

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended December 31, 2015

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

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Bay County, Michigan

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INDEPENDENT AUDITOR'S REPORT

June 20, 2016

To the Township Board
Charter Township of Hampton
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Hampton, Bay County, Michigan, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Hampton, Bay County, Michigan as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing

standards generally accepted in the United States of America, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Hampton's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Campbell Auditing CPA, PLC

CAMPBELL AUDITING CPA, PLC

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2015

The Management's Discussion and Analysis report for the Charter Township of Hampton covers the Township's financial performance during the year ended December 31, 2015.

FINANCIAL HIGHLIGHTS

Our financial status remained approximately the same over the last year. Net position at December 31, 2015 totaled \$6,732,939.80 for all funds. Overall total net position decreased by \$1,154,008.44 for the year ended December 31, 2015.

General Fund revenues were \$3,588,121.37 and General Fund expenditures were \$2,254,028.77.

Taxable value was \$390,181,401.00.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net position includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenditures regardless of when received or paid.

The two entity-wide statements report net position and how it has changed. Net position is the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net position are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS- ENTITY-WIDE
FINANCIAL INFORMATION – CONDENSED FINANCIAL INFORMATION
December 31, 2015

	Governmental Activities 2015	Governmental Activities 2014	Business- type Activities 2015	Business type Activities 2014	Total 2015	Total 2014
Current Assets	4 280 108	5 224 513	1 462 517	1 508 436	5 742 625	6 732 949
Capital Assets	<u>3 711 734</u>	<u>3 881 773</u>	<u>15 925 587</u>	<u>16 739 716</u>	<u>19 637 321</u>	<u>20 621 489</u>
Total Assets	<u>7 991 842</u>	<u>9 106 286</u>	<u>17 388 104</u>	<u>18 248 152</u>	<u>25 379 946</u>	<u>27 354 438</u>
Current Liabilities	2 911 277	3 086 283	436 789	396 919	3 348 066	3 483 202
Non-current Liabilities	<u>4 212 941</u>	<u>4 419 288</u>	<u>11 086 000</u>	<u>11 565 000</u>	<u>15 298 941</u>	<u>15 984 288</u>
Total Liabilities	<u>7 124 218</u>	<u>7 505 571</u>	<u>11 522 789</u>	<u>11 961 919</u>	<u>18 647 007</u>	<u>19 467 490</u>
Net Position:						
Invested in Capital Assets	867 624	1 600 715	4 839 587	5 174 716	5 707 211	6 775 431
Restricted	-	-	672 727	516 340	672 727	516 340
Unrestricted	<u>-</u>	<u>-</u>	<u>353 001</u>	<u>595 177</u>	<u>353 001</u>	<u>595 177</u>
Total Net Position	<u><u>867 624</u></u>	<u><u>1 600 715</u></u>	<u><u>5 865 315</u></u>	<u><u>6 286 233</u></u>	<u><u>6 732 939</u></u>	<u><u>7 886 948</u></u>

	Governmental Activities 2015	Governmental Activities 2014	Business- type Activities 2015	Business-type Activities 2014	Total 2015	Total 2014
Program Revenues:						
Fees and Charges for Services	536 652	467 608	3 347 689	3 363 354	3 884 341	3 830 962
General Revenues:						
Property Taxes	2 861 550	3 024 333	-	-	2 861 550	3 024 333
State Revenue Sharing	772 123	749 364	-	-	772 123	749 364
Interest	14 527	15 706	633	865	15 160	16 571
Miscellaneous	333 910	244 001	-	-	333 910	244 001
Transfer in (out)	<u>-</u>	<u>(100 000)</u>	<u>-</u>	<u>100 000</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>4 518 762</u>	<u>4 401 012</u>	<u>3 348 322</u>	<u>3 464 219</u>	<u>7 867 084</u>	<u>7 865 231</u>
Program Expenses:						
General Government and Administration	788 731	773 027	-	-	788 731	773 027
Public Safety	2 068 803	2 158 771	-	-	2 068 803	2 158 771
Public Works	1 261 710	1 261 262	3 769 240	3 155 176	5 030 950	4 416 438
Recreation and Culture	120 205	108 979	-	-	120 205	108 979
Other	948 346	951 084	-	-	948 346	951 084
Interest on long-term debt	<u>64 058</u>	<u>65 608</u>	<u>-</u>	<u>-</u>	<u>64 058</u>	<u>65 608</u>
Total Expenses	<u>5 251 853</u>	<u>5 318 731</u>	<u>3 769 240</u>	<u>3 155 176</u>	<u>9 021 093</u>	<u>8 473 907</u>
Change in Net Position	(733 091)	(917 719)	(420 918)	309 043	(1 154 009)	(608 676)
Net Position, January 1	<u>1 600 715</u>	<u>2 518 434</u>	<u>6 286 233</u>	<u>5 977 190</u>	<u>7 886 948</u>	<u>8 495 624</u>
Net Position, December 31	<u><u>867 624</u></u>	<u><u>1 600 715</u></u>	<u><u>5 865 315</u></u>	<u><u>6 286 233</u></u>	<u><u>6 732 939</u></u>	<u><u>7 886 948</u></u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2015

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has Governmental Funds. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township also has a Business-type Fund. The Sewer fund is presented on the full accrual basis of accounting.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Total expenses were \$9,021,093.66 with program revenues of \$3,884,340.22 and general revenues of \$3,982,744.00. Refer to Page 4 for summary of the Township's financial activities and changes in net position.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township services with the exception of the blacktopping of the roads and police and fire protection. The most significant costs to the Township are the Department of Public Works (which consists of our parks, landfill, water and sewer departments), the Police Department and the Fire Department.

BUDGETARY HIGHLIGHTS

The Township's budget was adopted and compiled prior to the beginning of the fiscal year. Amendments were made during the fiscal year to reflect increased expenses for certain activities. Revenues were significantly higher than budgeted with a variance of \$348,580.37 due to state revenue sharing being much higher this year. Expenses were also significantly lower than budgeted with a variance of \$847,656.72 due to contingency available from the previous year.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$85,268.92 in capital assets.

The Township's business-type activities invested \$0 in capital assets.

Refer to Note 4 for a summary of the Township's capital asset activity.

The Township's governmental activities paid \$735,000.00 of principal on long-term debt.

The Township's business type activities paid \$479,000.00 of principal on long-term debt.

Refer to Note 7 for a summary of the Township's changes in long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Supervisor, Township Treasurer or Township Clerk at 989-893-7541 or e-mail us through our website at www.hamptontownship.org.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET POSITION

December 31, 2015

	Governmental Activities	Business- Type Activities	Total
ASSETS:			
CURRENT ASSETS:			
Cash in bank	1 696 784 68	1 162 033 70	2 858 818 38
Cash on hand	715 00	-	715 00
Taxes receivable	1 910 496 30	-	1 910 496 30
Accounts receivable	-	846 375 80	846 375 80
Due from State of Michigan	126 220 00	-	126 220 00
Internal balances	545 891 79	(545 891 79)	-
Total Current Assets	4 280 107 77	1 462 517 71	5 742 625 48
NON-CURRENT ASSETS:			
Capital Assets	8 053 038 01	12 403 248 64	20 456 286 65
Less: Accumulated Depreciation	(4 341 303 71)	(1 553 578 38)	(5 894 882 09)
Connection Costs	-	5 075 916 57	5 075 916 57
Total Non-current Assets	3 711 734 30	15 925 586 83	19 637 321 13
TOTAL ASSETS	7 991 842 07	17 388 104 54	25 379 946 61
LIABILITIES AND NET POSITION:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	1 237 59	436 789 10	438 026 69
Deposits payable	22 838 41	-	22 838 41
Deferred revenue	2 887 200 68	-	2 887 200 68
Total Current Liabilities	2 911 276 68	436 789 10	3 348 065 78
NON-CURRENT LIABILITIES:			
Bonds payable	665 000 00	11 086 000 00	11 751 000 00
Accrued compensated absences	227 339 08	-	227 339 08
Net OPEB obligation	3 320 601 95	-	3 320 601 95
Total Non-current Liabilities	4 212 941 03	11 086 000 00	15 298 941 03
Total Liabilities	7 124 217 71	11 522 789 10	18 647 006 81
NET POSITION:			
Invested in Capital Assets and Other Costs, Net of Related Debt	867 624 36	4 839 586 83	5 707 211 19
Restricted	-	672 727 08	672 727 08
Unrestricted	-	353 001 53	353 001 53
Total Net Position	867 624 36	5 865 315 44	6 732 939 80
TOTAL LIABILITIES AND NET POSITION	7 991 842 07	17 388 104 54	25 379 946 61

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

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended December 31, 2015

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	84 536 57	-	(84 536 57)
General government	704 193 93	376 433 43	(327 760 50)
Public safety	2 068 803 12	109 733 45	(1 959 069 67)
Public works	1 261 710 28	-	(1 261 710 28)
Recreation and culture	120 204 75	50 485 10	(69 719 65)
Other	948 346 54	-	(948 346 54)
Interest on long-term debt	64 058 15	-	(64 058 15)
	<u>5 251 853 34</u>	<u>536 651 98</u>	<u>(4 715 201 36)</u>
Total Governmental Activities			
Business-Type Activities:			
Water and Sewer	<u>3 769 240 32</u>	<u>3 347 689 24</u>	<u>-</u>
Total Business-Type Activities	<u>3 769 240 32</u>	<u>3 347 689 24</u>	<u>-</u>
Total Government	<u>9 021 093 66</u>	<u>3 884 341 22</u>	<u>(4 715 201 36)</u>
General Revenues:			
Property taxes			2 861 550 36
State revenue sharing			772 123 52
Interest			14 527 03
Miscellaneous			<u>333 909 84</u>
Total General Revenues			<u>3 982 110 75</u>
Change in net position			(733 090 61)
Net position, January 1, 2015			<u>1 600 714 97</u>
Net Position, December 31, 2015			<u>867 624 36</u>

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

<u>Business- Type Activities</u>	<u>Total</u>
Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
-	(84 536 57)
-	(327 760 50)
-	(1 959 069 67)
-	(1 261 710 28)
-	(69 719 65)
-	(948 346 54)
-	(64 058 15)
<u>-</u>	<u>(4 715 201 36)</u>
<u>(421 551 08)</u>	<u>(421 551 08)</u>
<u>(421 551 08)</u>	<u>(421 551 08)</u>
<u>(421 551 08)</u>	<u>(5 136 752 44)</u>
-	2 861 550 36
-	772 123 52
633 25	15 160 28
<u>-</u>	<u>333 909 84</u>
<u>633 25</u>	<u>3 982 744 00</u>
(420 917 83)	(1 154 008 44)
<u>6 286 233 27</u>	<u>7 886 948 24</u>
<u><u>5 865 315 44</u></u>	<u><u>6 732 939 80</u></u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2015

<u>Assets</u>	<u>General</u>	<u>Downtown Development Authority</u>	<u>Public Safety</u>	<u>Debt service</u>	<u>Nonmajor Road</u>
Cash in bank	1 137 388 00	46 841 68	79 583 74	1 573 30	18 991 03
Cash on hand	715 00	-	-	-	-
Due from State	126 220 00	-	-	-	-
Due from other funds	<u>2 329 115 15</u>	<u>108 864 05</u>	<u>481 963 67</u>	<u>-</u>	<u>248 269 20</u>
Total Assets	<u>3 593 438 15</u>	<u>155 705 73</u>	<u>561 547 41</u>	<u>1 573 30</u>	<u>267 260 23</u>
 <u>Liabilities and Fund Equity</u>					
Liabilities:					
Accounts payable	200 00	-	1 037 59	-	-
Deposits payable	22 838 41	-	-	-	-
Due to other funds	100 000 00	-	144 854 04	190 000 00	-
Deferred revenue – property taxes	<u>2 096 642 65</u>	<u>160 325 16</u>	<u>381 963 67</u>	<u>-</u>	<u>248 269 20</u>
Total liabilities	<u>2 219 681 06</u>	<u>160 325 16</u>	<u>527 855 30</u>	<u>190 000 00</u>	<u>248 269 20</u>
 Fund equity:					
Fund balances:					
Restricted	-	(4 619 43)	33 692 11	(188 426 70)	18 991 03
Unassigned	<u>1 373 757 09</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund equity	<u>1 373 757 09</u>	<u>(4 619 43)</u>	<u>33 692 11</u>	<u>(188 426 70)</u>	<u>18 991 03</u>
Total Liabilities and Fund Equity	<u>3 593 438 15</u>	<u>155 705 73</u>	<u>561 547 41</u>	<u>1 573 30</u>	<u>267 260 23</u>

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

<u>Nonmajor Building Department</u>	<u>Total</u>
232 526 48	1 516 904 23
-	715 00
-	126 220 00
<u>-</u>	<u>3 168 212 07</u>
<u>232 526 48</u>	<u>4 812 051 30</u>

-	1 237 59
-	22 848 41
97 089 49	531 943 53
-	<u>2 887 220 68</u>
<u>97 089 49</u>	<u>3 443 220 21</u>

135 436 99	(4 926 00)
-	<u>1 373 757 09</u>
<u>135 436 99</u>	<u>1 368 831 09</u>
<u>232 526 48</u>	<u>4 812 051 30</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

December 31, 2015

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	1 368 831 09
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 therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	8 053 038 01
Accumulated depreciation	(4 341 303 71)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds payable	(665 000 00)
Accrued compensated absences	(227 339 08)
Net OPEB liability	<u>(3 320 601 95)</u>
TOTAL NET POSITION– GOVERNMENTAL ACTIVITIES	<u>867 624 36</u>

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

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended December 31, 2015

	<u>General</u>	<u>Downtown Development Authority</u>	<u>Public Safety</u>	<u>Debt Service</u>	<u>Nonmajor Road</u>
Revenues					
Property taxes	2 243 931 29	148 014 39	402 722 42	-	264 620 80
Licenses and permits	178 394 89	-	-	-	-
State revenue sharing	770 328 29	-	1 795 23	-	-
Charges for services	50 485 10	-	-	-	-
Interest	13 919 78	292 31	74 83	-	93 78
Miscellaneous	331 062 02	-	2 847 82	21 29	-
Total revenues	<u>3 588 121 37</u>	<u>148 306 70</u>	<u>407 440 30</u>	<u>21 29</u>	<u>265 014 58</u>
Expenditures:					
Legislative:					
Township Board	84 536 57	-	-	-	-
General government:					
Supervisor	81 604 14	-	-	-	-
Elections	5 972 38	-	-	-	-
Accounting department	135 036 38	-	-	-	-
Assessor	146 375 74	-	-	-	-
Attorney	22 550 33	-	-	-	-
Consultant	22 550 75	-	-	-	-
Clerk	84 776 47	-	-	-	-
Geographic information system	4 759 71	-	-	-	-
Board of Review	1 007 57	-	-	-	-
Treasurer	82 022 09	-	-	-	-
Township hall and grounds	59 380 09	-	-	-	-
Citizens community building	38 351 73	-	-	-	-
Public relations	3 619 42	-	-	-	-
Public safety:					
Police department	-	-	1 051 800 36	-	-
Fire department	-	-	873 753 86	-	-
Building inspection	-	-	-	60 610 81	-
Planning Commission	11 616 23	-	-	-	-
Board of Appeals	1 421 62	-	-	-	-
Public works:					
Department of Public Works	533 783 43	-	-	-	-
Weed control	8 640 00	-	-	-	-
Drains	45 645 74	-	-	-	-
Highways and streets	4 858 64	-	-	246 972 11	246 972 11
Street lighting	114 174 26	-	-	-	-
Sanitation	170 154 86	-	-	-	-

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

<u>Nonmajor Building Department</u>	<u>Total</u>
-	3 059 588 90
109 733 45	288 128 34
-	772 123 52
-	50 485 10
125 04	14 527 03
-	333 909 84
<u>109 858 49</u>	<u>4 518 762 73</u>

-	84 536 57
-	81 604 14
-	5 972 38
-	135 036 38
-	146 375 74
-	22 550 33
-	22 550 75
-	84 776 47
-	4 759 71
-	1 007 57
-	82 022 09
-	59 380 09
-	38 351 73
-	3 619 42
-	1 051 800 36
-	873 753 86
60 610 81	60 610 81
-	11 616 23
-	1 421 62
-	533 783 43
-	8 640 00
-	45 645 74
-	251 830 75
-	114 174 26
-	170 154 86

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended December 31, 2015

	General	Downtown Development Authority	Public Safety	Debt Service	Nonmajor Road
Recreation and culture:					
Recreation - parks	66 069 11	-	-	-	-
Recreation - parks - others	15 997 19	-	-	-	-
Rail Trail	6 100 00	-	-	-	-
Other functions:					
Downtown Development Authority	-	1 937 40	-	-	-
Insurance	128 271 67	-	-	-	-
Hospitalization	279 483 73	-	-	-	-
OPEB	10 000 00	-	-	-	-
Capital outlay	85 268 92	-	-	-	-
Debt Service	-	-	-	799 058 15	-
Total expenditures	2 254 028 77	1 937 40	1 925 554 22	799 058 15	246 972 11
Excess (deficiency) of revenues over expenditures	1 334 092 60	146 369 30	(1 518 113 92)	(799 036 86)	18 042 47
Other financing sources (uses):					
Transfers in	-	-	1 550 000 00	602 874 36	-
Transfers out	(1 550 000 00)	(602 874 36)	-	-	-
Total other financing sources (uses)	(1 550 000 00)	(602 874 36)	1 550 000 00	602 874 36	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(215 907 40)	(456 505 06)	31 886 08	(196 162 50)	18 042 47
Fund balances, January 1, 2015	1 589 664 49	451 885 63	1 806 03	7 735 80	948 56
Fund Balances, December 31, 2015	1 373 757 09	(4 619 43)	33 692 11	(188 426 70)	18 991 03

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

<u>Nonmajor Building Department</u>	<u>Total</u>
-	66 069 11
-	15 997 19
-	6 100 00
-	1 937 40
-	128 271 67
-	279 483 73
-	10 000 00
-	85 268 92
-	799 058 15
<u>60 610 81</u>	<u>5 288 161 46</u>
<u>49 247 68</u>	<u>(769 398 73)</u>
-	2 152 874 36
-	(2 152 874 36)
-	-
49 247 68	(769 398 73)
<u>86 189 31</u>	<u>2 138 229 82</u>
<u>135 436 99</u>	<u>1 368 831 09</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended December 31, 2015

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	(769 398 73)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation Expense	(255 307 06)
Capital Outlay	85 268 92
Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net position	
Bonds payable	735 000 00
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 governmental funds:	
(Increase) decrease in the accrual for the net OPEB liability	(523 628 31)
(Increase) decrease of accrued compensated absences	<u>(5 025 43)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>(733 090 61)</u>

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

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

STATEMENT OF NET POSITION – BUSINESS-TYPE FUNDS
December 31, 2015

	Sewer Fund	Water Fund	Total
ASSETS:			
CURRENT ASSETS:			
Cash in bank	821 359 58	340 674 12	1 162 033 70
Accounts receivable	487 661 22	358 714 58	846 375 80
Total Current Assets	1 309 020 80	699 388 70	2 008 409 50
NON-CURRENT ASSETS:			
Capital Assets	12 403 248 64	-	12 403 248 64
Less: Accumulated depreciation	(1 553 578 38)	-	(1 553 578 38)
Connection to West Bay County Regional WWTP Sewerage System	5 075 916 57	-	5 075 916 57
Total Non-current Assets	15 925 586 83	-	15 925 586 83
TOTAL ASSETS	17 234 607 63	699 388 70	17 933 996 33
LIABILITIES AND NET POSITION:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	171 029 48	265 759 62	436 789 10
Due to other funds	545 891 79	-	545 891 79
Total Current Liabilities	716 921 27	265 759 62	982 680 89
NON-CURRENT LIABILITIES			
Bonds payable	11 086 000 00	-	11 086 000 00
Total Non-current Liabilities	11 086 000 00	-	11 086 000 00
Total Liabilities	11 802 921 27	265 759 62	12 068 680 89
NET POSITION:			
Invested in Capital Assets and Other Costs, Net of Related Debt	4 839 586 83	-	4 839 586 83
Restricted	672 727 08	-	672 727 08
Unrestricted	(80 627 55)	433 629 08	353 001 53
Total Net Position	5 431 686 36	433 629 08	5 865 315 44
TOTAL LIABILITIES AND NET POSITION	17 234 607 63	699 388 70	17 933 996 33

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

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
BUSINESS-TYPE FUNDS
Year ended December 31, 2015

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for services	<u>1 819 395 65</u>	<u>1 528 293 59</u>	<u>3 347 689 24</u>
Total Operating Revenues	<u>1 819 395 65</u>	<u>1 528 293 59</u>	<u>3 347 689 24</u>
OPERATING EXPENSES:			
Sewer treatment	687 334 32	1 048 172 02	1 735 506 34
Salaries and wages	279 038 81	34 510 43	313 549 24
Payroll taxes and fringe benefits	149 646 22	26 100 14	175 746 36
Supplies	93 163 35	13 149 37	106 312 72
Utilities	60 637 79	3 449 54	64 087 33
Contracted services	25 126 28	450 315 64	475 441 92
Repairs and maintenance	32 879 49	275 00	33 154 49
Miscellaneous	<u>21 585 48</u>	<u>4 057 86</u>	<u>25 643 34</u>
Total Operating Expenses Before Depreciation and Amortization	<u>1 349 411 74</u>	<u>1 580 030 00</u>	<u>2 929 441 74</u>
Operating Income (Loss) Before Depreciation and Amortization	469 983 91	(51 736 41)	418 247 50
Depreciation expense	(321 818 64)	-	(321 818 64)
Amortization expense	<u>(145 026 19)</u>	<u> </u>	<u>(145 026 19)</u>
Operating Income (Loss)	<u>3 139 08</u>	<u>(51 736 41)</u>	<u>(48 597 33)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	529 58	103 67	633 25
Interest expense	<u>(372 953 75)</u>	<u> </u>	<u>(372 953 75)</u>
Net Non-Operating Revenues (Expenses)	<u>(372 424 17)</u>	<u>103 67</u>	<u>(372 320 50)</u>
Change in net position	(369 285 09)	(51 632 74)	(420 917 83)
Net position, January 1, 2015	<u>5 800 971 45</u>	<u>485 261 82</u>	<u>6 286 233 27</u>
Net Position, December 31, 2015	<u><u>5 431 686 36</u></u>	<u><u>433 629 08</u></u>	<u><u>5 865 315 44</u></u>

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

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS
Year ended December 31, 2015

	Sewer Fund	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	1 822 205 11	1 498 255 63	3 320 460 74
Cash payments to employees and suppliers	(1 351 756 35)	(1 537 814 75)	(2 889 571 10)
Net cash provided (used) by operating activities	470 448 76	(39 559 12)	430 889 64
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
(Increase) decrease in amounts due from other funds	158 410 64	-	158 410 64
Increase (decrease) in amounts due to other funds	24 808 75	-	24 808 75
Net cash provided (used) by non-capital financing activities	183 219 39	-	183 219 39
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
(Decrease)Investment in Bay Area Water Treatment Plant	-	347 284 00	347 284 00
Principal paid on bonds	(479 000 00)	-	(479 000 00)
Interest paid on long-term debt	(372 953 75)	-	(372 953 75)
Net cash provided (used) by capital and related financing activities	(851 953 75)	347 284 00	(504 669 75)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	529 58	103 67	633 25
Net increase (decrease) in cash	(197 756 02)	307 828 55	110 072 53
Cash beginning of year	1 019 115 60	32 845 57	1 051 961 17
Cash End of Year	821 359 58	340 674 12	1 162 033 70
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Income (loss) from operations	3 139 08	(51 736 41)	(48 597 33)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	321 818 64	-	321 818 64
Amortization	145 026 19	-	145 026 19
(Increase) decrease in receivables	2 809 46	(30 037 96)	(27 228 50)
Increase (decrease) in payables	(2 344 61)	42 215 25	39 870 64
Net Cash Provided (Used) by Operating Activities	470 448 76	(39 559 12)	430 889 64

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

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

COMBINING BALANCE SHEET – ALL AGENCY FUNDS
December 31, 2015

	<u>Current Tax Collection Fund</u>	<u>Agency Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	1 257 459 23	754 40	1 258 213 63
Taxes receivable	<u>4 030 316 10</u>	<u>-</u>	<u>4 030 316 10</u>
Total Assets	<u><u>5 287 775 33</u></u>	<u><u>754 40</u></u>	<u><u>5 288 529 73</u></u>
<u>Liabilities</u>			
Liabilities:			
Due to General Fund	1 967 786 08	582 90	1 968 368 98
Due to Downtown Development Authority Fund	108 864 05	-	108 864 05
Due to Road Fund	248 269 20	-	248 269 20
Due to Public Safety Fund	381 963 67	-	381 963 67
Due to Bay County	2 072 414 64	171 50	2 072 586 14
Due to Bay Metro	285 545 29	-	285 545 29
Due to Delta College	30 671 44	-	30 671 44
Due to Bay Arenac Intermediate School District	80 470 42	-	80 470 42
Due to Essexville-Hampton School District	65 530 29	-	65 530 29
Due to Bay City School District	45 340 45	-	45 340 45
Due to others	<u>919 80</u>	<u>-</u>	<u>919 80</u>
Total Liabilities	<u><u>5 287 775 33</u></u>	<u><u>754 40</u></u>	<u><u>5 288 529 73</u></u>

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

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS
Year ended December 31, 2015

	<u>Balance 1/1/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/15</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in bank	1 232 797 19	18 384 340 52	18 359 678 48	1 257 459 23
Taxes receivable	<u>4 258 520 09</u>	<u>19 664 198 76</u>	<u>19 892 402 75</u>	<u>4 030 316 10</u>
Total Assets	<u>5 491 317 28</u>	<u>38 048 539 28</u>	<u>38 252 081 23</u>	<u>5 287 775 33</u>
<u>Liabilities</u>				
Due to other units	2 637 844 19	15 314 183 35	15 371 135 21	2 580 892 33
Due to other funds	<u>2 853 473 09</u>	<u>2 841 953 18</u>	<u>2 988 543 27</u>	<u>2 706 883 00</u>
Total Liabilities	<u>5 491 317 28</u>	<u>18 156 136 53</u>	<u>18 359 678 48</u>	<u>5 287 775 33</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>535 98</u>	<u>179 823 76</u>	<u>179 605 34</u>	<u>754 40</u>
<u>Liabilities</u>				
Due to other units	-	159 084 24	158 912 74	171 50
Due to other funds	<u>535 98</u>	<u>20 739 52</u>	<u>20 692 60</u>	<u>582 90</u>
Total Liabilities	<u>535 98</u>	<u>179 823 76</u>	<u>179 605 34</u>	<u>754 40</u>
<u>TOTAL – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in bank	1 233 333 17	18 564 164 28	18 539 283 82	1 258 213 63
Taxes receivable	<u>4 258 520 09</u>	<u>19 664 198 76</u>	<u>19 892 402 75</u>	<u>4 030 316 10</u>
Total Assets	<u>5 491 853 26</u>	<u>38 228 363 04</u>	<u>38 431 686 57</u>	<u>5 288 529 73</u>
<u>Liabilities</u>				
Due to other units	2 637 844 19	15 473 267 59	15 530 047 95	2 581 063 83
Due to other funds	<u>2 854 009 07</u>	<u>2 862 692 70</u>	<u>3 009 235 87</u>	<u>2 707 465 90</u>
Total Liabilities	<u>5 491 853 26</u>	<u>18 335 960 29</u>	<u>18 539 283 82</u>	<u>5 288 529 73</u>

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

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

CURRENT TAX COLLECTION FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
Year ended December 31, 2015

Cash in bank – beginning of year	<u>1 232 797 19</u>
Cash receipts:	
Tax collections:	
2014 tax roll	4 114 559 64
2015 tax roll	<u>14 269 780 88</u>
Total cash receipts	<u>18 384 340 52</u>
Total beginning balance and cash receipts	<u>19 617 137 71</u>
Cash disbursements:	
Township General Fund	2 184 476 00
Township Downtown Development Authority Fund	149 534 56
Township Road Fund	257 841 85
Township Public Safety Fund	396 690 86
Bay County	6 409 024 30
Bay Metro	296 555 34
Delta College	769 159 40
Bay Arenac Intermediate School District	1 894 822 37
Bay City School District	1 007 539 30
Essexville-Hampton School District	4 968 373 30
Refunds of overpayments	<u>25 661 20</u>
Total cash disbursements	<u>18 359 678 48</u>
Cash in Bank – End of Year	<u>1 257 459 23</u>

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

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

AGENCY FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
Year ended December 31, 2015

Cash in bank – beginning of year	<u>535 98</u>
Cash receipts:	
Mobile home court fees	10 737 00
P.I.L.O.T.	169 075 34
Interest	<u>11 42</u>
Total cash receipts	<u>179 823 76</u>
Total beginning balance and cash receipts	<u>180 359 74</u>
Cash disbursements:	
Township General Fund	15 993 70
Township Road Fund	1 851 08
Township Public Safety Fund	2 847 82
Bay County	39 292 70
Bay City School District	8 514 96
Bay Metro	2 129 02
Bay Arenac Intermediate School District	14 020 62
Delta College	5 817 22
State of Michigan	<u>89 138 22</u>
Total cash disbursements	<u>179 605 34</u>
Cash in Bank – End of Year	<u><u>754 40</u></u>

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

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Hampton, Bay County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the Charter Township of Hampton (primary government) and its component unit, an entity for which the government is considered to be financially accountable. Blended components units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. The Township does not have any discretely presented component units.

The reporting entity is the Charter Township of Hampton. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Blended Component Unit- Downtown Development Authority

The members of the governing board of the Downtown Development Authority are appointed by the Township Board. Its purpose is for the beautification and development of downtown areas.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Base upon the application of these criteria, the financial statements of the Charter Township of Hampton contain all the funds controlled by the Township Board.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund 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 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, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Major individual governmental and business type 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. 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. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, restricted resources are applied first.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Funds

General and Special Revenue Funds

The General Fund, the Road Fund, the Downtown Development Authority Fund, the Building Department Fund and the Public Safety Fund receive and account for the monies collected to provide the general governmental services of the Township. The General Fund is used to account for all transactions not properly accounted for in any other fund. The Road Fund accounts for property taxes levied for the Township road maintenance. The Building Department Fund accounts for building permits and the related expenses. The Public Safety Fund accounts for property taxes levied for the Township police and fire protection services.

Debt Service Fund

The General Obligation Limited Tax Bond Debt Service Fund was established to collect revenues to meet the payments of the debt. Amounts are levied each year in sufficient amounts to meet the required payments and are deposited in the fund as collected. Subsequently, the principal and interest payments are made when due. Interest earned on temporary investment of these monies is retained within the fund.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer and Water enterprise funds are charges to customers for services. The enterprise fund also recognizes as operating revenue the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non- operating revenues and expenses.

Agency Funds

The Current Tax Collection Fund and the Agency Fund have been established to account for monies which are held by the Township as agent for other governmental entities, funds or individuals. The Current Tax Collection Fund receives tax collections and disburses the amount collected to the proper fund or governmental entity. The Agency Fund receives delinquent property taxes and mobile home court fees and disburses these to the proper fund or governmental entity. These funds do not have revenues, expenditures or fund balances because by their nature their assets always equal their liabilities.

Assets, Liabilities and Net Position or Equity

Bank deposits and investments – Cash and cash equivalent investments include 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

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have been provided.

Inventories

All purchases of materials are reflected in expenses when paid in all funds.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2014 tax roll millage rate was 6.1075 mills, and the taxable value was \$390,181,401.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$6,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	15-50 years
Vehicles and equipment	3-25 years
Infrastructure	20 years

Compensated Absences (Vacation and Sick Leave)

The estimated current portion of the liability for vacation and sick leave benefits attributable to the Township's governmental funds is recorded as an expenditure and liability in the respective funds. The estimated long-term portion of the liability for vacation and sick leave benefits is recorded as an expense and a non-current liability in the government wide statements. Employees may accumulate an unlimited number of days of vacation leave and are paid for unused sick leave upon termination of employment.

Fund Equity

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

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.

The proposed budgets include expenditures as well as the methods of financing them.

Public hearings are held to obtain taxpayer comments.

The budgets are adopted at the activity level by a majority vote of the Township Board.

The budgets are adopted on the modified accrual basis of accounting.

The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

The adopted budgets are used as a management control device during the year for all budgetary funds.

Budget appropriations lapse at the end of each fiscal year.

The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; 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 obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date 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. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated four financial institutions for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>3 203 275 41</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	366 787 00
Uninsured and Uncollateralized	<u>3 058 453 73</u>
Total Deposits	<u>3 425 240 73</u>

The Charter Township of Hampton did not have any investments at December 31, 2015.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds that do not have a rating provided by a nationally recognized statistical rating organization.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 3 – Deposits and Investments (continued)

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's governmental and business-type activities for the current year was as follows:

	<u>Balance 1/1/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/15</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	789 945 20	6 100 00	-	796 045 20
Subtotal	<u>789 945 20</u>	<u>6 100 00</u>	<u>-</u>	<u>796 045 20</u>
Capital assets being depreciated:				
Land improvements	551 902 61	22 429 22	-	574 331 83
Buildings and improvements	999 800 27	25 905 80	-	1 025 706 07
Vehicles and equipment	2 978 781 13	30 833 90	-	3 009 615 03
Infrastructure	2 647 339 88	-	-	2 647 339 88
Subtotal	<u>7 177 823 89</u>	<u>79 168 92</u>	<u>-</u>	<u>7 256 992 81</u>
Total	<u>7 967 769 09</u>	<u>85 268 92</u>	<u>-</u>	<u>8 053 038 01</u>
Accumulated depreciation:				
Land improvements	(286 620 19)	(22 309 56)	-	(308 929 75)
Buildings and improvements	(761 378 51)	(22 008 09)	-	(783 386 60)
Vehicles and equipment	(2 615 931 88)	(104 548 94)	-	(2 720 480 82)
Infrastructure	(422 066 07)	(106 440 47)	-	(528 506 54)
Total	<u>(4 085 996 65)</u>	<u>(255 307 06)</u>	<u>-</u>	<u>(4 341 303 71)</u>
Net Governmental Capital Assets	<u>3 881 772 44</u>	<u>(170 038 14)</u>	<u>-</u>	<u>3 711 734 30</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 4 – Capital Assets (continued)

Depreciation expense of \$255,307.06 was charged to the following activities:

General government	16 187 13
Public safety	69 600 24
Public works	137 481 24
Recreation and culture	<u>32 038 45</u>
	<u>255 307 06</u>

	Balance 1/1/15	Additions	Deletions	Balance 12/31/15
<u>Business-Type Activities:</u>				
Sewer System	12 403 248 64	-	-	12 403 248 64
Accumulated Depreciation	<u>(1 231 759 74)</u>	<u>(321 818 64)</u>	<u>-</u>	<u>(1 553 578 38)</u>
Net Business-Type Capital Assets	<u>11 171 488 90</u>	<u>(321 818 64)</u>	<u>-</u>	<u>10 849 670 26</u>

Note 5 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	2 946 204 30	Sewer	545 891 79
		Debt service	190 000 00
		Public Safety	144 854 04
		Building	97 089 49
		Agency	582 90
		Current Tax Collection	<u>1 967 786 08</u>
	<u>2 946 204 30</u>		<u>2 946 204 30</u>
Downtown Development Authority	<u>108 864 05</u>	Current Tax Collection	<u>108 864 05</u>
Road	<u>248 269 20</u>	Current Tax Collection	<u>248 269 20</u>
Public Safety	481 963 67	General	100 000 00
	<u>481 963 67</u>	Current Tax Collection	<u>381 963 67</u>
			<u>481 963 67</u>
Total	<u>3 785 301 22</u>	Total	<u>3 785 301 22</u>

Amounts appearing as interfund receivables and payables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Deferred revenue for 2015 operations from the Current Tax Collection Fund are also reflected in this note. Balances at the end of the year are for service transactions that have not cleared as of the balance sheet date.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 6 – Interfund Transfer

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Public Safety	1 550 000 00	General	1 550 000 00
Debt Service	<u>602 874 36</u>	Downtown Development Authority	<u>602 874 36</u>
Total	<u>2 152 874 36</u>	Total	<u>2 152 874 36</u>

Transfers to the Public Safety Fund, Debt Service Fund, and Water Fund from the General Fund and the Downtown Development Authority Fund were to fund current year operations.

Note 7 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

<u>Governmental Activities</u>	<u>Balance 1/1/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/15</u>
2006 General Obligation Limited Tax Bonds-Debt Service Fund	690 000 00	-	690 000 00	-
2007 General Obligation Limited Tax Bonds-Debt Service Fund	710 000 00	-	45 000 00	665 000 00
Accumulated vacation and sick pay	222 313 65	5 025 43	-	227 339 08
Net OPEB liability	<u>2 796 973 64</u>	<u>813 112 04</u>	<u>289 483 73</u>	<u>3 320 601 95</u>
Total	<u>4 419 287 29</u>	<u>818 137 47</u>	<u>1 024 483 73</u>	<u>4 212 941 03</u>
 <u>Business-Type Activities</u>				
2006 USDA Limited Tax Bonds	<u>11 565 000 00</u>	<u>-</u>	<u>479 000 00</u>	<u>11 086 000 00</u>
	<u>11 565 000 00</u>	<u>-</u>	<u>479 000 00</u>	<u>11 086 000 00</u>

Note 8 – 2006 General Obligation Limited Tax Bonds

On December 20, 2008, the Township sold \$975,000.00 of its bonds to provide funds to pay a portion of the cost of certain capital improvements within the downtown area of the township, including the relocation of utility lines and related utility apparatus and equipment and the acquisition and construction of streetscape improvements, including sidewalks, together with related improvements and appurtenances relating thereto and to pay costs incidental to the issuance of the bonds.

The bond principal interest is payable from the general funds of the Township, and the Township is required, if necessary, to levy ad valorem taxes on all taxable property in the Township for the payment thereof, subject to applicable constitutional, statutory and charter tax rate limitations.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 8 – 2006 General Obligation Limited Tax Bonds (continued)

As of December 31, 2015, the principal balance outstanding was paid in full.

Note 9 – 2008 General Obligation Limited Tax Bonds

On August 8, 2008, the Township sold \$860,000.00 of its bonds to provide funds to pay a portion of the cost of certain capital improvements within the downtown area of the Township, including the relocation of utility lines and related utility apparatus and equipment and the acquisition and construction of streetscape improvements, including sidewalks, together with related improvements and appurtenances relating thereto and to pay costs incidental to the issuance of the bonds.

The bond principal and interest is payable from the general funds of the Township, and the Township is required, if necessary, to levy ad valorem taxes on all taxable property in the Township for the payment thereof, subject to applicable constitutional, statutory, and charter tax rate limitations.

As of December 31, 2015, the principal balance outstanding was \$665,000.00 and it is payable as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
5/1/16			15 605 00	15 605 00
11/1/16	45 000 00	4.6	15 605 00	60 605 00
5/1/17			14 570 00	14 570 00
11/1/17	50 000 00	4.7	14 570 00	64 570 00
5/1/18			13 395 00	13 395 00
11/1/18	50 000 00	4.7	13 395 00	63 395 00
5/1/19			12 220 00	12 220 00
11/1/19	55 000 00	4.7	12 220 00	67 220 00
5/1/20			10 927 50	10 927 50
11/1/20	55 000 00	4.7	10 927 50	65 927 50
5/1/21			9 635 00	9 635 00
11/1/21	60 000 00	4.7	9 635 00	69 635 00
5/1/22			8 225 00	8 225 00
11/1/22	65 000 00	4.7	8 225 00	73 225 00
5/1/23			6 697 50	6 697 50
11/1/23	65 000 00	4.7	6 697 50	71 697 50
5/1/24			5 170 00	5 170 00
11/1/24	70 000 00	4.7	5 170 00	75 170 00
5/1/25			3 525 00	3 525 00
11/1/25	75 000 00	4.7	3 525 00	78 525 00
5/1/26			1 762 50	1 762 50
11/1/26	<u>75 000 00</u>	4.125	<u>1 762 50</u>	<u>76 762 50</u>
Totals	<u>665 000 00</u>		<u>203 465 00</u>	<u>868 465 00</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 10 - 2013 USDA Bonds

On March 16, 2010 the Township sold \$13,264,000.00 of its bonds to provide funds to pay for the cost of connecting to the West Bay County Regional Wastewater Treatment Plant Sewerage System.

The bond principal and interest is payable from the Sewer Fund. The Township has pledged its limited tax full faith and credit for the payment of principal and interest on the bonds. The Township is required, if necessary, to levy ad valorem taxes on all taxable property in the Township for such purpose. As of December 31, 2015, the principal balance outstanding was \$11,086,000.00 and it is payable as follows:

Due Date	Principal	Interest Rate	Interest	Total
3/1/2016	186 000 00	3.250	201 272 50	387 272 50
9/1/2016			198 250 00	198 250 00
3/1/2017	192 000 00	3.250	198 250 00	390 250 00
9/1/2017			195 130 00	195 130 00
3/1/2018	199 000 00	3.250	195 130 00	394 130 00
9/1/2018			191 896 25	191 896 25
3/1/2019	206 000 00	3.250	191 896 25	397 896 25
9/1/2019			188 548 75	188 548 75
3/1/2020	213 000 00	3.250	188 548 75	401 548 75
9/1/2020			185 087 50	185 087 50
3/1/2021	221 000 00	3.250	185 087 50	406 087 50
9/1/2021			181 496 25	181 496 25
3/1/2022	228 000 00	3.250	181 496 25	409 496 25
9/1/2022			177 791 25	177 791 25
3/1/2023	236 000 00	3.250	177 791 25	413 791 25
9/1/2023			173 956 25	173 956 25
3/1/2024	245 000 00	3.250	173 956 25	418 956 25
9/1/2024			169 975 00	169 975 00
3/1/2025	253 000 00	3.250	169 975 00	422 975 00
9/1/2025			165 863 75	165 863 75
3/1/2026	262 000 00	3.250	165 863 75	427 863 75
9/1/2026			161 606 25	161 606 25
3/1/2027	271 000 00	3.250	161 606 25	432 606 25
9/1/2027			157 202 50	157 202 50
3/1/2028	281 000 00	3.250	157 202 50	438 202 50
9/1/2028			152 636 25	152 636 25
3/1/2029	291 000 00	3.250	152 636 25	443 636 25
9/1/2029			147 907 50	147 907 50
3/1/2030	301 000 00	3.250	147 907 50	448 907 50
9/1/2030			143 016 25	143 016 25
3/1/2031	311 000 00	3.250	143 016 25	454 016 25
9/1/2031			137 962 50	137 962 50
3/1/2032	322 000 00	3.250	137 962 50	459 962 50
9/1/2032			132 730 00	132 730 00
3/1/2033	333 000 00	3.250	132 730 00	465 730 00
9/1/2033			127 318 75	127 318 75
3/1/2034	345 000 00	3.250	127 318 75	472 318 75
9/1/2034			121 712 50	121 712 50
3/1/2035	357 000 00	3.250	121 712 50	478 712 50

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

Note 10 - 2013 USDA Limited Tax Bonds (continued)

<u>Due Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
9/1/2035			115 911 25	115 911 25
3/1/2036	370 000 00	3.250	115 911 25	485 911 25
9/1/2036			109 898 75	109 898 75
3/1/2037	383 000 00	3.250	109 898 75	492 898 75
9/1/2037			103 675 00	103 675 00
3/1/2038	396 000 00	3.250	103 675 00	499 675 00
9/1/2038			97 240 00	97 240 00
3/1/2039	410 000 00	3.250	97 240 00	507 240 00
9/1/2039			90 577 50	90 577 50
3/1/2040	424 000 00	3.250	90 577 50	514 577 50
9/1/2040			83 687 50	83 687 50
3/1/2041	439 000 00	3.250	83 687 50	522 687 50
9/1/2041			76 553 75	76 553 75
3/1/2042	454 000 00	3.250	76 553 75	530 553 75
9/1/2042			69 176 25	69 176 25
3/1/2043	470 000 00	3.250	69 176 25	539 176 25
9/1/2043			61 538 75	61 538 75
3/1/2044	487 000 00	3.250	61 538 75	548 538 75
9/1/2044			53 625 00	53 625 00
3/1/2045	504 000 00	3.250	53 625 00	557 625 00
9/1/2045			45 435 00	45 435 00
3/1/2046	521 000 00	3.250	45 435 00	566 435 00
9/1/2046			36 968 75	36 968 75
3/1/2047	540 000 00	3.250	36 968 75	576 968 75
9/1/2047			28 193 75	28 193 75
3/1/2048	435 000 00	3.250	28 193 75	463 193 75
Total	<u>11 086 000 00</u>		<u>8 366 410 00</u>	<u>19 452 410 00</u>

Note 11 - OPEB Benefits

1. The Measurement Year for this plan begins: January 1, 2015
The date of initial application of GASB 43/45 is: December 31, 2008
2. The demographic assumptions used (retirement and termination rates, and salary increases, if any) are as of: December 31, 2015
3. The Hampton Charter Township Retiree Medical Plan is a single-employer Plan administered by the Township and can be amended at its discretion.
4. At the time of this reporting, membership of the plan consisted of the following:

Active Plan Members	36
Retirees and beneficiaries receiving benefits	<u>27</u>
Total Plan Members	<u>63</u>
5. The Township has the authority to establish the funding policy for the Plan, And to amend the obligations of both the Township and members.
6. Active members are not obligated to make contributions to the Plan at this time.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 11 - OPEB Benefits (continued)

7. As of the date of this reporting, the organization has not yet made contributions to the Trust that are in excess of the benefit payments due in the current year.

DETERMINATION OF ANNUAL REQUIRED CONTRIBUTION (ARC)

Normal Cost Component	
Normal Cost	384 374 42
Interest	<u>18 449 97</u>
Total Normal Cost	<u>402 824 39</u>
Amortization Component	
AAL	9 018 477 21
Less: Assets	<u>25 581 00</u>
UAAL	8 992 896 21
Divided by PV factor	<u>23.5990</u>
Amortization payment	381 070 00
Interest	<u>18 291 00</u>
Total Amortization Payment	<u>399 361 00</u>
Annual Required Contribution	<u><u>802 185 39</u></u>

ANNUAL COST FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB)

1. Annual Required Contribution	802 185 39
2. Interest on Net OPEB Obligation	107 369 64
3. Adjustments to ARC	<u>(96 443 00)</u>
4. Annual OPEB Cost (Line 1 + Line 2 + Line 3)	813 112 04
5. Contributions Made	<u>289 483 73</u>
6. Increase/Decrease in net OPEB Obligation (Line 4 – Line 5)	523 628 31
7. Net OPEB obligation (beginning of year)	<u>2 796 973 64</u>
8. Net OPEB (end of year) (Line 6 + Line 7)	<u><u>3 320 601 95</u></u>

ASSET (GAIN) OR LOSS

1. Fair value of Assets at end of year	25 581 00
2. Actual Distributions	-
3. Actual or Accrued contributions	-
4. Fair value at beginning of year	<u>24 519 00</u>
5. Actual return on Assets (Line 1+ Line2- Line3 – Line4)	(1 062 00)

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 11 - OPEB Benefits (continued)

6. Expected return on Assets (Based on Interest Rate Assumption on Page 11)	<u>1 177 00</u>
7. Asset (gain) or loss = 6 – 5 (An asset gain is shown as a negative number)	<u><u>115 00</u></u>

As of the date of this report, the Plan had no assets set aside in Trust.

Note 12 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 13 – Retirement Plan

The Township has a defined contribution pension plan that covers all Township Board members and full-time employees of the Township. The Township's current year covered payroll was \$1,872,548.69 and its total current year payroll for all employees was \$2,205,885.04. The plan was established under Act 27, P.A. 1960 and Township ordinances 24 and 24.1. All full-time employees who work over 30 hours per week plus Township Board members are covered under the plan. The Township contributes 10% to 15% of each employee's compensation and the employee can contribute additional amounts. All participants covered are immediately vested. The Township's contribution requirement for the year ended December 31, 2015, was \$280,882.38 which was entirely paid during the year. Employee contributions for the year ended December 31, 2015, were \$105,507.24 which was entirely paid during the year.

Note 14– 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 any of the past three fiscal years.

Note 15 – Building Permits

As of December 31, 2015, the Township had building permit revenues of \$109,733.45 and building permit expenses of \$60,610.81.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 16 – Connection to West Bay County Regional Wastewater Treatment Plant Sewerage 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 Sewerage System in the amount of \$5,801,047.52, 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 cost of running the Hampton force main pipe to the point of connection with the City of Essexville's force main pipe. This cost was recorded in the financial statements as capital assets in the amount of \$12,403,248.64. The connection cost and the construction in progress costs were financed by Federal USDA bonds in the amount of \$13,224,000.00 and by a Federal USDA grant in the amount of \$4,776,000.00. This construction was complete as of December 31, 2013.

Note 17 – Sewer Fund Restricted Cash

As of December 31, 2015, the Township had the following restricted cash balances:

	Required Balances	Actual Balances
Bond and Interest Redemption	322 727 08	471 359 58
Repair, Replacement and Improvement	350 000 00	350 000 00
Total	672 727 08	821 359 58

Note 18 – Deficit Fund Balances

For the year ended December 31, 2015, the Township had deficit fund balances in the following funds:

Fund	Amount
Downtown Development Authority	4 619 43
Debt Service	188 426 70
Total	193 046 13

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	2 262 817 00	2 262 817 00	2 243 931 29	(18 885 71)
Licenses and permits	168 600 00	168 600 00	178 394 89	9 794 89
State revenue sharing	637 000 00	637 000 00	770 328 29	133 328 29
Charges for services	40 324 00	40 324 00	50 485 10	10 161 10
Interest	15 000 00	15 000 00	13 919 78	(1 080 22)
Miscellaneous	<u>115 800 00</u>	<u>115 800 00</u>	<u>331 062 02</u>	<u>215 262 02</u>
Total revenues	<u>3 239 541 00</u>	<u>3 239 541 00</u>	<u>3 588 121 37</u>	<u>348 580 37</u>
Expenditures:				
Legislative:				
Township Board	86 813 00	96 813 00	84 536 57	(12 276 43)
General government:				
Supervisor	82 990 00	83 185 00	81 604 14	(1 580 86)
Elections	6 100 00	6 130 00	5 972 38	(157 62)
Accounting department	153 800 00	153 800 00	135 036 38	(18 763 62)
Assessor	161 650 00	161 650 00	146 375 74	(15 274 26)
Attorney	20 000 00	24 025 00	22 550 33	(1 474 67)
Consultant	15 000 00	22 650 00	22 550 75	(99 25)
Clerk	89 770 00	89 770 00	84 776 47	(4 993 53)
Geographic information system	6 600 00	6 600 00	4 759 71	(1 840 29)
Board of Review	2 790 00	2 790 00	1 007 57	(1 782 43)
Treasurer	105 576 00	105 576 00	82 022 09	(23 553 91)
Township hall and grounds	64 941 00	61 043 00	59 380 09	(1 662 91)
Citizens community building	34 085 00	42 516 00	38 351 73	(4 164 27)
Public relations	7 500 00	7 500 00	3 619 42	(3 880 58)
Public safety:				
Planning Commission	14 585 00	14 585 00	11 616 23	(2 968 77)
Board of Appeals	7 915 00	7 915 00	1 421 62	(6 493 38)
Public works:				
Department of Public Works	579 400 00	579 400 00	533 783 43	(45 616 57)
Weed control	8 640 00	8 640 00	8 640 00	-
Drains	43 500 00	45 647 00	45 645 74	(1 26)
Highways and streets	10 000 00	10 000 00	4 858 64	(5 141 36)
Engineering	11 000 00	11 000 00	-	(11 000 00)
Street lighting	145 000 00	145 000 00	114 174 26	(30 825 74)
Sanitation	166 445 00	172 088 00	170 154 86	(1 933 14)
Recreation and culture:				
Recreation – parks	85 675 00	68 175 00	66 069 11	(2 105 89)
Recreation – parks – other	49 500 00	49 500 00	15 997 19	(33 502 81)
Rail Trail	10 000 00	10 000 00	6 100 00	(3 900 00)

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Expenditures: (continued)				
Other functions:				
Insurance	140 000 00	140 000 00	128 271 67	(11 728 33)
Hospitalization	275 000 00	279 484 00	279 483 73	(27)
Other post-employment benefits	30 000 00	25 516 00	10 000 00	(15 516 00)
Contingency	164 272 00	572 187 49	-	(572 187 49)
Capital outlay	<u>64 000 00</u>	<u>98 500 00</u>	<u>85 268 92</u>	<u>(13 231 08)</u>
Total expenditures	<u>2 642 547 00</u>	<u>3 101 685 49</u>	<u>2 254 028 77</u>	<u>(847 656 72)</u>
Excess (deficiency) of revenues over expenditures	<u>596 994 00</u>	<u>137 855 51</u>	<u>1 334 092 60</u>	<u>1 196 237 09</u>
Other financing sources (uses):				
Transfers out	<u>(1 635 000 00)</u>	<u>(1 635 000 00)</u>	<u>(1 550 000 00)</u>	<u>85 000 00</u>
Total other financing sources (uses):	<u>(1 635 000 00)</u>	<u>(1 635 000 00)</u>	<u>(1 550 000 00)</u>	<u>85 000 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1 038 006 00)	(1 497 144 49)	(215 907 40)	1 281 237 09
Fund balance, January 1, 2015	<u>1 038 006 00</u>	<u>1 589 664 49</u>	<u>1 589 664 49</u>	<u>-</u>
Fund Balance, December 31, 2015	<u>-</u>	<u>92 520 00</u>	<u>1 373 757 09</u>	<u>1 281 237 09</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – DOWNTOWN DEVELOPMENT AUTHORITY
Year ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	167 916 00	167 916 00	148 014 39	(19 901 61)
Interest	<u>100 00</u>	<u>100 00</u>	<u>292 31</u>	<u>192 31</u>
Total revenues	<u>168 016 00</u>	<u>168 016 00</u>	<u>148 306 70</u>	<u>(19 709 30)</u>
Expenditures:				
Other Functions:				
Downtown Development Authority	4 300 00	4 300 00	1 937 40	(2 362 60)
Contingency	<u>456 434 00</u>	<u>12 726 63</u>	<u>-</u>	<u>(12 726 63)</u>
Total expenditures	<u>460 734 00</u>	<u>17 026 63</u>	<u>1 937 40</u>	<u>(15 089 23)</u>
Excess (deficiency) of revenues over expenditures	<u>(292 718 00)</u>	<u>150 989 37</u>	<u>146 369 30</u>	<u>(4 620 07)</u>
Other financing sources (uses):				
Transfers out	<u>(152 000 00)</u>	<u>(800 000 00)</u>	<u>(602 874 36)</u>	<u>197 125 64</u>
Total other financing sources (uses)	<u>(152 000 00)</u>	<u>(800 000 00)</u>	<u>(602 874 36)</u>	<u>197 125 64</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(444 718 00)	(649 010 63)	(456 505 06)	192 505 57
Fund balance, January 1, 2015	<u>444 718 00</u>	<u>649 010 63</u>	<u>451 885 63</u>	<u>(197 125 00)</u>
Fund Balance, December 31, 2015	<u>-</u>	<u>-</u>	<u>(4 619 43)</u>	<u>(4 619 43)</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – PUBLIC SAFETY FUND
Year ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	412 507 00	412 507 00	402 722 42	(9 784 58)
State revenue sharing	-	-	1 795 23	1 795 23
Interest	-	-	74 83	74 83
Miscellaneous	<u>3 500 00</u>	<u>3 500 00</u>	<u>2 847 82</u>	<u>(652 18)</u>
Total revenues	<u>416 007 00</u>	<u>416 007 00</u>	<u>407 440 30</u>	<u>(8 566 70)</u>
Expenditures:				
Public safety:				
Police department	1 077 145 00	1 077 145 00	1 051 800 36	(25 344 64)
Fire department	838 955 00	876 625 00	873 753 86	(2 871 14)
Contingency	<u>74 076 00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1 990 176 00</u>	<u>1 953 770 00</u>	<u>1 925 554 22</u>	<u>(28 215 78)</u>
Excess (deficiency) of revenues over expenditures	<u>(1 574 169 00)</u>	<u>(1 537 763 00)</u>	<u>(1 518 113 92)</u>	<u>19 649 08</u>
Other financing sources (uses):				
Transfers in	<u>1 400 000 00</u>	<u>1 498 287 00</u>	<u>1 550 000 00</u>	<u>51 713 00</u>
Total other financing sources (uses)	<u>1 400 000 00</u>	<u>1 498 287 00</u>	<u>1 550 000 00</u>	<u>51 713 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(174 169 00)	(39 476 00)	31 886 08	71 362 08
Fund balance, January 1, 2015	<u>174 169 00</u>	<u>39 476 00</u>	<u>1 806 03</u>	<u>(37 669 97)</u>
Fund Balance, December 31, 2015	<u>-</u>	<u>-</u>	<u>33 692 11</u>	<u>33 692 11</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GENERAL FUND REVENUES BY DETAILED ACCOUNT
Year ended December 31, 2015

Property taxes:	
Current year's tax levy	2 031 654 05
Administration fees	198 038 54
P.I.L.O.T.	<u>14 238 70</u>
	<u>2 243 931 29</u>
Licenses and permits:	
Mobile home court fees	1 755 00
Cable T.V. fees	149 735 70
Ordinance fees	12 804 19
Other permits	<u>14 100 00</u>
	<u>178 394 89</u>
State revenue sharing:	
Revenue sharing	758 529 00
Metro act	6 260 79
Liquor license fees	<u>5 538 50</u>
	<u>770 328 29</u>
Charges for services:	
Charges for services – miscellaneous	<u>50 485 10</u>
Interest	<u>13 919 78</u>
Miscellaneous:	
Rent	141 048 81
Park	142 502 11
Duplicating copies	2 587 65
Royalties	2 050 31
Other	<u>42 873 14</u>
	<u>331 062 02</u>
Total Revenues	<u>3 588 121 37</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2015

Township Board:	
Trustee salaries	30 683 04
Social security tax	2 347 20
Group health insurance	5 000 00
Group life insurance	521 36
Retirement fund contribution	4 538 32
Miscellaneous	3 091 08
Audit fees	28 200 00
Memberships and dues	6 225 20
Printing and publishing	2 324 35
Travel	1 606 02
	<u>84 536 57</u>
Supervisor:	
Salaries	58 374 21
Social security tax	4 477 90
Group health insurance	5 000 00
Education	5 265 72
Group life insurance	127 68
Retirement fund contribution	8 358 63
	<u>81 604 14</u>
Elections:	
Wages	4 054 00
Contracted services	588 40
Office supplies	1 316 36
Social security tax	13 62
	<u>5 972 38</u>
Accounting department:	
Salaries	68 265 68
Social security tax	5 803 72
Sick and accident insurance	936 36
Group health insurance	20 045 90
Group life insurance	205 56
Retirement fund contribution	10 152 12
Travel	54 05
Office supplies	9 560 47
Telephone	2 220 45
Contracted services	17 129 12
Miscellaneous	662 95
	<u>135 036 38</u>
Assessor:	
Salaries	82 377 42
Social security tax	5 523 58
Unemployment insurance	377 66
Group health insurance	30 928 02
Sickness and accident insurance	825 12
Group life insurance	191 52
Retirement fund contribution	10 797 56
Contracted services	6 268 55
Education	1 572 00
Miscellaneous	1 891 00
Memberships and dues	1 505 26
Tax roll preparation	4 118 05
	<u>146 375 74</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2015

Attorney:		
Legal fees		22 550 33
Consultant:		
Professional fees		22 550 75
Clerk:		
Salaries		58 339 84
Social security tax		4 446 80
Group health insurance		11 693 96
Group life insurance		109 80
Retirement fund contribution		8 931 74
Travel and education		1 129 33
Memberships and dues		125 00
		84 776 47
Geographic Information Systems:		
Contracted service		4 759 71
Board of Review:		
Fees and per diem		770 00
Social security tax		58 92
Miscellaneous		178 65
		1 007 57
Treasurer:		
Salaries		55 220 01
Social security tax		4 236 71
Group health insurance		12 618 98
Group life insurance		106 40
Retirement fund contribution		7 915 39
Memberships and dues		274 00
Travel and education		1 650 60
		82 022 09
Township hall and grounds:		
Salaries		18 631 26
Social security tax		1 510 39
Group health insurance		2 500 00
Group life insurance		31 92
Sickness and accident insurance		111 12
Unemployment insurance		147 06
Retirement fund contribution		2 583 06
Operating supplies		5 408 94
Equipment maintenance		608 00
Utilities		9 786 08
Building maintenance		17 709 31
Miscellaneous		352 95
		59 380 09
Citizens community building:		
Salaries		8 693 84
Social security tax		665 50
Unemployment insurance		56 68
Sickness and accident insurance		111 12
Group health insurance		1 250 00
Group life insurance		31 92

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended December 31, 2015

Citizens community building: (continued)	
Retirement fund contribution	1 291 54
Building maintenance	17 716 93
Supplies	3 025 83
Equipment maintenance	283 00
Utilities	5 225 37
	<u>38 351 73</u>
Public relations:	
Community promotion	2 567 60
Miscellaneous	1 051 82
	<u>3 619 42</u>
Planning Commission:	
Fees and per diem	1 707 50
Social security tax	126 63
Office supplies	350 00
Legal fees	8 637 75
Printing and publishing	794 35
	<u>11 616 23</u>
Board of Appeals:	
Fees and per diem	350 00
Social security tax	26 74
Office supplies	77 59
Legal fees	562 50
Memberships and dues	350 00
Printing and publishing	54 79
	<u>1 421 62</u>
Department of Public Works:	
Salaries	274 147 38
Social security tax	21 910 26
Unemployment insurance	2 003 20
Group health insurance	80 304 84
Sickness and accident insurance	3 189 17
Group life insurance	648 39
Retirement fund contribution	34 630 25
Supplies	13 707 87
Education	140 00
Fuel	29 008 36
Uniforms	1 375 00
Contracted services	8 338 08
Telephone	770 49
Utilities	9 930 10
Building maintenance	9 850 97
Equipment maintenance	40 262 12
Miscellaneous	3 566 95
	<u>533 783 43</u>
Weed Control	<u>8 640 00</u>
Drains:	
Contracted service	<u>45 645 74</u>
Highways and Streets	<u>4 858 64</u>
Street lighting:	
Utilities	<u>114 174 26</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2015

Sanitation:	
Salaries	17 032 96
Social security tax	1 284 05
Unemployment insurance	281 09
Group health insurance	27 390 08
Sickness and accident insurance	224 64
Life insurance	72 84
Contracted services	117 337 50
Telephone	610 05
Utilities	1 068 65
Repairs and maintenance	3 171 81
Supplies	283 69
Miscellaneous	1 397 50
	<u>170 154 86</u>
Recreation – parks:	
Salaries	14 136 24
Social security tax	1 081 24
Unemployment insurance	244 40
Supplies	8 782 75
Contracted services	3 395 80
Utilities	35 142 88
Miscellaneous	3 285 80
	<u>66 069 11</u>
Recreation – parks – other:	
Supplies	2 736 82
Utilities	1 526 59
Contracted services	4 615 00
Repairs and maintenance	7 118 78
	<u>15 997 19</u>
Rail Trail:	
Supplies	4 090 00
Equipment rental	1 690 00
Miscellaneous	320 00
	<u>6 100 00</u>
Insurance	<u>128 271 67</u>
Hospitalization	<u>279 483 73</u>
OPEB	<u>10 000 00</u>
Capital outlay	<u>85 268 92</u>
Total Expenditures	<u>2 254 028 77</u>

CAMPBELL AUDITING CPA, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 20, 2016

To the Township Board
Charter Township of Hampton
Bay County, Michigan

We have audited the financial statements of the Charter Township of Hampton, Bay County, Michigan, as of and for the year ended December 31, 2015, and have issued our report thereon dated June 20, 2016. We conducted our audit in accordance with 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Hampton's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. The Township relies on the independent auditors to assist in the preparation of financial statements of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, the Township's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls. This condition is a material weakness in internal control.

This report is intended solely for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Campbell Auditing CPA, PLC

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

June 20, 2016

To the Township Board
Charter Township of Hampton
Bay County, Michigan

Compliance

We have audited the compliance of the Charter Township of Hampton, Bay County, Michigan, with types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2015. The Charter Township of Hampton's major federal programs are identified in the schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Charter Township of Hampton's management. Our responsibility is to express an opinion on the Charter Township of Hampton's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in government Auditing Standards, issued by the Comptroller General of the United States; and OMB circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter Township of Hampton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstance. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Charter Township of Hampton's compliance with those requirements.

In our opinion, the Charter Township of Hampton complies, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2015.

Internal Control Over Compliance

The management of the Charter Township of Hampton is responsible for establishing and maintaining effective control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Charter Township of Hampton's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

To the Township Board
Charter Township of Hampton
Bay County, Michigan

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected with a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Campbell Auditing CPA, PLC". The signature is written in a cursive, slightly slanted style.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 20, 2016

To the Township Board
Charter Township of Hampton
Bay County, Michigan

We have audited the financial statements of the Charter Township of Hampton for the year ended December 31, 2015. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Charter Township of Hampton in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Charter Township of Hampton
Bay County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

PREPARATION OF FINANCIAL STATEMENTS

Government units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the governmental unit rests with the governmental unit's management. The preparation of financial statements in accordance with GAAP requires internal control over both (1) recording, processing, and summarizing accounting data (i.e. maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e. external financial reporting).

It has historically been common for many governmental units to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal control.

To the Township Board
Charter Township of Hampton
Bay County, Michigan

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/COMPLIANCE/EFFICIENCY

(cont.)

PREPARATION OF FINANCIAL STATEMENTS (cont.)

The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the governmental unit's annual financial statements and notes to the financial statements in accordance with GAAP. The governmental unit relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We do not recommend any changes to this situation at this time and we communicate this as required by professional standards.

DEFICIT FUND BALANCE

At December 31, 2015, the Township had a deficit fund balance in the Downtown Development Authority Fund in the amount of \$4,619.43 and in the Debt Service Fund in the amount of \$188,426.70. We recommend that the Township adopt a Deficit Elimination Plan and file it with the Michigan Department of Treasury immediately following the issuance of this report.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated December 31, 2015.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell Auditing CPA, PLC

CAMPBELL AUDITING CPA, PLC