

CHARTER TOWNSHIP OF HAMPTON
BAY COUNTY, MICHIGAN
FINANCIAL STATEMENTS
DECEMBER 31, 2023



WEINLANDER FITZHUGH
Certified Public Accountants & Advisors



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INDEPENDENT AUDITOR'S REPORT

May 21, 2024

Township Board
Charter Township of Hampton
Bay County, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Charter Township of Hampton (Township), as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Charter Township of Hampton as of December 31, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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



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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Charter Township of Hampton's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Charter Township of Hampton's ability to continue as a going concern for a reasonable period of time.

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



Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining nonmajor fund financial statements, combining proprietary water and sewer fund financial statements and debt schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the introductory section and statistical section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2024, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Weinlander Fitzhugh

Charter Township of Hampton
Management's Discussion and Analysis
For the Year Ended December 31, 2023

Our discussion and analysis of the Charter Township of Hampton's (Township) financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2023.

Financial Highlights

State shared revenues were \$1,121,627 or 24% of General Fund revenues, while tax collection revenue was \$2,106,355 or 46% of General Fund revenues. The General Fund reported an increase in fund balance of \$1,716,055.

Using this Annual Financial Report

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

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

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

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

Basic Financial Statements

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

Budgetary Information for the General Fund (Required Supplemental Information)

Budgetary Information for the Trash Collection Fund (Required Supplemental Information)

OPEB Schedules (Required Supplemental Information)

Other Supplemental Information

Charter Township of Hampton
Management's Discussion and Analysis
For the Year Ended December 31, 2023

Reporting the Township as a Whole

The Statement of Net Position and Statement of Activities

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

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

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

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

Reporting the Township's Most Significant Funds

Fund Financial Statements

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

Charter Township of Hampton
Management's Discussion and Analysis
For the Year Ended December 31, 2023

Reporting the Township's Most Significant Funds (Continued)

Governmental Funds

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

Proprietary Funds

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

These funds present the Township's water and sewer operations that are managed by the Township and the Bay County Department of Water and Sewer. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the system for the calendar year 2023.

Fiduciary Funds

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

Charter Township of Hampton
Management's Discussion and Analysis
For the Year Ended December 31, 2023

Township-wide Financial Analysis

Financial position - The statement of net position provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net position as of December 31, 2023 and 2022.

<u>Exhibit A</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Assets						
Current and other assets	\$ 12,463,684	\$ 9,801,116	\$ 11,609,098	\$ 10,648,356	\$ 24,072,782	\$ 20,449,472
Capital assets - net of accumulated depreciation	1,817,227	1,843,176	8,772,697	9,011,770	10,589,924	10,854,946
Total assets	<u>14,280,911</u>	<u>11,644,292</u>	<u>20,381,795</u>	<u>19,660,126</u>	<u>34,662,706</u>	<u>31,304,418</u>
Deferred outflows of resources	<u>124,007</u>	<u>218,923</u>	<u>40,916</u>	<u>0</u>	<u>164,923</u>	<u>218,923</u>
Liabilities						
Current liabilities	1,405,813	1,005,146	875,264	879,778	2,281,077	1,884,924
Long-term liabilities	369,206	430,460	9,241,187	9,518,226	9,610,393	9,948,686
Total liabilities	<u>1,775,019</u>	<u>1,435,606</u>	<u>10,116,451</u>	<u>10,398,004</u>	<u>11,891,470</u>	<u>11,833,610</u>
Deferred inflows of resources	<u>4,826,239</u>	<u>4,932,580</u>	<u>31,655</u>	<u>0</u>	<u>4,857,894</u>	<u>4,932,580</u>
Net position						
Net investment in capital assets	1,817,227	1,843,176	3,200,316	3,304,277	5,017,543	5,147,453
Restricted	856,042	766,190	715,924	712,013	1,571,966	1,478,203
Unrestricted	5,130,391	2,885,663	6,358,365	5,245,832	11,488,756	8,131,495
Total net position	<u>\$ 7,803,660</u>	<u>\$ 5,495,029</u>	<u>\$ 10,274,605</u>	<u>\$ 9,262,122</u>	<u>\$ 18,078,265</u>	<u>\$ 14,757,151</u>

Exhibit A focuses on net position. The Township's total net position of governmental and business-type activities was \$18,078,265 at December 31, 2023. Net investment in capital assets, totaling \$5,017,543 compares the original cost, less depreciation/amortization of the Township's governmental and business-type capital assets and bond proceeds available to long-term debt used to finance the acquisition of those assets. Restricted net position of \$1,571,966 reported separately to show legal constraints that limit the Township's ability to use the net position for day-to-day operations.

The \$11,488,756 of unrestricted net position of governmental and business-type activities represents the *accumulated* results of all past years' operations. The operating results of the general, special revenue and enterprise funds will have a significant impact on the change in unrestricted assets from year to year.

Charter Township of Hampton
Management's Discussion and Analysis
For the Year Ended December 31, 2023

Results of operations - The results of this year's operations for the Township as a whole are reported in the statement of activities, which shows the changes in net position for the year ended December 31, 2023. Exhibit B provides a summary of the Township's operations for the years ended December 31, 2023 and 2022.

	Governmental Activities		Business-Type Activities		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Exhibit B						
Revenue						
Program revenue:						
Charges for services	\$ 1,068,530	\$ 1,010,124	\$ 4,622,722	\$ 5,006,239	\$ 5,691,252	\$ 6,016,363
Operating grants and contributions	20,420	34,698	347,796	423,539	368,216	458,237
General revenue:						
Taxes	2,316,722	2,310,786	0	0	2,316,722	2,310,786
Special assessments	321,782	154,687	0	0	321,782	154,687
State shared revenue	1,122,141	1,140,304	0	0	1,122,141	1,140,304
Interest and investment	376,909	80,118	237,720	27,862	614,629	107,980
Other	496,319	495,023	37,130	0	533,449	495,023
Total revenue	<u>5,722,823</u>	<u>5,225,740</u>	<u>5,245,368</u>	<u>5,457,640</u>	<u>10,968,191</u>	<u>10,683,380</u>
Function/Program Expenses						
Legislative	70,044	75,014	0	0	70,044	75,014
General government	23,708	226,472	0	0	23,708	226,472
Public safety	1,360,416	1,300,011	0	0	1,360,416	1,300,011
Public works	864,685	574,934	0	0	864,685	574,934
Inspection	92,094	73,489	0	0	92,094	73,489
Recreation activities	209,410	216,929	0	0	209,410	216,929
Sanitation	658,167	641,290	0	0	658,167	641,290
Capital outlay	29,563	7,703	0	0	29,563	7,703
Other	106,105	190,796	0	0	106,105	190,796
Water and sewer	0	0	4,233,001	4,768,253	4,233,001	4,768,253
Total expenses	<u>3,414,192</u>	<u>3,306,638</u>	<u>4,233,001</u>	<u>4,768,253</u>	<u>7,647,193</u>	<u>8,074,891</u>
Increase (decrease) in Net Position	<u>\$ 2,308,631</u>	<u>\$ 1,919,102</u>	<u>\$ 1,012,367</u>	<u>\$ 689,387</u>	<u>\$ 3,320,998</u>	<u>\$ 2,608,489</u>

Charter Township of Hampton
Management’s Discussion and Analysis
For the Year Ended December 31, 2023

As reported in the statement of activities, the cost of all of our governmental and business-type activities this year was \$7,647,193. Certain activities were partially funded by \$5,691,252 from those who benefited from the programs and \$368,216 of operating grants. We paid for the remaining “public benefit” portion of our governmental and business-type activities with \$2,316,722 in taxes, \$1,122,141 in state shared revenue, and with our other revenues, such as interest and miscellaneous revenues.

The governmental activities net position experienced an increase of \$2,308,631 as compared to an increase of \$1,919,102 in 2022. The majority of the increase in net position was due to an increase in interest and investment earnings and a decrease in general government expenditures.

The water and sewer funds experienced an increase of \$1,012,367 resulting from more customer revenues over expenses for 2023.

The Township’s Funds

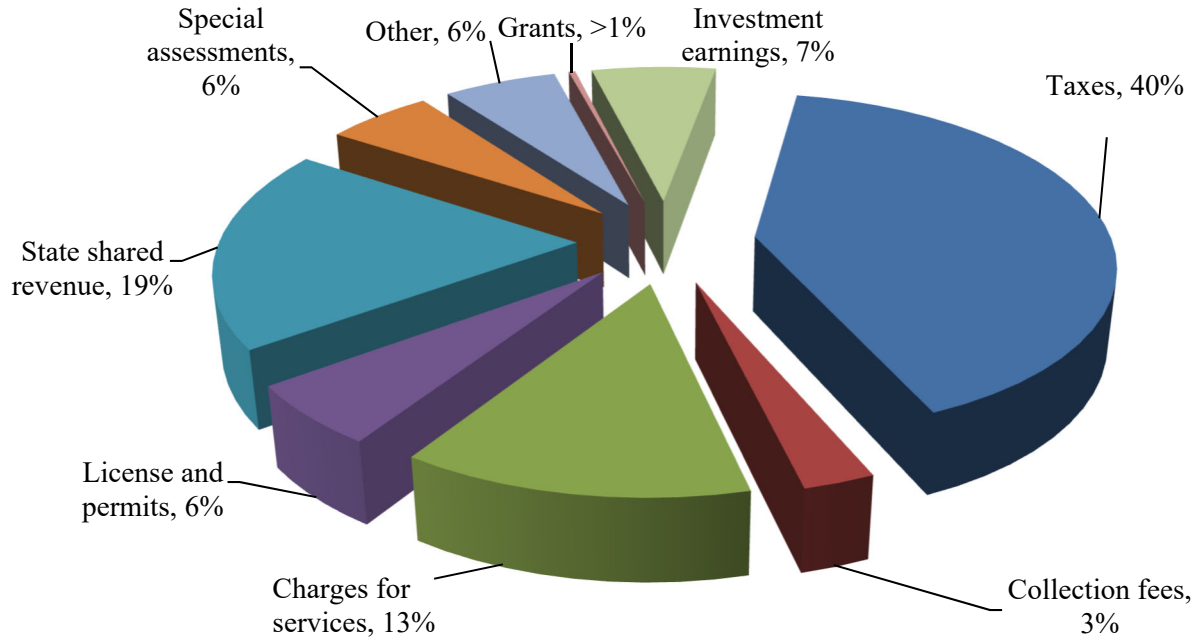
The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township’s overall financial health.

The Township’s governmental funds reported a combined fund balance of \$7,915,307, which is an increase from last year’s total of \$6,109,400. The schedule below details the fund balance and the total change in fund balances as of December 31, 2023 and 2022.

	<u>Fund Balance</u> <u>December 31, 2023</u>	<u>Fund Balance</u> <u>December 31, 2022</u>	<u>Increase</u> <u>(Decrease)</u>
General fund	\$ 7,059,265	\$ 5,343,210	\$ 1,716,055
Special revenue funds	856,042	766,190	89,852
Total	<u>\$ 7,915,307</u>	<u>\$ 6,109,400</u>	<u>\$ 1,805,907</u>

Charter Township of Hampton
 Management's Discussion and Analysis
 For the Year Ended December 31, 2023

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



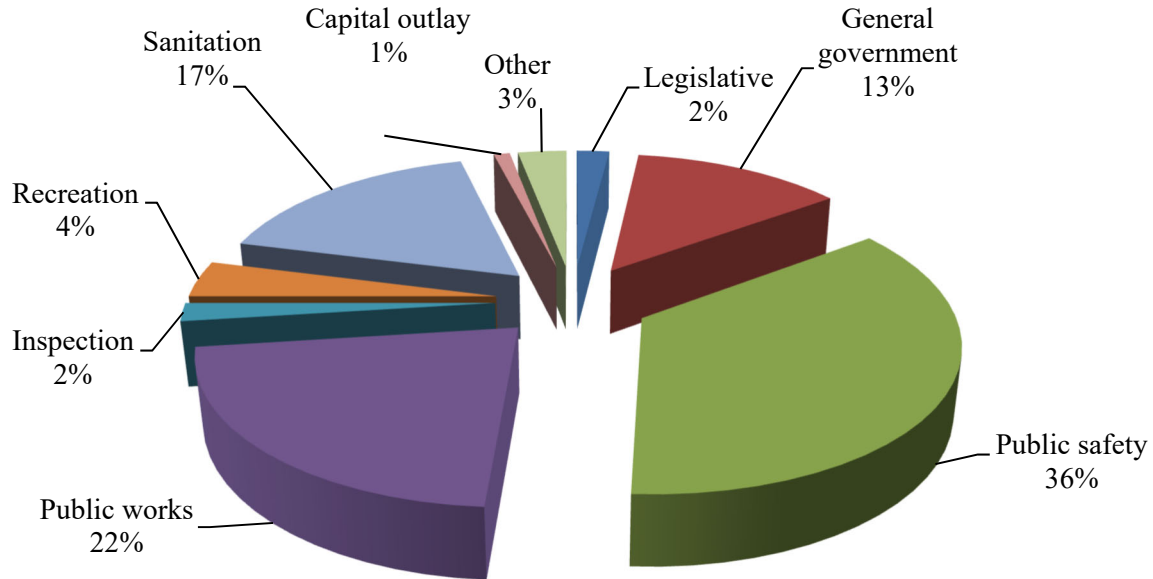
The chart below compares current year revenues with last year.

<i>Revenues by Function</i>	<u>2023</u>	<u>2022</u>
Taxes	\$ 2,317,000	\$ 2,311,000
Collection fees	154,000	140,000
Federal grants	0	29,000
State shared revenue	1,122,000	1,140,000
Grants	20,000	6,000
Special assessments levied	322,000	155,000
Licenses and permits	325,000	317,000
Charges for services	744,000	693,000
Investment earnings	377,000	80,000
Other	342,000	355,000
	<u>\$ 5,723,000</u>	<u>\$ 5,226,000</u>

Overall, 2023 revenues increased \$497,000 or 10% mainly due to investment earnings, charges for services and special assessments, which related to the drains.

Charter Township of Hampton
Management's Discussion and Analysis
For the Year Ended December 31, 2023

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



The chart below compares current year expenditures with last year.

<i>Expenditures by Function</i>	2023	2022
Legislative	\$ 70,000	\$ 75,000
General government	511,000	601,000
Public safety:		
Police department	1,164,000	1,023,000
Fire department	239,000	345,000
Other	26,000	12,000
Public works	848,000	556,000
Inspection	92,000	73,000
Recreation activities	173,000	175,000
Sanitation	658,000	641,000
Capital outlay	30,000	8,000
Other	106,000	191,000
	<u>\$ 3,917,000</u>	<u>\$ 3,700,000</u>

Expenditures increased by \$217,000 from the prior year mainly due to public works and capital outlay.

Water and Sewer System Funds - The Township's proprietary funds (Township and Bay County DWS Water and Sewer Funds) reported net position of \$10,274,605 which is an increase of \$1,012,367 from last year's net position of \$9,262,238. Operating revenues exceeded operating expenditures for the year.

Charter Township of Hampton
Management's Discussion and Analysis
For the Year Ended December 31, 2023

General Fund Budgetary Highlights

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

Changes to the general fund original budget were as follows:

- Budgeted revenues decreased by approximately \$219,000. This is mainly due to special assessments levied.
- Budgeted expenditures decreased by approximately \$219,000 during the fiscal year. This is mainly due to public works for the Bay County Drain Commission payment.
- Actual revenues for the year were approximately \$983,000 more than anticipated during the fiscal year. This is mainly due to interest revenue, taxes, state shared revenue and special assessments levied.
- Actual expenditures for the year were approximately \$752,000 less than anticipated. This is mainly due to the anticipated capital outlay not occurring in 2023, general government and public safety being lower than anticipated.

Capital Assets

At December 31, 2023, the Township had \$10.6 million invested in a broad range of capital assets, including land, buildings, equipment, transportation equipment, a capital lease and water and sewer systems. This amount represents a net decrease (including additions and disposals) of approximately \$265,000 from last year.

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Land	\$ 796,045	\$ 796,045	\$ 0	\$ 0	\$ 796,045	\$ 796,045
Land improvements	730,716	730,716	0	0	730,716	730,716
Buildings and improvements	997,622	997,622	0	0	997,622	997,622
Vehicles and equipment	3,034,789	3,055,445	0	0	3,034,789	3,055,445
Right to use asset - Fire Truck	122,037	122,037	0	0	122,037	122,037
Infrastructure	156,826	156,826	0	0	156,826	156,826
Sewer system	0	0	12,850,729	12,773,523	12,850,729	12,773,523
Total capital assets	5,838,035	5,858,691	12,850,729	12,773,523	18,688,764	18,632,214
Less accumulated depreciation/ amortization	4,020,808	4,015,515	4,078,032	3,761,753	8,098,840	7,777,268
Net capital assets	<u>\$ 1,817,227</u>	<u>\$ 1,843,176</u>	<u>\$ 8,772,697</u>	<u>\$ 9,011,770</u>	<u>\$ 10,589,924</u>	<u>\$ 10,854,946</u>

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

Charter Township of Hampton
Management's Discussion and Analysis
For the Year Ended December 31, 2023

Debt

At the end of this year, the Township had \$8,810,000 in long-term debt outstanding versus \$9,250,000 in the previous year. The Township's debt is related to sewer fund bonds, reported in the proprietary funds. This debt is summarized as follows:

	<u>2023</u>	<u>2022</u>
Proprietary	<u>\$ 8,810,000</u>	<u>\$ 9,060,000</u>

Factors Expected to Have an Effect on Future Operations

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

Aging roads, buildings and structures.

Rising health insurance and utility costs.

Retaining our workforce by offering competitive wages and benefits.

The Township is actively trying to recruit and maintain their Public Safety officers, along with the need of on-call firefighters.

Expecting to have a Solar Farm. The Township is unsure of the impact to additional revenues or property values in the area relating to the Solar Farm. They are hoping the revenue will help recover some of the revenue loss from the closing of the Consumers Energy Karn Plant.

The Township decided to move their Water and Sewer operations over to Bay County Department of Water and Sewer, effective 1/1/2024. This will help the Township to better maintain their utility systems.

Consumers Energy is buying dirt, so residents are having ponds dug. The multiple trips are speeding up the deterioration of the Townships roads.

The toll bridges are starting to have an impact on businesses.

Contacting The Township's Management

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

Charter Township of Hampton
Statement of Net Position
December 31, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<u>Assets</u>				
Cash, cash equivalents and investments	\$ 10,379,492	\$ 5,818,991	\$ 16,198,483	\$ 610,272
Cash - USDA RRI reserve	0	679,281	679,281	0
Receivables:				
Accounts	2,828	1,171,707	1,174,535	0
Taxes	2,039,367	9,851	2,049,218	112,740
Prepaid expenses	9,340	0	9,340	0
Due from other governments	396	27,939	28,335	28,021
Internal balances	32,261	(26,256)	6,005	0
Net pension asset	0	11,878	11,878	0
WWTP sewage system, net of accumulated amortization	0	3,915,707	3,915,707	0
Capital assets, net of accumulated depreciation/amortization	1,817,227	8,772,697	10,589,924	1,195,446
Total assets	<u>14,280,911</u>	<u>20,381,795</u>	<u>34,662,706</u>	<u>1,946,479</u>
<u>Deferred Outflows of Resources</u>				
Related to pensions	0	25,932	25,932	0
Related to OPEB	124,007	14,984	138,991	0
Total deferred outflows of resources	<u>124,007</u>	<u>40,916</u>	<u>164,923</u>	<u>0</u>
<u>Current Liabilities</u>				
Accounts payable	391,921	607,760	999,681	0
Accrued payroll	66,293	12,504	78,797	0
Accrued interest payable	0	0	0	3,878
Due to other governments	0	0	0	6,005
Deposits payable	13,641	0	13,641	0
Unearned revenue - ARPA funds	913,836	0	913,836	0
Due within one year - lease payable	20,122	0	20,122	0
Bonds payable	0	255,000	255,000	40,000
Total current liabilities	<u>1,405,813</u>	<u>875,264</u>	<u>2,281,077</u>	<u>49,883</u>
<u>Long-term Liabilities</u>				
Bonds payable	0	9,233,088	9,233,088	330,000
Due in more than one year - lease payable	62,876	0	62,876	0
Net OPEB liability	298,102	8,099	306,201	0
Compensated absences	8,228	0	8,228	0
Total long-term liabilities	<u>369,206</u>	<u>9,241,187</u>	<u>9,610,393</u>	<u>330,000</u>
Total liabilities	<u>1,775,019</u>	<u>10,116,451</u>	<u>11,891,470</u>	<u>379,883</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	3,162,686	10,571	3,173,257	133,323
Related to pensions	0	1,167	1,167	0
Related to OPEB	1,663,553	19,917	1,683,470	0
Total deferred inflows of resources	<u>4,826,239</u>	<u>31,655</u>	<u>4,857,894</u>	<u>133,323</u>
<u>Net Position</u>				
Net investment in capital assets	1,817,227	3,200,316	5,017,543	825,446
Restricted	856,042	715,924	1,571,966	607,827
Unrestricted	5,130,391	6,358,365	11,488,756	0
Total net position	<u>\$ 7,803,660</u>	<u>\$ 10,274,605</u>	<u>\$ 18,078,265</u>	<u>\$ 1,433,273</u>

See accompanying notes to financial statements.

Charter Township of Hampton
Statement of Activities
For the Year Ended December 31, 2023

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:							
Legislative	\$ 70,044	\$ 0	\$ 0	\$ (70,044)	\$ 0	\$ (70,044)	\$ 0
General government	23,708	174,190	20,420	170,902	0	170,902	0
Public safety	1,360,416	0	0	(1,360,416)	0	(1,360,416)	0
Public works	864,685	0	0	(864,685)	0	(864,685)	0
Inspection	92,094	165,416	0	73,322	0	73,322	0
Recreation activities	209,410	0	0	(209,410)	0	(209,410)	0
Sanitation	658,167	728,924	0	70,757	0	70,757	0
Capital outlay	29,563	0	0	(29,563)	0	(29,563)	0
Other	106,105	0	0	(106,105)	0	(106,105)	0
Total governmental activities	3,414,192	1,068,530	20,420	(2,325,242)	0	(2,325,242)	0
Business-type activities:							
Water	2,266,013	2,109,081	347,796	0	190,864	190,864	0
Sewer	1,966,988	2,513,641	0	0	546,653	546,653	0
Total business-type activities	4,233,001	4,622,722	347,796	0	737,517	737,517	0
Total primary government	\$ 7,647,193	\$ 5,691,252	\$ 368,216	(2,325,242)	737,517	(1,587,725)	0
Component Unit:							
Downtown Development Authority	144,534	0	0	0	0	0	(144,534)
Total component unit	\$ 144,534	\$ 0	\$ 0	0	0	0	(144,534)
General Revenues:							
Taxes				2,316,722	0	2,316,722	198,499
Special assessments levied				321,782	0	321,782	0
State shared revenue				1,122,141	0	1,122,141	0
Interest and investment earnings				376,909	237,720	614,629	19,985
Other				496,319	37,130	533,449	26,489
Total general revenues				4,633,873	274,850	4,908,723	244,973
Change in net position				2,308,631	1,012,367	3,320,998	100,439
Net position - beginning of year				5,495,029	9,262,238	14,757,267	1,332,834
Net position - end of year				\$ 7,803,660	\$ 10,274,605	\$ 18,078,265	\$ 1,433,273

See accompanying notes to financial statements.

Charter Township of Hampton
Governmental Funds
Balance Sheet
December 31, 2023

	General	Trash Collection Fund	Other Nonmajor Governmental Funds	Total
<u>ASSETS</u>				
Cash, cash equivalents and investments	\$ 9,071,423	\$ 469,528	\$ 838,541	\$ 10,379,492
Receivables:				
Accounts	1,094	1,471	263	2,828
Taxes	1,482,263	413,057	144,047	2,039,367
Prepaid expenditures	5,867	0	3,473	9,340
Due from other funds	111,728	41,240	514	153,482
Due from other governments	0	396	0	396
Total assets	<u>\$ 10,672,375</u>	<u>\$ 925,692</u>	<u>\$ 986,838</u>	<u>\$ 12,584,905</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accounts payable	\$ 337,014	\$ 54,907	\$ 0	\$ 391,921
Accrued expenses	65,628	0	665	66,293
Due to other funds	100,958	0	20,263	121,221
Deposits payable	13,641	0	0	13,641
Unearned revenue - ARPA funds	913,836	0	0	913,836
Total liabilities	1,431,077	54,907	20,928	1,506,912
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	2,182,033	768,449	212,204	3,162,686
<u>Fund Balance</u>				
Nonspendable - prepaids	5,867	0	3,473	9,340
Restricted	0	102,336	750,233	852,569
Unassigned	7,053,398	0	0	7,053,398
Total fund balance	7,059,265	102,336	753,706	7,915,307
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 10,672,375</u>	<u>\$ 925,692</u>	<u>\$ 986,838</u>	<u>\$ 12,584,905</u>

See accompanying notes to financial statements.

Charter Township of Hampton
 Reconciliation of Balance Sheet of Governmental Funds
 to the Statement of Net Position
December 31, 2023

Total fund balance - governmental funds		\$ 7,915,307
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of the capital assets	5,838,035	
Accumulated depreciation/amortization	<u>(4,020,808)</u>	1,817,227
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds:		
Related to OPEB		124,007
Long-term liabilities are not due and payable in current period and are not reported in the governmental funds:		
Net OPEB liability	(298,102)	
Lease payable	(82,998)	
Compensated absences	<u>(8,228)</u>	(389,328)
Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in governmental funds:		
Related to OPEB		<u>(1,663,553)</u>
Total net position - governmental activities		<u>\$ 7,803,660</u>

See accompanying notes to financial statements.

Charter Township of Hampton
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2023

	General	Trash Collection Fund	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>				
Taxes	\$ 2,106,355	\$ 0	\$ 210,367	\$ 2,316,722
Collection fees	154,515	0	0	154,515
State shared revenue	1,121,627	0	514	1,122,141
Grants	20,420	0	0	20,420
Special assessments levied	321,782	0	0	321,782
Charges for services	14,832	728,924	0	743,756
Interest	376,909	0	0	376,909
Licenses and permits	159,358	0	165,416	324,774
Other	339,513	0	2,291	341,804
	<u>4,615,311</u>	<u>728,924</u>	<u>378,588</u>	<u>5,722,823</u>
<u>Expenditures</u>				
Legislative	70,044	0	0	70,044
General government	511,052	0	0	511,052
Public safety	1,429,438	0	0	1,429,438
Public works	580,611	0	267,399	848,010
Inspection	0	0	92,094	92,094
Recreation activities	172,443	0	0	172,443
Sanitation	0	658,167	0	658,167
Other	106,105	0	0	106,105
Capital outlay	29,563	0	0	29,563
	<u>2,899,256</u>	<u>658,167</u>	<u>359,493</u>	<u>3,916,916</u>
Excess (deficiency) of revenues over expenditures	1,716,055	70,757	19,095	1,805,907
Fund balance - beginning of year	<u>5,343,210</u>	<u>31,579</u>	<u>734,611</u>	<u>6,109,400</u>
Fund balance - end of year	<u>\$ 7,059,265</u>	<u>\$ 102,336</u>	<u>\$ 753,706</u>	<u>\$ 7,915,307</u>

See accompanying notes to financial statements.

Charter Township of Hampton
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2023

Net change in fund balance - total governmental funds	\$ 1,805,907
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/amortization:	
Capital outlay	110,083
Depreciation/amortization expense	(136,032)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:	
Lease liability	19,718
Compensated absences	8,900
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Net OPEB liability	500,055
Change in net position of governmental activities	\$ 2,308,631

See accompanying notes to financial statements.

Charter Township of Hampton
Proprietary Funds
Statement of Net Position
December 31, 2023

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 2,658,252	\$ 3,160,739	\$ 5,818,991
Accounts receivable	536,651	635,056	1,171,707
Property taxes receivable	3,517	6,334	9,851
Due from other governments	11,889	16,050	27,939
Due from other funds	34,376	95,582	129,958
Total current assets	<u>3,244,685</u>	<u>3,913,761</u>	<u>7,158,446</u>
Non-current assets:			
Net pension asset	0	11,878	11,878
Cash - USDA RRI reserve	0	679,281	679,281
WWTP sewage system, net of amortization of \$1,885,340	0	3,915,707	3,915,707
Capital assets - at cost	0	12,850,729	12,850,729
Less allowance for depreciation	0	(4,078,032)	(4,078,032)
Net capital assets	<u>0</u>	<u>8,772,697</u>	<u>8,772,697</u>
Total assets	<u>3,244,685</u>	<u>17,293,324</u>	<u>20,538,009</u>
<u>Deferred outflows of resources</u>			
Related to pensions	0	25,932	25,932
Related to OPEB	0	14,984	14,984
Total deferred outflows of resources	<u>0</u>	<u>40,916</u>	<u>40,916</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	401,015	206,745	607,760
Accrued payroll	4,462	8,042	12,504
Due to other funds	116,569	39,645	156,214
Current portion of bonds payable	0	255,000	255,000
Total current liabilities	<u>522,046</u>	<u>509,432</u>	<u>1,031,478</u>
Long-term Liabilities:			
Net OPEB liability	0	8,099	8,099
Bonds payable	0	9,233,088	9,233,088
Total long-term liabilities	<u>0</u>	<u>9,241,187</u>	<u>9,241,187</u>
Total liabilities	<u>522,046</u>	<u>9,750,619</u>	<u>10,272,665</u>
<u>Deferred inflows of resources</u>			
Unavailable revenue - property taxes	3,793	6,778	10,571
Related to pensions	0	1,167	1,167
Related to OPEB	0	19,917	19,917
	<u>3,793</u>	<u>27,862</u>	<u>31,655</u>
<u>Net Position</u>			
Net investment in capital assets	0	3,200,316	3,200,316
Restricted	0	715,924	715,924
Unrestricted	2,718,846	3,639,519	6,358,365
Total net position	<u>\$ 2,718,846</u>	<u>\$ 7,555,759</u>	<u>\$ 10,274,605</u>

See accompanying notes to financial statements.

Charter Township of Hampton
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2023

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating revenues:			
Charges for services	\$ 2,109,081	\$ 2,513,641	\$ 4,622,722
Total operating revenues	2,109,081	2,513,641	4,622,722
Operating expenses:			
Water and sewer treatment	1,541,562	774,299	2,315,861
Depreciation and amortization	0	461,305	461,305
Salaries and wages	142,284	184,988	327,272
Payroll taxes and fringe benefits	32,885	35,906	68,791
Supplies	20,966	30,380	51,346
Utilities	1,612	64,723	66,335
Chemicals	0	3,884	3,884
Contracted services	142,775	103,464	246,239
Repairs and maintenance	4,171	17,326	21,497
Administration	1,840	9,400	11,240
Miscellaneous	352,608	9,004	361,612
Insurance	22,587	10,750	33,337
Total operating expenses	2,263,290	1,705,429	3,968,719
Operating income (loss)	(154,209)	808,212	654,003
Nonoperating revenues (expenses):			
State capital grants	347,796	0	347,796
Interest income	98,668	139,052	237,720
Interest expense	0	(243,200)	(243,200)
Retirement expense - GASB 68	0	36,643	36,643
OPEB expense - GASB 75	0	(13,032)	(13,032)
FMV (loss) on investments	0	(5,327)	(5,327)
Payment by (to) local unit	(2,723)	0	(2,723)
Miscellaneous income	487	0	487
Total nonoperating revenue (expense)	444,228	(85,864)	358,364
Change in net position	290,019	722,348	1,012,367
Net position - beginning of year	2,428,827	6,833,411	9,262,238
Net position - end of year	<u>\$ 2,718,846</u>	<u>\$ 7,555,759</u>	<u>\$ 10,274,605</u>

See accompanying notes to financial statements.

Charter Township of Hampton
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2023

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 2,129,667	\$ 3,343,687	\$ 5,473,354
Cash payments to suppliers for goods and services	(2,115,262)	(1,787,351)	(3,902,613)
Cash payments to employees for services	(173,354)	(217,025)	(390,379)
Other operating income (expense)	70,580	(69,921)	659
Net cash flows from operating activities	<u>(88,369)</u>	<u>1,269,390</u>	<u>1,181,021</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	0	(250,000)	(250,000)
Interest paid on long-term debt	0	(273,338)	(273,338)
Payments from (to) local units	0	0	0
Capital grants	347,796	0	347,796
Miscellaneous income	487	0	487
Acquisition of capital assets	0	(77,206)	(77,206)
Net cash flows from financing activities	<u>348,283</u>	<u>(600,544)</u>	<u>(252,261)</u>
Cash flows from investing activities:			
Interest earnings	95,945	133,725	229,670
Net increase (decrease) in cash and cash equivalents	355,859	802,571	1,158,430
Cash and cash equivalents - beginning of year	<u>2,302,393</u>	<u>3,037,449</u>	<u>5,339,842</u>
Cash and cash equivalents - end of year	<u>\$ 2,658,252</u>	<u>\$ 3,840,020</u>	<u>\$ 6,498,272</u>

See accompanying notes to financial statements.

Charter Township of Hampton
Statement of Fiduciary Net Position
December 31, 2023

	Current Tax Fund	Trust & Agency Fund	Trust Fund	Total
<u>ASSETS</u>				
Cash and investments	\$ 713,835	\$ 884	\$ 270,054	\$ 984,773
Total assets	<u>713,835</u>	<u>884</u>	<u>270,054</u>	<u>984,773</u>
<u>LIABILITIES</u>				
Undistributed current and delinquent taxes	713,835	270	0	714,105
Total liabilities	<u>713,835</u>	<u>270</u>	<u>0</u>	<u>714,105</u>
<u>NET POSITION</u>				
Total net position	<u>\$ 0</u>	<u>\$ 614</u>	<u>\$ 270,054</u>	<u>\$ 270,668</u>

Charter Township of Hampton
Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2023

	Current Tax Fund	Trust & Agency Fund	Trust Fund	Total
<u>Additions</u>				
Property tax collections for other governments	\$ 13,629,304	\$202,582	\$ 0	\$ 13,831,886
Investment gain (loss)	0	0	39,138	39,138
Total additions	<u>13,629,304</u>	<u>202,582</u>	<u>39,138</u>	<u>13,871,024</u>
<u>Deductions</u>				
Distributed property taxes to other governments	13,629,304	202,970	0	13,832,274
Advisory fees	0	0	1,641	1,641
Total deductions	<u>13,629,304</u>	<u>202,970</u>	<u>1,641</u>	<u>13,833,915</u>
Change in net position	0	(388)	37,497	37,109
Net position - beginning of year	0	1,002	232,557	233,559
Net position - end of year	<u>\$ 0</u>	<u>\$ 614</u>	<u>\$ 270,054</u>	<u>\$ 270,668</u>

See accompanying notes to financial statements.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Township was organized in 1843 and covers an area of approximately 28.1 square miles in Bay County, Michigan. The Township operates under an elected board (seven members) and provides services to its more than 10,000 residents in many areas including fire protection, highways and streets. The reporting entity for the Township is based on criteria set forth by statements issued by the Governmental Accounting Standards Board. All activities over which the Township exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters of the entity.

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

These statements also include the water and sewer systems managed by the Bay County Department of Water and Sewer (DWS) on behalf of the Township. GASB #34 now requires this activity to be reported in the Township's annual financial statements. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the systems calendar year 2023.

Government-Wide and Fund Financial Statements

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

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, state shared revenues and other items not properly included among program revenues are reported instead as general revenue.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Government reports the following major funds:

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

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

The Government reports the following major proprietary funds:

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

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

Bay County Department of Water and Sewer Enterprise Funds – These funds account for the activities of providing water and sewer services to the public. These activities are managed by the Bay County Department of Water and Sewer on behalf of the Township.

Assets, Liabilities, and Net Position or Equity

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

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

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

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash – \$679,281 of the Enterprise Fund’s cash and investments is restricted for required bond reserves (Note 16).

Capital Assets – Capital assets including leased assets, which include land, buildings, equipment and infrastructure assets are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

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

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

Amortization – The West Bay County Regional Wastewater Treatment Plant is being amortized over 40 years, which is the life of the bond. Amortization expense for 2023 was \$145,026.

Leases – At the commencement of a lease, the Township initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Township determines; (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Township uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Township generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the Township is reasonably certain to exercise.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Township monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

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

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

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

Assigned fund balance would represent tentative management plans that are subject to change. The Township's intent would be to spend uncommitted/unassigned funds prior to the use of committed funds. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The 2022 taxable valuation of the Township totaled 335 million, on which ad valorem taxes levied consisted of 4.9825 mills for Township operating purposes, .6477 mills for road maintenance, 1.4948 mills for public safety (fire and police), and 1.000 mill for drains, raising \$1,618,380 for operating, \$210,367 for road improvements, \$485,505 for public safety, and \$333,247 for drains. These amounts are recognized in the respective General Fund and Special Revenue Funds financial statements as tax revenue.

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

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

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

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 2 - BUDGETS

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

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

1. The Township's Clerk submits to the Township Board a proposed budget prior to the beginning of each fiscal year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Township Board throughout the year. Budgets are adopted at the activity level by a majority vote of the Township Board and they can only be amended by a majority vote of the Township Board.
4. The budgets are adopted on the modified accrual basis of accounting.
5. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

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

	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variances with Final Budget (Unfavorable)</u>
<u>General Fund</u>			
Elections	\$ 6,000	\$ 10,856	\$ (4,856)
Treasurer	84,501	85,834	(1,333)
Drains	10,000	329,122	(319,122)
Recreation - parks - other	55,500	60,409	(4,909)
<u>Trash Collection Fund</u>			
Sanitation	640,000	658,167	(18,167)

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total	Component Units
Cash, cash equivalents and investments	\$ 10,379,492	\$ 6,498,272	\$ 984,773	\$ 17,862,537	\$ 610,272

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

Deposits (checking and savings accounts, certificates of deposit)	\$ 16,607,215
Deposits and investments held at the Department of Water and Sewer	1,254,607
Petty cash and cash on hand	715
Total	\$ 17,862,537

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2023, \$11,127,781 of the Township's bank balance of \$16,687,247 was exposed to custodial credit risk because it was uninsured and uncollateralized. At December 31, 2023, \$30,905 of the component unit's bank balance of \$609,793 was exposed to custodial credit risk. The composition of deposits and investments and the amount of deposits covered by federal depository insurance cannot be determined.

Business-type activity funds of \$1,254,607 are within the Department of Water and Sewer. The composition of deposits and investments are the amount of deposits covered by federal depository insurance cannot be determined.

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

Investments in Entities that Calculate Net Asset Value per share

The Township holds shares or interests in the Michigan CLASS investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient. These investments are included as cash equivalents.

The Michigan CLASS investment pool invest in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designated to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 4 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated/ amortized:				
Land	\$ 796,045	\$ 0	\$ 0	\$ 796,045
Subtotal	<u>796,045</u>	<u>0</u>	<u>0</u>	<u>796,045</u>
Capital assets being depreciated/ amortized:				
Land improvements	730,716	0	0	730,716
Buildings and improvements	997,622	0	0	997,622
Vehicles and equipment	3,055,445	110,083	130,739	3,034,789
Right to use asset - Fire Truck	122,037	0	0	122,037
Infrastructure	156,826	0	0	156,826
Subtotal	<u>5,062,646</u>	<u>110,083</u>	<u>130,739</u>	<u>5,041,990</u>
Less accumulated depreciation/ amortization for:				
Land improvements	530,155	18,941	0	549,096
Buildings and improvements	908,688	11,606	0	920,294
Vehicles and equipment	2,478,189	78,325	130,739	2,425,775
Right to use asset - Fire Truck	20,340	20,340	0	40,680
Infrastructure	78,143	6,820	0	84,963
Subtotal	<u>4,015,515</u>	<u>136,032</u>	<u>130,739</u>	<u>4,020,808</u>
Net capital assets being depreciated/ amortized	<u>1,047,131</u>	<u>(25,949)</u>	<u>0</u>	<u>1,021,182</u>
Governmental activities, total capital assets - net of depreciation/ amortization	<u>\$ 1,843,176</u>	<u>\$ (25,949)</u>	<u>\$ 0</u>	<u>\$ 1,817,227</u>

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated/ amortized:				
Land	\$ 17,500	\$ 0	\$ 0	\$ 17,500
Construction in progress	0	77,206	0	77,206
Subtotal	<u>17,500</u>	<u>77,206</u>	<u>0</u>	<u>94,706</u>
Capital assets being depreciated/ amortized:				
Sewer system	<u>12,756,023</u>	<u>0</u>	<u>0</u>	<u>12,756,023</u>
Subtotal	<u>12,756,023</u>	<u>0</u>	<u>0</u>	<u>12,756,023</u>
Less accumulated depreciation/ amortization for:				
Sewer system	<u>3,761,753</u>	<u>316,279</u>	<u>0</u>	<u>4,078,032</u>
Subtotal	<u>3,761,753</u>	<u>316,279</u>	<u>0</u>	<u>4,078,032</u>
Business-type activities, total capital assets - net of depreciation/ amortization	<u>\$ 9,011,770</u>	<u>\$ (239,073)</u>	<u>\$ 0</u>	<u>\$ 8,772,697</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
<u>Component Unit:</u>				
Capital assets being depreciated:				
Infrastructure	<u>\$ 2,490,514</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,490,514</u>
Subtotal	<u>2,490,514</u>	<u>0</u>	<u>0</u>	<u>2,490,514</u>
Less accumulated depreciation for:				
Infrastructure	<u>1,195,448</u>	<u>99,620</u>	<u>0</u>	<u>1,295,068</u>
Subtotal	<u>1,195,448</u>	<u>99,620</u>	<u>0</u>	<u>1,295,068</u>
Component unit, total capital assets - net of depreciation	<u>\$ 1,295,066</u>	<u>\$ (99,620)</u>	<u>\$ 0</u>	<u>\$ 1,195,446</u>

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation/amortization expense was charged to functions as follows:

Governmental activities:		
General government	\$	6,680
Public safety		75,710
Public works		16,675
Recreation		<u>36,967</u>
Total governmental activities depreciation/amortization expense	\$	<u>136,032</u>
Business-type activities:		
Sewer	\$	<u>316,279</u>
Total business-type activities depreciation/amortization expense	\$	<u>316,279</u>
Component Unit:		
Downtown Development Authority	\$	<u>99,620</u>
Total component unit depreciation expense	\$	<u>99,620</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of inter-fund receivable and payable balances at December 31, 2023 is as follows:

		Payables					
		General	Building	Water	Sewer	DDA	Total
Receivables	General	\$ 0	\$ 20,263	\$ 46,329	\$ 39,645	\$ 5,491	\$ 111,728
	Road	0	0	0	0	514	514
	Trash Collection	24,572	0	16,668	0	0	41,240
	Water Fund	34,376	0	0	0	0	34,376
	Sewer Fund	42,010	0	53,572	0	0	95,582
			<u>\$ 100,958</u>	<u>\$ 20,263</u>	<u>\$ 116,569</u>	<u>\$ 39,645</u>	<u>\$ 6,005</u>

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

There were no inter-fund transfers during 2023.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 6 – LEASE PAYABLE

In June of 2017, the Township entered into a lease agreement with the City of Bay City for the lease of a Fire Truck. At the end of the ten-year lease the Township will not own the rights to the Fire Truck. The lease payments are due in annual installments of \$21,824 including interest at 2.05%.

U.S. generally accepted accounting principles require governments to report this transaction as a right to use asset. Accordingly, the assets have been recorded as capital assets with the corresponding lease principal recorded as a long-term lease payable.

Long-term lease obligation activity is summarized as follows:

Balance January 1, 2023	Additions	Retirements and Payments	Balance December 31, 2023	Amounts Due Within One Year
\$ 102,716	\$ 0	\$ 19,718	\$ 82,998	\$ 20,122

Annual lease requirement to maturity are as follows:

Year End December 31	Governmental Activities		
	Principal	Interest	Total
2024	\$ 20,122	\$ 1,702	\$ 21,824
2025	20,535	1,289	21,824
2026	20,956	867	21,823
2027	21,385	438	21,823
Total	\$ 82,998	\$ 4,296	\$ 87,294

NOTE 7 - LONG-TERM DEBT

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

	Beginning Balance	Increase (Decrease)	Ending Balance
<u>Business-type Activities</u>			
Sewage Disposal System Revenue Refunding Bond Series 2021, dated June 24, 2021, due in annual installments through 2046 with interest rates between 2.25% and 4.0%	\$ 9,060,000	\$ (250,000)	\$ 8,810,000

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 7 - LONG-TERM DEBT (CONTINUED)

<u>Component Unit</u>	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
General Obligation Limited Tax Refunding Bond, Series 2016, dated December 7, 2016, due in annual installments through 2031 with an interest rate varying between 1.1% to 3.3%	<u>\$ 410,000</u>	<u>\$ (40,000)</u>	<u>\$ 370,000</u>

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

Long-term debt obligation activity is summarized as follows:

	Balance January 1, 2023	Additions	Retirements and Payments	Balance December 31, 2023	Amounts Due Within One Year
Bonds - Primary Government	\$ 9,060,000	\$ 0	\$ 250,000	\$ 8,810,000	\$ 255,000
Bonds - Component Unit	410,000	0	40,000	370,000	40,000
Bond Premium	708,226	0	30,138	678,088	0
Subtotal	<u>10,178,226</u>	<u>0</u>	<u>320,138</u>	<u>9,858,088</u>	<u>295,000</u>
Compensated Absences	17,128	0	8,900	8,228	0
Net OPEB liability - Township	330,334	0	32,232	298,102	0
Net OPEB liability - DWS	0	8,099	0	8,099	0
Total	<u>\$ 10,525,688</u>	<u>\$ 8,099</u>	<u>\$ 361,270</u>	<u>\$ 10,172,517</u>	<u>\$ 295,000</u>

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 7 - LONG-TERM DEBT (CONTINUED)

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

Year End December 31	Business-Type Activities		
	Principal	Interest	Total
2024	\$ 255,000	\$ 263,238	\$ 518,238
2025	270,000	252,737	522,737
2026	280,000	241,738	521,738
2027	285,000	230,437	515,437
2028	305,000	218,638	523,638
2029-2033	1,720,000	896,487	2,616,487
2034-2038	2,080,000	566,888	2,646,888
2039-2043	2,385,000	275,120	2,660,120
2044-2046	1,230,000	37,012	1,267,012
Total	<u>\$ 8,810,000</u>	<u>\$ 2,982,295</u>	<u>\$ 11,792,295</u>

Year End December 31	Component Unit		
	Principal	Interest	Total
2024	\$ 40,000	\$ 10,755	\$ 50,755
2025	45,000	9,795	54,795
2026	45,000	8,648	53,648
2027	45,000	7,432	52,432
2028	45,000	6,150	51,150
2029-2031	150,000	9,700	159,700
Total	<u>\$ 370,000</u>	<u>\$ 52,480</u>	<u>\$ 422,480</u>

NOTE 8 - COMPENSATED ABSENCES PAYABLE

Under various negotiated union contracts and Department Head Policies, it states the following for each different union contract. For the DPW and GSA it states that employees shall take at least five consecutive PTO days during the calendar year and the remaining PTO days may be taken one day at time. The number of PTO days per employee vary based on the number of years they have been with the Township. Each employee is allowed to carryover up to one week of PTO days, which have to be used by April 1st of the following year.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 9 – RETIREMENT SYSTEM

Pension Plan

Plan Description – Bay County Department of Water and Sewer (DWS) participates in the Bay County Employees’ Retirement System through the County of Bay, a single-employer, agent multiple-employer defined benefit pension plan. The System operates under the authority of County ordinances. The County issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the County of Bay, 515 Center Avenue, Bay City, MI 48708.

Benefits – The DWS’s plan provides retirement, disability, and death benefits to plan members and beneficiaries. DWS’s Plan members may retire after reaching the age of 60 with 8 or 10 years of service depending on date of employment, or at any age with 30 years of service. Eligible employees are provided benefits based on 2.25% of their final compensation times the number of years of credited service. Maximum retirement is 75% of final average compensation, defined as the average of the highest five years.

At December 31, 2022, the following employees were covered by the Plan:

Active employees	970
Inactive employees or beneficiaries currently receiving benefits	923
Retirees and beneficiaries	49
	1,942
	1,942

Contributions – Required contributions are determined by the County of Bay based on actuarial calculations performed by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of the benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The DWS’s policy is to fund normal costs which are based on the actuarially determined rates, expressed as percentage of annual covered payroll, and which are sufficient to accumulate assets to pay benefits when due. The current rate for the DWS is 15.20% of annual covered payroll. Plan members are required to contribute at the rate of 4% of their annual salary. The DWS’s required contributions for the year ended December 31, 2023 were \$580,731. Actual contributions for the year equaled \$580,731.

Pension Asset – At December 31, 2023, the Township reported an asset of \$11,878 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2022, and the total pension asset used to calculate the net pension asset was determined by a proportionate allocation as of that date.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 9 – RETIREMENT SYSTEM (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended December 31, 2023, the Township recognized pension expense of (\$36,643). At December 31, 2023, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 742	\$ (663)
Changes in assumptions	2,603	0
Changes between proportionate and differences between employer contributions and proportionate share of contributions	5,111	(504)
Contributions subsequent to the measurement date	3,084	0
Net difference between projected and actual earnings on Plan investments	14,392	0
Total	\$ 25,932	\$ (1,167)

\$3,084, reported as deferred outflows of resources related to pensions resulting from the Township employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2023.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Amount
2024	\$ 1,444
2025	4,537
2026	6,593
2027	8,598
2028	509
	\$ 21,681

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 9 – RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions

Investment rate of return – 7.25%

Salary increases – 3.75% to 8.5%, including 3.25 percent wage inflation

Inflation – 2.50%

Experience Study and Mortality Assumptions – The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2015 issued August, 2017. In addition, mortality rates were based on the following RP-2014 Mortality Tables, Healthy Pre-Retirement, Healthy Post-Retirement and Disability Retirement, adjustment backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2016.

Discount Rate – The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

Plan Fiduciary Net Position – Detailed information about the Plan’s fiduciary net position is available in the separately issued Bay County Employee’s Retirement System financial report.

Other Disclosures and Required Supplemental Information – Disclosures regarding the sensitivity of the net pension asset to changes in the discount rate and the required supplemental information for the schedule of employer’s contributions (plan totals) and the schedule of changes in the employer’s net pension asset and related ratios (plan totals) can be found in DWS’s 2023 financial statements.

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (DWS)

Retiree Health Care Plan

Plan Description – DWS participates in a Voluntary Employees Beneficiary Association (VEBA) trust through the County of Bay. The plan is a single employer defined benefit public retiree health care plan established effective October 1, 2001. The Plan is administered by the County of Bay. The County issues a publicly available financial report that includes financial statements and required supplementary information related to GASB 74 and the assets of the Plan’s trust. That report may be obtained by writing to the County of Bay, 515 Center Avenue, Bay City, MI 48708.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (DWS)
(CONTINUED)

Benefits - The purpose of the plan is to provide medical and health care benefits for the welfare of certain retirees of the DWS and the spouses and dependents of such retirees who are participants in the Bay County Employees' Retirement System. The level of benefits is determined by the retiree's date of employment and years of service with the DWS. The portion of benefits that are paid by the DWS also depends on the employment category of hourly or salary.

At December 31, 2022, the following employees were covered by the Plan:

Retired plan members and/or beneficiaries currently receiving benefits	640
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	718
	1,358

Funding Policy - Since 2008 the DWS has funded the VEBA for current employees based on actuarially determined rates. Current retiree health care benefits are financed on a pay as you go basis. The cost of these benefits was \$412,849 for 2023.

Net OPEB Liability – At December 31, 2023, the Township reported a liability of \$8,099 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (DWS)
(CONTINUED)

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources – For the year ended December 31, 2023, the Township recognized OPEB expense of \$13,032. At December 31, 2023, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 6	\$ (18,883)
Changes in assumptions	2,599	(1)
Changes in proportionate and differences between employer contributions and proportionate share of contributions	7,285	(1,033)
Net difference between projected and actual earnings on Plan investments	2,936	0
Contributions subsequent to the measurement date	2,158	0
Total	\$ 14,984	\$ (19,917)

\$2,158, reported as deferred outflow of resources resulting from contributions subsequent to measurement date will be recognized as reduction in the total OPEB liability for the year ending December 31, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended December 31	Amount
2024	\$ (3,370)
2025	(2,988)
2026	(1,865)
2027	1,009
2028	123
	\$ (7,091)

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (DWS)
(CONTINUED)

Actuarial Assumptions

Price Inflation – 2.50%

Wage Inflation – 3.25%

Salary Increases – 3.75% to 8.5%, including wage inflation

Investment rate of return – 7.00%, net of OPEB plan investment expenses

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study covering the five year period ending December 31, 2015, issued August 2017. In addition, mortality rates were based on the following RP-2014 Mortality Tables, Healthy Pre-Retirement, Healthy Post-Retirement and Disability Retirement, adjustment backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2016.

Single Discount Rate – A single discount rate of 7.0% was used to measure the total OPEB liability. The Single Discount Rate was based on the expected rate of return on OPEB plan investments of 7.0%. The projection of cash flows used to determine this Single Discount Rate assumed that employer’s contributions will be made at the actuarial determined rates. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Other Disclosures and Required Supplemental Information – Disclosures regarding the sensitivity of the net OPEB liability to the single discount rate assumption and sensitivity of the net OPEB liability to the Healthcare trend assumption, table that summarizes the post-employment benefit provides and the required supplemental information for the schedules of employer’s OPEB contributions (plan totals) and the schedule of changes in the employer’s net OPEB and related ratios (plan totals) can be found in DWS’s 2023 financial statements.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 11 - POST-EMPLOYMENT BENEFITS (TOWNSHIP)

Plan Description – The Township provides another post-employment benefit (OPEB), in accordance with contractual language, to all employees and their current spouse when they retire. The Townships Retiree Medical Plan is a single-employer Plan administered by the Township and can be amended at its discretion. Effective December 31, 2018, the Township adopted the provisions of GASB statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.”

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

The tables below summarize the post-employment benefits provided:

Position	Eligibility	Benefit Eligibility/Benefits
Administrative and Department of Public Works		Age 60; 25 years of service
Department Heads (Assessor, Police Chief, Fire Chief, DPW Superintendent)		Age 60; 25 years of service
Police	Hired prior to 6/1/15	Age 50; 25 years of service
	Hired after 6/1/15	Age 55; 25 years of service
Fire		Age 60; 25 years of service
Administrative and Department of Public Works		Up to \$500/month for retiree until Medicare eligible
Department Heads (Assessor, Police Chief, Fire Chief, DPW Superintendent)		Up to \$500/month for retiree until Medicare eligible
Police	Hired prior to 6/1/2015	Up to \$1,000/month for the retiree only until Medicare eligibility age
	Hired after 6/1/2015	Up to \$500/month for the retiree only until Medicare eligibility age
Fire		Up to \$500/month for the retiree only until Medicare eligibility age

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 11 - POST-EMPLOYMENT BENEFITS (TOWNSHIP) (CONTINUED)

As of December 31, 2023, Plan membership consisted of the following:

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

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

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

Net OPEB Liability – The Township's net OPEB liability was measured as of December 31, 2023.

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of December 31, 2023 measurement date. The following actuarial assumptions were used in the measurement, unless otherwise specified:

Salary increases	3.00%
Investment rate of return	7.45%
20-year Aa Municipal bond rate	4.31%
Mortality	Public General and Public Safety 2010 Employee and Healthy Retiree, Headcount weighted
Improvement Scale	MP-2021

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 11 - POST-EMPLOYMENT BENEFITS (TOWNSHIP) (CONTINUED)

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan’s target asset allocation as of December 31, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	64.00%	9.00%
Global Fixed Income	26.00	4.70
Private Assets	5.00	6.40
Diversifying Strategies	5.00	3.00

The sum of each target allocation times its long-term expected real rate, plus inflation, is 7.45%.

Discount Rate – The discount rate used to measure the total OPEB liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that Township contributions of \$25,000 annually as needed to reach 40% funding. Based on this assumption, the retirement plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”, not applicable for this plan), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. The discount rate used for December 31, 2023 was 5.54%.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 11 - POST-EMPLOYMENT BENEFITS (TOWNSHIP) (CONTINUED)

Changes in the Net OPEB Liability – Changes in the Plan’s net OPEB liability for the year ended December 31, 2023 were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at December 31, 2022	\$ 562,885	\$ 232,551	\$ 330,334
Changes for the year:			
Service cost	9,977	0	9,977
Interest	36,099	0	36,099
Experience (gains)/losses	0	0	0
Change in actuarial assumptions	0	0	0
Contributions to OPEB trust	0	0	0
Contributions - employer	0	40,805	(40,805)
Net investment income	0	39,138	(39,138)
Benefit payments	(40,805)	(40,805)	0
Administrative expense	0	(1,635)	1,635
Net Changes	5,271	37,503	(32,232)
Balance at December 31, 2023	\$ 568,156	\$ 270,054	\$ 298,102

Sensitivity of Net OPEB liability to the Single Discount Rate Assumption – The following represents the Township’s net OPEB liability, calculated using a Single Discount Rate of 7.45%, as well as what the Township’s net OPEB liability would be if it were calculated using a Single Discount rate that is one percent lower or one percent higher:

1% Decrease	Current Rate	1% Increase
\$ 328,885	\$ 298,102	\$ 270,430

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 11 - POST-EMPLOYMENT BENEFITS (TOWNSHIP) (CONTINUED)

OPEB expense, Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended December 31, 2023, the Township recognized OPEB expense of (\$500,055). At December 31, 2023 the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 0	\$ (1,274,807)
Changes in assumptions	103,497	(388,746)
Net difference between projected and actual investment earnings on OPEB investments	<u>20,510</u>	<u>0</u>
Total	<u>\$ 124,007</u>	<u>\$ (1,663,553)</u>

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

<u>Year ended December 31,</u>	<u>Amount Recognized</u>
2024	\$ (467,823)
2025	(539,022)
2026	(431,323)
2027	(33,020)
2028	(68,358)
	<u>\$ (1,539,546)</u>

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 12 - RETIREMENT PLAN (TOWNSHIP)

The Township has a John Hancock defined contribution pension plan that covers all Township full-time employees of the Township. The Township's current year covered payroll was \$1,320,091 and its total current year payroll for all employees was \$1,504,750. The plan was established under Act 27, P.A. 1960 and Township ordinances 24 and 24.1. All full-time employees who work over 30 hours per week are covered under the plan. The Township contributes 10% of each employee's compensation and the employees can contribute additional amounts. All participants covered are immediately vested. The Township's contribution requirements for year ended December 31, 2023 was \$131,923, which was entirely paid during the year. Employee contributions for the year ended December 31, 2023, were \$92,449, which was entirely paid during the year.

NOTE 13 - DEFERRED COMPENSATION PLAN

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

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

NOTE 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 the past three fiscal years.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 15 - CONNECTION TO WEST BAY COUNTY REGIONAL WASTEWATER TREATMENT PLANT SEWAGE SYSTEM

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

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

NOTE 16 - RESTRICTED EQUITY

As required by various bond ordinances, the Township has established and funded reserves for bond retirement of \$679,281 for the Sewer Fund. Included in the restricted net position is the net pension asset and related outflows and inflows of \$36,643.

Net position includes restrictions for the governmental funds which includes \$327,111 for Building, \$426,595 for Road Improvements and \$102,336 for the Trash Collection Fund.

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 17 - RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Water Fund	Sewer Fund	Total
Operating income (loss)	\$ (154,209)	\$ 808,212	\$ 654,003
Adjustment to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation and amortization	0	461,305	461,305
Changes in assets and liabilities:			
Accounts receivable	20,586	55,747	76,333
Property taxes receivable	(3,517)	(6,334)	(9,851)
Due from other governments	(11,889)	(16,050)	(27,939)
Due from other funds	(34,376)	(95,582)	(129,958)
Accounts payable	(27,140)	10,176	(16,964)
Due to other funds	116,569	39,645	156,214
Due to other governments	0	1,622	1,622
Accrued payroll	1,814	3,871	5,685
Unavailable revenue - property taxes	3,793	6,778	10,571
Net cash flows from operating activities	\$ (88,369)	\$ 1,269,390	\$ 1,181,021

NOTE 18 - DEFERRED INFLOWS OF RESOURCES

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

Property taxes levied for 2023 operations	\$ 1,682,686
Public safety taxes levied for 2023	489,725
Road taxes levied for 2023	212,204
Trash collection taxes levied for 2023	768,449
Special assessments levied for 2023	9,622
Total deferred inflows	\$ 3,162,686

Charter Township of Hampton
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 19 - TAX ABATEMENTS

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

For the year ended December 31, 2023, the Township abated property tax revenues totaling approximately \$9,000 under this program.

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

For the year ended December 31, 2023, the Township abated property tax revenues totaling approximately \$13,500 under this program.

NOTE 20 – UPCOMING ACCOUNTING PRONOUNCMENT

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting changes and (2) error corrections. This statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024 fiscal year.

Charter Township of Hampton
 Required Supplemental Information
 Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2023

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 1,950,750	\$ 1,950,750	\$ 2,106,355	\$ 155,605
State shared revenue	1,012,500	1,012,500	1,121,627	109,127
Other	232,200	310,275	339,513	29,238
Grants	0	0	20,420	20,420
Licenses and permits	160,000	160,000	159,358	(642)
Collection fees	130,000	130,000	154,515	24,515
Charges for services	3,500	3,500	14,832	11,332
Interest	10,000	27,550	376,909	349,359
Special assessments levied	352,352	37,352	321,782	284,430
Total revenues	3,851,302	3,631,927	4,615,311	983,384
<u>Expenditures:</u>				
Legislative:				
Township Board	85,400	85,400	70,044	15,356
General Government:				
Supervisor	92,836	92,836	90,970	1,866
Elections	6,000	6,000	10,856	(4,856)
Accounting department	104,290	182,365	93,865	88,500
Assessor	57,800	57,800	56,183	1,617
Attorney	55,000	51,000	23,064	27,936
Consultant	20,000	20,000	8,487	11,513
Clerk	96,651	96,651	96,459	192
Board of Review	2,090	6,090	3,074	3,016
Treasurer	84,501	84,501	85,834	(1,333)
Township hall and grounds	35,000	35,000	30,430	4,570
Citizens community building	13,750	13,750	8,655	5,095
Public relations	4,500	4,500	3,175	1,325
Public safety:				
Police department	1,235,400	1,235,400	1,164,049	71,351
Fire department	293,350	293,350	238,624	54,726
Planning Commission	29,255	29,255	24,855	4,400
Board of Appeals	6,325	6,325	1,910	4,415
Public works:				
Department of Public Works	183,550	183,550	129,974	53,576
Weed control	30,175	30,175	13,890	16,285
Bay County Drain Commission	307,450	10,000	329,122	(319,122)
Street lighting	115,000	115,000	107,398	7,602
Sanitation	15,350	15,350	227	15,123

Charter Township of Hampton
 Required Supplemental Information
 Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2023

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
Expenditures: (continued)				
Recreation and culture:				
Recreation - parks	\$ 120,750	\$ 120,750	\$ 110,894	\$ 9,856
Recreation - parks - other	55,500	55,500	60,409	(4,909)
Rail Trail	8,500	8,500	1,140	7,360
Other Functions:				
Insurance	100,000	100,000	90,243	9,757
Hospitalization	20,000	20,000	15,862	4,138
Other post-employment benefits	25,000	25,000	0	25,000
Capital outlay	667,000	667,000	29,563	637,437
Total expenditures	<u>3,870,423</u>	<u>3,651,048</u>	<u>2,899,256</u>	<u>751,792</u>
Excess (deficiency) of revenues over expenditures	(19,121)	(19,121)	1,716,055	1,735,176
Fund balance - beginning of year	<u>5,343,210</u>	<u>5,343,210</u>	<u>5,343,210</u>	<u>0</u>
Fund balance - end of year	<u><u>\$ 5,324,089</u></u>	<u><u>\$ 5,324,089</u></u>	<u><u>\$ 7,059,265</u></u>	<u><u>\$ 1,735,176</u></u>

Charter Township of Hampton
 Required Supplemental Information
 Budgetary Comparison Schedule - Trash Collection Fund
For the Year Ended December 31, 2023

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Charges for services	\$ 670,000	\$ 670,000	\$ 728,924	\$ 58,924
Total revenues	<u>670,000</u>	<u>670,000</u>	<u>728,924</u>	<u>58,924</u>
<u>Expenditures</u>				
Sanitation	<u>640,000</u>	<u>640,000</u>	<u>658,167</u>	<u>(18,167)</u>
Total expenditures	<u>640,000</u>	<u>640,000</u>	<u>658,167</u>	<u>(18,167)</u>
Excess (deficiency) of revenues over expenditures	30,000	30,000	70,757	40,757
Fund balance - beginning of year	<u>31,579</u>	<u>31,579</u>	<u>31,579</u>	<u>0</u>
Fund balance - end of year	<u><u>\$ 61,579</u></u>	<u><u>\$ 61,579</u></u>	<u><u>\$ 102,336</u></u>	<u><u>\$ 40,757</u></u>

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

	2023	2022	2021	2020	2019	2018
<u>Total OPEB Liability</u>						
Service Cost	\$ 9,977	\$ 9,977	\$ 10,828	\$ 22,101	\$ 150,398	\$ 150,398
Interest	36,099	36,099	149,325	178,162	339,151	339,151
Changes of benefit terms	0	0	(1,617,389)	0	0	(4,690,056)
Differences between expected and actual experience	0	(28,805)	(209,786)	(2,676,838)	0	(87,606)
Change of assumptions	0	(68,574)	19,733	(820,562)	0	616,252
Benefit payments	(40,805)	(54,847)	(170,405)	(186,893)	(204,616)	(308,673)
Net change in total OPEB liability	5,271	(106,150)	(1,817,694)	(3,484,030)	284,933	(3,980,534)
Total OPEB liability - beginning	562,885	669,035	2,486,729	5,970,759	5,685,826	9,666,360
Total OPEB liability - ending (a)	\$ 568,156	\$ 562,885	\$ 669,035	\$ 2,486,729	\$ 5,970,759	\$ 5,685,826
<u>Plan Fiduciary Net Position</u>						
Contributions to OPEB trust	\$ 0	\$ 25,000	\$ 25,000	\$ 25,000	\$ 50,000	\$ 10,000
Contributions/benefit payments made from general operating funds	40,805	54,847	170,405	186,893	204,616	308,673
Net investment income	39,138	(29,717)	22,375	19,486	16,227	(5,032)
Benefit payments	(40,805)	(54,847)	(170,405)	(186,893)	(204,616)	(308,673)
Administrative expenses	(1,635)	(1,277)	(1,000)	(704)	(343)	(379)
Net change in plan fiduciary net position	37,503	(5,994)	46,375	43,782	65,884	4,589
Plan fiduciary net position - beginning	232,551	238,545	192,170	148,388	82,504	77,915
Plan fiduciary net position - ending (b)	\$ 270,054	\$ 232,551	\$ 238,545	\$ 192,170	\$ 148,388	\$ 82,504
Net OPEB liability - ending (a) - (b)	\$ 298,102	\$ 330,334	\$ 430,490	\$ 2,294,559	\$ 5,822,371	\$ 5,603,322
Plan fiduciary net position as a percentage of the total OPEB liability	47.53%	41.31%	35.66%	7.73%	2.49%	1.50%
Covered employee payroll	\$1,351,781	\$1,326,583	\$1,469,091	\$1,421,452	\$1,093,878	\$ 1,670,226
Net OPEB liability as a percentage of covered-employee payroll	22%	25%	29%	161%	532%	335%

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

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

	2023	2022	2021	2020	2019	2018
Actuarial determined contributions	\$ 44,404	\$ 44,404	\$ 204,872	\$ 382,459	\$ 315,578	\$ 314,279
Contributions in relation to the actuarially determined contribution	40,805	79,847	195,405	211,893	254,616	318,673
Contribution deficiency (excess)	<u>\$ 3,599</u>	<u>\$ (35,443)</u>	<u>\$ 9,467</u>	<u>\$ 170,566</u>	<u>\$ 60,962</u>	<u>\$ (4,394)</u>
Covered employee payroll	1,351,781	1,326,583	1,469,091	1,421,452	1,093,878	1,670,226
Contributions as a percentage of covered employee payroll	3.02%	6.02%	13.30%	14.91%	23.28%	19.08%

Notes to Schedule

Actuarial cost method	Entry-age Normal
Amortization method	Level percentage of payroll
Remaining amortization period	30 years open to new employees
Asset valuation method	Market Value of Assets
Wage inflation	None
Inflation	Pre-65 - 8.5% in 2019, graded to 4.5% over 16 years; Post-65 - 7.0%, graded to 4.5% over 10 years; Dental & Vision - 3.0% consistent with national trends and Uniform Assumptions under Public Act 202
Salary increases	3.0%
Investment rate of return	7.45%
Retirement age	Employees are assumed to retire at benefit eligibility
Mortality	Public Safety: Public Safety 2010 Employee and Healthy Retiree, headcount weighted with MP-2020 improvement All others: Public General 2010 Employee and Healthy Retiree, headcount weighted with MP-2020 improvement
Health Care Trend Rates	Monthly per capital claim costs
Marital assumption	60% of active employees will have a covered spouse at retirement with females two years younger than males; actual spouse data used for retirees
Pre-65 HRA cost	\$750 annually per person

Charter Township of Hampton
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2023

	Special Revenue Funds		
	Building	Road Improvement	Totals
<u>ASSETS</u>			
Cash and investments	\$ 344,303	\$ 494,238	\$ 838,541
Accounts receivable	263	0	263
Due from other funds	0	514	514
Prepaid expenditures	3,473	0	3,473
Taxes receivable	0	144,047	144,047
Total Assets	\$ 348,039	\$ 638,799	\$ 986,838
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>			
<u>Liabilities</u>			
Accrued expenses	\$ 665	\$ 0	\$ 665
Due to other funds	20,263	0	20,263
Total Liabilities	20,928	0	20,928
 <u>Deferred Inflows of Resources</u>			
Unavailable revenue - property taxes	0	212,204	212,204
<u>Fund Balance</u>			
Nonspendable - prepaid	3,473	0	3,473
Restricted	323,638	426,595	750,233
Total fund balance	327,111	426,595	753,706
Total liabilities, deferred inflows of resources, and fund balance	\$ 348,039	\$ 638,799	\$ 986,838

Charter Township of Hampton
 Other Supplemental Information
 Combining Statement of Revenues, Expenditures and Changes
 in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2023

	Special Revenue Funds		
	Building	Road Improvement	Totals
<u>Revenues</u>			
Taxes	\$ 0	\$ 210,367	\$ 210,367
License and permits	165,416	0	165,416
State shared revenue	0	514	514
Other	0	2,291	2,291
	<u>165,416</u>	<u>213,172</u>	<u>378,588</u>
 <u>Expenditures</u>			
Inspection	92,094	0	92,094
Public works	0	267,399	267,399
	<u>92,094</u>	<u>267,399</u>	<u>359,493</u>
Excess (deficiency) of revenues over expenditures	73,322	(54,227)	19,095
Fund balance - beginning of year	<u>253,789</u>	<u>480,822</u>	<u>734,611</u>
Fund balance - end of year	<u>\$ 327,111</u>	<u>\$ 426,595</u>	<u>\$ 753,706</u>

Charter Township of Hampton
Other Supplemental Information
Proprietary Water Fund
Combining Statement of Net Position
December 31, 2023

	DWS	Township	Total
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 692,311	\$ 1,965,941	\$ 2,658,252
Accounts receivable	0	536,651	536,651
Property taxes receivable	0	3,517	3,517
Due from other governments	0	11,889	11,889
Due from other funds	0	34,376	34,376
Total current assets	692,311	2,552,374	3,244,685
Total assets	692,311	2,552,374	3,244,685
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	89	400,926	401,015
Accrued payroll	1,436	3,026	4,462
Due to other funds	0	116,569	116,569
Total current liabilities	1,525	520,521	522,046
Total liabilities	1,525	520,521	522,046
<u>Deferred inflows of resources</u>			
Unavailable revenue - property taxes	0	3,793	3,793
<u>Net Position</u>			
Unrestricted	690,786	2,028,060	2,718,846
Total net position	\$ 690,786	\$ 2,028,060	\$ 2,718,846

Charter Township of Hampton
Other Supplemental Information
Proprietary Water Fund
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2023

	<u>DWS</u>	<u>Township</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 0	\$ 2,109,081	\$ 2,109,081
Total operating revenues	<u>0</u>	<u>2,109,081</u>	<u>2,109,081</u>
Operating expenses:			
Water and sewer treatment	0	1,541,562	1,541,562
Salaries and wages	6,478	135,806	142,284
Payroll taxes and fringe benefits	0	32,885	32,885
Supplies	0	20,966	20,966
Utilities	0	1,612	1,612
Contracted services	0	142,775	142,775
Repairs and maintenance	794	3,377	4,171
Administration	1,840	0	1,840
Miscellaneous	0	352,608	352,608
Insurance	0	22,587	22,587
Total operating expenses	<u>9,112</u>	<u>2,254,178</u>	<u>2,263,290</u>
Operating income (loss)	<u>(9,112)</u>	<u>(145,097)</u>	<u>(154,209)</u>
Nonoperating revenues (expenses):			
State capital grants	0	347,796	347,796
Interest income	1,321	97,347	98,668
Payment by (to) local unit	698,577	(701,300)	(2,723)
Miscellaneous income	0	487	487
Total nonoperating revenue (expense)	<u>699,898</u>	<u>(255,670)</u>	<u>444,228</u>
Change in net position	690,786	(400,767)	290,019
Net position - beginning of year	<u>0</u>	<u>2,428,827</u>	<u>2,428,827</u>
Net position - end of year	<u>\$ 690,786</u>	<u>\$ 2,028,060</u>	<u>\$ 2,718,846</u>

Charter Township of Hampton
 Other Supplemental Information
 Proprietary Water Fund
 Combining Statement of Cash Flows
For the Year Ended December 31, 2023

	<u>DWS</u>	<u>Township</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 0	\$ 2,129,667	\$ 2,129,667
Cash payments to suppliers for goods and services	(2,545)	(2,112,717)	(2,115,262)
Cash payments to employees for services	(5,042)	(168,312)	(173,354)
Other operating income (expense)	0	70,580	70,580
Net cash flows from operating activities	<u>(7,587)</u>	<u>(80,782)</u>	<u>(88,369)</u>
Cash flows from capital and related financing activities:			
Payments from (to) local units	701,300	(701,300)	0
Capital grants	0	347,796	347,796
Miscellaneous income	0	487	487
Net cash flows from financing activities	<u>701,300</u>	<u>(353,017)</u>	<u>348,283</u>
Cash flows from investing activities:			
Interest earnings	<u>(1,402)</u>	<u>97,347</u>	<u>95,945</u>
Net increase (decrease) in cash and cash equivalents	692,311	(336,452)	355,859
Cash and cash equivalents - beginning of year	<u>0</u>	<u>2,302,393</u>	<u>2,302,393</u>
Cash and cash equivalents - end of year	<u>\$ 692,311</u>	<u>\$ 1,965,941</u>	<u>\$ 2,658,252</u>

Charter Township of Hampton
Other Supplemental Information
Proprietary Sewer Fund
Combining Statement of Net Position
December 31, 2023

	<u>DWS</u>	<u>Township</u>	<u>Total</u>
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 562,296	\$ 2,598,443	\$ 3,160,739
Accounts receivable	0	635,056	635,056
Property taxes receivable	0	6,334	6,334
Due from other governments	0	16,050	16,050
Due from other funds	0	95,582	95,582
Total current assets	<u>562,296</u>	<u>3,351,465</u>	<u>3,913,761</u>
Non-current assets:			
Net pension asset	11,878	0	11,878
Cash - USDA RRI reserve	0	679,281	679,281
WWTP sewage system, net of amortization of \$1,885,340	0	3,915,707	3,915,707
Capital assets - at cost	77,206	12,773,523	12,850,729
Less allowance for depreciation	0	(4,078,032)	(4,078,032)
Net capital assets	<u>77,206</u>	<u>8,695,491</u>	<u>8,772,697</u>
Total assets	<u>651,380</u>	<u>16,641,944</u>	<u>17,293,324</u>
<u>Deferred outflows of resources</u>			
Related to pensions	25,932	0	25,932
Related to OPEB	14,984	0	14,984
Total deferred outflows of resources	<u>40,916</u>	<u>0</u>	<u>40,916</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	1,648	205,097	206,745
Accrued payroll	5,567	2,475	8,042
Due to other funds	0	39,645	39,645
Current portion of bonds payable	0	255,000	255,000
Total current liabilities	<u>7,215</u>	<u>502,217</u>	<u>509,432</u>
Long-term Liabilities:			
Net OPEB liability	8,099	0	8,099
Bonds payable	0	9,233,088	9,233,088
Total long-term liabilities	<u>8,099</u>	<u>9,233,088</u>	<u>9,241,187</u>
Total liabilities	<u>15,314</u>	<u>9,735,305</u>	<u>9,750,619</u>
<u>Deferred inflows of resources</u>			
Unavailable revenue - property taxes	0	6,778	6,778
Related to pensions	1,167	0	1,167
Related to OPEB	19,917	0	19,917
Total deferred inflows of resources	<u>21,084</u>	<u>6,778</u>	<u>27,862</u>
<u>Net Position</u>			
Net investment in capital assets	77,206	3,123,110	3,200,316
Restricted	36,643	679,281	715,924
Unrestricted	542,049	3,097,470	3,639,519
Total net position	<u>\$ 655,898</u>	<u>\$ 6,899,861</u>	<u>\$ 7,555,759</u>

Charter Township of Hampton
Other Supplemental Information
Proprietary Sewer Fund
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2023

	<u>DWS</u>	<u>Township</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 0	\$ 2,513,641	\$ 2,513,641
Total operating revenues	<u>0</u>	<u>2,513,641</u>	<u>2,513,641</u>
Operating expenses:			
Water and sewer treatment	0	774,299	774,299
Depreciation and amortization	0	461,305	461,305
Salaries and wages	31,604	153,384	184,988
Payroll taxes and fringe benefits	0	35,906	35,906
Supplies	0	30,380	30,380
Utilities	373	64,350	64,723
Chemicals	3,884	0	3,884
Contracted services	0	103,464	103,464
Repairs and maintenance	3,214	14,112	17,326
Administration	9,400	0	9,400
Miscellaneous	0	9,004	9,004
Insurance	0	10,750	10,750
Total operating expenses	<u>48,475</u>	<u>1,656,954</u>	<u>1,705,429</u>
Operating income (loss)	<u>(48,475)</u>	<u>856,687</u>	<u>808,212</u>
Nonoperating revenues (expenses):			
Interest income	2,698	136,354	139,052
Interest expense	0	(243,200)	(243,200)
Retirement expense - GASB 68	36,643	0	36,643
OPEB expense - GASB 75	(13,032)	0	(13,032)
FMV loss on investments	(5,327)	0	(5,327)
Payments by (to) local unit	683,275	(683,275)	0
Total nonoperating revenue (expense)	<u>704,257</u>	<u>(790,121)</u>	<u>(85,864)</u>
Change in net position	655,782	66,566	722,348
Net position - beginning of year	<u>116</u>	<u>6,833,295</u>	<u>6,833,411</u>
Net position - end of year	<u>\$ 655,898</u>	<u>\$ 6,899,861</u>	<u>\$ 7,555,759</u>

Charter Township of Hampton
Other Supplemental Information
Proprietary Sewer Fund
Combining Statement of Cash Flows
For the Year Ended December 31, 2023

	Business-Type Activities		
	Enterprise Funds		
	DWS	Township	Total
Cash flows from operating activities:			
Cash received from customers	\$ 774,558	\$ 2,569,129	\$ 3,343,687
Cash payments to suppliers for goods and services	(791,287)	(996,064)	(1,787,351)
Cash payments to employees for services	(26,037)	(190,988)	(217,025)
Other operating income (expense)	1,622	(71,543)	(69,921)
Net cash flows from operating activities	<u>(41,144)</u>	<u>1,310,534</u>	<u>1,269,390</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	0	(250,000)	(250,000)
Interest paid on long-term debt	0	(273,338)	(273,338)
Payments from (to) local units	683,275	(683,275)	0
Acquisition of capital assets	(77,206)	0	(77,206)
Net cash flows from financing activities	<u>606,069</u>	<u>(1,206,613)</u>	<u>(600,544)</u>
Cash flows from investing activities:			
Interest earnings	(2,629)	136,354	133,725
Net increase (decrease) in cash and cash equivalents	562,296	240,275	802,571
Cash and cash equivalents - beginning of year	<u>0</u>	<u>3,037,449</u>	<u>3,037,449</u>
Cash and cash equivalents - end of year	<u>\$ 562,296</u>	<u>\$ 3,277,724</u>	<u>\$ 3,840,020</u>

Charter Township of Hampton
 Other Supplemental Information
 Debt Schedule - 2021 Sewer Bond Refunding
For the Year Ended December 31, 2023

<u>PURPOSE</u>	Refunding of the original bonds that provide funds to pay for the cost of connecting to the West Bay County Regional Wastewater Treatment Sewage System.	
<u>DATE OF ISSUE</u>	June 24, 2021	
<u>AMOUNT OF ISSUE</u>		\$ 9,250,000
<u>AMOUNT OF REDEEMED</u>		
	During prior years	\$ 190,000
	During current year	250,000
		440,000
<u>BALANCE OUTSTANDING - DECEMBER 31, 2023</u>		\$ 8,810,000

<u>Fiscal year</u>	Requirements		
	Principal	Interest	Total
2024	\$ 255,000	\$ 263,238	\$ 518,238
2025	270,000	252,737	522,737
2026	280,000	241,738	521,738
2027	285,000	230,437	515,437
2028	305,000	218,638	523,638
2029	320,000	206,137	526,137
2030	325,000	193,238	518,238
2031	340,000	179,937	519,937
2032	360,000	165,938	525,938
2033	375,000	151,237	526,237
2034	390,000	137,888	527,888
2035	400,000	126,037	526,037
2036	415,000	113,813	528,813
2037	430,000	101,137	531,137
2038	445,000	88,013	533,013
2039	455,000	76,219	531,219
2040	465,000	65,869	530,869
2041	475,000	55,294	530,294
2042	490,000	44,438	534,438
2043	500,000	33,300	533,300
2044	515,000	21,881	536,881
2045	400,000	11,587	411,587
2046	315,000	3,544	318,544
Total	\$ 8,810,000	\$ 2,982,295	\$ 11,792,295

Charter Township of Hampton
 Other Supplemental Information
 Debt Schedule - Downtown Development Authority
For the Year Ended December 31, 2023

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

DATE OF ISSUE December 7, 2016

AMOUNT OF ISSUE \$ 645,000

AMOUNT OF REDEEMED

During prior years	\$ 235,000	
During current year	40,000	275,000

BALANCE OUTSTANDING - DECEMBER 31, 2023 \$ 370,000

<u>Fiscal year</u>	Requirements		
	Principal	Interest	Total
2024	\$ 40,000	\$ 10,755	\$ 50,755
2025	45,000	9,795	54,795
2026	45,000	8,648	53,648
2027	45,000	7,432	52,432
2028	45,000	6,150	51,150
2029	50,000	4,800	54,800
2030	50,000	3,250	53,250
2031	50,000	1,650	51,650
Total	\$ 370,000	\$ 52,480	\$ 422,480



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

May 21, 2024

Township Board
Charter Township of Hampton
Bay County, Michigan

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Charter Township of Hampton (Township), as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise Charter Township of Hampton's basic financial statements and have issued our report thereon dated May 21, 2024.

Report on Internal Control Over Financial Reporting

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

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



WEINLANDER FITZHUGH

Certified Public Accountants & Advisors

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001, 2023-002, 2023-003 and 2023-005 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charter Township of Hampton's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2023-004.

Charter Township of Hampton's Response to Findings

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

Purpose of this Report

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

Weinlander Fitzhugh

CHARTER TOWNSHIP OF HAMPTON
Schedule of Findings and Responses
For the Year Ended December 31, 2023

2023-001 (Repeat Finding 2022-001)

Criteria

Establishment and maintenance of internal controls over financial reporting process.

Condition

During the course of the audit, we identified several material misstatements, some of which were material to the Township's financial statements, and provided audit entries to correct these misstatements. Material audit adjustments were required to reflect the appropriate year-end balances for the following: property tax receivables, deferred inflows and amounts due from the tax fund; the recording of the Water and Sewer fund receivables and payables and recording of related revenue; recording payroll and payroll related liabilities for December 2023; the adjusting of various interfund loan accounts; accounts payable for the general fund; deferred revenue; depreciation and amortization expense for the Sewer Fund and the recording of the pension fund.

Context

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

Effect

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

Recommendation

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

Views of the responsible officials and planned corrective action

Will review audit entries, discuss what was done and will correctly complete journal entries for the future. All funds will be reviewed monthly and be reviewed again prior to audit at year-end. Bank reconciliations will be done on a timely basis, which should reveal any necessary journal entries and corrective entries will be posted. The Clerk's position had turnover in November of 2023. Training has already been lined up to facilitate the process.

CHARTER TOWNSHIP OF HAMPTON
Schedule of Findings and Responses
For the Year Ended December 31, 2023

2023-002

Criteria

Establishment and maintenance of internal controls over financial reporting process.

Condition

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

Context

Internal controls should be in place to provide reasonable assurance to the Township that management possess the skills necessary to report annual financial activity without auditor involvement. This relates to reporting requirements under GASB Statements 34, 68 and 75.

Effect

The effect of this condition places a reliance on the independent auditor to be part of the Township's internal controls over financial reporting.

Recommendation

The Township should review and implement the necessary education and procedural activities to report annual financial activity as funding is available.

Views of the responsible officials and planned corrective action

Currently the Township does not have the funding to implement such a program. We intend to re-evaluate once funding becomes available for the additional education and monitoring.

CHARTER TOWNSHIP OF HAMPTON
Schedule of Findings and Responses
For the Year Ended December 31, 2023

2023-003

Criteria

Establishment and maintenance of internal controls over financial reporting process.

Condition

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

Context

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

Effect

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

Recommendation

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

Views of the responsible officials and planned corrective action

The Township has already lined up training to facilitate to get bank reconciliations up to date and is committed to performing the bank reconciliations monthly in a timely manner.

CHARTER TOWNSHIP OF HAMPTON
Schedule of Findings and Responses
For the Year Ended December 31, 2023

2023-004

Criteria

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

Condition

The Township did not properly budget for the trash collection fund, resulting in budget violations.

Context

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

Effect

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

Recommendation

The Township should implement procedures to monitor activity and amend if needed as required to be in accordance with the budgetary standards established by the State of Michigan.

Views of the responsible officials and planned corrective action

The Township will follow their process to review budget to actual reports monthly and adjust the budgets according before year-end.

CHARTER TOWNSHIP OF HAMPTON
Schedule of Findings and Responses
For the Year Ended December 31, 2023

2023-005

Criteria

Townships should have controls in place to properly record and reconciliation payroll transactions.

Condition

The Township did not record December's payroll journal entries or review the payroll liabilities.

Context

Payroll is the largest expense and the General Ledger is incomplete without those expenses. Payroll liabilities need to be reconciled to verify that all withholdings and township liabilities are paid timely and accurately.

Effect

The Township did not timely remit retirement payments and an incomplete general ledger can lead to budget violations.

Recommendation

The Township should implement procedures to record and monitor timely reconciliation of payroll transactions.

Views of the responsible officials and planned corrective action

The Township will review and revise their payroll procedures and to put checks and balances in place. Training will be provided on reviewing and recording payroll transactions. Payroll liabilities will be reconciled monthly to verify timely and accurate payments.

CHARTER TOWNSHIP OF HAMPTON
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2023

2022-001

Audit Finding

The finding listed above is a repeat finding in current year.

Corrective Action Taken

Corrective action plans were not implemented properly