

**HOWELL AREA FIRE AUTHORITY**

**Report on Audit of Financial Statements**

**For the Year Ended June 30, 2022**

**HOWELL AREA FIRE AUTHORITY**

**AUTHORITY BOARD MEMBERS**

William Bamber - Chairperson  
Michael Coddington - Vice Chairperson  
Mark Fosdick - Secretary  
Nick Proctor - Treasurer  
Robert Hanvey - Trustee

**OTHER AUTHORITY BOARD MEMBER (non-voting)**

Laura Walker - Assistant Secretary/Assistant Treasurer

**ATTORNEY**

Gentry Nalley, PLLC

**AUDITORS**

Pfeffer, Hanniford & Palka  
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT**

November 11, 2022

Board of Trustees  
Howell Area Fire Authority  
1211 W. Grand River  
Howell, Michigan 48843

**Report on the Audit of the Financial Statements**

**Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the component unit – special response team fund, for the Howell Area Fire Authority, Michigan as of and for the year ended June 30, 2022, and the related notes to the 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, each major fund, and the component unit – special response team fund, of the Howell Area Fire Authority, Michigan as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 related 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 error or fraud. 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 Authority'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. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility 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 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, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 to the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Township'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 judgement, 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 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**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 - 10 and 47 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Howell Area Fire Authority, Michigan's basic financial statements. The combining and individual fund financial statements 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Pfeffer, Hanniford & Palka, P.C.*

PFEFFER, HANNIFORD & PALKA

Certified Public Accountants

## **MANAGEMENT DISCUSSION AND ANALYSIS**

## Management Discussion and Analysis June 30, 2022

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Within this section of the Howell Area Fire Authority's annual financial report, the Authority's management is providing a narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2022. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Authority's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

### **Overview of the Financial Statements**

Management's Discussion and Analysis introduces the Authority's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Authority also includes in this report additional information to supplement the basic financial statements.

### ***Government-Wide Financial Statements***

The Authority's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Authority's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Position. This is the Authority-wide statement of position presenting information that includes all the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating. Evaluation of the overall health of the Authority may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Authority's net position changed during the current fiscal year. The design of this statement is to show the financial reliance of the Authority's distinct activities or functions on the revenues generated by the Authority.

Both government-wide financial statements distinguish governmental activities of the Authority that are intended to recover all or a significant portion of their costs through user fees and charges or by taxes collected. The Authority's financial reporting includes all the funds of the Authority and, additionally, organizations for which the Authority is accountable.

### ***Fund Financial Statements***

A fund is an accountable unit used to maintain control over resources segregated for specific activities or objectives. The Authority uses funds to ensure and demonstrate compliance with finance-related laws and regulations.

The Authority has one kind of fund, governmental fund. *Governmental funds* are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net position.



## Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

### Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

### Financial Analysis of the Authority as a Whole

The Authority's net position at the end of the fiscal year was \$8,643,866. This is a \$745,932 increase over last year's net position of \$7,897,934.

The following tables provide a summary of the Authority's financial activities and changes in net position:

#### Summary of Net Position

	<u>6/30/2022</u>	<u>6/30/2021</u>
<b>Assets</b>		
Current and other assets	\$ 6,195,252	\$ 5,425,549
Capital assets	2,215,984	2,356,875
Other non-current assets	110,533	177,666
<b>Total assets</b>	<u>8,521,769</u>	<u>7,960,090</u>
<b>Deferred outflows of resources</b>		
Pension related activities	417,321	499,132
OPEB related activities	99,503	70,949
<b>Total deferred outflows of resources</b>	<u>516,824</u>	<u>570,081</u>
<b>Liabilities</b>		
Current and other liabilities	104,663	79,081
Non-current liabilities	114,738	350,041
<b>Total liabilities</b>	<u>219,401</u>	<u>429,122</u>
<b>Deferred inflows of resources</b>		
Pension related activities	148,305	59,856
OPEB related activities	27,021	143,259
<b>Total deferred inflows of resources</b>	<u>175,326</u>	<u>203,115</u>
<b>Net position:</b>		
Invested in capital assets	2,215,984	2,374,186
Unrestricted	6,427,882	5,523,748
<b>Total net position</b>	<u>\$ 8,643,866</u>	<u>\$ 7,897,934</u>

### Summary of Changes in Net Position

	6/30/2022	6/30/2021
<b>Revenues:</b>		
<b>Program revenues</b>		
Operating grants and contributions	\$ 8,717	\$ 136,792
<b>General revenues</b>		
Property taxes	3,036,161	2,944,663
Other	95,660	103,153
Transfer of capital assets		(13,583)
<b>Total revenues</b>	3,140,538	3,171,025
<b>Expenses for fire protection</b>	2,394,606	2,087,644
<b>Increase (decrease) in net position</b>	745,932	1,083,381
<b>Beginning net position</b>	7,897,934	6,814,553
<b>Ending net position</b>	\$ 8,643,866	\$ 7,897,934

#### **Changes in Financial Status and Analysis of Authority's Fund**

Under fund accounting, the Authority's overall General Fund balance increased by \$249,175. Management plans on building up the fund balance for future year purchases of equipment and keeping on top of its legacy costs for pension and OPEB liabilities.

#### **Budgetary Highlights**

The budget was adopted prior to the start of the fiscal year with amendments made as needed throughout the year. The Authority did not exceed budgeted appropriations in any category, as can be seen in the Required Supplementary Information on page 47.

#### **Capital Asset and Debt Administration**

The Authority and its component unit Special Response Team had no debt obligations as of June 30, 2022. The Authority paid a deposit on a new fire engine totaling \$489,781, which will be received in the upcoming fiscal year. The Authority is still waiting on a fire engine in which a deposit was paid in the prior fiscal year and has not been received as of June 30, 2022. In total, the Authority has \$1,015,398 in prepaid expenditures for the vehicles in process. In addition, the Authority purchased \$24,060 in various small equipment for the Main station.

The Authority's component unit Special Response Team did not make any major capital purchases for the year.

#### **Economic Conditions and Future Activities**

The Authority's operations are funded by a tax millage. A millage rate of 1.5 mills was approved by the electorate, which started December of 2012 and was renewed in the 2017 fiscal year. The taxable value increased by \$100,616,268 from 2021 to 2022 and is expected to increase 3 to 4% over the next fiscal year.

#### **Contacting the Authority's Financial Management**

This report is designed to provide a general overview of the Authority's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact the Howell Area Fire Authority at 1211 W. Grand River, Howell, Michigan 48843.

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**HOWELL AREA FIRE AUTHORITY**

**STATEMENT OF NET POSITION  
JUNE 30, 2022**

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Special Response Team</b>
<b>ASSETS</b>		
Cash and investments	\$ 5,111,795	\$ 227,261
Receivables	5,002	4,000
Inventory		1,341
Prepaid expenses	1,078,455	
Depreciable capital assets - net of depreciation	2,215,984	256,913
Net OPEB asset	110,533	
<b>Total assets</b>	<b>8,521,769</b>	<b>489,515</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related activities	417,321	
OPEB related activities	99,503	
<b>Total deferred outflows of resources</b>	<b>516,824</b>	
<b>LIABILITIES</b>		
Accounts payable	38,194	
Accrued expenses	66,469	
Other non-current liabilities		
Accrued compensated absences	52,440	
Net pension liability	62,298	
<b>Total liabilities</b>	<b>219,401</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related activities	148,305	
OPEB related activities	27,021	
<b>Total deferred inflows of resources</b>	<b>175,326</b>	
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	2,215,984	256,913
Unrestricted	6,427,882	232,602
<b>Total net position</b>	<b>\$ 8,643,866</b>	<b>\$ 489,515</b>

The notes are an integral part of the financial statements.

HOWELL AREA FIRE AUTHORITY

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Component Unit</u>
<b>Governmental activities:</b>					
Fire protection	<u>\$ (2,394,606)</u>	<u>\$</u>	<u>\$ 8,717</u>	<u>\$ (2,385,889)</u>	<u>\$</u>
<b>Component Unit</b>					
Special response team	<u>\$ (65,640)</u>	<u>\$ 40,000</u>	<u>\$</u>		<u>(25,640)</u>
		<b>General Revenues:</b>			
				3,036,161	
				62,418	
				3,021	21
				16,602	
				13,619	15,782
			<b>Total general revenues</b>	<u>3,131,821</u>	<u>15,803</u>
			<b>Changes in net position</b>	745,932	(9,837)
			<b>Net position, July 1, 2021</b>	<u>7,897,934</u>	<u>499,352</u>
			<b>Net position, June 30, 2022</b>	<u>\$ 8,643,866</u>	<u>\$ 489,515</u>

The notes are an integral part of the financial statements.

**FUND FINANCIAL STATEMENTS**

**HOWELL AREA FIRE AUTHORITY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS AND COMPONENT UNIT  
JUNE 30, 2022**

	<b>General</b>	<b>Component Unit Special Response Team Fund</b>
	<u>General</u>	<u>Team Fund</u>
<b>ASSETS</b>		
Cash and investments	\$ 5,111,795	\$ 227,261
Accounts receivable	5,002	4,000
Inventories		1,341
Prepaid expenditures	63,057	
<b>Total assets</b>	<u>\$ 5,179,854</u>	<u>\$ 232,602</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 27,699	\$
Due to others	10,495	
Accrued expenditures	9,644	
Accrued wages	68,886	
<b>Total liabilities</b>	<u>116,724</u>	
<b>FUND BALANCES</b>		
Non-spendable		
Inventory		1,341
Prepaid expenditures	63,057	
Restricted	12,265	231,261
Committed	1,036,073	
Unassigned	3,951,735	
<b>Total fund balances</b>	<u>5,063,130</u>	<u>232,602</u>
<b>Total liabilities and fund balances</b>	<u>\$ 5,179,854</u>	<u>\$ 232,602</u>

The notes are an integral part of the financial statements.



HOWELL AREA FIRE AUTHORITY

RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2022

<b>Total fund balance per balance sheet</b>		\$ 5,063,130
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Deposit on capital assets	\$ 1,015,398	
Historical cost	5,033,991	
Depreciation	<u>(2,818,007)</u>	
<b>Capital assets net of depreciation</b>		3,231,382
Pension and OPEB related activities are not a consumption of current resources and therefore, are reported as deferred outflows (inflows) of resources in the Statement of Net Position.		
Net deferred outflows (inflows) of resources relating to pension	269,016	
Net deferred outflows (inflows) of resources relating to OPEB	<u>72,482</u>	
<b>Total deferred outflows (inflows) of resources</b>		341,498
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Employee compensated absences	(40,379)	
Net pension liability	(62,298)	
Net OPEB asset	<u>110,533</u>	
<b>Net liabilities/assets</b>		<u>7,856</u>
<b>Net position of governmental activities</b>		<u>\$ 8,643,866</u>

The notes are an integral part of the financial statements.

HOWELL AREA FIRE AUTHORITY

RECONCILIATION OF THE BALANCE SHEET OF  
SPECIAL RESPONSE TEAM COMPONENT UNIT TO THE STATEMENT OF NET POSITION  
JUNE 30, 2022

<b>Total fund balance per balance sheet</b>		\$	232,602
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.			
Historical cost		\$	479,296
Depreciation			<u>(222,383)</u>
<b>Capital assets net of depreciation</b>			<u>256,913</u>
<b>Net position of governmental activities</b>		\$	<u><u>489,515</u></u>

The notes are an integral part of the financial statements.

**HOWELL AREA FIRE AUTHORITY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS AND COMPONENT UNIT  
FOR THE YEAR ENDED JUNE 30, 2022**

	<b>General</b>	<b>Component Unit Special Response Team Fund</b>
	<hr/>	<hr/>
<b>REVENUES</b>		
Property taxes	\$ 3,036,161	\$
State grants	62,418	
Charges for services		40,000
Interest	3,021	21
Donations	8,717	
Miscellaneous	30,221	15,782
	<hr/>	<hr/>
<b>Total revenues</b>	3,140,538	55,803
	<hr/>	<hr/>
<b>EXPENDITURES</b>		
<b>Current:</b>		
Fire protection	2,377,522	
Special response		34,173
<b>Capital outlay:</b>		
Fire protection	513,841	
	<hr/>	<hr/>
<b>Total expenditures</b>	2,891,363	34,173
	<hr/>	<hr/>
<b>Net changes in fund balances</b>	249,175	21,630
	<hr/>	<hr/>
<b>FUND BALANCE, JULY 1, 2021</b>	4,813,955	209,631
	<hr/>	<hr/>
<b>FUND BALANCE, JUNE 30, 2022</b>	\$ 5,063,130	\$ 231,261
	<hr/>	<hr/>

The notes are an integral part of the financial statements.

HOWELL AREA FIRE AUTHORITY

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2022

<b>Net Change in Fund Balance per Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds</b>		\$ 249,175
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The current year activity is as follows:		
Capital outlay purchased	\$ (11,776)	
Deposit on capital outlay	525,617	
Depreciation expense	<u>(164,951)</u>	
<b>Totals</b>		348,890
Some expenses 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:		
Change in accrued compensated absences	(311)	
Change in net pension liability and related activity	70,519	
Change in Net OPEB Liability and related activity	<u>77,659</u>	
<b>Totals</b>		<u>147,867</u>
<b>Change in net position of governmental activities</b>		<u><u>\$ 745,932</u></u>

The notes are an integral part of the financial statements.

HOWELL AREA FIRE AUTHORITY

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF SPECIAL RESPONSE TEAM  
COMPONENT UNIT TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2022

<b>Net Change in Fund Balance per Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds</b>	\$ 21,630
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The current year activity is as follows:	
Depreciation expense	<u>(31,467)</u>
<b>Change in net position of governmental activities</b>	<u><u>\$ (9,837)</u></u>

The notes are an integral part of the financial statements.

**FIDUCIARY FUNDS**

**HOWELL AREA FIRE AUTHORITY**  
**FIDUCIARY FUND**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2022**

	<b>OPEB and Employee Benefit Trusts</b>
<b>ASSETS</b>	
Cash and investments	\$ 901,586
<b>NET POSITION</b>	
Restricted - held in trust for pension and employee benefits	\$ 901,586

The notes are an integral part of the financial statements.

HOWELL AREA FIRE AUTHORITY

FIDUCIARY FUND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
JUNE 30, 2022

	<u>OPEB and Employee Benefit Trusts</u>
<b>ADDITIONS</b>	
Contributions	\$ 75,000
Interest, investment revenue and losses	<u>(74,215)</u>
<b>Total additions</b>	785
<b>DEDUCTIONS</b>	
Administrative costs	<u>1,625</u>
<b>Change in net position</b>	(840)
<b>NET POSITION, JULY 1, 2021</b>	<u>902,426</u>
<b>NET POSITION, JUNE 30, 2022</b>	<u><u>\$ 901,586</u></u>

The notes are an integral part of the financial statements.



**NOTES TO THE FINANCIAL STATEMENTS**

## HOWELL AREA FIRE AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. REPORTING ENTITY**

The Howell Area Fire Authority was organized under Public Act No. 57, of the Public Acts of 1988, as amended in December of 2001. The Authority approved a fiscal year-end date of June 30. The purpose of the Authority is to provide fire protection and other emergency health and safety services. The governing board of the Authority is made up of five voting members and one non-voting board member (assistant secretary-treasurer). The five voting board members come from the following incorporating municipalities:

- City of Howell
- Cohoctah Township
- Marion Township
- Oceola Township
- Howell Township

The sixth board member is elected by the five voting members to serve as the assistant secretary-treasurer. Each voting board member is selected by its respective municipality board of trustees.

The board members appoint its officers.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Standards, these financial statements present all activities of the Authority. The Special Response Team Fund is a component unit of the Authority. Area fire departments contribute to this fund and the Special Response Team Board is comprised of individuals appointed by Livingston County.

##### **B. BASIC FINANCIAL STATEMENTS**

In accordance with GASB Standards, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Position and Statement of Activities) report on the Authority as a whole. All activities are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes fixed assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The government-wide Statement of Net Position reports all financial and capital resources of the Authority. It is displayed in a format of assets plus deferred outflows of resources less liabilities and deferred inflows of resources equals net position, with the assets and liabilities shown in order of their relative liquidity.

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Authority are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include: 1) charges to customers or users who purchase, use, or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other nonmajor funds are combined with the General Fund into a single opinion unit.

The Authority reports the following major governmental fund:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

1. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenues considered susceptible to accrual include: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues, charges for services, fines, forfeits and penalties, and interest.
2. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
3. Disbursements for the purchase of capital assets providing future benefits is considered expenditures. Any bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unassigned fund balance as a measure of available spendable resources.

HOWELL AREA FIRE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Authority's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

**D. CAPITAL ASSETS**

Under GASB Standards, all capital assets are recorded and depreciated in the government-wide financial statements. No capital assets or depreciation are shown in the governmental funds' financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$2,000 for building improvements, equipment, vehicles, and fire trucks and \$5,000 for land improvements and buildings. The estimated useful life must be greater than one year for each asset. Capital assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

**E. MANAGEMENT ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**F. BUDGETS**

An annual operating budget on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America is formally adopted for the General, Capital Reserve, and Site - Building Reserve, and Retiree Health Care Reserve Funds. The budget can be amended by approval from the Authority's Board. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. All annual appropriations lapse at the fiscal year end.

**G. RISK MANAGEMENT**

The Authority is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage for the past several years.

HOWELL AREA FIRE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. ACCRUED COMPENSATED ABSENCES**

The Authority has recorded a liability for compensated absences of the fire department. The policies regarding compensated absences are outlined in the Authority's "Rules of Employment."

**I. FUND EQUITY**

In the fund financial statements, under GASB Standards, governmental funds report the following components of fund balance:

- Nondisposable - Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed - Amounts that have been formally set aside by the Authority board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Authority board.
- Assigned - Intent to spend resources on specific purposes expressed by the Board or the Fire Chief who are authorized by policy approved by the Board to make assignments. All current year assignments have been made by the Fire Chief or Board.
- Unassigned - Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

**J. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are defined as deposits and short-term investments with an original maturity of less than three months.

**K. DEFINED BENEFIT PENSION PLANS**

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

HOWELL AREA FIRE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES**

Under GASB Standards, the Authority is reporting deferred outflows (previously called assets) and deferred inflows (previously called liabilities) in the Statement of Net Position (Government-Wide Statement) and in the Balance Sheet (Fund Statement). These separate financial statement elements, which meet the definition of deferred outflows and inflows, are not considered assets or liabilities.

Deferred outflows of resources represent a consumption of net position that applies to a future period. The element will not be recognized as an expense and (or) expenditure until the time restriction is met.

Deferred inflows of resources represent an acquisition of net position that applies to a future period. The element will not be recognized as revenue until the time restriction is met.

For the year ended June 30, 2022, the Authority records deferred outflows/(inflows) of resources on the Statement of Net Position relating to pension and OPEB differences from expected investment returns compared to actual, changes in experience, differences in actuarial assumptions, and contributions made subsequent to the Net Pension Liability measurement date and the Net OPEB Liability measurement date. Detailed information for these deferred outflows and inflows can be found in these notes to the financial statements for Defined Benefit Pension and Defined Benefit OPEB plans.

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 2 - TAX MILLAGE**

The Authority levied a 1.4276 (rolled back from 1.5 by Headlee) millage on all taxable property in the five-member municipalities which make up the Authority. The Authority approved a six-year millage, starting December of 2017 and ending December 2022. Taxable value for the December 2021 levy was \$2,156,547,943.

**NOTE 3 – CASH AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies 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 investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The deposits are in accordance with statutory authority.

The investment policy adopted by the Authority board was made in accordance with Public Act 196 of 1997. The Authority's investment policy allows for the previously aforementioned investments under MCL 129.91.

As of June 30, 2022, cash and investments consist of the following:

	<b>Howell Area Fire Authority</b>	<b>Fiduciary Fund OPEB Trust Fund</b>	<b>Component Unit Special Response</b>	<b>Total</b>
<b>Deposits</b>				
Checking accounts	\$ 584,863	\$	\$ 6,196	\$ 591,059
Money market accounts	476,457		222,924	699,381
Savings accounts	<u>3,532,261</u>			<u>3,532,261</u>
<b>Total deposits</b>	4,593,581		229,120	4,822,701
<b>Investments</b>				
MBIA/RHFV	<u>526,518</u>	<u>901,586</u>		<u>1,428,104</u>
<b>Total cash and investments</b>	<u>\$ 5,120,099</u>	<u>\$ 901,586</u>	<u>\$ 229,120</u>	<u>\$ 6,250,805</u>

The carrying amounts of cash and investments are stated at \$5,111,795 for the Authority funds, \$901,586 for the fiduciary fund, and \$227,261 for the component unit as of June 30, 2022. The difference between the carrying amounts and amounts mentioned above stem from cash on hand and outstanding items.

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 3 – CASH AND INVESTMENTS (continued)**

**Deposits - Custodial Credit Risk**

This is the risk that in the event of a bank failure, the Authority will not be able to recover its deposits. The Authority does not have a deposit policy for custodial credit risk. The Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

As of June 30, 2022, deposits in banks totaled \$4,593,581 which was exposed to custodial credit risk as follows:

	<b>Howell Area Fire Authority</b>	<b>Fiduciary Fund OPEB Trust Fund</b>	<b>Component Unit Special Response</b>	<b>Total</b>
Insured by FDIC	\$ 1,214,333	\$	\$ 229,120	\$ 1,443,453
Uninsured and uncollateralized	3,379,248			3,379,248
	<u>\$ 4,593,581</u>	<u>\$</u>	<u>\$ 229,120</u>	<u>\$ 4,822,701</u>

The Authority's investment policy does not address this risk.

According to the FDIC insurance for Government accounts, there is up to \$250,000 insured for the combined amount of all time and savings accounts (including NOW accounts), and up to \$250,000 for the combined amount of all demand deposit accounts.

**NOTE 4 - FUND EQUITY INFORMATION**

As of June 30, 2022 the Authority's fund equity was categorized as follows under GASB Standards:

	<b>General</b>	<b>Component Unit</b>
<b>Non-spendable</b>		
Prepaid expenditures	\$ 63,057	\$
<b>Restricted</b>		
Special Response Team		231,261
General reserve	1,523	
See in the Dark	950	
Smoke alarms	6,967	
AED's	941	
Honor Guard	1,884	
<b>Total restricted</b>	<u>12,265</u>	<u>231,261</u>
<b>Committed</b>		
Capital improvements	1,036,073	
<b>Unassigned</b>	3,951,735	
<b>Total fund equity</b>	<u>\$ 5,063,130</u>	<u>\$ 231,261</u>



**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 was as follows:

	<u>Balance</u> <u>7/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Re-</u> <u>Classifications</u>	<u>Balance</u> <u>6/30/2022</u>
<b><u>Governmental Activities:</u></b>					
<b>Capital assets being depreciated</b>					
Buildings	\$ 1,846,765	\$	\$	\$	\$ 1,846,765
Leasehold improvements	53,637				53,637
Vehicles and equipment	3,109,529	24,060			3,133,589
<b>Total capital assets being depreciated</b>	<u>5,009,931</u>	<u>24,060</u>			<u>5,033,991</u>
Less accumulated depreciation for					
Buildings	(127,282)	(48,921)			(176,203)
Leasehold improvements	(31,398)	(3,090)			(34,488)
Vehicles and equipment	(2,494,376)	(112,940)			(2,607,316)
<b>Total accumulated depreciation</b>	<u>(2,653,056)</u>	<u>(164,951)</u>			<u>(2,818,007)</u>
<b>Net capital assets</b>	<u>\$ 2,356,875</u>	<u>\$ (140,891)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,215,984</u>

In addition to the capital outlay acquisitions, the Authority previously paid \$525,617 for a new fire engine that was not received prior to the prior fiscal year end. The Authority paid another deposit of \$489,781 for a second fire engine. Both engines remain in the build phase and have not been received by the Authority prior to fiscal year end. The Authority has recorded a prepaid expenditure for the equipment in the amount of \$1,015,398 in the government wide financial statements. The Authority had no disposals of assets.

Depreciation expense is being recorded for fire protection services. The Authority utilizes the straight-line method to depreciate capital assets over their estimated useful lives.

	<u>Balance</u> <u>7/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Re-</u> <u>Classifications</u>	<u>Balance</u> <u>6/30/2022</u>
<b><u>Component Unit - Special Response Team:</u></b>					
Capital assets being depreciated					
Vehicle and equipment	\$ 479,296	\$	\$		\$ 479,296
Less accumulated depreciation	(190,916)	(31,467)			(222,383)
<b>Net capital assets</b>	<u>\$ 288,380</u>	<u>\$ (31,467)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 256,913</u>

Depreciation expense is recorded for fire Special Response services. The Authority utilizes the straight-line method to depreciate capital assets over their estimated useful lives.

The Authority has no outstanding long-term debt.

HOWELL AREA FIRE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

**NOTE 6 - LEASE AGREEMENTS - (BUILDINGS)**

The Authority has lease agreements with the following municipalities for buildings which house offices, equipment, and vehicles.

**LESSOR**

1. City of Howell - Fire station
2. Marion Township - Fire Station
3. Cohoctah Township - Fire Station
4. Oceola Township - Fire Station

The lease fee is \$1 per year for each of the four (4) leases. Management does not foresee any changes in the next several years with the four lease agreements. These leases currently have an end date of July 1, 2022.

**NOTE 7 - DEFINED BENEFIT PLAN**

**Plan Description**

The employer’s defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com) and is available to the public.

**Description of Plan Benefits**

***Benefits Provided***

The defined benefit plan has two divisions. Division 05 is open to all full-time employees while Division 50, for administrative employees, has been closed. The plan calls for benefits to be paid for both divisions as 2.5% of the final average compensation for each year of service, with a maximum of 80%. Final average compensation is calculated based on the employee's final 3 years of wages. The plan has a vesting period of 10 years, with normal retirement at age 60. Early retirement is available with reduced benefits eligible at age 55 with 15 years of continuous service or age 50 with 25 years of continuous service. Early retirement is available with no reduction in benefits at age 55 with 25 years of service.

***Employees covered by benefit terms***

At the December 31, 2021 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	
Active employees	<u>8</u>
	<u><u>11</u></u>

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)**

**Contributions**

The Authority is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The actuarially determined rate for the year ended June 30, 2022 for Division 05 was 15.64% of covered wages for the Authority and 2.68% for employees. The actuarially determined rate for Division 50 was \$589 for the year ended June 30, 2022 with no required employee contribution as the plan is closed.

**Net Pension Liability**

The total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of December 31, 2021.

**Actuarial assumptions**

The total pension liability in the December 31, 2021 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%.

Salary Increase: 3.00% in the long term.

Investment rate of return: 7.00%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with price inflation of 2.5%.

Mortality rates used were based on the 2014 Healthy Annuitant Mortality Table, Employee Mortality Table, and Juvenile Mortality Table with a 50% Male and 50% Female blend.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study of 2014 to 2018.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>x</u>	<u>Target Allocation Gross Rate of Return</u>	<u>=</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	60.00%	x	7.00%	=	4.20%
Global Fixed Income	20.00%	x	4.50%	=	0.90%
Private Investments	20.00%	x	9.50%	=	1.90%
<b>Total</b>					<u><u>7.00%</u></u>

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)**

**Discount Rate**

The discount rate used to measure the total pension liability is 7.25% for 2021. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position (b)	Net Pension Liability
	(a)	(b)	(a)-(b)
<b>Balance at 12/31/2020</b>	\$ 1,969,719	\$ 1,666,642	\$ 303,077
<b>Changes for the year</b>			
Service Cost	77,308		77,308
Interest on Total Pension Liability	148,561		148,561
Changes in Benefits			
Difference between expected and actual experience	27,897		27,897
Changes in assumptions	87,521		87,521
Employer Contributions		310,263	(310,263)
Employee Contributions		13,965	(13,965)
Net Investment Income		260,807	(260,807)
Benefit payments, including employee refunds	(107,247)	(107,247)	
Administrative expense		(2,969)	2,969
Other Changes			
<b>Net Changes</b>	234,040	474,819	(240,779)
<b>Balance at 12/31/2021</b>	\$ 2,203,759	\$ 2,141,461	\$ 62,298

**Sensitivity of the Net Pension Liability to changes in the discount rate**

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1% higher (8.25%) than the current rate.

	1% Decrease	Current	1% Increase
	6.25%	Discount Rate 7.25%	8.25%
Net Pension Liability at 12/31/2021	\$ 62,298	\$ 62,298	\$ 62,298
Change in Net Pension Liability (NPL) from change in discount rate	282,753		(236,477)
Calculated NPL	\$ 345,051	\$ 62,298	\$ (174,179)

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB purposes, the discount rate must be gross of administrative expenses, whereas, for funding purposes, it is net of administrative expenses.

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)**

**Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension**

For the year ended June 30, 2022, the Authority recognized pension expense of \$101,378. The Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Total</b>
Differences in experience	\$ 130,127	\$	\$ 130,127
Differences in assumptions	160,177		160,177
Excess (Deficit) of Investment Returns		(148,305)	(148,305)
<b>Total deferred outflows (inflows) to be amortized</b>	290,304	(148,305)	141,999
Contributions subsequent to the measurement date	127,017		127,017
<b>Total deferred outflows (inflows)</b>	\$ 417,321	\$ (148,305)	\$ 269,016

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in the financial statement as pension expense as follows:

<b>Fiscal Year Ended June 30,</b>	<b>Expense</b>
2023	\$ 34,600
2024	1,446
2025	1,191
2026	16,320
2027	41,337
Thereafter	47,105
<b>Total</b>	<b>\$ 141,999</b>

The amounts reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ended June 30, 2022.

**NOTE 8 – DEFERRED COMPENSATION AND DEFINED CONTRIBUTION PENSION PLANS**

The Authority participates in a MERS Deferred Compensation plan (Sec. 457), Division #400354, for part-time employees. Under the plan, the employees are permitted to contribute pre-tax dollars up to the Internal Revenue Service limit from his or her payroll.

The Authority requires eligible part-time employees to contribute 1% of gross wages and as a benefit to employees, the Authority matches the employees' additional Sec. 457 contributions, up to 5% of gross wages. Employer and employee contributions to the plan for the year ended June 30, 2022 were \$24,242 and \$48,076, respectively.

The Authority also participates in a MERS Defined Contribution Plan (Sec. 457), Division #400355, for full-time firefighters. Firefighters that participate in the Authority's defined benefit pension plan are eligible to contribute pre-tax dollars up to the Internal Revenue Service limit to the MERS Sec. 457 plan. The Authority does not contribute to the MERS 457 plan on behalf of the full-time firefighters. Employee contributions for the plan were \$37,578 for the year ended June 30, 2022.

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 9 – DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Summary of Significant Accounting Policies**

For purposes of measuring the net Other Post-Employment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Howell Area Fire Authority OPEB Plan and additions to/deductions from the Fire Authority’s fiduciary net position have been determined on the same basis as they are reported by the Howell Area Fire Authority. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Plan Description**

The Howell Area Fire Authority OPEB Plan is a single employer plan established and administered by the Howell Area Fire Authority and can be amended at its discretion.

**Benefits Provided**

Full time firefighters are eligible for the Howell Area Fire Authority OPEB plan upon reaching the age of 55 with at least 15 years of service or at any age after 25 years of service.

For full time employees hired prior to January 1, 2009, the Authority will pay a portion of the retiree premiums up to Medicare eligibility, and a portion of Medicare Part B premiums based on years of service at retirement according to the following schedule:

Years of Credited Service	HAFA Share of Premium Cost	Beneficiary Share of Premium Cost
20 +	100%	0%
19	95%	5%
18	90%	10%
17	85%	15%
16	80%	20%
15	75%	25%
10 - 14	0%, but participation in group plan is available	100%

For full time employees hired after January 1, 2009, the Authority will pay a portion of the retiree premiums based on service at retirement according to the above table up to Medicare Eligibility. The Authority will not pay any benefits after Medicare Eligibility. Spousal coverage is available at the full expense of the retiree for all eligible employees.

**Summary of Plan Participants**

As of June 30, 2022, the Retirement Plan membership consisted of the following:

Inactive plan members currently receiving benefits	3
Active employees	7
<b>Total</b>	<b>10</b>

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 9 – DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**Contributions**

The Howell Area Fire Authority OPEB Plan was established and is being funded under the authority of the Fire Authority. The plan’s funding policy is that the employer will make contributions using the annual required contribution as a guide. There are no long-term contracts for contributions to the plan and the plan has no legally required reserves. Active plan members are currently not obligated to make contributions to the plan. Currently, benefit payments are made from general operating funds. There are no long-term contracts for contributions to the plan.

**Assumptions and Methods**

The Fire Authority’s OPEB liability was measured as of June 30, 2022.

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022. The following actuarial assumptions were used in the measurement:

Inflation:	2.5%
Salary increases:	2.0%
Investment rate of return:	7.00% including inflation
20-year Aa Municipal rate	4.09% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality:	Public General and Public Safety 2010 Employee and Healthy Retirees, Headcount Weighted.
	Others: 2010 Public General Employees and Healthy Retirees, Headcount weighted
Improvement Scale	MP-2021

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of retirement 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 weighing the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the retirement plan’s target asset allocation as of June 30, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Target Allocation Gross Rate of Return</u>		<u>Long-Term Expected Gross Rate of Return</u>
Global Equity	60.00%	x	4.50%	=	2.70%
Global Fixed Income	20.00%	x	2.00%	=	0.40%
Private Investments	20.00%	x	7.00%	=	1.40%
<b>Total</b>					4.50%
<b>Inflation</b>					2.50%
<b>Assumed Rate of Return</b>					<u>7.00%</u>

The sum of each target allocation times its long-term expected rate is 7.00%.

HOWELL AREA FIRE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

**NOTE 9 – DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the employer would make contributions consistent with the actuarially determined contribution. Based on those assumptions, 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 to 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 prior actuarial valuations was 7.35%.

**Changes in Net OPEB Liability**

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a)-(b)</b>
<b>Balance at 6/30/2021</b>	\$ 724,760	\$ 902,426	\$ (177,666)
<b>Changes for the year</b>			
Service cost	24,981		24,981
Interest on total OPEB liability	53,983		53,983
Changes in benefits			
Difference between expected and actual experience	(8,893)		(8,893)
Changes in assumptions	26,792		26,792
Employer contributions		75,000	(75,000)
Employer contributions (benefits paid)		30,569	(30,569)
Employee contributions			
Net investment income		(74,214)	74,214
Benefit payments, including employee refunds	(30,569)	(30,569)	
Administrative expense		(1,625)	1,625
Other changes			
<b>Net changes</b>	66,294	(839)	67,133
<b>Balance at 6/30/2022</b>	\$ 791,054	\$ 901,587	\$ (110,533)



HOWELL AREA FIRE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

**NOTE 9 – DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**Net OPEB Liability – Discount and Trend Rate Sensitivities**

The following tables present the Net OPEB Liability (NOL) calculated using the healthcare claims trend assumption and the discount rate assumption at a rate 1% higher or 1% lower than the base assumptions, as described in the significant assumptions section of the required supplementary information.

**Discount**

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net OPEB Liability at 6/30/2022	\$ (110,533)	\$ (110,533)	\$ (110,533)
Change in Net OPEB Liability (NOL) from change in discount rate	83,830		(71,447)
Calculated NOL	<u>\$ (26,703)</u>	<u>\$ (110,533)</u>	<u>\$ (181,980)</u>

**Trend**

	1% Decrease 7.25%	Current Trend Rate 8.25%	1% Increase 9.25%
Net OPEB Liability at 6/30/2022	\$ (110,533)	\$ (110,533)	\$ (110,533)
Change in Net OPEB Liability (NOL) from change in trends	(84,336)		100,894
Calculated NOL	<u>\$ (194,869)</u>	<u>\$ (110,533)</u>	<u>\$ (9,639)</u>

**Components of Fire Authority’s OPEB Expense for the Fiscal Year Ending June 30, 2022**

Below are the components of the Total OPEB Expense:

	<b>Fiscal Year Ending June 30, 2022</b>
Service Cost (Beginning of Year)	\$ 24,981
Interest on Total OPEB Liability	53,983
Experience (Gains)/Losses	12,279
Changes of Assumptions	(9,109)
Employee Contributions	
Projected Earnings on OPEB Plan Investments	(67,646)
Investment Earnings (Gains)/Losses	11,797
Administrative Expenses	1,625
Other Changes in Fiduciary Net Position	
<b>Total OPEB Expense</b>	<u>\$ 27,910</u>

HOWELL AREA FIRE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

**NOTE 9 – DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**Deferred Inflows and Outflows of Resources Related to OPEB Plan**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Total</b>
Differences in experience	\$ 49,777	\$	\$ 49,777
Differences in assumptions		(27,021)	(27,021)
Excess (Deficit) of Investment Returns	49,726		49,726
<b>Total deferred outflows (inflows) to be amortized</b>	<b>\$ 99,503</b>	<b>\$ (27,021)</b>	<b>\$ 72,482</b>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Fiscal Year Ended June 30,</b>	<b>Expense</b>
2023	\$ 14,676
2024	11,446
2025	4,742
2026	38,993
2027	2,625
<b>Total</b>	<b>\$ 72,482</b>

**Reconciliation of Net OPEB Liability**

	<b>Net OPEB Liability</b>
<b>Net OPEB Liability June 30, 2021</b>	\$ (177,666)
Total OPEB Expense	27,910
Contributions	(105,569)
Change in deferred outflows of resources	40,358
Change in deferred inflows of resources	104,434
<b>Net OPEB Liability June 30, 2022</b>	<b>\$ (110,533)</b>

**Total OPEB Liability by Participant Status**

	<b>2022</b>
Active participants	\$ 483,253
Inactive participants receiving benefits	307,801
<b>Total</b>	<b>\$ 791,054</b>

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 10 – COVID-19 PANDEMIC**

In March, 2020, the Governor of Michigan implemented procedures to mitigate the spread of the COVID-19 virus and limit the impact of the worldwide pandemic. These procedures included travel bans, quarantines, social distancing requirements and closure of non-essential services for a period of time, which triggered significant disruptions to the economy.

Subsequently, the Federal Government implemented significant programs to ease the impact of the economic disruptions, including business loans, taxpayer credits and federal grants to municipalities. As a result, the Authority realized better than expected economic results with increased tax revenue, and increased investment returns. The Authority was not eligible for American Rescue Plan Act (ARPA) Grants that were issued by the Federal Government, however the member municipalities have received significant ARPA grant funds. The member municipalities have the option to use those funds for fire related activities, at the discretion of their Board of Trustees, which may result in increased revenues for the Authority.

Though the COVID-19 virus continues to persist and the Federal Government has declared the virus is no longer considered a pandemic, management remains cautious of the future economic impact on the Authority's financial statement for future periods as economic uncertainty remains with notable periods of inflation, rising interest rates and significant investment losses having occurred through June 30, 2022.

Management remains optimistic regarding its ability to continue operations going forward.

**NOTE 10 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 11, 2022, which is the date the financial statements were available to be issued.

Management has determined that the Authority does not have any materially recognizable or non-recognizable subsequent events.

**NOTE 11 – GASB 77 – PROPERTY TAX ABATEMENTS**

The Authority received reduced property tax revenues during the year ending June 30, 2022, as a result of industrial facilities tax (IFT) exemption (PA 198 of 1974) in Howell Township and the City of Howell. The Authority also has some obsolete property rehabilitation act (OPRA) exemptions (PA 146 of 2000) in the City of Howell, which reduces property tax revenue for the Authority.

For the fiscal year ending June 30, 2022, tax losses amounted to \$9,575 for IFT exemptions and \$714 for OPRA exemptions, for total tax losses of \$10,289. As it currently stands, these exemptions mature throughout the year 2031. The Authority does not have any other significant tax abatements in the member municipalities or other governments that reduce the Authority's tax revenue.

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NEWLY ADOPTED ACCOUNTING STANDARDS**

**GASB 87 - LEASES**

Effective July 1, 2021, the Authority implemented The Governmental Accounting Standards Board (GASB) Standard No. 87, Leases, which is intended to improve the accounting and financial reporting of leases by governments.

This standard requires the recognition of lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows and outflows of resources based on the payment provisions of the contract. This standard requires a lessee to recognize a lease liability and right-to-use lease asset and requires a lessor to recognize a lease receivable and a deferred inflow of resources. The Authority does not recognize leases with an initial term of 12 months or less ("short term leases") on the Statement of Net Position.

The Authority implemented the Standard for the year ended June 30, 2022, and has determined that it has no operating leases that meet the requirements of this standard and has not capitalized any leases as either lease receivables or lease liabilities.

**NOTE 12 – UNION NEGOTIATIONS**

The part-time fire fighters (10 employees) are members of the Michigan Association of Fire Fighters (MAFF) Union, hereby referred to as the Union.

The Authority entered into an agreement with the Union effective April 1, 2021, through June 30, 2022. As part of the agreement, the Authority implemented a retroactive salary increase for part-time firefighters with a 2% increase in wages. Management has determined the overall retroactive salary correction is immaterial in nature and does not materially impact the financial statements.

While the contract agreement expired on June 30, 2022, the Authority has resumed contract negotiations and expects to have a long term agreement in place within the next fiscal year.

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 13 – UPCOMING GASB STANDARDS**

**GASB 96 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

In May, 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, Subscription-based Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based technology arrangements (SBITAs) for government end users (governments). This statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset – and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and 4) requires not disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The standard is required to be implemented for the Authority’s statements for the year ended June 30, 2023.

**GASB 100 – ACCOUNTING CHANGES AND ERROR CORRECTIONS**

In June, 2022, the GASB Issued Statement No. 100, *Accounting Changes and Error Corrections an amendment on GASB Statement No. 62*. This statement prescribes the accounting and financial reporting for (1) each type of accounting change 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 Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024 fiscal year.

**GASB 101 – COMPENSATED ABSENCES**

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 by not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not 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 Authority is currently evaluating the impact this standard will have on the financial statements when adopted in the 2025 fiscal year.

**OTHER GASB PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued Standard No. 88, 90, 91, 92, 93, and 94 with implementation dates upcoming in the next few fiscal years. The Authority has assessed the impact of these standards and does not believe they will have any impact on the Authority’s financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**HOWELL AREA FIRE AUTHORITY**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget Amount</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>with Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>	<u>\$ 3,216,019</u>	<u>\$ 3,216,019</u>	<u>\$ 3,140,538</u>	<u>\$ (75,481)</u>
<b>EXPENDITURES</b>				
Personnel	1,975,713	2,125,713	2,011,124	114,589
Professional fees	79,000	74,000	45,241	28,759
Insurance - liability	45,000	45,000	44,873	127
Supplies	47,000	49,500	44,426	5,074
Equipment and capital outlay	927,715	927,715	529,930	397,785
Communications	21,000	21,000	16,163	4,837
Uniforms	45,000	45,000	35,802	9,198
Training	24,500	22,000	8,462	13,538
Repairs and maintenance	73,500	73,500	64,899	8,601
Unallocated	39,200	39,200	20,085	19,115
City Station #20	41,401	41,401	31,328	10,073
Oceola Township Fire Station #22	19,401	21,901	17,329	4,572
Marion Township Station #23	13,001	13,001	9,905	3,096
Cohoctah Township Station #24	<u>14,101</u>	<u>16,601</u>	<u>11,796</u>	<u>4,805</u>
<b>Total expenditures</b>	<u>3,365,532</u>	<u>3,515,532</u>	<u>2,891,363</u>	<u>624,169</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(149,513)</u>	<u>(299,513)</u>	<u>249,175</u>	<u>548,688</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	10,000	10,000		(10,000)
Transfers in	<u>148,113</u>	<u>148,113</u>		<u>(148,113)</u>
<b>Total other financing sources (uses)</b>	<u>158,113</u>	<u>158,113</u>		<u>(158,113)</u>
<b>Net changes in fund balance</b>	8,600	(141,400)	249,175	390,575
<b>FUND BALANCE, JULY 1, 2021</b>	<u>4,813,955</u>	<u>4,813,955</u>	<u>4,813,955</u>	
<b>FUND BALANCE, JUNE 30, 2022</b>	<u>\$ 4,822,555</u>	<u>\$ 4,672,555</u>	<u>\$ 5,063,130</u>	<u>\$ 390,575</u>

**HOWELL AREA FIRE AUTHORITY**  
**DEFINED BENEFIT PENSION PLAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**Schedule of Employer Contributions**

	<b>For the Plan Year Ended December 31,</b>							
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarial determined contributions	\$ 80,263	\$ 61,764	\$ 46,605	\$ 41,452	\$ 40,251	\$ 37,213	\$ 39,703	\$ 45,196
Contributions in relation to the actuarial determined contribution	<u>310,263</u>	<u>61,764</u>	<u>46,605</u>	<u>41,452</u>	<u>40,251</u>	<u>93,542</u>	<u>160,340</u>	<u>45,196</u>
Contribution deficiency (excess)	<u>\$(230,000)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (56,329)</u>	<u>\$(120,637)</u>	<u>\$</u>
Covered employee payroll	<u>\$ 520,595</u>	<u>\$ 460,694</u>	<u>\$ 434,956</u>	<u>\$ 368,176</u>	<u>\$ 360,276</u>	<u>\$ 350,421</u>	<u>\$ 334,155</u>	<u>\$ 340,538</u>
Contributions as a percentage of covered payroll	<u>59.60%</u>	<u>13.41%</u>	<u>10.71%</u>	<u>11.26%</u>	<u>11.17%</u>	<u>26.69%</u>	<u>47.98%</u>	<u>13.27%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available will be presented.



HOWELL AREA FIRE AUTHORITY

DEFINED BENEFIT PENSION PLAN  
NOTES TO THE SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2022

**Notes to the Schedule of Employer Contributions**

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	
Unfunded actuarial liability - Division 05	23 years
Gain/(loss) on investments - Division 05	19 - 22 years
Change in assumptions - Division 05	19 years
Change in experience - Division 05	17 - 18 years
Unfunded actuarial liability - Division 50	16 years
Gain/(loss) on investments - Division 50	10 - 14 years
Change in assumptions - Division 50	10 years
Change in experience - Division 50	10 years
Asset valuation method	5 years smoothed
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.00%
Retirement age	Age 60, with early retirement at age 55 with 15 years of service or 50 with 25 years of service with reduced benefits. Early retirement eligible with no reduced benefits at age 55 with 25 years of service.
Mortality	50% Female/50% Male 2014 Healthy Annuitant Annuity Mortality Table, Employee Mortality table, and Juvenile Mortality table

**Previous Actuarial Methods and Assumptions**

A ten-year smoothed valuation of assets. Inflation was estimated at 3.5%, salary increases were estimated at 3.75%, and the investment rate of return was estimated at 7.35%.

**HOWELL AREA FIRE AUTHORITY**

**DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2022**

	For the Plan Year Ended December 31,							
	2021	2020	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY (TPL)</b>								
Service Cost	\$ 77,308	\$ 64,359	\$ 58,284	\$ 48,820	\$ 47,917	\$ 46,816	\$ 42,605	\$ 43,419
Interest	148,561	129,457	116,051	114,574	107,326	100,346	85,979	79,417
Changes in benefit terms								
Differences between expected and actual experience	27,897	88,039	24,137	(3,075)	5,145	9,790	92,680	
Changes of assumptions	87,521	57,939	45,181				53,554	
Benefit payments, including refunds of employee contributions	(107,247)	(82,575)	(70,239)	(70,238)	(70,239)	(70,239)	(59,299)	(26,479)
Other changes		1	6,109					
<b>Net change in total pension liability</b>	<b>234,040</b>	<b>257,220</b>	<b>179,523</b>	<b>90,081</b>	<b>90,149</b>	<b>86,713</b>	<b>215,519</b>	<b>96,357</b>
<b>TOTAL PENSION LIABILITY - BEGINNING</b>	<b>1,969,719</b>	<b>1,712,499</b>	<b>1,532,976</b>	<b>1,442,895</b>	<b>1,352,746</b>	<b>1,266,033</b>	<b>1,050,514</b>	<b>954,157</b>
<b>TOTAL PENSION LIABILITY - ENDING</b>	<b>\$ 2,203,759</b>	<b>\$ 1,969,719</b>	<b>\$ 1,712,499</b>	<b>\$ 1,532,976</b>	<b>\$ 1,442,895</b>	<b>\$ 1,352,746</b>	<b>\$ 1,266,033</b>	<b>\$ 1,050,514</b>
<b>PLAN FIDUCIARY NET POSITION</b>								
Contributions - employer	\$ 310,263	\$ 61,764	\$ 46,605	\$ 41,452	\$ 40,251	\$ 93,542	\$ 160,340	\$ 45,196
Contributions - employee	13,965	12,767	10,707	9,867	9,655	9,391	8,591	8,507
Net investment income	260,807	193,477	179,732	(54,866)	165,880	125,622	(16,201)	59,281
Benefit payments, including refunds of employee contributions	(107,247)	(82,575)	(70,239)	(70,238)	(70,239)	(70,239)	(59,299)	(26,479)
Administrative Expenses	(2,969)	(3,013)	(3,097)	(2,713)	(2,625)	(2,487)	(2,337)	(2,191)
<b>Net change in plan fiduciary net position</b>	<b>474,819</b>	<b>182,420</b>	<b>163,708</b>	<b>(76,498)</b>	<b>142,922</b>	<b>155,829</b>	<b>91,094</b>	<b>84,314</b>
<b>PLAN FIDUCIARY NET POSITION, BEGINNING</b>	<b>1,666,642</b>	<b>1,484,222</b>	<b>1,320,514</b>	<b>1,397,012</b>	<b>1,254,090</b>	<b>1,098,261</b>	<b>1,007,167</b>	<b>922,853</b>
<b>PLAN FIDUCIARY NET POSITION, ENDING</b>	<b>\$ 2,141,461</b>	<b>\$ 1,666,642</b>	<b>\$ 1,484,222</b>	<b>\$ 1,320,514</b>	<b>\$ 1,397,012</b>	<b>\$ 1,254,090</b>	<b>\$ 1,098,261</b>	<b>\$ 1,007,167</b>
<b>NET PENSION LIABILITY (TOTAL PENSION LIABILITY - PLAN FIDUCIARY NET POSITION)</b>	<b>\$ 62,298</b>	<b>\$ 303,077</b>	<b>\$ 228,277</b>	<b>\$ 212,462</b>	<b>\$ 45,883</b>	<b>\$ 98,656</b>	<b>\$ 167,772</b>	<b>\$ 43,347</b>
Plan fiduciary net position as a percentage of TPL	97.17%	84.61%	86.67%	86.14%	96.82%	92.71%	86.75%	95.87%
Covered employee payroll	\$ 520,595	\$ 460,694	\$ 434,956	\$ 368,176	\$ 360,276	\$ 350,421	\$ 334,155	\$ 340,538
Net pension liability as a percentage of covered employee payroll	11.97%	65.79%	52.48%	57.71%	12.74%	28.15%	50.21%	12.73%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available will be presented.

**HOWELL AREA FIRE AUTHORITY**

**DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<b>For the Plan Year Ended June 30,</b>				
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Service cost (End of Year)	\$ 24,981	\$ 25,927	\$ 26,759	\$ 47,446	\$ 47,446
Amortization of unfunded liability	(21,913)	11,253	(18,594)	36,075	34,475
Actuarially Determined Employer Contribution	3,068	37,180	8,165	83,521	81,921
Contributions in relation to the actuarial determined contribution	(105,569)	114,014	28,768	351,790	75,955
Contribution deficiency (excess)	\$ 108,637	\$ (76,834)	\$ (20,603)	\$ (268,269)	\$ 5,966
Covered employee payroll	\$ 634,989	\$ 546,516	\$ 460,969	\$ 412,239	\$ 1,035,096
Contributions as a percentage of covered payroll	-16.63%	20.86%	6.24%	85.34%	7.34%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available will be presented.

**HOWELL AREA FIRE AUTHORITY**

**DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2022**

	For the Plan Year Ended June 30,				
	2022	2021	2020	2019	2018
<b>TOTAL OPEB LIABILITY</b>					
Service Cost	\$ 24,981	\$ 25,927	\$ 26,759	\$ 47,446	\$ 45,564
Interest	53,983	53,013	36,343	26,273	24,443
Differences between expected and actual experience	(8,893)	(5,907)	103,419	2,750	
Changes of assumptions	26,792	(31,097)	113,521	(193,963)	
Benefit payments, including refunds of employee contributions	(30,569)	(25,014)	(28,768)	(29,254)	(25,955)
<b>Net change in total OPEB liability</b>	66,294	16,922	251,274	(146,748)	44,052
<b>TOTAL OPEB LIABILITY - BEGINNING</b>	724,760	707,838	456,564	603,312	559,260
<b>TOTAL OPEB LIABILITY - ENDING</b>	<u>\$ 791,054</u>	<u>\$ 724,760</u>	<u>\$ 707,838</u>	<u>\$ 456,564</u>	<u>\$ 603,312</u>
<b>PLAN FIDUCIARY NET POSITION</b>					
Contributions to OPEB trust	\$ 75,000	\$ 89,000	\$	\$ 351,790	\$ 50,000
Contributions (benefits paid)	30,569	25,014	28,768	29,254	25,955
Net investment income	(74,214)	182,084	14,447	16,932	14,965
Benefit payments, including refunds of employee contributions	(30,569)	(25,014)	(28,768)	(29,254)	(25,955)
Administrative Expenses	(1,625)	(1,349)	(1,133)	(867)	(504)
<b>Net change in plan fiduciary net position</b>	(839)	269,735	13,314	367,855	64,461
<b>PLAN FIDUCIARY NET POSITION, BEGINNING</b>	902,426	632,691	619,377	251,522	187,061
<b>PLAN FIDUCIARY NET POSITION, ENDING</b>	<u>\$ 901,587</u>	<u>\$ 902,426</u>	<u>\$ 632,691</u>	<u>\$ 619,377</u>	<u>\$ 251,522</u>
<b>NET OPEB LIABILITY (TOTAL OPEB LIABILITY - PLAN FIDUCIARY NET POSITION)</b>	<u>\$ (110,533)</u>	<u>\$ (177,666)</u>	<u>\$ 75,147</u>	<u>\$ (162,813)</u>	<u>\$ 351,790</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<u>113.97%</u>	<u>124.51%</u>	<u>89.38%</u>	<u>135.66%</u>	<u>41.69%</u>
Covered employee payroll	<u>\$ 634,989</u>	<u>\$ 546,516</u>	<u>\$ 460,969</u>	<u>\$ 412,239</u>	<u>\$ 1,035,096</u>
Net OPEB liability as a percentage of covered employee payroll	<u>-17.41%</u>	<u>-32.51%</u>	<u>16.30%</u>	<u>-39.49%</u>	<u>33.99%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available will be presented.

**SUPPLEMENTARY INFORMATION**

HOWELL AREA FIRE AUTHORITY

COMBINING BALANCE SHEET  
 FUNDS INCLUDED IN GASB 54 GENERAL FUND CONSOLIDATION  
 JUNE 30, 2022

	General Fund - Pre Consolidation	Capital Reserve Equipment Fund	Site/ Building Reserve Fund	Eliminations	Totals Restated General Fund
<b>Assets</b>					
Cash and investments	\$ 4,075,722	\$ 760,435	\$ 275,638	\$	\$ 5,111,795
Receivables	5,002				5,002
Prepaid expenditures	63,057				63,057
<b>Total assets</b>	<u>\$ 4,143,781</u>	<u>\$ 760,435</u>	<u>\$ 275,638</u>	<u>\$</u>	<u>\$ 5,179,854</u>
<b>Liabilities</b>					
Accounts payable	\$ 27,699	\$	\$	\$	\$ 27,699
Due to others	10,495				10,495
Accrued expenditures	9,644				9,644
Accrued wages	68,886				68,886
<b>Total liabilities</b>	<u>116,724</u>				<u>116,724</u>
<b>Fund Balance</b>					
Nonspendable	63,057				63,057
Restricted	12,265				12,265
Committed		760,435	275,638		1,036,073
Unassigned	3,951,735				3,951,735
<b>Total fund balance</b>	<u>4,027,057</u>	<u>760,435</u>	<u>275,638</u>		<u>5,063,130</u>
<b>Total liabilities and fund balance</b>	<u>\$ 4,143,781</u>	<u>\$ 760,435</u>	<u>\$ 275,638</u>	<u>\$</u>	<u>\$ 5,179,854</u>

HOWELL AREA FIRE AUTHORITY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 FUNDS INCLUDED IN GASB 54 GENERAL FUND CONSOLIDATION  
 FOR THE YEAR ENDED JUNE 30, 2022

	General Fund - Pre Consolidation	Capital Reserve Equipment Fund	Site/ Building Reserve Fund	Eliminations	Totals Restated General Fund
<b>REVENUES</b>					
Fire millage	\$ 3,036,161	\$	\$	\$	\$ 3,036,161
State grants	62,418				62,418
Interest	2,659	257	105		3,021
Donations	8,717				8,717
Miscellaneous	30,221				30,221
<b>Total revenues</b>	<u>3,140,176</u>	<u>257</u>	<u>105</u>		<u>3,140,538</u>
<b>EXPENDITURES</b>					
Current:					
Fire protection	2,377,522				2,377,522
Capital outlay	513,841				513,841
<b>Total expenditures</b>	<u>2,891,363</u>				<u>2,891,363</u>
<b>Excess of revenues over (under) expenditures</b>	<u>248,813</u>	<u>257</u>	<u>105</u>		<u>249,175</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	148,113	75,000	75,000	(298,113)	
Transfers (out)	(150,000)	(148,113)		298,113	
<b>Total other financing sources (uses)</b>	<u>(1,887)</u>	<u>(73,113)</u>	<u>75,000</u>		
<b>Net changes in fund balances</b>	246,926	(72,856)	75,105		249,175
<b>FUND BALANCE, JULY 1, 2021</b>	<u>3,780,131</u>	<u>833,291</u>	<u>200,533</u>		<u>4,813,955</u>
<b>FUND BALANCE, JUNE 30, 2022</b>	<u>\$ 4,027,057</u>	<u>\$ 760,435</u>	<u>\$ 275,638</u>	<u>\$</u>	<u>\$ 5,063,130</u>

**HOWELL AREA FIRE AUTHORITY**

**GENERAL FUND (PRE GASB 54 RESTATEMENT)  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>	\$ 3,216,019	\$ 3,140,176	\$ (75,843)
<b>EXPENDITURES</b>			
Personnel	2,125,713	2,011,124	114,589
Professional fees	74,000	45,241	28,759
Insurance	45,000	44,873	127
Supplies	49,500	44,426	5,074
Equipment and capital outlay	927,715	529,930	397,785
Communications	21,000	16,163	4,837
Uniforms	45,000	35,802	9,198
Training	22,000	8,462	13,538
Repairs and maintenance	73,500	64,899	8,601
Unallocated	39,200	20,085	19,115
City station #20	41,401	31,328	10,073
Oceola Township Fire Station #22	21,901	17,329	4,572
Marion Township Station #23	13,001	9,905	3,096
Cohoctah Township Station #24	16,601	11,796	4,805
<b>Total expenditures</b>	<u>3,515,532</u>	<u>2,891,363</u>	<u>624,169</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(299,513)</u>	<u>248,813</u>	<u>548,326</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of assets	10,000		(10,000)
Transfers in	148,113	148,113	
Transfers (out)	<u>(150,000)</u>	<u>(150,000)</u>	
<b>Total other financing sources (uses)</b>	<u>8,113</u>	<u>(1,887)</u>	<u>(10,000)</u>
<b>Net change in fund balance</b>	<u>(291,400)</u>	<u>246,926</u>	<u>538,326</u>
<b>FUND BALANCE, JULY 1, 2021</b>	<u>3,780,131</u>	<u>3,780,131</u>	
<b>FUND BALANCE, JUNE 30, 2022</b>	<u>\$ 3,488,731</u>	<u>\$ 4,027,057</u>	<u>\$ 538,326</u>

This supplementary information shows the General Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information. See statement for reconciliation of funds presented together for GASB 54 purposes.



**HOWELL AREA FIRE AUTHORITY**

**GENERAL FUND (PRE GASB 54 RESTATEMENT)  
STATEMENT OF REVENUES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Property tax revenue			
City of Howell	\$ 470,000	\$ 479,058	\$ 9,058
Howell Township	566,000	590,852	24,852
Marion Township	775,000	810,348	35,348
Oceola Township	956,000	971,817	15,817
Cohoctah Township	179,000	184,086	5,086
Federal grants	245,519		(245,519)
State grants		62,418	62,418
Interest income	5,000	2,659	(2,341)
Donations	1,500	8,717	7,217
Miscellaneous	18,000	30,221	12,221
<b>Total revenues</b>	<b>\$ 3,216,019</b>	<b>\$ 3,140,176</b>	<b>\$ (75,843)</b>

This supplementary information shows the General Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information. See statement for reconciliation of funds presented together for GASB 54 purposes.

**HOWELL AREA FIRE AUTHORITY**

**GENERAL FUND (PRE GASB 54 RESTATEMENT)  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>PERSONNEL</b>			
Salaries - fire personnel	\$ 1,412,681	\$ 1,376,174	\$ 36,507
Salaries - board	4,500	3,300	1,200.00
Payroll taxes	110,000	106,490	3,510
Health insurance	180,000	164,146	15,854
Retiree health	40,000	36,855	3,145
Disability insurance	30,000	23,100	6,900
Worker compensation insurance	80,000	28,770	51,230
Pension	178,532	197,289	(18,757)
OPEB	90,000	75,000	15,000
<b>Total personnel</b>	<b>2,125,713</b>	<b>2,011,124</b>	<b>114,589</b>
<b>PROFESSIONAL FEES</b>			
Payroll administration	25,000	14,716	10,284
Accounting/audit services	25,000	14,053	10,947
Computer support	12,000	6,637	5,363
Attorney fees	10,000	4,078	5,922
Recruitment	2,000	2,999	(999)
Training		2,758	(2,758)
<b>Total professional fees</b>	<b>74,000</b>	<b>45,241</b>	<b>28,759</b>
<b>INSURANCE</b>			
General liability	45,000	44,873	127
<b>SUPPLIES</b>			
Office supplies	5,000	2,349	2,651
Food and beverage	3,000	1,343	1,657
Postage	2,000	895	1,105
Fuel	26,500	29,063	(2,563)
Operating supplies	12,000	10,479	1,521
Software	1,000	297	703
<b>Total supplies</b>	<b>49,500</b>	<b>44,426</b>	<b>5,074</b>
<b>EQUIPMENT AND CAPITAL OUTLAY</b>			
Capital outlay and equipment	927,715	529,930	397,785

This supplementary information shows the General Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information. See statement for reconciliation of funds presented together for GASB 54 purposes.

**HOWELL AREA FIRE AUTHORITY**

**GENERAL FUND (PRE GASB 54 RESTATEMENT)  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>COMMUNICATIONS</b>	21,000	16,163	4,837
<b>UNIFORMS</b>			
Clothing allowance	10,000	9,484	516
Protective clothing	35,000	26,318	8,682
<b>Total uniforms</b>	45,000	35,802	9,198
<b>TRAINING</b>			
Public teaching	12,500	4,588	7,912
Community promotion	5,000	3,255	1,745
Seminars and conferences	3,000	539	2,461
Educational supplies	1,500	80	1,420
<b>Total training</b>	22,000	8,462	13,538
<b>REPAIRS AND MAINTENANCE</b>			
Equipment	15,000	15,407	(407)
Vehicles	3,500	2,895	605
Radios	55,000	46,597	8,403
<b>Total repairs and maintenance</b>	73,500	64,899	8,601
<b>UNALLOCATED</b>			
Mileage	1,000	420	580
Physicals and examinations	9,000	6,134	2,866
Miscellaneous	4,700	194	4,506
Dues and memberships	5,500	2,663	2,837
Printing and publications	1,000		1,000
Purchases with donation funds	1,500	5,960	(4,460)
Tax chargebacks	10,000	1,229	8,771
Hazardous material projects	6,500	3,485	3,015
<b>Total unallocated</b>	39,200	20,085	19,115

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**HOWELL AREA FIRE AUTHORITY**

**GENERAL FUND (PRE GASB 54 RESTATEMENT)  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)  
FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>CITY STATION #20</b>			
Grounds maintenance	5,000	120	4,880
Telephone	4,000	5,193	(1,193)
Utilities	25,400	20,376	5,024
Repairs and maintenance	7,000	5,639	1,361
Lease	1		1
<b>Total city station #20</b>	<b>41,401</b>	<b>31,328</b>	<b>10,073</b>
<b>OCEOLA TOWNSHIP FIRE STATION #22</b>			
Grounds maintenance	3,300	1,755	1,545
Telephone	2,000	2,234	(234)
Utilities	10,600	7,243	3,357
Repairs and maintenance	6,000	6,097	(97)
Lease	1		1
<b>Total Oceola Township fire station #22</b>	<b>21,901</b>	<b>17,329</b>	<b>4,572</b>
<b>MARION TOWNSHIP STATION #23</b>			
Telephone	2,000	2,080	(80)
Utilities	6,500	3,329	3,171
Repairs and maintenance	4,500	4,496	4
Lease	1		1
<b>Total Marion Township station #23</b>	<b>13,001</b>	<b>9,905</b>	<b>3,096</b>
<b>COHOCTAH TOWNSHIP STATION #24</b>			
Grounds maintenance	1,500		1,500
Telephone	3,000	2,109	891
Utilities	6,100	3,862	2,238
Repairs and maintenance	6,000	5,825	175
Lease	1		1
<b>Total Cohoctah Township station #24</b>	<b>16,601</b>	<b>11,796</b>	<b>4,805</b>
<b>Total expenditures</b>	<b>\$ 3,515,532</b>	<b>\$ 2,891,363</b>	<b>\$ 624,169</b>

This supplementary information shows the General Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information. See statement for reconciliation of funds presented together for GASB 54 purposes.