

HOWELL AREA FIRE AUTHORITY

Report on Audit of Financial Statements

For the Year Ended June 30, 2020

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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PFEFFER ■ HANNIFORD ■ PALKA
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INDEPENDENT AUDITOR'S REPORT

October 2, 2020

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

Honorable Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and the aggregate discretely presented component unit of the Howell Area Fire Authority, Michigan, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Howell Area Fire Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of the Howell Area Fire Authority, Michigan, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 7 through 9 and page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Howell Area Fire Authority of 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.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual 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, 2020

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, 2020. 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 \$6,814,553. This is a \$258,665 increase over last year's net position of \$6,555,888.

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

Summary of Net Position

	<u>6/30/2020</u>	<u>6/30/2019</u>
Assets		
Current and other assets	\$ 4,566,146	\$ 3,957,528
Capital assets	<u>2,468,682</u>	<u>2,661,574</u>
Total assets	<u>7,034,828</u>	<u>6,619,102</u>
Deferred outflows of resources		
Pension and OPEB	<u>215,617</u>	<u>208,536</u>
Liabilities		
Current and other liabilities	88,821	42,035
Non-current liabilities	<u>347,071</u>	<u>77,132</u>
Total liabilities	<u>435,892</u>	<u>119,167</u>
Deferred inflows of resources		
Pension and OPEB	<u></u>	<u>152,583</u>
Net position:		
Invested in capital assets	3,130,887	2,661,574
Unrestricted	<u>3,683,666</u>	<u>3,894,314</u>
Total net position	<u>\$ 6,814,553</u>	<u>\$ 6,555,888</u>

Summary of Changes in Net Position

	6/30/2020	6/30/2019
Revenues:		
Program revenues		
Operating grants and contributions	\$ 15,281	\$ 38,060
General revenues		
Fire millage	2,824,016	2,690,580
Other	114,318	112,608
Total revenues	2,953,615	2,841,248
Expenses for fire protection	2,694,950	1,878,530
Increase (decrease) in net position	258,665	962,718
Beginning net position	6,555,888	5,593,170
Ending net position	\$ 6,814,553	\$ 6,555,888

Changes in Financial Status and Analysis of Authority's Fund

Under fund accounting, the Authority's overall General Fund balance increased by \$1,028,870. The Authority did not make any significant capital purchases of equipment during the year. 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. The budgeted expenditures were not amended during the fiscal year. The Authority exceeded budgeted appropriations in one category by an immaterial amount, as can be seen in the Required Supplementary Information on page 44.

Capital Asset and Debt Administration

The Authority and its component unit Special Response Team had no debt obligations as of June 30, 2020.

The Authority did take possession of a new pumper truck, which was paid in the prior year at a cost of \$469,313. In addition, the Authority purchased two new Lucas chest compression systems. The Authority disposed of one vehicle and various pieces of obsolete equipment.

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 during the fiscal year. The taxable value increased by \$103,776,433 from 2019 to 2020 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, 2020

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Special Response Team</u>
ASSETS		
Cash and investments	\$ 4,510,627	\$ 187,693
Receivables	3,527	16,000
Prepaid expenses	51,992	
Depreciable capital assets - net of depreciation	2,468,682	307,276
Total assets	<u>7,034,828</u>	<u>510,969</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related activities, net of deferred inflows	133,781	
OPEB related activities, net of deferred outflows	81,836	
Total deferred outflows of resourcs	<u>215,617</u>	
LIABILITIES		
Accounts payable	40,717	475
Accrued expenses	48,104	
Other non-current liabilities		
Accrued compensated absences	43,647	
Net pension liability	228,277	
Net OPEB liability	75,147	
Total liabilities	<u>435,892</u>	<u>475</u>
NET POSITION		
Invested in capital assets, net of related debt	2,468,682	307,276
Unrestricted	4,345,871	203,218
Total net position	<u>\$ 6,814,553</u>	<u>\$ 510,494</u>

The notes are an integral part of the financial statements.

HOWELL AREA FIRE AUTHORITY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

<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>
Governmental activities:					
Fire protection	\$ (2,694,950)	\$	\$ 15,281	\$ (2,679,669)	\$
Component Unit					
Special response team	\$ (58,891)	\$ 40,000	\$		(18,891)
		General Revenues:			
				2,824,016	
				58,705	
				13,797	1,252
				28,367	
				7,368	
				6,081	
			Total general revenues	<u>2,938,334</u>	<u>1,252</u>
			Changes in net position	258,665	(17,639)
			Net position, July 1, 2019	<u>6,555,888</u>	<u>528,133</u>
			Net position, June 30, 2020	<u>\$ 6,814,553</u>	<u>\$ 510,494</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, 2020**

	General	Component Unit Special Response Team Fund
	<hr/>	<hr/>
ASSETS		
Cash and investments	\$ 4,510,627	\$ 187,693
Accounts receivable	3,527	16,000
Prepaid expenditures	51,992	
	<hr/>	<hr/>
Total assets	\$ 4,566,146	\$ 203,693
	<hr/>	<hr/>
LIABILITIES		
Accounts payable	\$ 34,560	\$ 475
Due to others	6,157	
Accrued expenditures	5,253	
Accrued wages	53,792	
	<hr/>	<hr/>
Total liabilities	99,762	475
	<hr/>	<hr/>
FUND BALANCES		
Non-spendable	51,992	
Restricted	13,177	203,218
Committed	1,001,960	
Unassigned	3,399,255	
	<hr/>	<hr/>
Total fund balances	4,466,384	203,218
	<hr/>	<hr/>
Total liabilities and fund balances	\$ 4,566,146	\$ 203,693
	<hr/>	<hr/>

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, 2020**

Total fund balance per balance sheet		\$ 4,466,384
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.</p>		
Historical cost	\$ 4,995,419	
Depreciation	<u>(2,526,737)</u>	
Capital assets net of depreciation		2,468,682
<p>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 Postion.</p>		
Net deferred outflows (inflows) of resources relating to pension	133,781	
Net deferred outflows (inflows) of resources relating to OPEB	<u>81,836</u>	
Total deferred outflows (inflows) of resources		215,617
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:</p>		
Employee compensated absences	(32,706)	
Net pension liability	(228,277)	
Net OPEB asset	<u>(75,147)</u>	
Total liabilities		<u>(336,130)</u>
Net position of governmental activities		<u><u>\$ 6,814,553</u></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, 2020

Total fund balance per balance sheet		\$	203,218
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		\$	446,694
Depreciation			<u>(139,418)</u>
Capital assets net of depreciation			<u>307,276</u>
Net position of governmental activities		\$	<u>510,494</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, 2020**

	General	Component Unit Special Response Team Fund
	<hr/>	<hr/>
REVENUES		
Fire millage	\$ 2,824,016	\$
State revenue	58,705	
Charges for services		40,000
Interest	13,797	1,252
Donations	15,281	
Miscellaneous	34,448	
	<hr/>	<hr/>
Total revenues	2,946,247	41,252
	<hr/>	<hr/>
EXPENDITURES		
Current:		
Fire protection	1,899,618	
Special response		29,129
Capital outlay:		
Fire protection	27,759	
	<hr/>	<hr/>
Total expenditures	1,927,377	29,129
	<hr/>	<hr/>
Excess of revenues over (under) expenditures	1,018,870	12,123
	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)		
Proceeds from sale of assets	10,000	
	<hr/>	<hr/>
Net changes in fund balances	1,028,870	12,123
	<hr/>	<hr/>
FUND BALANCE, JULY 1, 2019	3,437,514	191,095
	<hr/>	<hr/>
FUND BALANCE, JUNE 30, 2020	\$ 4,466,384	\$ 203,218
	<hr/> <hr/>	<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, 2020**

Net Change in Fund Balance per Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds	\$ 1,028,870
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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	\$ 27,759	
Loss on disposal of assets	(2,632)	
Depreciation expense	<u>(687,332)</u>	
Totals		(662,205)

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	(13,889)	
Change in net pension liability and related activity	(90,570)	
Change in Net OPEB Liability and related activity	<u>(3,541)</u>	
Totals		<u>(108,000)</u>

Change in net position of governmental activities	<u><u>\$ 258,665</u></u>
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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, 2020

Net Change in Fund Balance per Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds	\$ 12,123
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>(29,762)</u>
Change in net position of governmental activities	<u><u>\$ (17,639)</u></u>

The notes are an integral part of the financial statements.

FIDUCIARY FUNDS

The notes are an integral part of the financial statements.

HOWELL AREA FIRE AUTHORITY
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020

	OPEB and Employee Benefit Trusts
ASSETS	
Cash and investments	\$ 632,691
NET POSITION	
Restricted - held in trust for pension and employee benefits	\$ 632,691

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, 2020

	<u>OPEB and Employee Benefit Trusts</u>
ADDITIONS	
Interest and investment revenue	\$ 14,447
 DEDUCTIONS	
Administrative costs	<u>1,133</u>
Change in net position	13,314
NET POSITION, JULY 1, 2019	<u>619,377</u>
NET POSITION, JUNE 30, 2020	<u><u>\$ 632,691</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, 2020

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, 2020**

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, 2020**

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 and the member municipalities. 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, 2020

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:

- Nonspendable - 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, 2020

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, 2020, 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, 2020**

NOTE 2 - TAX MILLAGE

The Authority levied a 1.4598 (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 2019 levy was \$1,945,188,668.

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, 2020, cash and investments consist of the following:

	Howell Area Fire Authority	Fiduciary Fund OPEB Trust Fund	Component Unit Special Response
Deposits			
Checking accounts	\$ 378,133	\$	\$ 3,919
Money market accounts	475,672		183,774
Savings accounts	<u>3,139,049</u>		
Total deposits	3,992,854		187,693
Investments			
MBIA/RHFV	<u>524,716</u>	<u>632,691</u>	
Total cash and investments	<u>\$ 4,517,570</u>	<u>\$ 632,691</u>	<u>\$ 187,693</u>

The carrying amounts of cash and investments are stated at \$4,510,627 for the Authority funds, \$632,691 for the fiduciary fund, and \$187,693 for the component unit as of June 30, 2020. 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, 2020**

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, 2020, deposits in banks totaled \$3,992,854 which was exposed to custodial credit risk as follows:

	Howell Area Fire Authority	Fiduciary Fund OPEB Trust Fund	Component Unit Special Response	Total
Insured by FDIC	\$ 1,083,296	\$	\$ 187,693	\$ 1,270,989
Uninsured and uncollateralized	2,909,558			2,909,558
	<u>\$ 3,992,854</u>	<u>\$</u>	<u>\$ 187,693</u>	<u>\$ 4,180,547</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, 2020 the Authority's fund equity was categorized as follows under GASB Standards:

	General	Component Unit
Non-spendable		
Prepaid expenditures	\$ 51,992	\$
Restricted		
Special Response Team		203,218
General reserve	2,340	
See in the Dark	2,050	
Smoke alarms	4,494	
AED's	2,409	
Honor Guard	1,884	
Total restricted	<u>13,177</u>	<u>203,218</u>
Committed		
Capital improvements	1,001,960	
Unassigned	3,399,255	
Total fund equity	<u>\$ 4,466,384</u>	<u>\$ 203,218</u>

HOWELL AREA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Balance</u> <u>7/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Re-</u> <u>Classifications</u>	<u>Balance</u> <u>6/30/2020</u>
<u>Governmental Activities:</u>					
Capital assets being depreciated					
Buildings	\$ 1,810,360				\$ 1,810,360
Leasehold improvements	53,637				53,637
Vehicles and equipment	3,240,239	497,072	(605,889)		3,131,422
Total capital assets being depreciated	<u>5,104,236</u>	<u>497,072</u>	<u>(605,889)</u>		<u>4,995,419</u>
Less accumulated depreciation for					
Buildings	(32,474)	(46,494)			(78,968)
Leasehold improvements	(25,218)	(3,090)			(28,308)
Vehicles and equipment	(2,384,970)	(637,748)	603,257		(2,419,461)
Total accumulated depreciation	<u>(2,442,662)</u>	<u>(687,332)</u>	<u>603,257</u>		<u>(2,526,737)</u>
Net capital assets	<u>\$ 2,661,574</u>	<u>\$ (190,260)</u>	<u>\$ (2,632)</u>	<u>\$ -</u>	<u>\$ 2,468,682</u>

In addition to the capital outlay acquisitions, the Authority paid \$469,313 for a new pumper truck in the prior year. The truck was received and placed in service during the current fiscal year. In addition, the Authority purchased two new Lucas chest compression systems. The Authority disposed of a vehicle, as well as various obsolete equipment for total proceeds of \$10,000.

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>7/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Re-</u> <u>Classifications</u>	<u>Balance</u> <u>6/30/2020</u>
<u>Component Unit -</u>					
<u>Special Response Team:</u>					
Capital assets being depreciated					
Vehicle and equipment	\$ 446,694	\$	\$	\$	\$ 446,694
Less accumulated depreciation	(109,656)	(29,762)			(139,418)
Net capital assets	<u>\$ 337,038</u>	<u>\$ (29,762)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 307,276</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, 2020

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 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, 2019 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	
Active employees	<u>7</u>
	<u><u>9</u></u>

HOWELL AREA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020 for Division 05 was 12.31% of covered wages for the Authority and 2.68% for employees. The actuarially determined rate for Division 50 was \$154 for the year ended June 30, 2020 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, 2019.

Actuarial assumptions

The total pension liability in the December 31, 2019 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: 7.35%, 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 2009 to 2013.

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	7.75%	=	4.65%
Global Fixed Income	20.00%	x	3.75%	=	0.75%
Private Investments	20.00%	x	9.75%	=	1.95%
Total					<u><u>7.35%</u></u>

HOWELL AREA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

Discount Rate

The discount rate used to measure the total pension liability is 7.60% for 2019. 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)	(a)-(b)
Balance at 12/31/2018	\$ 1,532,976	\$ 1,320,514	\$ 212,462
Changes for the year			
Service Cost	58,284		58,284
Interest on Total Pension Liability	116,051		116,051
Changes in Benefits			
Difference between expected and actual experience	24,137		24,137
Changes in assumptions	45,181		45,181
Employer Contributions		46,605	(46,605)
Employee Contributions		10,707	(10,707)
Net Investment Income		179,732	(179,732)
Benefit payments, including employee refunds	(70,239)	(70,239)	
Administrative expense		(3,097)	3,097
Other Changes	6,109		6,109
Net Changes	179,523	163,708	15,815
Balance at 12/31/2019	\$ 1,712,499	\$ 1,484,222	\$ 228,277

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 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.600%) or 1% higher (8.60%) than the current rate.

	1% Decrease	Current	1% Increase
	6.60%	Discount Rate 7.60%	8.60%
Net Pension Liability at 12/31/2019	\$ 228,277	\$ 228,277	\$ 228,277
Change in Net Pension Liability (NPL) from change in discount rate	216,860		(182,562)
Calculated NPL	\$ 445,137	\$ 228,277	\$ 45,715

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, 2020**

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

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

For the year ended June 30, 2020, the Authority recognized pension expense of \$116,566. The Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences in experience	\$ 68,870	\$	\$ 68,870
Differences in assumptions	63,337		63,337
Excess (Deficit) of Investment Returns	1,574		1,574
Total deferred outflows (inflows) to be amortized	133,781		133,781
Contributions subsequent to the measurement date	28,544		28,544
Total deferred outflows (inflows)	\$ 162,325	\$	\$ 162,325

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

Fiscal Year Ended June 30,	Expense
2021	\$ 22,742
2022	30,050
2023	43,347
2024	10,193
2025	9,939
Thereafter	17,510
Total	\$ 133,781

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, 2020.

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, 2020 were \$17,133 and \$34,435, 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 \$46,578 for the year ended June 30, 2020.

HOWELL AREA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020, the Retirement Plan membership consisted of the following:

Inactive plan members currently receiving benefits	3
Active employees	6
Total	9

HOWELL AREA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to the measurement date. The following actuarial assumptions were used in the measurement:

Inflation:	2.5%
Salary increases:	2.0%
Investment rate of return:	7.35% including inflation
20-year Aa Municipal rate	2.66% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality:	Public Safety: 2010 Public Safety Employees and Healthy Retirees, Headcount Weighted. Others: 2010 Public General Employees and Healthy Retirees, Headcount weighted
Improvement Scale	MP-2018

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, 2020 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	7.75%	=	4.65%
Global Fixed Income	20.00%	x	3.75%	=	0.75%
Private Investments	20.00%	x	9.75%	=	1.95%
Total					7.35%

The sum of each target allocation times its long-term expected rate is 7.35%.

HOWELL AREA FIRE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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

Discount Rate

The discount rate used to measure the total OPEB liability was 7.35%. The projection of cash flows used to determine the discount rate assumed that employer will 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 7.75%.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balance at 6/30/2019	\$ 456,564	\$ 619,377	\$ (162,813)
Changes for the year			
Service cost	26,759		26,759
Interest on total OPEB liability	36,343		36,343
Changes in benefits			
Difference between expected and actual experience	103,419		103,419
Changes in assumptions	113,521		113,521
Employer contributions			
Employer contributions (benefits paid)		28,768	(28,768)
Employee contributions			
Net investment income		14,447	(14,447)
Benefit payments, including employee refunds	(28,768)	(28,768)	
Administrative expense		(1,133)	1,133
Other changes			
Net changes	<u>251,274</u>	<u>13,314</u>	<u>237,960</u>
Balance at 6/30/2020	<u>\$ 707,838</u>	<u>\$ 632,691</u>	<u>\$ 75,147</u>

HOWELL AREA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Net OPEB Liability at 6/30/2020	\$ 75,147	\$ 75,147	\$ 75,147
Change in Net OPEB Liability (NOL) from change in discount rate	87,474		(73,521)
Calculated NOL	<u>\$ 162,621</u>	<u>\$ 75,147</u>	<u>\$ 1,626</u>

Trend

	1% Decrease 7.25%	Current Trend Rate 8.25%	1% Increase 9.25%
Net OPEB Liability at 6/30/2020	\$ 75,147	\$ 75,147	\$ 75,147
Change in Net OPEB Liability (NOL) from change in trends	(86,167)		104,668
Calculated NOL	<u>\$ (11,020)</u>	<u>\$ 75,147</u>	<u>\$ 179,815</u>

Components of Fire Authority's OPEB Expense for the Fiscal Year Ending June 30, 2020

Below are the components of the Total OPEB Expense:

	Fiscal Year Ending June 30, 2020
Service Cost (Beginning of Year)	\$ 26,759
Interest on Total OPEB Liability	36,343
Experience (Gains)/Losses	14,964
Changes of Assumptions	(9,156)
Employee Contributions	
Projected Earnings on OPEB Plan Investments	(47,958)
Investment Earnings (Gains)/Losses	10,224
Administrative Expenses	1,133
Other Changes in Fiduciary Net Position	
Total OPEB Expense	<u>\$ 32,309</u>

HOWELL AREA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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

Deferred Inflows and Outflows of Resources Related to OPEB Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences in experience	\$ 90,848	\$	\$ 90,848
Differences in assumptions		(46,096)	(46,096)
Excess (Deficit) of Investment Returns	37,084		37,084
Total deferred outflows (inflows) to be amortized	\$ 127,932	\$ (46,096)	\$ 81,836

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

Fiscal Year Ended June 30,	Expense
2021	\$ 16,032
2022	16,032
2023	15,741
2024	12,511
2025	5,808
Thereafter	15,712
Total	\$ 81,836

Reconciliation of Net OPEB Liability

	Net OPEB Liability
Net OPEB Liability June 30, 2019	\$ (162,813)
Total OPEB Expense	32,309
Contributions	(28,768)
Change in deferred outflows of resources	209,229
Change in deferred inflows of resources	25,190
Net OPEB Liability June 30, 2020	\$ 75,147

Total OPEB Liability by Participant Status

	2020
Active participants	\$ 335,585
Inactive participants receiving benefits	372,253
Total	\$ 707,838

HOWELL AREA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 10 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 2, 2020, which is the date the financial statements were available to be issued.

ON March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) as a global health pandemic and recommended containment and mitigation measures worldwide. The State of Michigan implemented the Stay Home, Stay Safe initiative on March 23, 2020, in which non-essential businesses were ordered to close and residents encouraged to stay home.

The Authority is assessing the impact of this pandemic and the subsequent containment measures, but believes the response could lead to a decrease in property tax collections and reduced investment earnings. The Authority has a defined benefit pension plan and defined benefit Other Post Employment Benefit (OPEB) plan, which are largely impacted by an estimated rate of return on investments. Volatility in the global stock market could result in actual investment returns lower than estimated, which could impact subsequent net pension liability measurements and lead to an increase in required annual contributions to both plans.

Management has determined that the Authority does not have any other 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, 2020, as a result of industrial facilities tax exemption (IFT's) agreements.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Development Districts Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property in the Authority's service district.

The abatements amounted to \$12,890 in reduced Authority tax revenues.

HOWELL AREA FIRE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 12 – UPCOMING GASB STANDARDS

GASB 87 - LEASES

The Governmental Accounting Standards Board (GASB) issued GASB Standard No. 87, Leases 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 will require a lessee to recognize a lease liability and right-to-use lease asset and a lessor to recognize a lease receivable and a deferred inflow of resources.

The standard was originally required to be implemented for statements for the year ended June 30, 2021. However, the Governmental Accounting Standards Board released Standard No. 95, extending the implementation date of this standard by 18 months, requiring the standard to be implemented for the Authority's financial statements for the year ended June 30, 2023. The Authority is currently assessing the impact that this Standard will have on the Authority's financial statements

OTHER GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued Standard No. 88 *Certain Disclosures Related to Debt*, No. 89 *Accounting for Interest Costs Incurred Before the End of a Construction Period*, No. 90 *Majority Equity Interests* and No. 91 *Conduit Debt Obligations* with implementation dates beginning with fiscal years ending June 30, 2021 and thereafter. The Authority has considered 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, 2020**

	<u>Budget Amount</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>with Final Budget Favorable (Unfavorable)</u>
REVENUES	<u>\$ 2,800,605</u>	<u>\$ 2,800,605</u>	<u>\$ 2,946,247</u>	<u>\$ 145,642</u>
EXPENDITURES				
Personnel	1,857,220	1,782,220	1,535,284	246,936
Professional fees	66,500	86,500	50,153	36,347
Insurance - liability	43,000	43,000	44,262	(1,262)
Supplies	46,000	46,000	27,605	18,395
Equipment and capital outlay	161,927	161,927	95,271	66,656
Communications	17,000	17,000	12,453	4,547
Uniforms	39,000	39,000	31,272	7,728
Training	21,500	21,500	4,514	16,986
Repairs and maintenance	58,500	68,500	45,806	22,694
Unallocated	50,000	50,000	27,938	22,062
City Station #20	38,101	38,101	27,401	10,700
Oceola Township Fire Station #22	17,901	17,901	13,286	4,615
Marion Township Station #23	12,001	12,001	5,489	6,512
Cohoctah Township Station #24	<u>13,001</u>	<u>13,001</u>	<u>6,643</u>	<u>6,358</u>
Total expenditures	<u>2,441,651</u>	<u>2,396,651</u>	<u>1,927,377</u>	<u>469,274</u>
Excess of revenues over (under) expenditures	<u>358,954</u>	<u>403,954</u>	<u>1,018,870</u>	<u>614,916</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets			10,000	10,000
Transfers (out)		(45,000)		45,000
Total other financing sources (uses)		<u>(45,000)</u>	<u>10,000</u>	<u>55,000</u>
Net changes in fund balance	358,954	358,954	1,028,870	669,916
FUND BALANCE, JULY 1, 2019	<u>3,437,514</u>	<u>3,437,514</u>	<u>3,437,514</u>	
FUND BALANCE, JUNE 30, 2020	<u>\$ 3,796,468</u>	<u>\$ 3,796,468</u>	<u>\$ 4,466,384</u>	<u>\$ 669,916</u>

HOWELL AREA FIRE AUTHORITY
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule of Employer Contributions

	For the Plan Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
Actuarial determined contributions	\$ 46,605	\$ 41,452	\$ 40,251	\$ 37,213	\$ 39,703	\$ 45,196
Contributions in relation to the actuarial determined contribution	46,605	41,452	40,251	93,542	160,340	45,196
Contribution deficiency (excess)	\$	\$	\$	\$ (56,329)	\$ (120,637)	\$
Covered employee payroll	\$ 434,956	\$ 368,176	\$ 360,276	\$ 350,421	\$ 334,155	\$ 340,538
Contributions as a percentage of covered payroll	10.71%	11.26%	11.17%	26.69%	47.98%	13.27%

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, 2020

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
Unfunded actuarial liability - Division 50	16 years
Gain/(loss) on investments - Division 50	10 - 14 years
Change in assumptions - Division 50	10 years
Asset valuation method	5 years smoothed
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.35%
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 7.75%.

HOWELL AREA FIRE AUTHORITY

**DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2020**

	For the Plan Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY						
Service Cost	\$ 58,284	\$ 48,820	\$ 47,917	\$ 46,816	\$ 42,605	\$ 43,419
Interest	116,051	114,574	107,326	100,346	85,979	79,417
Changes in benefit terms						
Differences between expected and actual experience	24,137	(3,075)	5,145	9,790	92,680	
Changes of assumptions	45,181				53,554	
Benefit payments, including refunds of employee contributions	(70,239)	(70,238)	(70,239)	(70,239)	(59,299)	(26,479)
Other changes	6,109					
Net change in total pension liability	179,523	90,081	90,149	86,713	215,519	96,357
TOTAL PENSION LIABILITY - BEGINNING	1,532,976	1,442,895	1,352,746	1,266,033	1,050,514	954,157
TOTAL PENSION LIABILITY - ENDING	\$ 1,712,499	\$ 1,532,976	\$ 1,442,895	\$ 1,352,746	\$ 1,266,033	\$ 1,050,514
PLAN FIDUCIARY NET POSITION						
Contributions - employer	\$ 46,605	\$ 41,452	\$ 40,251	\$ 93,542	\$ 160,340	\$ 45,196
Contributions - employee	10,707	9,867	9,655	9,391	8,591	8,507
Net investment income	179,732	(54,866)	165,880	125,622	(16,201)	59,281
Benefit payments, including refunds of employee contributions	(70,239)	(70,238)	(70,239)	(70,239)	(59,299)	(26,479)
Administrative Expenses	(3,097)	(2,713)	(2,625)	(2,487)	(2,337)	(2,191)
Net change in plan fiduciary net position	163,708	(76,498)	142,922	155,829	91,094	84,314
PLAN FIDUCIARY NET POSITION, BEGINNING	1,320,514	1,397,012	1,254,090	1,098,261	1,007,167	922,853
PLAN FIDUCIARY NET POSITION, ENDING	\$ 1,484,222	\$ 1,320,514	\$ 1,397,012	\$ 1,254,090	\$ 1,098,261	\$ 1,007,167
NET PENSION LIABILITY						
(TOTAL PENSION LIABILITY - PLAN FIDUCIARY NET POSITION)	\$ 228,277	\$ 212,462	\$ 45,883	\$ 98,656	\$ 167,772	\$ 43,347
Plan fiduciary net position as a percentage of total pension liability	86.67%	86.14%	96.82%	92.71%	86.75%	95.87%
Covered employee payroll	\$ 434,956	\$ 368,176	\$ 360,276	\$ 350,421	\$ 334,155	\$ 340,538
Net pension liability as a percentage of covered employee payroll	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, 2020**

	For the Plan Year Ended June 30,		
	2020	2019	2018
Service cost (End of Year)	\$ 26,759	\$ 47,446	\$ 47,446
Amortization of unfunded liability	(18,594)	36,075	34,475
Actuarially Determined Employer Contribution	8,165	83,521	81,921
Contributions in relation to the actuarial determined contribution	28,768	351,790	75,955
Contribution deficiency (excess)	\$ (20,603)	\$ (268,269)	\$ 5,966
Covered employee payroll	\$ 460,969	\$ 412,239	\$ 1,035,096
Contributions as a percentage of covered payroll	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, 2020**

	For the Plan		
	Year Ended June 30,		
	2020	2019	2018
TOTAL OPEB LIABILITY			
Service Cost	\$ 26,759	\$ 47,446	\$ 45,564
Interest	36,343	26,273	24,443
Changes in benefit terms			
Differences between expected and actual experience	103,419	2,750	
Changes of assumptions	113,521	(193,963)	
Benefit payments, including refunds of employee contributions	(28,768)	(29,254)	(25,955)
Net change in total OPEB liability	251,274	(146,748)	44,052
TOTAL OPEB LIABILITY - BEGINNING	456,564	603,312	559,260
TOTAL OPEB LIABILITY - ENDING	\$ 707,838	\$ 456,564	\$ 603,312
PLAN FIDUCIARY NET POSITION			
Contributions to OPEB trust	\$	\$ 351,790	\$ 50,000
Contributions (benefits paid)	28,768	29,254	25,955
Net investment income	14,447	16,932	14,965
Benefit payments, including refunds of employee contributions	(28,768)	(29,254)	(25,955)
Administrative Expenses	(1,133)	(867)	(504)
Net change in plan fiduciary net position	13,314	367,855	64,461
PLAN FIDUCIARY NET POSITION, BEGINNING	619,377	251,522	187,061
PLAN FIDUCIARY NET POSITION, ENDING	\$ 632,691	\$ 619,377	\$ 251,522
NET OPEB LIABILITY			
(TOTAL OPEB LIABILITY - PLAN FIDUCIARY NET POSITION)	\$ 75,147	\$ (162,813)	\$ 351,790
Plan fiduciary net position as a percentage of the total OPEB liability	89.38%	135.66%	41.69%
Covered employee payroll	\$ 460,969	\$ 412,239	\$ 1,035,096
Net OPEB liability as a percentage of covered employee payroll	16.30%	-39.49%	33.99%

The actuarial valuation measured as of June 30, 2018 used total wages paid by the Authority as covered employee payroll for financial statement disclosure purposes on these schedules. For the valuation measured as of June 30, 2019 and thereafter, the covered employee payroll was updated to include only eligible members of the defined benefit OPEB plan.

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, 2020

	General Fund - Pre Consolidation	Capital Reserve Equipment Fund	Site/ Building Reserve Fund	Eliminations	Totals Restated General Fund
Assets					
Cash and investments	\$ 3,548,937	\$ 951,463	\$ 10,227	\$	\$ 4,510,627
Receivables	3,527				3,527
Due from other funds			40,270	\$ (40,270)	
Prepaid expenditures	51,992				51,992
Total assets	<u>\$ 3,604,456</u>	<u>\$ 951,463</u>	<u>\$ 50,497</u>	<u>\$ (40,270)</u>	<u>\$ 4,566,146</u>
Liabilities					
Accounts payable	\$ 34,560	\$	\$	\$	\$ 34,560
Due to others	6,157				6,157
Due to other funds	40,270			(40,270)	
Accrued expenditures	5,253				5,253
Accrued wages	53,792				53,792
Total liabilities	<u>140,032</u>			<u>(40,270)</u>	<u>99,762</u>
Fund Balance					
Nonspendable	51,992				51,992
Restricted	13,177				13,177
Committed		951,463	50,497		1,001,960
Unassigned	3,399,255				3,399,255
Total fund balance	<u>3,464,424</u>	<u>951,463</u>	<u>50,497</u>		<u>4,466,384</u>
Total liabilities and fund balance	<u>\$ 3,604,456</u>	<u>\$ 951,463</u>	<u>\$ 50,497</u>	<u>\$ (40,270)</u>	<u>\$ 4,566,146</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, 2020

	General Fund - Pre Consolidation	Capital Reserve Equipment Fund	Site/ Building Reserve Fund	Eliminations	Totals Restated General Fund
REVENUES					
Fire millage	\$ 2,824,016	\$	\$	\$	\$ 2,824,016
State revenue	58,705				58,705
Interest	12,524	1,245	28		13,797
Donations	15,281				15,281
Miscellaneous	34,448				34,448
Total revenues	<u>2,944,974</u>	<u>1,245</u>	<u>28</u>		<u>2,946,247</u>
EXPENDITURES					
Current:					
Fire protection	1,899,528		90		1,899,618
Capital outlay	27,759				27,759
Total expenditures	<u>1,927,287</u>		<u>90</u>		<u>1,927,377</u>
Excess of revenues over (under) expenditures	<u>1,017,687</u>	<u>1,245</u>	<u>(62)</u>		<u>1,018,870</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets		10,000			10,000
Transfers in		395,000	40,770	(435,770)	
Transfers (out)	(435,770)			435,770	
Total other financing sources (uses)	<u>(435,770)</u>	<u>405,000</u>	<u>40,770</u>		<u>10,000</u>
Net changes in fund balances	581,917	406,245	40,708		1,028,870
FUND BALANCE, JULY 1, 2019	<u>2,882,507</u>	<u>545,218</u>	<u>9,789</u>		<u>3,437,514</u>
FUND BALANCE, JUNE 30, 2020	<u>\$ 3,464,424</u>	<u>\$ 951,463</u>	<u>\$ 50,497</u>	<u>\$</u>	<u>\$ 4,466,384</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, 2020**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES	\$ 2,799,605	\$ 2,944,974	\$ 145,369
EXPENDITURES			
Personnel	1,782,220	1,535,284	246,936
Professional fees	86,500	50,153	36,347
Insurance	43,000	44,262	(1,262)
Supplies	46,000	27,605	18,395
Equipment and capital outlay	161,927	95,271	66,656
Communications	17,000	12,453	4,547
Uniforms	39,000	31,272	7,728
Training	21,500	4,514	16,986
Repairs and maintenance	68,500	45,806	22,694
Unallocated	50,000	27,848	22,152
City station #20	38,101	27,401	10,700
Oceola Township Fire Station #22	17,901	13,286	4,615
Marion Township Station #23	12,001	5,489	6,512
Cohoctah Township Station #24	13,001	6,643	6,358
Total expenditures	<u>2,396,651</u>	<u>1,927,287</u>	<u>469,364</u>
Excess of revenues over (under) expenditures	402,954	1,017,687	614,733
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(395,000)</u>	<u>(435,770)</u>	<u>(40,770)</u>
Net change in fund balance	7,954	581,917	573,963
FUND BALANCE, JULY 1, 2019	<u>2,882,507</u>	<u>2,882,507</u>	
FUND BALANCE, JUNE 30, 2020	<u>\$ 2,890,461</u>	<u>\$ 3,464,424</u>	<u>\$ 573,963</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, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Fire millage			
City of Howell	\$ 470,000	\$ 450,840	\$ (19,160)
Howell Township	514,090	543,104	29,014
Marion Township	699,000	734,367	35,367
Oceola Township	932,588	922,264	(10,324)
Cohoctah Township	165,627	173,441	7,814
State revenue		58,705	58,705
Interest income	1,500	12,524	11,024
Donations	1,500	15,281	13,781
Miscellaneous	15,300	34,448	19,148
Total revenues	<u>\$ 2,799,605</u>	<u>\$ 2,944,974</u>	<u>\$ 145,369</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 EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	Final Budget	Actual	Variance Favorable (Unfavorable)
PERSONNEL			
Salaries - fire personnel	\$ 1,314,400	\$ 1,125,447	\$ 188,953
Salaries - board	4,500	3,225	1,275.00
Payroll taxes	100,820	87,299	13,521
Health insurance	165,000	145,757	19,243
Retiree health	30,500	30,776	(276)
Disability insurance	25,000	22,027	2,973
Worker compensation insurance	80,000	48,771	31,229
Pension	62,000	71,982	(9,982)
Total personnel	1,782,220	1,535,284	246,936
PROFESSIONAL FEES			
Payroll administration	25,000	11,482	13,518
Accounting/audit services	21,000	15,317	5,683
Computer support	8,500	2,900	5,600
Attorney fees	30,000	20,284	9,716
Recruitment	2,000	170	1,830
Total professional fees	86,500	50,153	36,347
INSURANCE			
General liability	43,000	44,262	(1,262)
SUPPLIES			
Office supplies	5,000	2,296	2,704
Food and beverage	3,000	1,049	1,951
Postage	2,000	758	1,242
Fuel	23,000	16,430	6,570
Operating supplies	12,000	6,798	5,202
Software	1,000	274	726
Total supplies	46,000	27,605	18,395
EQUIPMENT AND CAPITAL OUTLAY			
Capital outlay and equipment	161,927	95,271	66,656

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, 2020**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
COMMUNICATIONS	17,000	12,453	4,547
UNIFORMS			
Clothing allowance	9,000	4,105	4,895
Protective clothing	30,000	27,167	2,833
Total uniforms	<u>39,000</u>	<u>31,272</u>	<u>7,728</u>
TRAINING			
Public teaching	12,000	2,274	9,726
Community promotion	5,000	1,695	3,305
Seminars and conferences	3,000	545	2,455
Educational supplies	1,500		1,500
Total training	<u>21,500</u>	<u>4,514</u>	<u>16,986</u>
REPAIRS AND MAINTENANCE			
Equipment	13,000	9,918	3,082
Vehicles	3,500		3,500
Radios	52,000	35,888	16,112
Total repairs and maintenance	<u>68,500</u>	<u>45,806</u>	<u>22,694</u>
UNALLOCATED			
Mileage	1,500	348	1,152
Physicals and examinations	4,300	1,838	2,462
Miscellaneous	4,700	331	4,369
Dues and memberships	4,000	4,248	(248)
Printing and publications	500	770	(270)
Purchases with donation funds	18,500	16,136	2,364
Tax chargebacks	10,000	177	9,823
Hazardous material projects	6,500	4,000	2,500
Total unallocated	<u>50,000</u>	<u>27,848</u>	<u>22,152</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 EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2020**

	Final		Variance
	Budget	Actual	Favorable
			(Unfavorable)
CITY STATION #20			
Grounds maintenance	5,000	2,060	2,940
Telephone	4,000	4,323	(323)
Utilities	23,100	18,026	5,074
Repairs and maintenance	6,000	2,992	3,008
Lease	1		1
Total city station #20	38,101	27,401	10,700
OCEOLA TOWNSHIP FIRE STATION #22			
Grounds maintenance	3,200	1,235	1,965
Telephone	1,600	1,397	203
Utilities	10,100	8,042	2,058
Repairs and maintenance	3,000	2,612	388
Lease	1		1
Total Oceola Township fire station #22	17,901	13,286	4,615
MARION TOWNSHIP STATION #23			
Telephone	1,500	1,468	32
Utilities	6,500	3,245	3,255
Repairs and maintenance	4,000	776	3,224
Lease	1		1
Total Marion Township station #23	12,001	5,489	6,512
COHOCTAH TOWNSHIP STATION #24			
Grounds maintenance	1,500		1,500
Telephone	2,200	2,248	(48)
Utilities	5,800	2,645	3,155
Repairs and maintenance	3,500	1,750	1,750
Lease	1		1
Total Cohoctah Township station #24	13,001	6,643	6,358
Total expenditures	\$ 2,396,651	\$ 1,927,287	\$ 469,364

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.