

HOWELL AREA FIRE AUTHORITY

Report on Audit of Financial Statements

For the Year Ended June 30, 2019

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

October 25, 2019

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, 2019, 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, 2019, 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 41 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, 2019

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, 2019. 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 \$6,555,888. This is a \$962,718 increase over last year's net position of \$5,593,170.

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

Summary of Net Position

	<u>6/30/2019</u>	<u>6/30/2018</u>
Assets		
Current and other assets	\$ 3,957,528	\$ 4,839,220
Capital assets	<u>2,661,574</u>	<u>1,262,388</u>
Total assets	<u>6,619,102</u>	<u>6,101,608</u>
Deferred outflows of resources		
Pension and OPEB	<u>208,536</u>	<u>79,634</u>
Liabilities		
Current and other liabilities	42,035	153,437
Non-current liabilities	<u>77,132</u>	<u>435,795</u>
Total liabilities	<u>119,167</u>	<u>589,232</u>
Deferred inflows of resources		
Pension and OPEB	<u>152,583</u>	<u>(1,160)</u>
Net position:		
Invested in capital assets	2,661,574	1,262,388
Unrestricted	<u>3,894,314</u>	<u>4,330,782</u>
Total net position	<u>\$ 6,555,888</u>	<u>\$ 5,593,170</u>

Summary of Changes in Net Position

	<u>6/30/2019</u>	<u>6/30/2018</u>
Revenues:		
Program revenues		
Operating grants and contributions	\$ 38,060	\$ 8,535
General revenues		
Fire millage	2,690,580	2,574,963
Other	112,608	113,952
Total revenues	<u>2,841,248</u>	<u>2,697,450</u>
Expenses for fire protection	<u>1,878,530</u>	<u>2,001,456</u>
Increase (decrease) in net position	962,718	695,994
Beginning net position	<u>5,593,170</u>	<u>4,897,176</u>
Ending net position	<u>\$ 6,555,888</u>	<u>\$ 5,593,170</u>

Changes in Financial Status and Analysis of Authority's Fund

Under fund accounting, the Authority's overall General Fund balance decreased by \$1,242,100. This was primarily due to capital outlay expenditures of \$1,573,619, mostly relating to the building expansion of the City of Howell station.

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 did not exceed budgeted appropriations in any expenditure groups.

Capital Asset and Debt Administration

During the year ended June 30, 2019, the Authority acquired capital assets valued at \$1,589,820, consisting of the completion of the station expansion project and various equipment. The station expansion project incurred additional costs of \$1,532,997 and was placed in service during the year, with a total value of \$1,760,953. The equipment consisted of a new compressor and two Lucas chest compression systems, one of which was donated with a value of \$16,201. In addition to the capital assets above, the Authority paid a deposit of \$469,313 on a new pumper truck, which is expected to be received and placed in service in the subsequent fiscal year. The deposit was recognized as a capital outlay expenditure under fund accounting and a prepaid expenditure on the government-wide financial statements. The vehicle is expected to be received and placed in service in the subsequent fiscal year. The Authority disposed of an obsolete air compressor during the fiscal year.

The Authority had no debt obligations as of June 30, 2019.

The Authority's component unit Special Response Team was the recipient of a Hazmat trailer and truck unit from the United States Air Force, through the State of Michigan. The equipment is valued at \$345,000.

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 \$95,072,902 from 2018 to 2019 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, 2019**

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Special Response Team</u>
ASSETS		
Cash and investments	\$ 3,425,374	\$ 192,262
Receivables	7,272	
Prepaid expenses	524,882	
Depreciable capital assets - net of depreciation	2,661,574	337,038
Net OPEB asset	162,813	
	<hr/>	<hr/>
Total assets	6,781,915	529,300
DEFERRED OUTFLOWS OF RESOURCES		
Pension related activities, net of deferred inflows	208,536	
	<hr/>	<hr/>
LIABILITIES		
Accounts payable	10,447	1,167
Accrued expenses	31,588	
Other non-current liabilities		
Accrued compensated absences	27,483	
Net pension liability	212,462	
	<hr/>	<hr/>
Total liabilities	281,980	1,167
DEFERRED INFLOWS OF RESOURCES		
OPEB related activities, net of deferred outflows	152,583	
	<hr/>	<hr/>
NET POSITION		
Invested in capital assets, net of related debt	2,661,574	337,038
Unrestricted	3,894,314	191,095
	<hr/>	<hr/>
Total net position	\$ 6,555,888	\$ 528,133
	<hr/> <hr/>	<hr/> <hr/>

The notes are an integral part of the financial statements.

HOWELL AREA FIRE AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

<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	\$ (1,878,530)	\$	\$ 38,060	\$ (1,840,470)	\$
Component Unit					
Special response team	\$ (78,260)	\$ 40,000	\$ 345,000		306,740
		General Revenues:			
				2,690,580	
				49,516	
				16,912	1,631
				40,599	
				5,581	
			Total general revenues	2,803,188	1,631
			Changes in net position	962,718	308,371
			Net position, July 1, 2018	5,593,170	219,762
			Net position, June 30, 2019	\$ 6,555,888	\$ 528,133

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, 2019**

	General	Component Unit Special Response Team Fund
	<hr/>	<hr/>
ASSETS		
Cash and investments	\$ 3,425,374	\$ 192,262
Accounts receivable	673	
Due from other governments	6,599	
Prepaid expenditures	55,569	
	<hr/>	<hr/>
Total assets	\$ 3,488,215	\$ 192,262
	<hr/>	<hr/>
LIABILITIES		
Accounts payable	\$ 10,447	\$ 1,167
Accrued expenditures	6,648	
Accrued wages	33,606	
	<hr/>	<hr/>
Total liabilities	50,701	1,167
	<hr/>	<hr/>
FUND BALANCES		
Non-spendable	55,569	
Restricted	13,546	191,095
Committed	555,007	
Unassigned	2,813,392	
	<hr/>	<hr/>
Total fund balances	3,437,514	191,095
	<hr/>	<hr/>
Total liabilities and fund balances	\$ 3,488,215	\$ 192,262
	<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, 2019**

Total fund balance per balance sheet		\$ 3,437,514
<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	\$ 5,104,236	
Depreciation	<u>(2,442,662)</u>	
Capital assets net of depreciation		2,661,574
<p>Prepaid expenditures for vehicle deposits are not current financial resources and therefore, are not reported in the funds.</p>		
Prepaid expenditures		469,313
<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 Position.</p>		
Net deferred outflows (inflows) of resources relating to pension	208,536	
Net deferred outflows (inflows) of resources relating to OPEB	<u>(152,583)</u>	
Total deferred outflows (inflows) of resources		55,953
<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	(18,817)	
Net pension liability	(212,462)	
Net OPEB asset	<u>162,813</u>	
Total liabilities		<u>(68,466)</u>
Net position of governmental activities		<u><u>\$ 6,555,888</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, 2019

Total fund balance per balance sheet \$ 191,095

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>(109,656)</u>

Capital assets net of depreciation 337,038

Net position of governmental activities \$ 528,133

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, 2019**

	General	Component Unit Special Response Team Fund
	<hr/>	<hr/>
REVENUES		
Fire millage	\$ 2,690,580	\$
State revenue	49,516	
Grants	1,479	
Charges for services		40,000
Interest	16,912	1,631
Donations	20,380	
Miscellaneous	46,180	
	<hr/>	<hr/>
Total revenues	2,825,047	41,631
	<hr/>	<hr/>
EXPENDITURES		
Current:		
Fire protection	2,493,528	
Special response		50,894
Capital outlay:		
Fire protection	1,573,619	
	<hr/>	<hr/>
Total expenditures	4,067,147	50,894
	<hr/>	<hr/>
Net changes in fund balances	(1,242,100)	(9,263)
	<hr/>	<hr/>
FUND BALANCE, JULY 1, 2018	4,679,614	200,358
	<hr/>	<hr/>
FUND BALANCE, JUNE 30, 2019	\$ 3,437,514	\$ 191,095
	<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, 2019

**Net Change in Fund Balance per Statement of Revenues, Expenditures
And Changes in Fund Balances of Governmental Funds** \$ (1,242,100)

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	\$ 1,573,619
Prepayment of capital outlay	469,313
Capital asset donations	16,201
Depreciation expense	<u>(190,634)</u>

Totals 1,868,499

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	13,136
Change in net pension liability and related activity	(37,677)
Change in Net OPEB Liability and related activity	<u>360,860</u>

Totals 336,319

Change in net position of governmental activities \$ 962,718

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, 2019

**Net Change in Fund Balance per Statement of Revenues, Expenditures
And Changes in Fund Balances of Governmental Funds** \$ (9,263)

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 asset donations	\$ 345,000
Depreciation expense	<u>(27,366)</u>

Totals	<u>317,634</u>
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Change in net position of governmental activities	<u><u>\$ 308,371</u></u>
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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, 2019

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, 2019**

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). Revenue considered susceptible to accrual includes: 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, 2019

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, 2019

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, 2019**

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, 2019, 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, 2019**

NOTE 2 - TAX MILLAGE

The Authority levied a 1.4698 (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 2018 levy was \$1,841,412,235.

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, 2019, cash and investments consist of the following:

	Howell Area Fire Authority	Fiduciary Fund OPEB Trust Fund	Component Unit Special Response
Deposits			
Checking accounts	\$ 423,894	\$	\$ 9,656
Money market accounts	474,781		188,544
Savings accounts	<u>2,046,897</u>		
Total deposits	2,945,572		198,200
Investments			
MBIA	<u>516,203</u>	<u>619,377</u>	
Total cash and investments	<u>\$ 3,461,775</u>	<u>\$ 619,377</u>	<u>\$ 198,200</u>

The carrying amounts of cash and investments are stated at \$3,425,374 for the Authority funds, \$619,377 for the fiduciary fund, and \$192,262 for the component unit as of June 30, 2019. 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, 2019**

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, 2019, deposits in banks totaled \$3,143,772 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	\$ 1,128,263	\$	\$ 198,200	\$ 1,326,463
Uninsured and uncollateralized	1,817,309			1,817,309
	<u>\$ 2,945,572</u>	<u>\$</u>	<u>\$ 198,200</u>	<u>\$ 3,143,772</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, 2019 the Authority's fund equity was categorized as follows under GASB Standards:

	General	Component Unit
Non-spendable		
Prepaid expenditures	\$ 55,569	\$
Restricted		
Special Response Team		191,095
General reserve	2,111	
See in the Dark	2,050	
Smoke alarms	2,934	
AED's	2,184	
Honor Guard	1,884	
Lucas Donations	2,383	
Total restricted	<u>13,546</u>	<u>191,095</u>
Committed		
Capital improvements	555,007	
Unassigned	2,813,392	
Total fund equity	<u>\$ 3,437,514</u>	<u>\$ 191,095</u>

HOWELL AREA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Balance</u> <u>7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Re-</u> <u>Classifications</u>	<u>Balance</u> <u>6/30/2019</u>
<u>Governmental Activities:</u>					
Capital assets not being depreciated					
Construction in progress	\$ 227,956	\$ 1,532,997	\$	\$ (1,760,953)	\$
Capital assets being depreciated					
Buildings	49,407			1,760,953	1,810,360
Leasehold improvements	53,637				53,637
Vehicles and equipment	3,196,412	56,823	(12,996)		3,240,239
Total capital assets being depreciated	<u>3,299,456</u>	<u>56,823</u>	<u>(12,996)</u>	<u>1,760,953</u>	<u>5,104,236</u>
Less accumulated depreciation for					
Buildings	(4,323)	(28,151)			(32,474)
Leasehold improvements	(21,842)	(3,376)			(25,218)
Vehicles and equipment	<u>(2,238,859)</u>	<u>(159,107)</u>	12,996		<u>(2,384,970)</u>
Total accumulated depreciation	<u>(2,265,024)</u>	<u>(190,634)</u>	12,996		<u>(2,442,662)</u>
Total capital assets being depreciated, net	<u>1,034,432</u>	<u>(133,811)</u>		<u>1,760,953</u>	<u>2,661,574</u>
Net capital assets	<u>\$ 1,262,388</u>	<u>\$ 1,399,186</u>	\$	\$	<u>\$ 2,661,574</u>

In addition to the capital outlay acquisitions, the Authority paid \$469,313 for a new pumper truck. The Authority expects to receive the truck and place it into service during the subsequent fiscal year. This payment has been recorded as a prepaid expenditure on the Statement of Net Position and Balance Sheet.

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>7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Re-</u> <u>Classifications</u>	<u>Balance</u> <u>6/30/2019</u>
<u>Component Unit -</u>					
Special Response Team:					
Capital assets being depreciated					
Vehicle and equipment	\$ 101,694	\$ 345,000	\$	\$	\$ 446,694
Less accumulated depreciation	<u>(82,290)</u>	<u>(27,366)</u>			<u>(109,656)</u>
Net capital assets	<u>\$ 19,404</u>	<u>\$ 317,634</u>	\$	\$	<u>\$ 337,038</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, 2019

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, 2018 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	6
	<u>7</u>

HOWELL AREA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 - DEFINED BENEFIT 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, 2019 for Division 05 was 11.91% of covered wages for the Authority and 2.68% for employees. The actuarially determined rate for Division 50 was \$72 for the year ended June 30, 2019 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, 2018.

Actuarial assumptions

The total pension liability in the December 31, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%.

Salary Increase: 3.75% in the long term.

Investment rate of return: 7.75%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.75% 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>Target Allocation Gross Rate of Return</u>		<u>Long-Term Expected Gross Rate of Return</u>		<u>Inflation Factor</u>		<u>Long-Term Expected Gross Rate of Return</u>
Global Equity	55.50%	x	6.15%	=	3.41%	+	1.39%	=	4.80%
Global Fixed Income	18.50%	x	1.26%	=	0.23%	+	0.46%	=	0.69%
Real Assets	13.50%	x	7.22%	=	0.97%	+	0.34%	=	1.31%
Diversifying Strategies	12.50%	x	5.00%	=	0.63%	+	0.31%	=	0.94%
Total					5.25%		2.50%		7.75%

HOWELL AREA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 - DEFINED BENEFIT PLAN (continued)

Discount Rate

The discount rate used to measure the total pension liability is 8.00% for 2018. 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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2017	\$ 1,442,895	\$ 1,397,012	\$ 45,883
Changes for the year			
Service Cost	48,820		48,820
Interest on Total Pension Liability	114,574		114,574
Changes in Benefits			
Difference between expected and actual experience	(3,075)		(3,075)
Changes in assumptions			
Employer Contributions		41,452	(41,452)
Employee Contributions		9,867	(9,867)
Net Investment Income		(54,866)	54,866
Benefit payments, including employee refunds	(70,238)	(70,238)	
Administrative expense		(2,713)	2,713
Other Changes			
Net Changes	90,081	(76,498)	166,579
Balance at 12/31/2018	\$ 1,532,976	\$ 1,320,514	\$ 212,462

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 (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	7.00%	8.00%	9.00%
Net Pension Liability at 12/31/2018	\$ 212,462	\$ 212,462	\$ 212,462
Change in Net Pension Liability (NPL) from change in discount rate	191,641		(161,453)
Calculated NPL	\$ 404,103	\$ 212,462	\$ 51,009

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, 2019**

NOTE 7 - DEFINED BENEFIT PLAN (continued)

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

For the year ended June 30, 2019, the Authority recognized pension expense of \$99,738. The Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 59,324	\$
Differences in assumptions	29,754	
Excess (Deficit) of Investment Returns	98,849	
Total deferred outflows (inflows) to be amortized	187,927	
Contributions subsequent to the measurement date	20,609	
Total deferred outflows (inflows)	\$ 208,536	\$

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
2020	\$ 50,813
2021	30,073
2022	37,381
2023	50,678
2024	17,526
Thereafter	1,456
Total	\$ 187,927

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, 2019.

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, 2019 were \$14,595 and \$28,872, 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 \$41,303 for the year ended June 30, 2019.

HOWELL AREA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019, the Retirement Plan membership consisted of the following:

Inactive plan members currently receiving benefits	2
Active employees	6
Total	8

HOWELL AREA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019.

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: 7.75% including inflation
- Mortality: As set forth in IRS Regulations for 2019 (1.430(h)(3)), separately for males and females as well as annuitants and non-annuitants. Based on RP-2000 Tables.

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, 2018 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>	+	<u>Inflation Factor</u>	=	<u>Long-Term Expected Gross Rate of Return</u>
Global Equity	55.50%	x	6.15%	=	3.41%	+	1.39%	=	4.80%
Global Fixed Income	18.50%	x	1.26%	=	0.23%	+	0.46%	=	0.69%
Private Assets	26.00%	x	6.15%	=	1.60%	+	0.65%	=	2.25%
Total					<u>5.25%</u>		<u>2.50%</u>		<u>7.75%</u>

The sum of each target allocation times its long-term expected rate is 5.25%. Together with inflation estimates of 2.50% results in long-term expected rate of return equal to 7.75%.

HOWELL AREA FIRE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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

Discount Rate

The discount rate used to measure the total OPEB liability was 7.75%. 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 4.13%.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balance at 6/30/2018	\$ 603,312	\$ 251,522	\$ 351,790
Changes for the year			
Service cost	47,446		47,446
Interest on total OPEB liability	26,273		26,273
Changes in benefits			
Difference between expected and actual experience	2,750		2,750
Changes in assumptions	(193,963)		(193,963)
Employer contributions		351,790	(351,790)
Employer contributions (benefits paid)		29,254	(29,254)
Employee contributions			
Net investment income		16,932	(16,932)
Benefit payments, including employee refunds	(29,254)	(29,254)	
Administrative expense		(867)	867
Other changes			
Net changes	(146,748)	367,855	(514,603)
Balance at 6/30/2019	\$ 456,564	\$ 619,377	\$ (162,813)

HOWELL AREA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net OPEB Liability at 6/30/2019	\$ (162,813)	\$ (162,813)	\$ (162,813)
Change in Net OPEB Liability (NOL) from change in discount rate	44,581		(39,184)
Calculated NOL	<u>\$ (118,232)</u>	<u>\$ (162,813)</u>	<u>\$ (201,997)</u>

Trend

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net OPEB Liability at 6/30/2019	\$ (162,813)	\$ (162,813)	\$ (162,813)
Change in Net OPEB Liability (NOL) from change in trends	(53,115)		62,948
Calculated NOL	<u>\$ (215,928)</u>	<u>\$ (162,813)</u>	<u>\$ (99,865)</u>

Components of Fire Authority's OPEB Expense for the Fiscal Year Ending June 30, 2019

Below are the components of the Total OPEB Expense:

	Fiscal Year Ending June 30, 2019
Service Cost (Beginning of Year)	\$ 47,446
Interest on Total OPEB Liability	26,273
Experience (Gains)/Losses	357
Changes of Assumptions	(25,190)
Employee Contributions	
Projected Earnings on OPEB Plan Investments	(33,091)
Investment Earnings (Gains)/Losses	3,522
Administrative Expenses	867
Other Changes in Fiduciary Net Position	
Total OPEB Expense	<u>\$ 20,184</u>

HOWELL AREA FIRE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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	\$ 2,393	\$	\$ 2,393
Differences in assumptions		(168,773)	(168,773)
Excess (Deficit) of Investment Returns	13,797		13,797
Total deferred outflows (inflows) to be amortized	\$ 16,190	\$ (168,773)	\$ (152,583)

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
2020	\$ (21,311)
2021	(21,311)
2022	(21,311)
2023	(21,602)
2024	(24,833)
Thereafter	(42,215)
Total	\$ (152,583)

Reconciliation of Net OPEB Liability

	Net OPEB Liability
Net OPEB Liability June 30, 2018	\$ 351,790
Total OPEB Expense	20,184
Contributions	(381,044)
Change in deferred outflows of resources	16,190
Change in deferred inflows of resources	(169,933)
Net OPEB Liability June 30, 2019	\$ (162,813)

Total OPEB Liability by Participant Status

	2018
Active participants	\$ 353,008
Inactive participants receiving benefits	103,556
Total	\$ 456,564

HOWELL AREA FIRE AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 25, 2019, which is the date the financial statements were available to be issued. Management has determined the Authority did not have any material recognizable or nonrecognizable events.

NOTE 11 – GASB 77 – PROPERTY TAX ABATEMENTS

The Authority has entered into an agreement for property tax abatement with local industrial facilities for various reasons. Under the newly implemented GASB 77 “Tax Abatement Disclosures”, details of the abatement must be disclosed within the Authority’s financial statements. The agreement can be for new building construction and/or improvements and investment of machinery and equipment for the purpose of encouraging the growth of business and the creation of new jobs or retention of existing jobs, pursuant to Michigan Public Act 198 of 1974, as amended. For the fiscal year ended June 30, 2019, the Authority abated property taxes (real and personal) totaling \$14,943, of which \$6,319 related to the City of Howell and \$8,624 related to Howell Township.

NOTE 12 – UPCOMING GASB STANDARDS

GASB 84 - FIDUCIARY ACTIVITIES

The Governmental Accounting Standards Board (GASB) issued GASB Standard No 84, Fiduciary Activities to establish criteria for identifying fiduciary activities for all state and local governments. Activities meeting the criteria of a fiduciary activity should be presented in a separate statement of fiduciary net position and statement of changes in fiduciary net position and establishes four types of fiduciary funds: pension and other employee benefits trust funds, investment trust funds, private purpose trust funds and custodial funds.

The Authority is currently assessing the impact that this Standard will have on the Authority’s financial statements, which will be required to be implemented for the year ended June 30, 2020.

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 Authority is currently assessing the impact that this Standard will have on the Authority’s financial statements, which will be required to be implemented for the year ended June 30, 2021.

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 December 31, 2019 and thereafter. 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, 2019**

	<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>\$ 2,694,800</u>	<u>\$ 2,694,800</u>	<u>\$ 2,825,047</u>	<u>\$ 130,247</u>
EXPENDITURES				
Personnel	1,618,536	1,970,327	1,717,342	252,985
Professional fees	57,750	59,750	49,548	10,202
Insurance - liability	43,000	43,000	41,210	1,790
Supplies	42,500	41,500	29,689	11,811
Equipment and capital outlay	2,381,050	2,401,050	2,042,111	358,939
Communications	14,000	14,000	13,156	844
Uniforms	33,000	33,000	30,200	2,800
Training	22,500	21,500	11,135	10,365
Repairs and maintenance	56,500	56,500	46,720	9,780
Unallocated	32,800	32,800	31,793	1,007
City Station #20	33,001	33,001	29,084	3,917
Oceola Township Fire Station #22	17,901	17,901	12,182	5,719
Marion Township Station #23	12,001	12,001	5,160	6,841
Cohoctah Township Station #24	13,001	13,001	7,817	5,184
Total expenditures	<u>4,377,540</u>	<u>4,749,331</u>	<u>4,067,147</u>	<u>682,184</u>
Excess of revenues over (under) expenditures	(1,682,740)	(2,054,531)	(1,242,100)	812,431
OTHER FINANCING SOURCES (USES)				
Transfers (out)	<u>(100,000)</u>			
Net changes in fund balance	(1,782,740)	(2,054,531)	(1,242,100)	812,431
FUND BALANCE, JULY 1, 2018	<u>4,679,614</u>	<u>4,679,614</u>	<u>4,679,614</u>	
FUND BALANCE, JUNE 30, 2019	<u>\$ 2,896,874</u>	<u>\$ 2,625,083</u>	<u>\$ 3,437,514</u>	<u>\$ 812,431</u>

HOWELL AREA FIRE AUTHORITY
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule of Employer Contributions

	For the Plan Year Ended				
	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Actuarial determined contributions	\$ 41,452	\$ 40,251	\$ 37,213	\$ 39,703	\$ 45,196
Contributions in relation to the actuarial determined contribution	<u>41,452</u>	<u>40,251</u>	<u>93,542</u>	<u>160,340</u>	<u>45,196</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$ (56,329)</u>	<u>\$ (120,637)</u>	<u>\$</u>
Covered employee payroll	<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>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, 2019**

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	20 - 22 years
Unfunded actuarial liability - Division 50	16 years
Gain/(loss) on investments - Division 50	10 - 14 years
Asset valuation method	5 years smoothed
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
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 4.5%, and the investment rate of return was estimated at 8.0%.

HOWELL AREA FIRE AUTHORITY

**DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019**

	For the Plan Year Ended				
	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
TOTAL PENSION LIABILITY					
Service Cost	\$ 48,820	\$ 47,917	\$ 46,816	\$ 42,605	\$ 43,419
Interest	114,574	107,326	100,346	85,979	79,417
Changes in benefit terms					
Differences between expected and actual experience	(3,075)	5,145	9,790	92,680	
Changes of assumptions				53,554	
Benefit payments, including refunds of employee contributions	(70,238)	(70,239)	(70,239)	(59,299)	(26,479)
Net change in total pension liability	90,081	90,149	86,713	215,519	96,357
TOTAL PENSION LIABILITY - BEGINNING	1,442,895	1,352,746	1,266,033	1,050,514	954,157
TOTAL PENSION LIABILITY - ENDING	<u>\$ 1,532,976</u>	<u>\$ 1,442,895</u>	<u>\$ 1,352,746</u>	<u>\$ 1,266,033</u>	<u>\$ 1,050,514</u>
PLAN FIDUCIARY NET POSITION					
Contributions - employer	\$ 41,452	\$ 40,251	\$ 93,542	\$ 160,340	\$ 45,196
Contributions - employee	9,867	9,655	9,391	8,591	8,507
Net investment income	(54,866)	165,880	125,622	(16,201)	59,281
Benefit payments, including refunds of employee contributions	(70,238)	(70,239)	(70,239)	(59,299)	(26,479)
Administrative Expenses	(2,713)	(2,625)	(2,487)	(2,337)	(2,191)
Net change in plan fiduciary net position	(76,498)	142,922	155,829	91,094	84,314
PLAN FIDUCIARY NET POSITION, BEGINNING	1,397,012	1,254,090	1,098,261	1,007,167	922,853
PLAN FIDUCIARY NET POSITION, ENDING	<u>\$ 1,320,514</u>	<u>\$ 1,397,012</u>	<u>\$ 1,254,090</u>	<u>\$ 1,098,261</u>	<u>\$ 1,007,167</u>
NET PENSION LIABILITY					
(TOTAL PENSION LIABILITY - PLAN FIDUCIARY NET POSITION)	<u>\$ 212,462</u>	<u>\$ 45,883</u>	<u>\$ 98,656</u>	<u>\$ 167,772</u>	<u>\$ 43,347</u>
Plan fiduciary net position as a percentage of total pension liability	<u>86.14%</u>	<u>96.82%</u>	<u>92.71%</u>	<u>86.75%</u>	<u>95.87%</u>
Covered employee payroll	<u>\$ 368,176</u>	<u>\$ 360,276</u>	<u>\$ 350,421</u>	<u>\$ 334,155</u>	<u>\$ 340,538</u>
Net pension liability as a percentage of covered employee payroll	<u>57.71%</u>	<u>12.74%</u>	<u>28.15%</u>	<u>50.21%</u>	<u>12.73%</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 OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019**

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

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

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, 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, 2019

	General Fund - Pre Consolidation	Capital Reserve Equipment Fund	Site/ Building Reserve Fund	Eliminations	Totals Restated General Fund
Assets					
Cash and investments	\$ 2,870,367	\$ 545,218	\$ 9,789	\$	\$ 3,425,374
Receivables	673				673
Due from other governments	6,599				6,599
Prepaid expenditures	55,569				55,569
Total assets	<u>\$ 2,933,208</u>	<u>\$ 545,218</u>	<u>\$ 9,789</u>	<u>\$</u>	<u>\$ 3,488,215</u>
Liabilities					
Accounts payable	\$ 10,447	\$	\$	\$	\$ 10,447
Accrued expenditures	6,648				6,648
Accrued wages	33,606				33,606
Total liabilities	<u>50,701</u>				<u>50,701</u>
Fund Balance					
Nonspendable	55,569				55,569
Restricted	13,546				13,546
Committed		545,218	9,789		555,007
Unassigned	2,813,392				2,813,392
Total fund balance	<u>2,882,507</u>	<u>545,218</u>	<u>9,789</u>		<u>3,437,514</u>
Total liabilities and fund balance	<u>\$ 2,933,208</u>	<u>\$ 545,218</u>	<u>\$ 9,789</u>	<u>\$</u>	<u>\$ 3,488,215</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, 2019

	General Fund - Pre Consolidation	Capital Reserve Equipment Fund	Site/ Building Reserve Fund	Eliminations	Totals Restated General Fund
REVENUES					
Fire millage	\$ 2,690,580	\$	\$	\$	\$ 2,690,580
State revenue	49,516				49,516
Grants	1,479				1,479
Interest	15,464	994	454		16,912
Donations	20,380				20,380
Miscellaneous	46,180				46,180
Total revenues	<u>2,823,599</u>	<u>994</u>	<u>454</u>		<u>2,825,047</u>
EXPENDITURES					
Current:					
Fire protection	2,493,453		75		2,493,528
Capital outlay	1,573,619				1,573,619
Total expenditures	<u>4,067,072</u>		<u>75</u>		<u>4,067,147</u>
Excess of revenues over (under) expenditures	<u>(1,243,473)</u>	<u>994</u>	<u>379</u>		<u>(1,242,100)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,357,009	195,000		(1,552,009)	
Transfers (out)	(195,000)	(475,597)	(881,412)	1,552,009	
Total other financing sources (uses)	<u>1,162,009</u>	<u>(280,597)</u>	<u>(881,412)</u>		
Net changes in fund balances	(81,464)	(279,603)	(881,033)		(1,242,100)
FUND BALANCE, JULY 1, 2018	<u>2,963,971</u>	<u>824,821</u>	<u>890,822</u>		<u>4,679,614</u>
FUND BALANCE, JUNE 30, 2019	<u>\$ 2,882,507</u>	<u>\$ 545,218</u>	<u>\$ 9,789</u>	<u>\$</u>	<u>\$ 3,437,514</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, 2019**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES	\$ 2,694,300	\$ 2,823,599	\$ 129,299
EXPENDITURES			
Personnel	1,970,327	1,717,342	252,985
Professional fees	59,750	49,548	10,202
Insurance	43,000	41,210	1,790
Supplies	41,500	29,689	11,811
Equipment and capital outlay	2,401,050	2,042,111	358,939
Communications	14,000	13,156	844
Uniforms	33,000	30,200	2,800
Training	21,500	11,135	10,365
Repairs and maintenance	56,500	46,720	9,780
Unallocated	32,800	31,718	1,082
City station #20	33,001	29,084	3,917
Oceola Township Fire Station #22	17,901	12,182	5,719
Marion Township Station #23	12,001	5,160	6,841
Cohoctah Township Station #24	13,001	7,817	5,184
Total expenditures	<u>4,749,331</u>	<u>4,067,072</u>	<u>682,259</u>
Excess of revenues over (under) expenditures	<u>(2,055,031)</u>	<u>(1,243,473)</u>	<u>811,558</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,199,000	1,357,009	158,009
Transfers (out)	<u>(195,000)</u>	<u>(195,000)</u>	
Total other financing sources (uses)	<u>1,004,000</u>	<u>1,162,009</u>	<u>158,009</u>
Net change in fund balance	(1,051,031)	(81,464)	969,567
FUND BALANCE, JULY 1, 2018	<u>2,963,971</u>	<u>2,963,971</u>	
FUND BALANCE, JUNE 30, 2019	<u>\$ 1,912,940</u>	<u>\$ 2,882,507</u>	<u>\$ 969,567</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, 2019

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Fire millage			
City of Howell	\$ 469,000	\$ 432,473	\$ (36,527)
Howell Township	512,000	520,994	8,994
Marion Township	673,000	699,254	26,254
Oceola Township	860,000	870,621	10,621
Cohoctah Township	162,000	165,479	3,479
PILT		1,759	1,759
State revenue		49,516	49,516
Grants		1,479	1,479
Interest income	1,500	15,464	13,964
Donations	1,500	20,380	18,880
Miscellaneous	15,300	46,180	30,880
Total revenues	<u>\$ 2,694,300</u>	<u>\$ 2,823,599</u>	<u>\$ 129,299</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, 2019**

	Amended Budget	Actual	Variance Favorable (Unfavorable)
PERSONNEL			
Salaries - fire personnel	\$ 1,193,286	\$ 997,145	\$ 196,141
Salaries - board	4,500	4,500	
Payroll taxes	87,750	77,439	10,311
Health insurance	140,000	133,435	6,565
Retiree health	29,000	29,254	(254)
Disability insurance	25,000	19,037	5,963
Worker compensation insurance	80,000	48,893	31,107
Pension	59,000	55,849	3,151
OPEB contributions	351,791	351,790	1
Total personnel	1,970,327	1,717,342	252,985
PROFESSIONAL FEES			
Payroll administration	25,000	16,883	8,117
Accounting/audit services	18,750	19,531	(781)
Computer support	8,500	9,694	(1,194)
Attorney fees	7,000	3,440	3,560
Recruitment	500		500
Total professional fees	59,750	49,548	10,202
INSURANCE			
General liability	43,000	41,210	1,790
SUPPLIES			
Office supplies	5,000	2,280	2,720
Food and beverage	3,000	1,248	1,752
Postage	2,000	754	1,246
Fuel	20,000	17,837	2,163
Operating supplies	11,500	7,570	3,930
Software			
Total supplies	41,500	29,689	11,811
EQUIPMENT AND CAPITAL OUTLAY			
Capital outlay and equipment	2,401,050	2,042,111	358,939

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, 2019**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
COMMUNICATIONS	14,000	13,156	844
UNIFORMS			
Clothing allowance	8,000	6,279	1,721
Protective clothing	25,000	23,921	1,079
Total uniforms	33,000	30,200	2,800
TRAINING			
Public teaching	12,000	7,608	4,392
Community promotion	5,000	1,696	3,304
Seminars and conferences	3,000	1,330	1,670
Educational supplies	1,500	501	999
Total training	21,500	11,135	10,365
REPAIRS AND MAINTENANCE			
Equipment	13,000	14,934	(1,934)
Vehicles	3,500	2,170	1,330
Radios	40,000	29,616	10,384
Total repairs and maintenance	56,500	46,720	9,780
UNALLOCATED			
Mileage	1,500	300	1,200
Physicals and examinations	4,300	3,713	587
Miscellaneous	4,700	557	4,143
Dues and memberships	3,800	2,971	829
Printing and publications	500	0	500
Purchases with donation funds	1,500	16,497	(14,997)
Tax chargebacks	10,000	3,201	6,799
Hazardous material projects	6,500	4,479	2,021
Total unallocated	32,800	31,718	1,082

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, 2019**

	Amended Budget	Actual	Variance Favorable (Unfavorable)
CITY STATION #20			
Grounds maintenance	5,000	2,599	2,401
Telephone	4,000	3,599	401
Utilities	18,000	18,349	(349)
Repairs and maintenance	6,000	4,537	1,463
Lease	1		1
Total city station #20	33,001	29,084	3,917
OCEOLA TOWNSHIP FIRE STATION #22			
Grounds maintenance	3,200	1,105	2,095
Telephone	1,600	1,063	537
Utilities	10,100	7,742	2,358
Repairs and maintenance	3,000	2,272	728
Lease	1		1
Total Oceola Township fire station #22	17,901	12,182	5,719
MARION TOWNSHIP STATION #23			
Telephone	1,500	876	624
Utilities	6,500	2,966	3,534
Repairs and maintenance	4,000	1,318	2,682
Lease	1		1
Total Marion Township station #23	12,001	5,160	6,841
COHOCTAH TOWNSHIP STATION #24			
Grounds maintenance	1,500	435	1,065
Telephone	2,200	1,873	327
Utilities	5,800	3,094	2,706
Repairs and maintenance	3,500	2,415	1,085
Lease	1		1
Total Cohoctah Township station #24	13,001	7,817	5,184
Total expenditures	\$ 4,749,331	\$ 4,067,072	\$ 682,259

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.