	<u>559,080</u>	<u>(559,080)</u>
Total expenditures	<u>0</u>	<u>0</u>	<u>559,080</u>	<u>(559,080)</u>
Excess (deficiency) of revenues over expenditures	0	0	(44,502)	(44,502)
Fund balance - beginning of year	<u>118,836</u>	<u>118,836</u>	<u>118,836</u>	<u>0</u>
Fund balance - end of year	<u>\$ 118,836</u>	<u>\$ 118,836</u>	<u>\$ 74,334</u>	<u>\$ (44,502)</u>

Charter Township of Hampton
Required Supplemental Information
Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of the measurement date 12/31)

	2020	2019	2018
<u>Total OPEB Liability</u>			
Service Cost	\$ 22,101	\$ 150,398	\$ 150,398
Interest	178,162	339,151	339,151
Changes of benefit terms	0	0	(4,690,056)
Differences between expected and actual experience	(2,676,838)	0	(87,606)
Change of assumptions	(820,562)	0	616,252
Benefit payments	(186,893)	(204,616)	(308,673)
	<hr/>	<hr/>	<hr/>
Net change in total OPEB liability	(3,484,030)	284,933	(3,980,534)
Total OPEB liability - beginning	5,970,759	5,685,826	9,666,360
	<hr/>	<hr/>	<hr/>
Total OPEB liability - ending (a)	<u>\$ 2,486,729</u>	<u>\$ 5,970,759</u>	<u>\$ 5,685,826</u>
<u>Plan Fiduciary Net Position</u>			
Contributions to OPEB trust	\$ 25,000	\$ 50,000	\$ 10,000
Contributions/benefit payments made from general operating funds	186,893	204,616	308,673
Net investment income	19,486	16,227	(5,032)
Benefit payments	(186,893)	(204,616)	(308,673)
Administrative expenses	(704)	(343)	(379)
	<hr/>	<hr/>	<hr/>
Net change in plan fiduciary net position	43,782	65,884	4,589
Plan fiduciary net position - beginning	148,388	82,504	77,915
	<hr/>	<hr/>	<hr/>
Plan fiduciary net position - ending (b)	<u>\$ 192,170</u>	<u>\$ 148,388</u>	<u>\$ 82,504</u>
	<hr/>	<hr/>	<hr/>
Net OPEB liability - ending (a) - (b)	<u>\$ 2,294,559</u>	<u>\$ 5,822,371</u>	<u>\$ 5,603,322</u>
Plan fiduciary net position as a percentage of the total OPEB liability	7.73%	2.49%	1.50%
Covered employee payroll	\$1,421,452	\$1,093,878	\$ 1,670,226
Net OPEB liability as a percentage of covered-employee payroll	161%	532%	335%

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown

Charter Township of Hampton
Required Supplemental Information
Schedule of Employer's OPEB Contributions
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of the measurement date 12/31)

	2020	2019	2018
Actuarial determined contributions	\$ 382,459	\$ 315,578	\$ 314,279
Contributions in relation to the actuarially determined contribution	211,893	254,616	318,673
Contribution deficiency (excess)	\$ 170,566	\$ 60,962	\$ (4,394)
 Covered employee payroll	 1,421,452	 1,093,878	 1,670,226
 Contributions as a percentage of covered employee payroll	 14.91%	 23.28%	 19.08%

Notes to Schedule

Actuarial cost method	Entry-age Normal
Amortization method	Level percentage of payroll
Remaining amortization period	30 years open to new employees
Asset valuation method	Market Value of Assets
Wage inflation	None
Inflation	Pre-65 - 8.5% in 2019, graded to 4.5% over 16 years; Post-65 - 7.0%, graded to 4.5% over 10 years; Dental & Vision - 3.0% consistent with national trends and Uniform Assumptions under Public Act 202
Salary increases	1.5%
Investment rate of return	7.00%
Retirement age	Employees are assumed to retire at benefit eligibility
Mortality	Public Safety: Public Safety 2010 Employee and Healthy Retiree, headcount weighted with MP-2020 improvement All others: Public General 2010 Employee and Healthy Retiree, headcount weighted with MP-2020 improvement
Health Care Trend Rates	Monthly per capital claim costs
Marital assumption	60% of active employees will have a covered spouse at retirement with females two years younger than males; actual spouse data used for retirees
Pre-65 HRA cost	\$750 annually per person

Charter Township of Hampton
 Other Supplemental Information
 Combining Balance Sheet
 Nonmajor Governmental Funds
December 31, 2020

	Special Revenue Funds		
	Building	Road Improvement	Totals
<u>ASSETS</u>			
Cash and investments	\$ 181,695	\$ 547,655	\$ 729,350
Accounts receivable	661	0	661
Due from other funds	0	498	498
Prepaid expense	3,000	0	3,000
Taxes receivable	0	110,139	110,139
Total Assets	\$ 185,356	\$ 658,292	\$ 843,648
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>			
<u>Liabilities</u>			
Due to other funds	\$ 66,547	\$ 0	\$ 66,547
<u>Deferred Inflows of Resources</u>			
Unavailable revenue - property taxes	0	216,214	216,214
<u>Fund Balance</u>			
Restricted	118,809	442,078	560,887
Total liabilities, deferred inflows of resources, and fund balance	\$ 185,356	\$ 658,292	\$ 843,648

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, 2020

	Special Revenue Funds		
	Building	Road Improvement	Totals
<u>Revenues</u>			
Taxes	\$ 0	\$ 222,233	\$ 222,233
Interest	292	2,246	2,538
License and permits	116,472	0	116,472
State sources	0	498	498
Other	0	52,171	52,171
	<u>116,764</u>	<u>277,148</u>	<u>393,912</u>
Total revenues			
<u>Expenditures</u>			
Inspection	74,997	0	74,997
Public works	0	154,339	154,339
	<u>74,997</u>	<u>154,339</u>	<u>229,336</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	41,767	122,809	164,576
Fund balance - beginning of year	<u>77,042</u>	<u>319,269</u>	<u>396,311</u>
Fund balance - end of year	<u>\$ 118,809</u>	<u>\$ 442,078</u>	<u>\$ 560,887</u>

Charter Township of Hampton
 Other Supplemental Information
 Debt Schedule - 2010 Sewer Bonds
 For the Year Ended December 31, 2020

PURPOSE Provide funds to pay for the cost of connecting to the West Bay County Regional Wastewater Treatment Sewage System.

DATE OF ISSUE March 10, 2010

AMOUNT OF ISSUE \$ 13,224,000

AMOUNT OF REDEEMED

During prior years	\$ 2,921,000	
During current year	213,000	3,134,000

BALANCE OUTSTANDING - DECEMBER 31, 2020 \$ 10,090,000

<u>Fiscal year</u>	Requirements		
	Principal	Interest	Total
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	\$ 10,090,000	\$ 5,336,647	\$ 15,426,647

Charter Township of Hampton
 Other Supplemental Information
 Debt Schedule - Downtown Development Authority
For the Year Ended December 31, 2020

<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	\$ 115,000
	During current year	<u>40,000</u>
		<u>155,000</u>
<u>BALANCE OUTSTANDING - DECEMBER 31, 2020</u>		<u>\$ 490,000</u>

<u>Fiscal year</u>	Requirements		
	Principal	Interest	Total
2021	\$ 40,000	\$ 13,215	\$ 53,215
2022	40,000	12,455	52,455
2023	40,000	11,635	51,635
2024	40,000	10,755	50,755
2025	45,000	9,795	54,795
2026	45,000	8,648	53,648
2027	45,000	7,432	52,432
2028	45,000	6,150	51,150
2029	50,000	4,800	54,800
2030	50,000	3,250	53,250
2031	50,000	1,650	51,650
Total	<u>\$ 490,000</u>	<u>\$ 89,785</u>	<u>\$ 579,785</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

May 11, 2021

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, 2020 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 May 11, 2021.

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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002 that we consider to be material weaknesses.



Township Board
Charter Township of Hampton
May 11, 2021

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2020-003.

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, 2020

2020-001 (Repeat Finding 2019-001)

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 adjusting 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 Township's 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 review audit entries, discuss what was done and will correctly complete journal entries for the future. All funds will be reviewed monthly and be reviewed again prior to audit at year-end. Bank reconciliations will be done on a timely basis, which should reveal any necessary journal entries and corrective entries will be posted.

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CHARTER TOWNSHIP OF HAMPTON
Schedule of Findings and Responses
For the Year Ended December 31, 2020

2020-002 (Repeat Finding 2019-002)

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 revenue and expenditure report will be reviewed for completeness and accuracy. Any corrective entries will be entered before monthly financial reports are printed. These financial reports will be provided to board members monthly and at year-end.

CHARTER TOWNSHIP OF HAMPTON
Schedule of Findings and Responses
For the Year Ended December 31, 2020

2020-003

Criteria

Townships should have controls in place to properly reflect anticipated revenues and expenditures based on historical and projected information, in the budget.

Condition

The Township did not budget for one of their special revenue funds resulting in budget violations.

Context

The budget is used to monitor financial performance and reasonableness of financial reports.

Effect

The revenues and expenditures were not being monitored in comparison to actual and expected.

Recommendation

The Township should create a budget for the SAW Grant Fund and implement procedures to monitor activity and amend if needed as required to be in accordance with the budgetary standards established by the State of Michigan.

Views of the responsible officials and planned corrective action

The SAW Grant budget will be presented for adoption at the May 24, 2021 Board meeting. All distributions from this fund will be made during 2021. Once all distributions are made, this bank account will be closed and no further reporting will be needed.

CHARTER TOWNSHIP OF HAMPTON
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2020

2019-001

See repeat finding 2020-001 for details.

2019-002

See repeat finding 2020-002 for details.