



WEINLANDER FITZHUGH

CHARTER TOWNSHIP OF HAMPTON
BAY COUNTY, MICHIGAN

FINANCIAL STATEMENTS
DECEMBER 31, 2021

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WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

May 12, 2022

Township Board
Charter Township of Hampton
Bay County, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2021 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2021 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.

Basis for Opinions

We conducted our audit in accordance with U.S. generally accepted auditing standards (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Township Board
Charter Township of Hampton
May 12, 2022

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Charter Township of Hampton's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Charter Township of Hampton's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Township Board
Charter Township of Hampton
May 12, 2022

Required Supplementary Information

U.S. generally accepted accounting principles requires that the management's discussion and analysis, budgetary comparison information, the schedule of changes in the employer's net OPEB liability and related ratios and the schedule of employer's OPEB contributions, as noted in the table of contents to be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basis financial statements. The 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 GAAS. In our opinion, the introductory section and statistical section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2022, 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, 2021

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, 2021.

Financial Highlights

State shared revenues were \$1,017,382 or 26% of General Fund revenues, while tax collection revenue was \$1,997,486 or 51% of General Fund revenues. The General Fund reported an increase in fund balance of \$1,319,186.

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 Trash Collection 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 Trash Collection 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, 2021

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, 2021

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 2021.

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, 2021

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, 2021 and 2020.

<u>Exhibit A</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets						
Current and other assets	\$ 7,820,579	\$ 6,121,799	\$ 9,852,005	\$ 8,956,723	\$ 17,672,584	\$ 15,078,522
Capital assets - net of accumulated depreciation	1,855,841	1,934,035	9,328,050	9,521,316	11,183,891	11,455,351
Total assets	<u>9,676,420</u>	<u>8,055,834</u>	<u>19,180,055</u>	<u>18,478,039</u>	<u>28,856,475</u>	<u>26,533,873</u>
Deferred outflows of resources	<u>283,169</u>	<u>353,272</u>	<u>0</u>	<u>0</u>	<u>283,169</u>	<u>353,272</u>
Liabilities						
Current liabilities	515,543	255,022	808,957	764,493	1,324,500	1,019,515
Long-term liabilities	444,837	2,318,401	9,798,363	9,869,000	10,243,200	12,187,401
Total liabilities	<u>960,380</u>	<u>2,573,423</u>	<u>10,607,320</u>	<u>10,633,493</u>	<u>11,567,700</u>	<u>13,206,916</u>
Deferred inflows of resources	<u>5,423,282</u>	<u>5,640,234</u>	<u>0</u>	<u>0</u>	<u>5,423,282</u>	<u>5,640,234</u>
Net position						
Net investment in capital assets	1,855,841	1,934,035	3,545,446	3,782,102	5,401,287	5,716,137
Restricted	637,677	635,221	629,830	579,688	1,267,507	1,214,909
Unrestricted	1,082,409	(2,373,807)	4,397,459	3,482,756	5,479,868	1,108,949
Total net position	<u>\$ 3,575,927</u>	<u>\$ 195,449</u>	<u>\$ 8,572,735</u>	<u>\$ 7,844,546</u>	<u>\$ 12,148,662</u>	<u>\$ 8,039,995</u>

Exhibit A focuses on net position. The Township's total net position was \$12,148,662 at December 31, 2021. Net investment in capital assets, totaling \$5,401,287 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 \$1,267,507 reported separately to show legal constraints that limit the Township's ability to use the net position for day-to-day operations.

The \$5,479,868 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, 2021

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, 2021. Exhibit B provides a summary of the Township's operations for the years ended December 31, 2021 and 2020.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Exhibit B						
Revenue						
Program revenue:						
Charges for services	\$ 862,214	\$ 277,464	\$ 4,874,816	\$ 4,524,532	\$ 5,737,030	\$ 4,801,996
Operating grants and contributions	52,813	110,471	135,045	0	187,858	110,471
General revenue:						
Taxes	2,213,699	2,274,106	0	0	2,213,699	2,274,106
Special assessments	146,053	144,535	0	0	146,053	144,535
State shared revenue	1,436,371	1,421,764	0	0	1,436,371	1,421,764
Interest and investment	5,877	27,004	1,987	7,146	7,864	34,150
Other	557,494	740,909	2	411	557,496	741,320
Total revenue	<u>5,274,521</u>	<u>4,996,253</u>	<u>5,011,850</u>	<u>4,532,089</u>	<u>10,286,371</u>	<u>9,528,342</u>
Function/Program Expenses						
Legislative	74,430	63,717	0	0	74,430	63,717
General government	(1,066,563)	186,306	0	0	(1,066,563)	186,306
Public safety	732,935	1,205,604	0	0	732,935	1,205,604
Public works	614,925	898,219	0	0	614,925	898,219
Inspection	82,522	74,997	0	0	82,522	74,997
Recreation activities	160,407	117,471	0	0	160,407	117,471
Sanitation	551,281	0	0	0	551,281	0
Capital outlay	437,910	571,470	0	0	437,910	571,470
Other	306,196	359,853	0	0	306,196	359,853
Water and sewer	0	0	4,283,661	3,800,089	4,283,661	3,800,089
Total expenses	<u>1,894,043</u>	<u>3,477,637</u>	<u>4,283,661</u>	<u>3,800,089</u>	<u>6,177,704</u>	<u>7,277,726</u>
Increase (decrease) in Net Position	<u>\$ 3,380,478</u>	<u>\$ 1,518,616</u>	<u>\$ 728,189</u>	<u>\$ 732,000</u>	<u>\$ 4,108,667</u>	<u>\$ 2,250,616</u>

Charter Township of Hampton
Management's Discussion and Analysis
For the Year Ended December 31, 2021

As reported in the statement of activities, the cost of all of our governmental and business-type activities this year was \$6,177,704. Certain activities were partially funded by \$5,737,030 from those who benefited from the programs and \$187,858 of operating grants. We paid for the remaining "public benefit" portion of our governmental and business-type activities with \$2,213,699 in taxes, \$1,436,371 in state shared revenue, and with our other revenues, such as interest and miscellaneous revenues.

The governmental activities net position experienced an increase of \$3,380,478 as compared to an increase of \$1,518,616 in 2020. The majority of the increase in net position was due to decreased expense in our General Government and Public Safety mainly related to the large decrease in the Net OPEB liability. Also, the Township received more in State Revenue Sharing than anticipated.

The water and sewer funds experienced an increase of \$728,189 resulting from excess customer revenues over expenses for 2021.

The Township's Funds

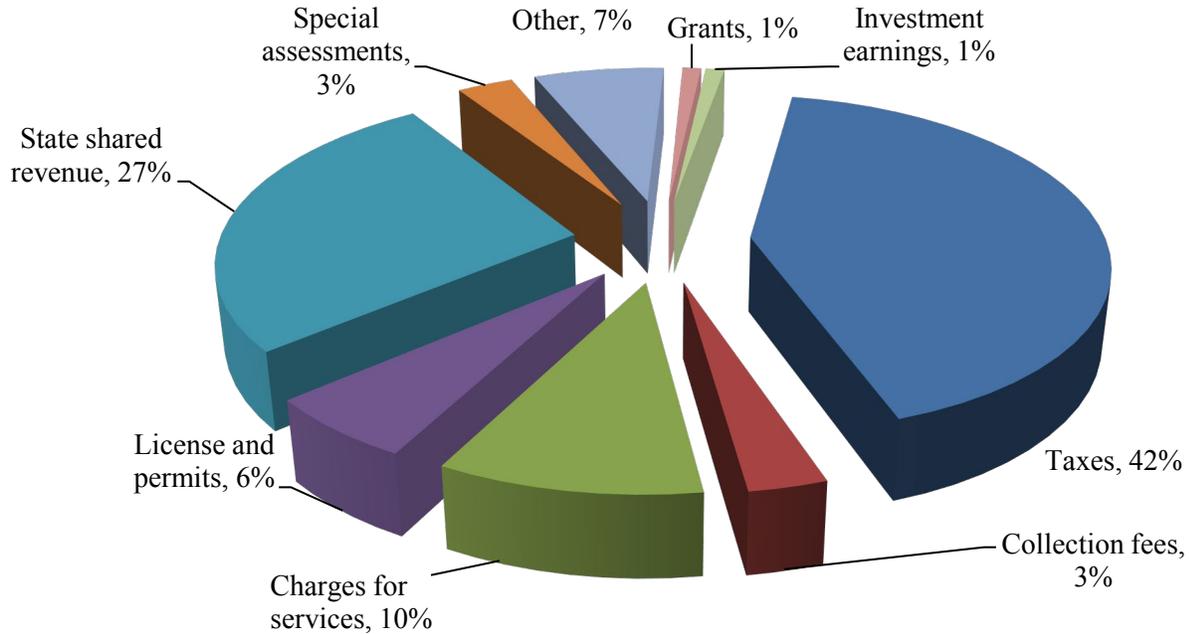
The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's governmental funds reported a combined fund balance of \$4,583,894, which is an increase from last year's total of \$3,262,252. The schedule below details the fund balance and the total change in fund balances as of December 31, 2021 and 2020.

	<u>Fund Balance</u> <u>December 31, 2021</u>	<u>Fund Balance</u> <u>December 31, 2020</u>	<u>Increase</u> <u>(Decrease)</u>
General fund	\$ 3,946,217	\$ 2,627,031	\$ 1,319,186
Special revenue funds	637,677	635,221	2,456
Total	<u>\$ 4,583,894</u>	<u>\$ 3,262,252</u>	<u>\$ 1,321,642</u>

Charter Township of Hampton
Management's Discussion and Analysis
For the Year Ended December 31, 2021

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



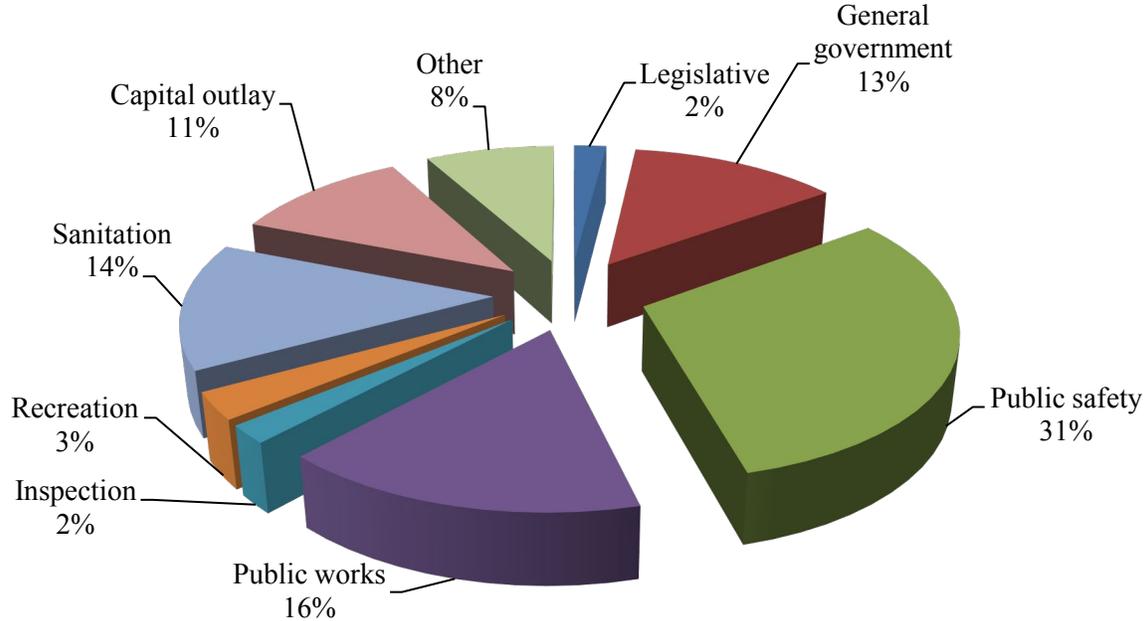
The chart below compares current year revenues with last year.

<i>Revenues by Function</i>	<u>2021</u>	<u>2020</u>
Taxes	\$2,214,000	\$ 2,274,000
Collection fees	145,000	143,000
Federal grants	6,000	0
State shared revenue	1,436,000	1,422,000
Grants	47,000	0
Special assessments levied	146,000	145,000
Licenses and permits	304,000	277,000
Charges for services	558,000	110,000
Investment earnings	6,000	27,000
Other	413,000	598,000
	<u>\$5,275,000</u>	<u>\$ 4,996,000</u>

Overall, 2021 revenues increased \$279,000 or 5% mainly due to an increase in state shared revenue, an increase in the drain special assessment and the new public safety millage.

Charter Township of Hampton
 Management's Discussion and Analysis
 For the Year Ended December 31, 2021

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>	2021	2020
Legislative	\$ 74,000	\$ 64,000
General government	532,000	666,000
Public safety:		
Police department	965,000	934,000
Fire department	233,000	636,000
Other	26,000	8,000
Public works	626,000	873,000
Inspection	83,000	75,000
Recreation activities	119,000	77,000
Sanitation	551,000	0
Capital outlay	438,000	671,000
Other	306,000	356,000
	<u>\$3,953,000</u>	<u>\$ 4,360,000</u>

Expenditures decreased by \$407,000 from the prior year mainly due to General Government, Fire Department, Capital Outlay and Public Works decreasing.

Water and Sewer System Funds - The Township's proprietary funds reported net position of \$8,572,735 which is an increase of \$728,189 from last year's net position of \$7,844,546. 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, 2021

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 increased by approximately \$4,500 during the fiscal year. This is mainly due to other revenue increasing.
- Budgeted expenditures decreased by approximately \$4,500 during the fiscal year. This is mainly due to careful monitoring of all expenses.
- Actual revenues for the year were approximately \$106,000 less than anticipated during the fiscal year. This is mainly due to collection fees, charges for services, special assessments levied and other.
- Actual expenditures for the year were approximately \$1,085,000 less than anticipated. This is mainly due to not having to use the budgeted amount of the legal defense and the reduction of retirement benefits as approved by the Board.

Charter Township of Hampton
Management's Discussion & Analysis
For the Year Ended December 31, 2021

Capital Assets

At December 31, 2021, the Township had \$11.1 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 \$271,000 from last year.

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 796,045	\$ 796,045	\$ 0	\$ 0	\$ 796,045	\$ 796,045
Land improvements	730,716	730,716	0	0	730,716	730,716
Buildings and improvements	997,622	997,622	0	0	997,622	997,622
Vehicles and equipment	3,055,445	3,013,342	0	0	3,055,445	3,013,342
Infrastructure	156,826	156,826	0	0	156,826	156,826
Construction in progress	0	0	0	0	0	0
Sewer system	0	0	12,773,523	12,650,510	12,773,523	12,650,510
Total capital assets	5,736,654	5,694,551	12,773,523	12,650,510	18,510,177	18,345,061
Less accumulated depreciation	3,880,813	3,760,516	3,445,473	3,129,194	7,326,286	6,889,710
Net capital assets	\$ 1,855,841	\$ 1,934,035	\$ 9,328,050	\$ 9,521,316	\$ 11,183,891	\$ 11,455,351

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 \$9,250,000 in long-term debt outstanding versus \$10,090,000 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:

	2021	2020
Proprietary	\$ 9,250,000	\$ 10,090,000

Charter Township of Hampton
Management's Discussion & Analysis
For the Year Ended December 31, 2021

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.

Retaining our workforce by offering competitive wages and benefits.

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, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<u>Assets</u>				
Cash and investments	\$ 5,768,452	\$ 3,940,434	\$ 9,708,886	\$ 343,321
Cash - USDA RRI reserve	0	629,830	629,830	0
Receivables:				
Accounts	7,725	1,195,982	1,203,707	26,593
Taxes	1,905,555	0	1,905,555	81,341
Prepaid expenditures	13,448	0	13,448	0
Internal balances	120,000	(120,000)	0	0
Internal balances - component unit	5,399	0	5,399	0
WWTP sewage system, net of accumulated amortization	0	4,205,759	4,205,759	0
Capital assets, net of accumulated depreciation	1,855,841	9,328,050	11,183,891	1,394,687
Total assets	<u>9,676,420</u>	<u>19,180,055</u>	<u>28,856,475</u>	<u>1,845,942</u>
<u>Deferred Outflows of Resources</u>				
Related to OPEB	283,169	0	283,169	0
<u>Current Liabilities</u>				
Accounts payable	52,020	612,036	664,056	0
Accrued payroll	35,794	6,921	42,715	0
Accrued interest payable	0	0	0	4,405
Due to other governmental units	0	0	0	5,399
Deposits payable	20,880	0	20,880	0
Unearned revenue - ARPA funds	406,849	0	406,849	0
Bonds payable	0	190,000	190,000	40,000
Total current liabilities	<u>515,543</u>	<u>808,957</u>	<u>1,324,500</u>	<u>49,804</u>
<u>Long-term liabilities</u>				
Bonds payable	0	9,798,363	9,798,363	410,000
Net OPEB liability	430,490	0	430,490	0
Compensated absences	14,347	0	14,347	0
Total long-term liabilities	<u>444,837</u>	<u>9,798,363</u>	<u>10,243,200</u>	<u>410,000</u>
Total liabilities	<u>960,380</u>	<u>10,607,320</u>	<u>11,567,700</u>	<u>459,804</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	2,318,023	0	2,318,023	110,308
Unavailable revenue - special assessments	403,119	0	403,119	0
Related to OPEB	2,702,140	0	2,702,140	0
Total deferred inflows of resources	<u>5,423,282</u>	<u>0</u>	<u>5,423,282</u>	<u>110,308</u>
<u>Net position</u>				
Net investment in capital assets	1,855,841	3,545,446	5,401,287	944,687
Restricted	637,677	629,830	1,267,507	331,143
Unrestricted	1,082,409	4,397,459	5,479,868	0
Total net position	<u>\$ 3,575,927</u>	<u>\$ 8,572,735</u>	<u>\$ 12,148,662</u>	<u>\$ 1,275,830</u>

See accompanying notes to financial statements.

Charter Township of Hampton
Statement of Activities
For the Year Ended December 31, 2021

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:							
Legislative	\$ 74,430	\$ 0	\$ 0	\$ (74,430)	\$ 0	\$ (74,430)	\$ 0
General government	(1,066,563)	176,247	52,813	1,295,623	0	1,295,623	0
Public safety	732,935	0	0	(732,935)	0	(732,935)	0
Public works	614,925	0	0	(614,925)	0	(614,925)	0
Inspection	82,522	137,842	0	55,320	0	55,320	0
Recreation activities	160,407	0	0	(160,407)	0	(160,407)	0
Sanitation	551,281	548,125	0	(3,156)	0	(3,156)	0
Capital outlay	437,910	0	0	(437,910)	0	(437,910)	0
Other	306,196	0	0	(306,196)	0	(306,196)	0
Total governmental activities	1,894,043	862,214	52,813	(979,016)	0	(979,016)	0
Business-type activities:							
Water	2,122,889	2,351,773	135,045	0	363,929	363,929	0
Sewer	2,160,772	2,523,043	0	0	362,271	362,271	0
Total business-type activities	4,283,661	4,874,816	135,045	0	726,200	726,200	0
Total primary government	\$ 6,177,704	\$ 5,737,030	\$ 187,858	(979,016)	726,200	(252,816)	0
Component Unit:							
Downtown Development Authority	120,201	0	0	0	0	0	(120,201)
Total component unit	\$ 120,201	\$ 0	\$ 0	0	0	0	(120,201)
General Revenues:							
Taxes				2,213,699	0	2,213,699	158,199
Special assessments levied				146,053	0	146,053	0
State shared revenue				1,436,371	0	1,436,371	0
Interest and investment earnings				5,877	1,987	7,864	312
Other				557,494	2	557,496	0
Total general revenues				4,359,494	1,989	4,361,483	158,511
Change in net position				3,380,478	728,189	4,108,667	38,310
Net position - beginning of year				195,449	7,844,546	8,039,995	1,237,520
Net position - end of year				\$ 3,575,927	\$ 8,572,735	\$12,148,662	\$ 1,275,830

See accompanying notes to financial statements.

Charter Township of Hampton
Governmental Funds
Balance Sheet
December 31, 2021

	General	Trash Collection Fund	Other Nonmajor Governmental Funds	Total
<u>ASSETS</u>				
Cash and investments	\$ 4,985,886	\$ 45,489	\$ 737,077	\$ 5,768,452
Receivables:				
Accounts	4,950	2,114	661	7,725
Taxes	1,758,738	0	146,817	1,905,555
Prepaid expenditures	9,975	0	3,473	13,448
Due from other funds	240,664	0	498	241,162
 Total assets	 \$ 7,000,213	 \$ 47,603	 \$ 888,526	 \$ 7,936,342
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accounts payable	\$ 1,261	\$ 50,759	\$ 0	\$ 52,020
Accrued expenses	35,418	0	376	35,794
Due to other funds	78,674	0	37,089	115,763
Deposits payable	20,880	0	0	20,880
Unearned revenue - ARPA funds	406,849	0	0	406,849
 Total liabilities	 543,082	 50,759	 37,465	 631,306
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	2,107,795	0	210,228	2,318,023
Unavailable revenue - special assessments	403,119	0	0	403,119
Total deferred inflows of resources	2,510,914	0	210,228	2,721,142
<u>Fund Balance</u>				
Nonspendable - prepaids	9,975	0	3,473	13,448
Restricted	0	(3,156)	637,360	634,204
Unassigned	3,936,242	0	0	3,936,242
 Total fund balance	 3,946,217	 (3,156)	 640,833	 4,583,894
 Total liabilities, deferred inflows of resources and fund balance	 \$ 7,000,213	 \$ 47,603	 \$ 888,526	 \$ 7,936,342

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, 2021

Total fund balance - governmental funds		\$ 4,583,894
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	5,736,654	
Accumulated depreciation	<u>(3,880,813)</u>	1,855,841
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds:		
Related to OPEB		283,169
Long-term liabilities are not due and payable in current period and are not reported in the governmental funds:		
Net OPEB liability	(430,490)	
Compensated absences	<u>(14,347)</u>	(444,837)
Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in governmental funds:		
Related to OPEB		<u>(2,702,140)</u>
Total net position - governmental activities		<u><u>\$ 3,575,927</u></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, 2021

	General	Trash Collection Fund	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>				
Taxes	\$ 1,997,486	\$ 0	\$ 216,213	\$ 2,213,699
Collection fees	144,874	0	0	144,874
Federal grant	5,530	0	0	5,530
State shared revenue	1,017,382	0	418,989	1,436,371
Grants	47,283	0	0	47,283
Special assessments levied	146,053	0	0	146,053
Charges for services	10,114	548,125	0	558,239
Interest	5,862	0	15	5,877
Licenses and permits	166,133	0	137,842	303,975
Other	410,438	0	2,182	412,620
	<u>3,951,155</u>	<u>548,125</u>	<u>775,241</u>	<u>5,274,521</u>
<u>Expenditures</u>				
Legislative	74,430	0	0	74,430
General government	531,904	0	0	531,904
Public safety	1,224,443	0	0	1,224,443
Public works	431,355	0	194,282	625,637
Inspection	0	0	82,522	82,522
Recreation activities	118,556	0	0	118,556
Sanitation	0	551,281	0	551,281
Other	306,196	0	0	306,196
Capital outlay	49,836	0	388,074	437,910
	<u>2,736,720</u>	<u>551,281</u>	<u>664,878</u>	<u>3,952,879</u>
Excess (deficiency) of revenues over expenditures	1,214,435	(3,156)	110,363	1,321,642
<u>Other financing sources (uses):</u>				
Transfers in	104,751	0	0	104,751
Transfers out	0	0	(104,751)	(104,751)
	<u>104,751</u>	<u>0</u>	<u>(104,751)</u>	<u>0</u>
Net change in fund balance	1,319,186	(3,156)	5,612	1,321,642
Fund balance - beginning of year	<u>2,627,031</u>	<u>0</u>	<u>635,221</u>	<u>3,262,252</u>
Fund balance - end of year	<u>\$ 3,946,217</u>	<u>\$ (3,156)</u>	<u>\$ 640,833</u>	<u>\$ 4,583,894</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, 2021

Net change in fund balance - total governmental funds	\$ 1,321,642
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p style="padding-left: 40px;">Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:</p>	
Capital outlay	42,103
Depreciation expense	(120,297)
<p style="padding-left: 40px;">Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:</p>	
Compensated absences	9,495
<p style="padding-left: 40px;">Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>	
Net OPEB liability	<u>2,127,535</u>
Change in net position of governmental activities	<u><u>\$ 3,380,478</u></u>

See accompanying notes to financial statements.

Charter Township of Hampton
Proprietary Funds
Statement of Net Position
December 31, 2021

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 2,186,645	\$ 1,753,789	\$ 3,940,434
Accounts receivable	530,746	665,236	1,195,982
Due from other funds	78,674	21,777	100,451
Total current assets	<u>2,796,065</u>	<u>2,440,802</u>	<u>5,236,867</u>
Non-current assets:			
Cash - USDA RRI reserve	0	629,830	629,830
WWTP sewage system, net of amortization of \$1,595,288	0	4,205,759	4,205,759
Capital assets - at cost	0	12,773,523	12,773,523
Less allowance for depreciation	0	(3,445,473)	(3,445,473)
Net capital assets	<u>0</u>	<u>9,328,050</u>	<u>9,328,050</u>
Total assets	<u>2,796,065</u>	<u>16,604,441</u>	<u>19,400,506</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	407,643	204,393	612,036
Accrued payroll	1,352	5,569	6,921
Due to other funds	100,451	120,000	220,451
Current portion of bonds payable	0	190,000	190,000
Total current liabilities	<u>509,446</u>	<u>519,962</u>	<u>1,029,408</u>
Long-term Liabilities:			
Bonds payable	0	9,798,363	9,798,363
Total liabilities	<u>509,446</u>	<u>10,318,325</u>	<u>10,827,771</u>
<u>Net position</u>			
Net investment in capital assets	0	3,545,446	3,545,446
Restricted	0	629,830	629,830
Unrestricted	2,286,619	2,110,840	4,397,459
Total net position	<u>\$ 2,286,619</u>	<u>\$ 6,286,116</u>	<u>\$ 8,572,735</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, 2021

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating revenues:			
Charges for services	\$ 2,351,773	\$ 2,523,043	\$ 4,874,816
Other revenue	2	0	2
Total operating revenues	<u>2,351,775</u>	<u>2,523,043</u>	<u>4,874,818</u>
Operating expenses:			
Water and sewer treatment	1,801,994	770,768	2,572,762
Depreciation and amortization	0	461,305	461,305
Salaries and wages	97,638	203,981	301,619
Payroll taxes and fringe benefits	30,965	86,274	117,239
Supplies	17,523	39,924	57,447
Utilities	0	60,273	60,273
Contracted services	6,808	57,475	64,283
Repairs and maintenance	30,109	50,019	80,128
Miscellaneous	57,928	31,841	89,769
Insurance	0	49,200	49,200
Capital outlay	79,924	0	79,924
Total operating expenses	<u>2,122,889</u>	<u>1,811,060</u>	<u>3,933,949</u>
Operating income (loss)	<u>228,886</u>	<u>711,983</u>	<u>940,869</u>
Nonoperating revenues (expenses):			
Federal capital grants	78,674	0	78,674
State capital grants	56,371	0	56,371
Interest income	1,158	829	1,987
Interest expense	0	(257,212)	(257,212)
Bond issuance costs	0	(92,500)	(92,500)
Total nonoperating revenue (expense)	<u>136,203</u>	<u>(348,883)</u>	<u>(212,680)</u>
Change in net position	365,089	363,100	728,189
Net position - beginning of year	<u>1,921,530</u>	<u>5,923,016</u>	<u>7,844,546</u>
Net position - end of year	<u>\$ 2,286,619</u>	<u>\$ 6,286,116</u>	<u>\$ 8,572,735</u>

See accompanying notes to financial statements.

Charter Township of Hampton
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2021

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 2,301,893	\$ 2,502,803	\$ 4,804,696
Cash payments to suppliers for goods and services	(1,931,775)	(1,048,679)	(2,980,454)
Cash payments to employees for services	(128,836)	(287,890)	(416,726)
Other operating income (expense)	4,740	31,121	35,861
Net cash flows from operating activities	<u>246,022</u>	<u>1,197,355</u>	<u>1,443,377</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	0	(10,290,000)	(10,290,000)
Interest paid on long-term debt	0	(257,212)	(257,212)
Bond proceeds	0	9,250,000	9,250,000
Bond premium	0	738,363	738,363
Bond issuance costs	0	(92,500)	(92,500)
Capital grants	135,045	0	135,045
Acquisition of capital assets	0	(123,013)	(123,013)
Net cash flows from financing activities	<u>135,045</u>	<u>(774,362)</u>	<u>(639,317)</u>
Cash flows from investing activities:			
Interest earnings	<u>1,158</u>	<u>829</u>	<u>1,987</u>
Net increase (decrease) in cash and cash equivalents	382,225	423,822	806,047
Cash and cash equivalents - beginning of year	<u>1,804,420</u>	<u>1,959,797</u>	<u>3,764,217</u>
Cash and cash equivalents - end of year	<u><u>\$ 2,186,645</u></u>	<u><u>\$ 2,383,619</u></u>	<u><u>\$ 4,570,264</u></u>

See accompanying notes to financial statements.

Charter Township of Hampton
Statement of Fiduciary Net Position
December 31, 2021

	Current Tax Fund	Trust & Agency Fund	Trust Fund	Total
<u>ASSETS</u>				
Cash and investments	\$ 856,150	\$ 1,380	\$ 238,551	\$ 1,096,081
Total assets	<u>856,150</u>	<u>1,380</u>	<u>238,551</u>	<u>1,096,081</u>
<u>LIABILITIES</u>				
Undistributed current and delinquent taxes	<u>535,759</u>	<u>615</u>	<u>0</u>	<u>536,374</u>
Total liabilities	<u>535,759</u>	<u>615</u>	<u>0</u>	<u>536,374</u>
<u>NET POSITION</u>				
Total net position	<u>\$ 320,391</u>	<u>\$ 765</u>	<u>\$ 238,551</u>	<u>\$ 559,707</u>

Charter Township of Hampton
Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2021

	Current Tax Fund	Trust & Agency Fund	Trust Fund	Total
<u>Additions</u>				
Property tax collections for other governments	\$ 11,215,858	\$186,698	\$ 0	\$ 11,402,556
Investment gain (loss)	0	0	22,375	22,375
Employer OPEB contributions	0	0	170,405	170,405
Other	8	1	25,000	25,009
Total additions	<u>11,215,866</u>	<u>186,699</u>	<u>217,780</u>	<u>11,620,345</u>
<u>Deductions</u>				
Distributed property taxes to other governments	11,215,826	186,578	0	11,402,404
Retiree OPEB benefit payments	0	0	170,405	170,405
Advisory fees	0	0	1,000	1,000
Total deductions	<u>11,215,826</u>	<u>186,578</u>	<u>171,405</u>	<u>11,573,809</u>
Change in net position	40	121	46,375	46,536
Net position - beginning of year	<u>320,351</u>	<u>644</u>	<u>192,176</u>	<u>513,171</u>
Net position - end of year	<u>\$ 320,391</u>	<u>\$ 765</u>	<u>\$ 238,551</u>	<u>\$ 559,707</u>

See accompanying notes to financial statements.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2021

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, 2021

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, 2021

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.

Trash Collection Fund – The Trash Collection Fund is used to record transactions for the collection of trash in the Township.

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 – \$629,830 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, 2021

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 2021 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, 2021

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 2021 taxable valuation of the Township totaled 338 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 .5000 mills for drains, raising \$1,633,285 for operating, \$216,213 for road improvements, \$332,646 for public safety, and \$138,647 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, 2021

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 Trash Collection Fund are presented as Required Supplemental Information.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2021

NOTE 2 – BUDGETS (CONTINUED)

During the year ended December 31, 2021 the Township incurred expenditures, which were in excess of amounts appropriated as follows:

	Final Amended Budget	Actual	Variances with Final Budget (Unfavorable)
<u>General Fund</u>			
Accounting department	\$ 92,820	\$ 124,631	\$ (31,811)
Township hall and grounds	37,330	47,077	(9,747)
Rail Trail	11,500	12,728	(1,228)
<u>Trash Collection Fund</u>			
Sanitation	512,000	551,281	(39,281)

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total	Component Units
Cash and investments	<u>\$ 5,768,452</u>	<u>\$ 4,570,264</u>	<u>\$ 1,096,081</u>	<u>\$ 11,434,797</u>	<u>\$ 343,321</u>

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

Deposits (checking and savings accounts, certificates of deposit)	\$ 11,434,082
Petty cash and cash on hand	<u>715</u>
Total	<u>\$ 11,434,797</u>

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2021, \$3,538,925 of the Township's bank balance of \$11,282,667 was exposed to custodial credit risk because it was uninsured and uncollateralized. At December 31, 2021, none of the component unit's bank balance of \$343,321 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.

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
Subtotal	<u>796,045</u>	<u>0</u>	<u>0</u>	<u>796,045</u>
Capital assets being depreciated:				
Land improvements	730,716	0	0	730,716
Buildings and improvements	997,622	0	0	997,622
Vehicles and equipment	3,013,342	42,103	0	3,055,445
Infrastructure	156,826	0	0	156,826
Subtotal	<u>4,898,506</u>	<u>42,103</u>	<u>0</u>	<u>4,940,609</u>
Less accumulated depreciation for:				
Land improvements	508,764	18,941	0	527,705
Buildings and improvements	859,220	16,491	0	875,711
Vehicles and equipment	2,328,029	78,045	0	2,406,074
Infrastructure	64,503	6,820	0	71,323
Subtotal	<u>3,760,516</u>	<u>120,297</u>	<u>0</u>	<u>3,880,813</u>
Net capital assets being depreciated	<u>1,137,990</u>	<u>(78,194)</u>	<u>0</u>	<u>1,059,796</u>
Governmental activities, total capital assets - net of depreciation	<u>\$ 1,934,035</u>	<u>\$ (78,194)</u>	<u>\$ 0</u>	<u>\$ 1,855,841</u>

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2021

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	12,633,010	123,013	0	12,756,023
Subtotal	<u>12,633,010</u>	<u>123,013</u>	<u>0</u>	<u>12,756,023</u>
Less accumulated depreciation for:				
Sewer system	3,129,194	316,279	0	3,445,473
Subtotal	<u>3,129,194</u>	<u>316,279</u>	<u>0</u>	<u>3,445,473</u>
Business-type activities, total capital assets - net of depreciation	<u>\$ 9,521,316</u>	<u>\$ (193,266)</u>	<u>\$ 0</u>	<u>\$ 9,328,050</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	996,206	99,621	0	1,095,827
Subtotal	<u>996,206</u>	<u>99,621</u>	<u>0</u>	<u>1,095,827</u>
Component unit, total capital assets - net of depreciation	<u>\$ 1,494,308</u>	<u>\$ (99,621)</u>	<u>\$ 0</u>	<u>\$ 1,394,687</u>

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2021

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government	\$	6,680
Public safety		49,119
Public works		22,647
Recreation		<u>41,851</u>
Total governmental activities depreciation expense		<u>\$ 120,297</u>
Business-type activities:		
Sewer	\$	<u>316,279</u>
Total business-type activities depreciation expense		<u>\$ 316,279</u>
Component Unit:		
Downtown development authority	\$	<u>99,621</u>
Total component unit depreciation expense		<u>\$ 99,621</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of inter-fund receivable and payable balances at December 31, 2021 is as follows:

		Payables					Total
		General	Building	Sewer	Water	DDA	
Receivables	General	\$ 0	\$ 37,089	\$ 120,000	\$ 78,674	\$ 4,901	\$ 240,664
	Road	0	0	0	0	498	498
	Water Fund	78,674	0	0	0	0	78,674
	Sewer Fund	0	0	0	21,777	0	21,777
		<u>\$ 78,674</u>	<u>\$ 37,089</u>	<u>\$ 120,000</u>	<u>\$ 100,451</u>	<u>\$ 5,399</u>	<u>\$ 341,613</u>

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

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2021

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

The summary of interfund transfers at December 31, 2021 is as follows:

		<u>Transfer Out</u>
		<u>SAW Grant</u>
Transfer In	General	\$ 104,751
		\$ 104,751

The interfund transfers resulted from the SAW Grant fund closing and transferring the remaining proceeds to the General Fund to reimburse General Fund for the SAW Grant expenditures paid for by the General Fund in previous years.

NOTE 6 - LONG-TERM DEBT

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

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
<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%	\$ 10,090,000	\$ (10,090,000)	\$ 0
Sewage Disposal System Revenue Refunding Bond Series 2021, dated June 24, 2021, due in annual installments through 2046 with an interest rates between 2.25% and 4.0%	0	9,250,000	9,250,000
Totals	\$ 10,090,000	\$ (840,000)	\$ 9,250,000

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2021

NOTE 6 - LONG-TERM DEBT (CONTINUED)

<u>Component Unit</u>	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</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%	\$ 490,000	\$ (40,000)	\$ 450,000

The Township decreased 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 decreased bonds are not included in the Township's financial statements.

Long-term debt obligation activity is summarized as follows:

	<u>Balance January 1, 2021</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance December 31, 2021</u>	<u>Amounts Due Within One Year</u>
Bonds - Primary Government	\$ 10,090,000	\$ 9,250,000	\$ 10,090,000	\$ 9,250,000	\$ 190,000
Bonds - Component Unit	490,000	0	40,000	450,000	40,000
Bond Premium	0	738,363	0	738,363	0
Subtotal	<u>10,580,000</u>	<u>9,988,363</u>	<u>10,130,000</u>	<u>10,438,363</u>	<u>230,000</u>
Compensated Absences	23,842	0	9,495	14,347	0
Net OPEB liability	2,294,559	180,886	2,044,955	430,490	0
Total	<u>\$ 12,898,401</u>	<u>\$ 10,169,249</u>	<u>\$ 12,184,450</u>	<u>\$ 10,883,200</u>	<u>\$ 230,000</u>

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

<u>Year End December 31</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 190,000	\$ 331,382	\$ 521,382
2023	250,000	273,337	523,337
2024	255,000	263,238	518,238
2025	270,000	252,737	522,737
2026	280,000	241,738	521,738
2027-2031	1,575,000	1,028,387	2,603,387
2032-2036	1,940,000	694,913	2,634,913
2037-2041	2,270,000	386,532	2,656,532
2042-2046	<u>2,220,000</u>	<u>114,750</u>	<u>2,334,750</u>
Total	<u>\$ 9,250,000</u>	<u>\$ 3,587,014</u>	<u>\$ 12,837,014</u>

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2021

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Year End December 31	Component Unit		
	Principal	Interest	Total
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
2027-2031	240,000	23,282	263,282
Total	<u>\$ 450,000</u>	<u>\$ 76,570</u>	<u>\$ 526,570</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. As of December 31, 2021, 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 shall take at least five consecutive PTO days during the calendar year and the remaining PTO days may be taken one day at time. The number of PTO days per employee vary based on the number of years they have been with the Township. Each employee is allowed to carryover up to one week of PTO days, which have to be used by April 1st of the following year.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2021

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. Effective December 31, 2021, the Township made significant changes to their benefit terms regarding their post-employment benefit plan. The changes were in order to be in compliance with state laws and regulations. The total change in benefit terms as of December 31, 2021 was \$1,617,389.

The tables below summarizes the post-employment benefits provided:

Position	Eligibility	Benefit Eligibility/Benefits
Administrative and Department of Public Works		Age 60; 25 years of service
Department Heads (Assessor, Police Chief, Fire Chief, DPW Superintendent)		Age 60; 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 60; 25 years of service
Administrative and Department of Public Works		Up to \$500/month for retiree until Medicare eligible
Department Heads (Assessor, Police Chief, Fire Chief, DPW Superintendent)		Up to \$500/month for retiree until Medicare eligible
Police	Hired prior to 6/1/2015	Up to \$1,000/month for the retiree only until Medicare eligibility age
	Hired after 6/1/2015	Up to \$500/month for the retiree only until Medicare eligibility age
Fire		Up to \$500/month for the retiree only until Medicare eligibility age

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2021

NOTE 9 - POST-EMPLOYMENT BENEFITS (CONTINUED)

As of December 31, 2021, Plan membership consisted of the following:

Active plan members	19
Inactive members	0
Retirees and beneficiaries	11
Total Plan Members	30

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, 2021.

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of December 31, 2021 measurement date. The following actuarial assumptions were used in the measurement, unless otherwise specified:

Inflation	Included in investment rate of return
Salary increases	3.00%
Investment rate of return	5.54%
20-year Aa Municipal bond rate	2.25%
Mortality	Public General and Public Safety 2010 Employee and Healthy Retiree, Headcount weighted
Improvement Scale	MP-2021

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2021

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, 2021 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%	6.50%
Global Fixed Income	26.00	3.49
Private Assets	5.00	6.40
Diversifying Strategies	5.00	3.00

The sum of each target allocation times its long-term expected real rate, plus inflation, is 5.54%.

Discount Rate – The discount rate used to measure the total OPEB liability was 5.54%. The projection of cash flows used to determine the discount rate assumed that Township contributions of \$25,000 annually as needed to reach 40% funding. 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. 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", not applicable for this plan), 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, 2020 was 6.19%.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2021

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, 2021 were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at December 31, 2020	\$ 2,486,729	\$ 192,170	\$ 2,294,559
Changes for the year:			
Service cost	10,828	0	10,828
Interest	149,325	0	149,325
Changes of benefit terms	(1,617,389)	0	(1,617,389)
Experience (gains)/losses	(209,786)	0	(209,786)
Change in actuarial assumptions	19,733	0	19,733
Contributions to OPEB trust	0	25,000	(25,000)
Contributions - employer	0	170,405	(170,405)
Net investment income	0	22,375	(22,375)
Benefit payments	(170,405)	(170,405)	0
Administrative expense	0	(1,000)	1,000
Net Changes	(1,817,694)	46,375	(1,864,069)
Balance at December 31, 2021	\$ 669,035	\$ 238,545	\$ 430,490

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 5.54%, 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
\$ 474,664	\$ 430,490	\$ 391,127

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2021

NOTE 9 - POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB expense, Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended December 31, 2021, the Township recognized OPEB expense of (\$2,127,535). At December 31, 2021 the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 0	\$ (2,112,788)
Changes in assumptions	283,169	(578,864)
Net difference between projected and actual investment earnings on OPEB investments	<u>0</u>	<u>(10,488)</u>
Total	<u>\$ 283,169</u>	<u>\$ (2,702,140)</u>

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:

<u>Year ended December 31,</u>	<u>Amount Recognized</u>
2022	\$ (462,477)
2023	(464,366)
2024	(464,366)
2025	(535,565)
2026	(427,868)
Thereafter	<u>(64,329)</u>
	<u>\$ (2,418,971)</u>

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2021

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 \$1,174,534 and its total current year payroll for all employees was \$1,469,091. 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, 2021 was \$118,463, which was entirely paid during the year. Employee contributions for the year ended December 31, 2021, were \$82,138, 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.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2021

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

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

On June 24, 2021, the bonds were refinanced by Federal USDA bonds in the amount of the \$9,250,000. The bonds will be paid off in 2050.

NOTE 14 - RESTRICTED EQUITY

As required by various bond ordinances, the Township has established and funded reserves for bond retirement of \$629,830 for the Sewer Fund.

Net position includes restrictions for the governmental funds which includes \$174,129 for Building, \$466,704 for Road Improvements and (\$3,156) for the Trash Collection Fund.

NOTE 15 – DEFICIT FUND BALANCE

For the year ended December 31, 2021, the Township had a deficit fund balance in the following fund:

Fund	Amount
Special Reveue Fund:	
Trash Collection Fund	\$ 3,156

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2021

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

	Water Fund	Sewer Fund	Total
Operating income (loss)	\$ 228,886	\$ 711,983	\$ 940,869
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	(49,880)	(20,240)	(70,120)
Due from other funds	(61,143)	34,429	(26,714)
Accounts payable	62,511	10,821	73,332
Due to other funds	65,881	(3,308)	62,573
Accrued payroll	(233)	2,365	2,132
Net cash flows from operating activities	\$ 246,022	\$ 1,197,355	\$ 1,443,377

NOTE 17 - DEFERRED INFLOWS OF RESOURCES

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

Property taxes levied for 2021 operations	\$ 1,665,644
Public safety taxes levied for 2021	490,551
Road taxes levied for 2021	210,228
Special assessments levied for 2021	354,719
Total deferred inflows	\$ 2,721,142

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, 2021, the Township abated property tax revenues totaling approximately \$36,000 under this program.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2021

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, 2021, the Township abated property tax revenues totaling approximately \$13,500 under this program.

NOTE 19 - 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 20 – 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. 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, 2021

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 1,767,000	\$ 1,767,000	\$ 1,997,486	\$ 230,486
Federal revenue	0	0	5,530	5,530
State shared revenue	805,000	805,000	1,017,382	212,382
Other	478,383	482,883	410,438	(72,445)
Grants	0	0	47,283	47,283
Licenses and permits	152,695	152,695	166,133	13,438
Collection fees	300,000	300,000	144,874	(155,126)
Charges for services	200,653	200,653	10,114	(190,539)
Interest	5,000	5,000	5,862	862
Special assessments levied	343,577	343,577	146,053	(197,524)
Total revenues	<u>4,052,308</u>	<u>4,056,808</u>	<u>3,951,155</u>	<u>(105,653)</u>
<u>Expenditures:</u>				
Legislative:				
Township Board	77,193	82,193	74,430	7,763
General Government:				
Supervisor	84,646	88,021	85,343	2,678
Elections	3,000	4,000	1,996	2,004
Accounting department	107,820	92,820	124,631	(31,811)
Assessor	62,300	62,300	55,608	6,692
Attorney	45,000	45,000	27,625	17,375
Consultant	0	20,000	14,450	5,550
Clerk	87,481	90,766	87,087	3,679
Geographic information system	600	600	0	600
Board of Review	1,730	1,730	1,384	346
Treasurer	79,261	79,261	77,972	1,289
Township hall and grounds	79,030	37,330	47,077	(9,747)
Citizens community building	16,750	16,750	4,481	12,269
Public relations	4,000	4,250	4,250	0
Public safety:				
Police department	924,776	990,776	964,970	25,806
Fire department	271,940	273,940	233,191	40,749
Planning Commission	34,077	34,077	21,445	12,632
Board of Appeals	3,055	5,505	4,837	668
Public works:				
Department of Public Works	230,085	264,775	242,704	22,071
Weed control	8,640	13,640	12,541	1,099
Drains	337,000	312,750	35,159	277,591
Street lighting	123,600	128,600	117,941	10,659
Sanitation	197,153	43,753	23,010	20,743

Charter Township of Hampton
 Required Supplemental Information
 Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2021

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
Expenditures: (continued)				
Recreation and culture:				
Recreation - parks	\$ 90,740	\$ 100,640	\$ 98,013	\$ 2,627
Recreation - parks - other	40,060	40,060	7,815	32,245
Rail Trail	3,500	11,500	12,728	(1,228)
Other Functions:				
Insurance	160,000	160,000	110,791	49,209
Legal defense	500,000	500,000	0	500,000
Hospitalization	135,000	217,000	170,405	46,595
Other post-employment benefits	25,000	25,000	25,000	0
Capital outlay	92,500	74,400	49,836	24,564
Total expenditures	<u>3,825,937</u>	<u>3,821,437</u>	<u>2,736,720</u>	<u>1,084,717</u>
Excess (deficiency) of revenues over expenditures	<u>226,371</u>	<u>235,371</u>	<u>1,214,435</u>	<u>979,064</u>
<u>Other financing sources (uses):</u>				
Transfers in	<u>0</u>	<u>0</u>	<u>104,751</u>	<u>104,751</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>104,751</u>	<u>104,751</u>
Excess (deficiency) of revenues over expenditures and other financing uses	226,371	235,371	1,319,186	1,083,815
Fund balance - beginning of year	<u>2,627,031</u>	<u>2,627,031</u>	<u>2,627,031</u>	<u>0</u>
Fund balance - end of year	<u>\$ 2,853,402</u>	<u>\$ 2,862,402</u>	<u>\$ 3,946,217</u>	<u>\$ 1,083,815</u>

Charter Township of Hampton
 Required Supplemental Information
 Budgetary Comparison Schedule - Trash Collection Fund
For the Year Ended December 31, 2021

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Charges for services	\$ 515,000	\$ 515,000	\$ 548,125	\$ 33,125
Total revenues	515,000	515,000	548,125	33,125
<u>Expenditures</u>				
Sanitation	512,000	512,000	551,281	(39,281)
Total expenditures	512,000	512,000	551,281	(39,281)
Excess (deficiency) of revenues over expenditures	3,000	3,000	(3,156)	(6,156)
Fund balance - beginning of year	0	0	0	0
Fund balance - end of year	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ (3,156)</u>	<u>\$ (6,156)</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)

	2021	2020	2019	2018
<u>Total OPEB Liability</u>				
Service Cost	\$ 10,828	\$ 22,101	\$ 150,398	\$ 150,398
Interest	149,325	178,162	339,151	339,151
Changes of benefit terms	(1,617,389)	0	0	(4,690,056)
Differences between expected and actual experience	(209,786)	(2,676,838)	0	(87,606)
Change of assumptions	19,733	(820,562)	0	616,252
Benefit payments	(170,405)	(186,893)	(204,616)	(308,673)
Net change in total OPEB liability	(1,817,694)	(3,484,030)	284,933	(3,980,534)
Total OPEB liability - beginning	2,486,729	5,970,759	5,685,826	9,666,360
Total OPEB liability - ending (a)	<u>\$ 669,035</u>	<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	\$ 25,000	\$ 50,000	\$ 10,000
Contributions/benefit payments made from general operating funds	170,405	186,893	204,616	308,673
Net investment income	22,375	19,486	16,227	(5,032)
Benefit payments	(170,405)	(186,893)	(204,616)	(308,673)
Administrative expenses	(1,000)	(704)	(343)	(379)
Net change in plan fiduciary net position	46,375	43,782	65,884	4,589
Plan fiduciary net position - beginning	192,170	148,388	82,504	77,915
Plan fiduciary net position - ending (b)	<u>\$ 238,545</u>	<u>\$ 192,170</u>	<u>\$ 148,388</u>	<u>\$ 82,504</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 430,490</u>	<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	35.66%	7.73%	2.49%	1.50%
Covered employee payroll	\$1,469,091	\$1,421,452	\$1,093,878	\$ 1,670,226
Net OPEB liability as a percentage of covered-employee payroll	29%	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)

	2021	2020	2019	2018
Actuarial determined contributions	\$ 204,872	\$ 382,459	\$ 315,578	\$ 314,279
Contributions in relation to the actuarially determined contribution	195,405	211,893	254,616	318,673
Contribution deficiency (excess)	<u>\$ 9,467</u>	<u>\$ 170,566</u>	<u>\$ 60,962</u>	<u>\$ (4,394)</u>
Covered employee payroll	1,469,091	1,421,452	1,093,878	1,670,226
Contributions as a percentage of covered employee payroll	13.30%	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, 2021

	Special Revenue Funds			
	Building	Road Improvement	SAW Grant	Totals
<u>ASSETS</u>				
Cash and investments	\$ 207,460	\$ 529,617	\$ 0	\$ 737,077
Accounts receivable	661	0	0	661
Due from other funds	0	498	0	498
Prepaid expenditures	3,473	0	0	3,473
Taxes receivable	0	146,817	0	146,817
	<u>0</u>	<u>146,817</u>	<u>0</u>	<u>146,817</u>
Total Assets	<u>\$ 211,594</u>	<u>\$ 676,932</u>	<u>\$ 0</u>	<u>\$ 888,526</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accrued expenses	\$ 376	\$ 0	\$ 0	\$ 376
Due to other funds	37,089	0	0	37,089
	<u>37,465</u>	<u>0</u>	<u>0</u>	<u>37,465</u>
Total Liabilities	<u>37,465</u>	<u>0</u>	<u>0</u>	<u>37,465</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	0	210,228	0	210,228
	<u>0</u>	<u>210,228</u>	<u>0</u>	<u>210,228</u>
<u>Fund Balance</u>				
Nonspendable - prepaid	3,473	0	0	3,473
Restricted	170,656	466,704	0	637,360
	<u>174,129</u>	<u>466,704</u>	<u>0</u>	<u>640,833</u>
Total fund balance	<u>174,129</u>	<u>466,704</u>	<u>0</u>	<u>640,833</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 211,594</u>	<u>\$ 676,932</u>	<u>\$ 0</u>	<u>\$ 888,526</u>

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, 2021

	<u>Special Revenue Funds</u>			<u>Totals</u>
	<u>Building</u>	<u>Road Improvement</u>	<u>SAW Grant</u>	
<u>Revenues</u>				
Taxes	\$ 0	\$ 216,213	\$ 0	\$ 216,213
Interest	0	15	0	15
License and permits	137,842	0	0	137,842
State sources	0	498	418,491	418,989
Other	0	2,182	0	2,182
Total revenues	<u>137,842</u>	<u>218,908</u>	<u>418,491</u>	<u>775,241</u>
<u>Expenditures</u>				
Inspection	82,522	0	0	82,522
Capital outlay	0	0	388,074	388,074
Public works	0	194,282	0	194,282
Total expenditures	<u>82,522</u>	<u>194,282</u>	<u>388,074</u>	<u>664,878</u>
Excess (deficiency) of revenues over expenditures	<u>55,320</u>	<u>24,626</u>	<u>30,417</u>	<u>110,363</u>
<u>Other financing sources (uses):</u>				
Transfers out	<u>0</u>	<u>0</u>	<u>(104,751)</u>	<u>(104,751)</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(104,751)</u>	<u>(104,751)</u>
Net change in fund balance	55,320	24,626	(74,334)	5,612
Fund balance - beginning of year	<u>118,809</u>	<u>442,078</u>	<u>74,334</u>	<u>635,221</u>
Fund balance - end of year	<u>\$ 174,129</u>	<u>\$ 466,704</u>	<u>\$ 0</u>	<u>\$ 640,833</u>

Charter Township of Hampton
 Other Supplemental Information
 Debt Schedule - 2021 Sewer Bond Refunding
 For the Year Ended December 31, 2021

PURPOSE Refunding of the original bonds that provide funds to pay for the cost of connecting to the West Bay County Regional Wastewater Treatment Sewage System.

DATE OF ISSUE June 24, 2021

AMOUNT OF ISSUE \$ 9,250,000

AMOUNT OF REDEEMED

During prior years	\$	0	
During current year		0	0

BALANCE OUTSTANDING - DECEMBER 31, 2021 \$ 9,250,000

<u>Fiscal year</u>	Requirements		
	Principal	Interest	Total
2022	\$ 190,000	\$ 331,382	\$ 521,382
2023	250,000	273,337	523,337
2024	255,000	263,238	518,238
2025	270,000	252,737	522,737
2026	280,000	241,738	521,738
2027	285,000	230,437	515,437
2028	305,000	218,638	523,638
2029	320,000	206,137	526,137
2030	325,000	193,238	518,238
2031	340,000	179,937	519,937
2032	360,000	165,938	525,938
2033	375,000	151,237	526,237
2034	390,000	137,888	527,888
2035	400,000	126,037	526,037
2036	415,000	113,813	528,813
2037	430,000	101,137	531,137
2038	445,000	88,013	533,013
2039	455,000	76,219	531,219
2040	465,000	65,869	530,869
2041	475,000	55,294	530,294
2042	490,000	44,438	534,438
2043	500,000	33,300	533,300
2044	515,000	21,881	536,881
2045	400,000	11,587	411,587
2046	315,000	3,544	318,544
Total	\$ 9,250,000	\$ 3,587,014	\$ 12,837,014

Charter Township of Hampton
 Other Supplemental Information
 Debt Schedule - Downtown Development Authority
For the Year Ended December 31, 2021

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

DATE OF ISSUE December 7, 2016

AMOUNT OF ISSUE \$ 645,000

AMOUNT OF REDEEMED

During prior years	\$ 155,000	
During current year	40,000	195,000

BALANCE OUTSTANDING - DECEMBER 31, 2021 \$ 450,000

<u>Fiscal year</u>	Requirements		
	Principal	Interest	Total
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	\$ 450,000	\$ 76,570	\$ 526,570



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 12, 2022

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, 2021 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 12, 2022.

Report on 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) as a basis for designing 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 that we consider to be a material weakness.



Township Board
Charter Township of Hampton
May 12, 2022

Report on 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 financial statements. 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 instances 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 2021-002.

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, 2021

2021-001 (Repeat Finding 2020-001)

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 recording of the Water and Sewer fund receivables and payables and recording of related revenue; the adjusting of various interfund loan accounts; and the recording of the pension fund.

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.

CHARTER TOWNSHIP OF HAMPTON
Schedule of Findings and Responses
For the Year Ended December 31, 2021

2021-002

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 properly amend a budget for one of its special revenue funds, resulting in a budget violation.

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 closely monitor the budget for the Trash Collection 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 Township will closely monitor these funds monthly for any variances and take appropriate action to correct.

CHARTER TOWNSHIP OF HAMPTON
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2021

2020-001

See repeat finding 2021-001 for details.

2020-002

Audit Finding

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

Corrective Action Taken

The Township prepared in a timely manner all bank reconciliations throughout the year and monthly journal entries were reviewed.

2020-003

Audit Finding

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

Corrective Action Taken

The Township properly adopted and monitored the budget for the SAW Grant Fund.