HOWELL AREA FIRE AUTHORITY

Report on Financial Statements
(with required and other supplementary information)

For the Year Ended June 30, 2025

HOWELL AREA FIRE AUTHORITY

AUTHORITY BOARD MEMBERS

Michael Coddington - Chairperson
Sean Dunleavy - Vice Chairperson
Mark Fosdick - Secretary
Robert Ellis - Treasurer
William Fenton - Trustee

OTHER AUTHORITY BOARD MEMBER (non-voting)

Laura Walker & Barbara Souchick - 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 31, 2025

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, the component unit – special response team fund, and the aggregate remaining fund information for the Howell Area Fire Authority, Michigan as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the component unit – special response team fund, and the aggregate remaining fund information of the Howell Area Fire Authority, Michigan as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United states of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

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

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Howell Area Fire Authority, Michigan's basic financial statements. The combining and individual fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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

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, 2025. 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 $13,161,515. This is a $1,820,055 increase over last year's net position of $11,341,460.

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

Summary of Net Position

	6/30/2025	6/30/2024
Assets		
Current and other assets	$ 8,628,589	$ 7,859,928
Capital assets	4,155,487	2,973,619
Other non-current assets	344,110	344,110
Total assets	13,128,186	11,177,657
Deferred outflows of resources		
Pension related activities	526,604	579,918
Liabilities		
Current and other liabilities	189,088	117,879
Non-current liabilities	250,804	244,853
Total liabilities	439,892	362,732
Deferred inflows of resources		
OPEB related activities	53,383	53,383
Net position:		
Invested in capital assets	4,155,487	2,973,619
Unrestricted	9,006,028	8,367,841
Total net position	$ 13,161,515	$ 11,341,460

Summary of Changes in Net Position

	6/30/2025	6/30/2024
Revenues:		
Program revenues		
Operating grants and contributions	$ 53,336	$ 50,000
General revenues		
Property taxes	5,245,691	4,920,150
State grants	63,979	61,681
Interest	283,152	111,738
Other	46,873	58,218
Gain (loss) on sale of assets	(67,972)	39,505
Total revenues	5,625,059	5,241,292
Expenses for fire protection	3,805,004	3,347,368
Increase (decrease) in net position	1,820,055	1,893,924
Beginning net position	11,341,460	9,447,536
Ending net position	$ 13,161,515	$ 11,341,460

Changes in Financial Status and Analysis of Authority's General Fund

Under fund accounting, the Authority's overall General Fund balance increased by $744,504. Management plans on building up the fund balance for future year purchases of equipment and keeping on top of its legacy costs for pension and OPEB liabilities.

Budgetary Highlights

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

Capital Asset and Debt Administration

The Authority spent $1,478,579 on fixed assets in fiscal year 2025. They purchased equipment worth $12,000 and a new Sutphen Custom SL 75 Aerial fire truck at a cost of $1,434,624. In addition, a 2017 Chevy Silverado was donated to the Authority with a value of $18,336. The Authority also recognized $31,955 for construction in progress related to planned improvements to station #22 in Oceola Township. Groundbreaking is planned for this $3M project in the fall of 2025. Oceola Township is expected to contribute one-third of the cost for the project up to $1M.

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 2.0 mills was approved by the electorate, which started December, 2023 for 8 years. The taxable value increased by $196,883,562 from December 2023 to December 2024.

Management believes with the increase in the millage rate to 2.0 mills from the prior millage rate of 1.5 mills, the Authority will have the required funds to maintain operations with increasing costs of personnel, capital, and other various operating expenses.

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 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, 2025

	Primary Government	Component Unit
	Governmental Activities	Special Response Team
ASSETS		
Cash and investments	$ 8,516,138	$ 262,956
Receivables		4,500
Inventory		1,341
Prepaid expenses	112,451	
Depreciable capital assets - net of depreciation	4,155,487	158,462
Net OPEB asset	344,110	
Total assets	13,128,186	427,259
DEFERRED OUTFLOWS OF RESOURCES		
Pension related activities	526,604	
LIABILITIES		
Other current liabilities	112,036	10,329
Other non-current liabilities		
Accrued compensated absences	77,052	
Net pension liability	250,804	
Total liabilities	439,892	10,329
DEFERRED INFLOWS OF RESOURCES		
OPEB related activities	53,383	
NET POSITION		
Invested in capital assets, net of related debt	4,155,487	
Unrestricted	9,006,028	416,930
Total net position	$ 13,161,515	$ 416,930

The notes are an integral part of the financial statements.

HOWELL AREA FIRE AUTHORITY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

		Program Revenues		Net (Expenses) Revenue and Changes in Net Position	
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**	**Component Unit**
Governmental activities:					
Fire protection	$ (3,805,004)	$	53,336	$ (3,751,668)	$
Component Unit					
Special response team	$ (68,898)	$ 40,500	$		(28,398)
		General Revenues:			
		Property taxes		5,245,691	
		State grants		63,979	
		Investment earnings		283,152	24
		Gain (loss) on disposal of assets		(67,972)	
		Miscellaneous		46,873	
		Total general revenues		5,571,723	24
		Changes in net position		1,820,055	(28,374)
		Net position, July 1, 2024		11,341,460	445,304
		Net position, June 30, 2025		$ 13,161,515	$ 416,930

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, 2025

	General	Component Unit Special Response Team Fund
ASSETS		
Cash and investments	$ 8,516,138	$ 262,956
Accounts receivable		4,500
Inventories		1,341
Prepaid expenditures	112,451	
Total assets	$ 8,628,589	$ 268,797
LIABILITIES		
Due to others	$ 774	$
Accounts payable	5,516	10,329
Accrued wages	105,746	
Total liabilities	112,036	10,329
FUND BALANCES		
Non-spendable		
Inventory		1,341
Prepaid expenditures	112,451	
Restricted	15,588	257,127
Committed	3,092,963	
Unassigned	5,295,551	
Total fund balances	8,516,553	258,468
Total liabilities and fund balances	$ 8,628,589	$ 268,797

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, 2025

Total fund balance per balance sheet		$ 8,516,553
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	$ 6,928,126	
Depreciation	(2,772,639)	
Capital assets net of depreciation		4,155,487
Pension and OPEB related activities are not a consumption of current resources and therefore, are reported as deferred outflows (inflows) of resources in the Statement of Net Position.		
Net deferred outflows (inflows) of resources relating to pension	526,604	
Net deferred outflows (inflows) of resources relating to OPEB	(53,383)	
Total deferred outflows (inflows) of resources		473,221
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Employee compensated absences	(77,052)	
Net pension liability	(250,804)	
Net OPEB asset	344,110	
Net liabilities/assets		16,254
Net position of governmental activities		$ 13,161,515

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, 2025

Total fund balance per balance sheet		$ 258,468
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Historical cost	$ 479,296	
Depreciation	(320,834)	
Capital assets net of depreciation		158,462
Net position of governmental activities		$ 416,930

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, 2025

	General	Component Unit Special Response Team Fund
REVENUES		
Property taxes	$ 5,245,691	$
State grants	98,979	
Charges for services		40,500
Interest	283,152	24
Donations	1,500	
Contributions	7,412	
Proceeds from sale of capital asset	12,500	
Miscellaneous	37,961	
Total revenues	5,687,195	40,524
EXPENDITURES		
Current:		
Fire protection	3,434,112	
Special response		36,419
Capital outlay:		
Fire protection	1,478,579	
Total expenditures	4,912,691	36,419
Net changes in fund balances	774,504	4,105
FUND BALANCE, JULY 1, 2024	7,742,049	254,363
FUND BALANCE, JUNE 30, 2025	$ 8,516,553	$ 258,468

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, 2025

Net Change in Fund Balance per Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds		$ 774,504
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	$ 1,478,579	
Donated Assets	18,336	
Depreciation expense	(234,575)	
Disposal of assets	(80,472)	
Totals		1,181,868
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	(24,229)	
Change in net pension liability and related activity	(112,088)	
Totals		(136,317)
Change in net position of governmental activities		$ 1,820,055

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, 2025

Net Change in Fund Balance per Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds	$	4,105
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		(32,479)
Change in net position of governmental activities	$	(28,374)

The notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

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.

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.

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 $10,000. 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 Funds. The budget can be amended by approval from the Authority's Board. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. All annual appropriations lapse at the fiscal year end.

G. RISK MANAGEMENT

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

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:

- Non-spendable - 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.

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, 2025, 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.

NOTE 2 - TAX MILLAGE

The Authority levied a 1.9840 millage on all taxable property in the five-member municipalities which make up the Authority. The Authority implemented the voter approved eight-year millage, starting December, 2023 and ending December, 2030. Taxable value for the December 2024 levy was $2,687,706,845.

NOTE 3 – DEPOSITS 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, 2025, cash and investments consist of the following:

	Howell Area Fire Authority	Component Unit Special Response	Total
Deposits			
Checking accounts	$ 283,662	$ 19,725	$ 303,387
Money market accounts	206,664	247,549	454,213
Savings accounts	6,898,620		6,898,620
Total deposits	7,388,946	267,274	7,656,220
Investments			
MI Class	1,141,391		1,141,391
Total investments	1,141,391		1,141,391
Total cash and investments	$ 8,530,337	$ 267,274	$ 8,797,611

The carrying amounts of cash and investments are stated at $8,516,138 for the Authority funds and $262,956 for the component unit as of June 30, 2025. The difference between the carrying amounts and amounts mentioned above stem from cash on hand and outstanding items.

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, 2025, deposits in banks totaled $7,656,220 which was exposed to custodial credit risk as follows:

	Howell Area Fire Authority	Component Unit Special Response	Total
Insured by FDIC	$ 7,355,284	$ 267,274	$ 7,622,558
Uninsured and uncollateralized	33,662		33,662
	$ 7,388,946	$ 267,274	$ 7,656,220

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 - FAIR VALUE MEASUREMENTS

Accounting standards require certain assets and liabilities to be reported at fair value in financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritized the inputs and valuation techniques used to measure fair value.

The standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, the standards require the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

- Level 1 - Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 - Unobservable inputs for which there is little or no market data, which requires the use of the reporting entity's own assumptions.

The Authority's deposits of $7,656,220 measured at fair value are Level 1.

The Authority's investments of $1,141,391 held in an external investment pool measured at net asset value per share are Level 2. See table below for the fair value of these funds at June 30, 2025.

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

The Authority's accounts receivable and accounts payable are financial instruments which have fair values at June 30, 2025 that approximate their stated carrying amounts at those dates.

Investments in Entities that Calculate Net Asset Value per Share
The Authority holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
MI CLASS	$ 1,141,391	$	N/A	N/A
Total	$ 1,141,391	$		

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

The MERS RHFV Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. MERS manages the asset allocation and monitors the underlying investment managers of the MERS RHFV Total Market Portfolio.

NOTE 5 - FUND EQUITY INFORMATION

As of June 30, 2025 the Authority's fund equity was categorized as follows under GASB Standards:

	General	Component Unit
Non-spendable		
Prepaid expenditures/Inventory	$ 112,451	$ 1,341
Restricted		
Special Response Team		257,127
General reserve	911	
See in the Dark	950	
Smoke alarms	10,902	
AED's	941	
Honor Guard	1,884	
Total restricted	15,588	257,127
Committed		
Capital improvements	3,092,963	
Unassigned	5,295,551	
Total fund equity	$ 8,516,553	$ 258,468

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	Balance 7/1/2024	Additions	Deletions	Re-Classifications	Balance 6/30/2025
Governmental Activities:					
Capital assets not being depreciated					
Construction in progress	$	$ 31,955	$	$	$ 31,955
Capital assets being depreciated					
Buildings	1,846,765				1,846,765
Leasehold improvements	61,437		(15,592)		45,845
Vehicles and equipment	3,746,375	1,464,960	(207,775)		5,003,561
Total capital assets being depreciated	5,654,577	1,464,960	(223,367)		6,896,171
Less accumulated depreciation for					
Buildings	(274,045)	(48,921)			(322,966)
Leasehold improvements	(41,578)	(3,610)	14,572		(30,616)
Vehicles and equipment	(2,365,335)	(182,044)	128,322		(2,419,057)
Total accumulated depreciation	(2,680,958)	(234,575)	142,894		(2,772,639)
Net capital assets	$ 2,973,619	$ 1,262,340	$ (80,473)	$	$ 4,155,487

NOTE 6 - CAPITAL ASSETS (continued)

The Authority spent $1,478,579 on fixed assets during the 2025 fiscal year. The additions included a new Sutphem Aerial Ladder fire truck at a cost of $1,434,624, various equipment for $12,000, and a 2017 Chevy Silverado that was donated to the Authority at a value of $18,336. The Authority also recognized $31,955 for construction in progress related to planned improvements to station #22 in Oceola Township. Ground breaking is planned for this $3 million project in the fall of 2025. Oceola Township is expected to contribute one-third of the cost for the project, up to $1 million.

Disposals of $223,367 include the sale of the 1989 Ladder Truck for $12,500. Refurbishments on the truck were not fully depreciated, so it was sold at a loss of $79,453. Other miscellaneous equipment was disposed of.

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

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.

	Balance 7/1/2024	Additions	Deletions	Re-Classifications	Balance 6/30/2025
Component Unit - Special Response Team:					
Capital assets being depreciated					
Vehicle and equipment	$ 479,296	$	$	$	$ 479,296
Less accumulated depreciation	(288,355)	(32,479)			(320,834)
Net capital assets	$ 190,941	$ (32,479)	$	$	$ 158,462

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.

NOTE 7 - 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 various end dates from 2027-2029.

NOTE 8 - 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 by 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, which is open to all full-time employees and Division 50, which was previously closed, and has been re-opened to add the newly created full time admin assistant position. 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 25 years of service.

Employees covered by benefit terms

At the December 31, 2024 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees not yet receiving benefits	2
Active employees	18
	23

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, 2025 for Division 05 was 14.34% of covered wages for the Authority and 5.00% for employees. The Authority implemented benefit changes during the year changing retirement eligibility to a flat 25 years of service. This change resulted in a mid-year increase in the actuarially determined rate to 16.15%. Division 50 was re-opened during the year to add the newly created full-time admin assistant role. The actuarial rate for the year ended June 30, 2025, for Division 50 was 42.29% of covered wages for the Authority and 4.27% contribution rate for employees.

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, 2024.

NOTE 8 - DEFINED BENEFIT PLAN (continued)

Actuarial assumptions

The total pension liability in the December 31, 2024 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: 6.93%, 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 2019 to 2023.

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:

Asset Class	Target Allocation		Target Allocation Gross Rate of Return		Long-Term Expected Real Rate of Return
Global Equity	60.00%	x	7.00%	=	4.20%
Global Fixed Income	20.00%	x	4.66%	=	0.93%
Private Investments	20.00%	x	9.00%	=	1.80%
Total					6.93%

Discount Rate

The discount rate used to measure the total pension liability is 7.18% for 2024. 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.

NOTE 8 - DEFINED BENEFIT PLAN (continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2023	$ 2,676,994	$ 2,484,964	$ 192,030
Changes for the year			
Service Cost	209,967		209,967
Interest on Total Pension Liability	195,895		195,895
Changes in benefits	162,153		162,153
Difference between expected and actual experience	134,025		134,025
Changes in assumptions	4,263		4,263
Employer Contributions		401,012	(401,012)
Employee Contributions		59,323	(59,323)
Net Investment Income		193,098	(193,098)
Benefit payments, including employee refunds	(107,246)	(107,246)	
Administrative expense		(5,904)	5,904
Net Changes	599,057	540,283	58,774
Balance at 12/31/2024	$ 3,276,051	$ 3,025,247	$ 250,804

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

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.18%, as well as what the employer’s Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.18%) or 1% higher (8.18%) than the current rate.

	1% Decrease 6.18%	Current Discount Rate 7.18%	1% Increase 8.18%
Net Pension Liability at 12/31/2024	$ 250,804	$ 250,804	$ 250,804
Change in Net Pension Liability (NPL) from change in discount rate	417,769		(349,496)
Calculated NPL	$ 668,573	$ 250,804	$ (98,692)

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.

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

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

For the year ended June 30, 2025, the Authority recognized pension expense of $422,698. 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	$ 239,859	$	$ 239,859
Differences in assumptions	96,130		96,130
Excess (Deficit) of Investment Returns	79,956		79,956
Total deferred outflows (inflows) to be amortized	415,945		415,945
Contributions subsequent to the measurement date	110,659		110,659
Total deferred outflows (inflows)	$ 526,604	$	$ 526,604

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
2026	$ 114,116
2027	139,132
2028	54,448
2029	51,239
2030	37,252
Thereafter	19,758
Total	$ 415,945

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, 2025.

NOTE 9 – 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, 2025 were $9,771 and $16,374 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 $64,319 for the year ended June 30, 2025.

NOTE 10 – 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, 2024, the Retirement Plan membership consisted of the following:

Inactive plan members currently receiving benefits	3
Active employees	15
Total	18

NOTE 10 – 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, 2024. GASB Standard No 68 requires that OPEB liabilities be measured no more than 30 months and 1 day prior to the date of the Authority's financial statement. The Authority has elected to report the OPEB liabilities as of the measurement date one year prior to the financial statement date due to timing issues in receiving the most recent report.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2024. The following actuarial assumptions were used in the measurement:

Inflation:	2.50%
Salary increases:	2.00%
Investment rate of return:	7.00% including inflation
20-year Aa Municipal rate	4.21%
Mortality:	2010 Public General Employee and Healthy Retirees, Headcount weighted
Improvement Scale	IRS 2024 Adjusted Scale MP-2021

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the retirement plan's target asset allocation as of June 30, 2024, are summarized in the following table:

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

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

NOTE 10 – DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the employer would make contributions consistent with the actuarially determined contribution. Based on those assumptions, the retirement plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date", not applicable to this plan), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balance at 6/30/2023	$ 832,785	$ 1,046,226	$ (213,441)
Changes for the year			
Service cost	25,781		25,781
Interest on total OPEB liability	59,247		59,247
Difference between expected and actual experience	(119,552)		(119,552)
Changes in assumptions	48,334		48,334
Employer contributions		15,000	(15,000)
Employer contributions (benefits paid)		24,365	(24,365)
Net investment income		107,409	(107,409)
Benefit payments, including employee refunds	(24,365)	(24,365)	
Administrative expense		(2,295)	2,295
Net changes	(10,555)	120,114	(130,669)
Balance at 6/30/2024	$ 822,230	$ 1,166,340	$ (344,110)

NOTE 10 – DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Net OPEB Liability – Discount and Trend Rate Sensitivities

The following tables present the Net OPEB Liability (Asset) 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 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net OPEB Liability (Asset) at 6/30/2024	$ (344,110)	$ (344,110)	$ (344,110)
Change in Net OPEB Liability (Asset) from change in discount rate	93,565		(80,039)
Calculated Net OPEB Liability (Asset)	$ (250,545)	$ (344,110)	$ (424,149)

Trend

	1% Decrease 7.25%	Current Trend Rate 8.25%	1% Increase 9.25%
Net OPEB Liability (Asset) at 6/30/2024	$ (344,110)	$ (344,110)	$ (344,110)
Change in Net OPEB Liability (Asset) from change in trends	(95,943)		114,960
Calculated NOL (Asset)	$ (440,053)	$ (344,110)	$ (229,150)

Components of Fire Authority's OPEB Expense for the Fiscal Year Ending June 30, 2024

Below are the components of the Total OPEB Expense:

	Fiscal Year Ending June 30, 2024
Service Cost (Beginning of Year)	$ 25,781
Interest on Total OPEB Liability	59,247
Experience (Gains)/Losses	(979)
Changes of Assumptions	(2,624)
Projected Earnings on OPEB Plan Investments	(73,681)
Investment Earnings (Gains)/Losses	382
Administrative Expenses	2,295
Total OPEB Expense	$ 10,421

NOTE 10 – 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	$ 30,992	$ (126,276)	$ (95,284)
Differences in assumptions	95,842	(53,460)	42,382
Excess (Deficit) of Investment Returns		(481)	(481)
Total deferred outflows (inflows) to be amortized	$ 126,834	$ (180,217)	$ (53,383)

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
2025	$ (9,925)
2026	24,326
2027	(10,802)
2028	(11,989)
2029	(5,245)
Thereafter	(39,748)
Total	$ (53,383)

Reconciliation of Net OPEB Liability

	Net OPEB Liability
Net OPEB Liability (Asset) June 30, 2023	$ (213,441)
Total OPEB Expense	10,421
Contributions	(39,365)
Change in deferred outflows of resources	(27,940)
Change in deferred inflows of resources	(73,785)
Net OPEB Liability (Asset) June 30, 2024	$ (344,110)

Total OPEB Liability by Participant Status

	2024
Active participants	$ 545,977
Inactive participants receiving benefits	276,253
Total	$ 822,230

NOTE 11 - LEASES

The Authority previously implemented the Governmental Accounting Standards Board (GASB) Standard No. 87, *Leases*, which is intended to improve the accounting and financial reporting of leases for the Authority.

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

The Authority has determined that this standard has no material impact on the Authority's financial statement.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 31, 2025 , which is the date the financial statements were available to be issued.

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

NOTE 13 – GASB 77 – PROPERTY TAX ABATEMENTS

The Authority received reduced property tax revenues during the year ending June 30, 2025, as a result of industrial facilities tax (IFT) exemption (PA 198 of 1974) in Howell Township and the City of Howell, obsolete property rehabilitation act (OPRA) exemptions (PA 146 of 2000) in the City of Howell, and Brownfield Development agreements in the City of Howell.

For the fiscal year ending June 30, 2025, tax losses amounted to just over $6,400 for IFT exemptions, $1,200 for OPRA exemptions, and $1,300 for Brownfield Development agreements, for approximate total tax losses of $8,900. As it currently stands, these exemptions mature throughout 2044. The Authority does not have any other significant tax abatements in the member municipalities or other governments that reduce the Authority's tax revenue.

NOTE 14 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

In June 2022, the GASB issued Statement No. 101, *Compensated Absences.* This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted in the 2025 fiscal year.

The Authority adopted this standard on July 1, 2024. The adoption did not have a significant impact on the Authority's financial statements for the year ended June 30, 2025.

NOTE 15 – UPCOMING GASB STANDARDS

GASB 102 – CERTAIN RISK DISCLOSURES

In December 2023, the GASB issued Statement No 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The Authority is currently evaluating the impact this standard will have on financial statements when adopted during the 2026 fiscal year.

GASB 103 – FINANCIAL REPORTING MODEL IMPROVEMENTS

In April 2024, the GASB issued Statement No. 103*, Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements – or modifies existing requirements – related to the following:

a. Management's discussion and analysis (MD&A);
   - I. Requires that the information presented in the MD&A be limited to the related topics discussed in five specific sections:
     1) Overview of the Financial Statements,
     2) Financial Summary,
     3) Detailed Analyses,
     4) Significant Capital Asset and Long-Term Financing Activity,
     5) Currently Known Facts, Decisions, or Conditions;
   - II. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
   - III. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;

b. Unusual or infrequent items;
   - I. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies.

c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
   - I. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;

d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements should be presented after the fund financial statements;

e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to Required Supplementary Information.

The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025 fiscal year.

NOTE 15 – UPCOMING GASB STANDARDS (continued)

GASB 104 - DISCLOSURE OF CERTAIN ASSETS

In September, 2024, the GASB issued Statement No 104, *Disclosure of Certain Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* should be disclosed separately by major class of the underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, the Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale.

The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026 fiscal year.

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, 2025

	Budget Amount			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES	$ 5,077,539	$ 5,077,539	$ 5,674,695	$ 597,156
EXPENDITURES				
Personnel	3,517,500	3,517,500	2,929,449	588,051
Professional fees	112,500	128,600	81,435	47,165
Insurance - liability	57,000	57,000	55,993	1,007
Supplies	93,000	93,000	47,115	45,885
Equipment and capital outlay	1,898,500	1,882,400	1,510,100	372,300
Communications	26,000	26,000	24,023	1,977
Uniforms	85,000	85,000	64,714	20,286
Training	31,500	31,500	18,344	13,156
Repairs and maintenance	98,500	98,500	82,228	16,272
Unallocated	45,700	45,700	27,219	18,481
City Station #20	54,000	54,000	38,941	15,059
Oceola Township Fire Station #22	24,100	24,100	15,100	9,000
Marion Township Station #23	18,500	18,500	7,074	11,426
Cohoctah Township Station #24	21,000	21,000	10,956	10,044
Total expenditures	6,082,800	6,082,800	4,912,691	1,170,109
Excess of revenues over (under) expenditures	(1,005,261)	(1,005,261)	762,004	1,767,265
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	10,000	10,000	12,500	2,500
Net changes in fund balance	(995,261)	(995,261)	774,504	1,769,765
FUND BALANCE, JULY 1, 2024	7,742,049	7,742,049	7,742,049	
FUND BALANCE, JUNE 30, 2025	$ 6,746,788	$ 6,746,788	$ 8,516,553	$ 1,769,765

HOWELL AREA FIRE AUTHORITY

DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2025

Schedule of Employer Contributions

	For the Plan Year Ended December 31,									
	2024	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Actuarial determined contributions	$ 301,012	$ 133,648	$ 113,224	$ 80,263	$ 61,764	$ 46,605	$ 41,452	$ 40,251	$ 37,213	$ 39,703
Contributions in relation to the actuarial determined contribution	401,012	333,648	188,224	310,263	61,764	46,605	41,452	40,251	93,542	160,340
Contribution deficiency (excess)	$ (100,000)	$(200,000)	$ (75,000)	$(230,000)	$	$	$	$	$ (56,329)	$(120,637)
Covered employee payroll	$ 1,355,043	$ 866,327	$ 588,370	$ 520,595	$ 460,694	$ 434,956	$ 368,176	$ 360,276	$ 350,421	$ 334,155
Contributions as a percentage of covered payroll	29.59%	38.51%	31.99%	59.60%	13.41%	10.71%	11.26%	11.17%	26.69%	47.98%

This schedule is presented to illustrate the requirement to show information for 10 years.

DEFINED BENEFIT PENSION PLAN
NOTES TO THE SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2025

Notes to the Schedule of Employer Contributions

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	
Change in experience - Division 05	15 years
Unfunded actuarial liability - Division 50	16 years
Gain/(loss) on investments - Division 50	10 - 14 years
Change in assumptions - Division 50	10 years
Change in experience - Division 50	10-15 years
Asset valuation method	5 years smoothed
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.00%
Retirement age	Age 60 with 10 years of service, or at 25 years of service with no age restriction.
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 and 7.35% investment rate of return were used for the valuations prior to December 31, 2024.

HOWELL AREA FIRE AUTHORITY

DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2025

	For the Plan Year Ended December 31,									
	2024	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
TOTAL PENSION LIABILITY (TPL)										
Service Cost	$ 209,967	$ 136,100	$ 91,492	$ 77,308	$ 64,359	$ 58,284	$ 48,820	$ 47,917	$ 46,816	$ 42,605
Interest	189,075	172,190	159,201	148,561	129,457	116,051	114,574	107,326	100,346	85,979
Differences between expected and actual experience	134,025	68,520	36,574	27,897	88,039	24,137	(3,075)	5,145	9,790	92,680
Changes of benefits	162,153									
Changes of assumptions	4,263	21,971		87,521	57,939	45,181				53,554
Benefit payments, including refunds of employee contributions	(107,247)	(107,247)	(107,247)	(107,247)	(82,575)	(70,239)	(70,238)	(70,239)	(70,239)	(59,299)
Other changes	6,821	1,680	1		1	6,109				
Net change in total pension liability	599,057	293,214	180,021	234,040	257,220	179,523	90,081	90,149	86,713	215,519
TOTAL PENSION LIABILITY - BEGINNING	2,676,994	2,383,780	2,203,759	1,969,719	1,712,499	1,532,976	1,442,895	1,352,746	1,266,033	1,050,514
TOTAL PENSION LIABILITY - ENDING	$ 3,276,051	$ 2,676,994	$ 2,383,780	$ 2,203,759	$ 1,969,719	$ 1,712,499	$ 1,532,976	$ 1,442,895	$ 1,352,746	$ 1,266,033
PLAN FIDUCIARY NET POSITION										
Contributions - employer	$ 401,012	$ 333,648	$ 188,224	$ 310,263	$ 61,764	$ 46,605	$ 41,452	$ 40,251	$ 93,542	$ 160,340
Contributions - employee	59,323	21,485	16,530	13,965	12,767	10,707	9,867	9,655	9,391	8,591
Net investment income	193,098	228,489	(221,477)	260,807	193,477	179,732	(54,866)	165,880	125,622	(16,201)
Benefit payments, including refunds of employee contributions	(107,247)	(107,247)	(107,247)	(107,247)	(82,575)	(70,239)	(70,238)	(70,239)	(70,239)	(59,299)
Administrative Expenses	(5,905)	(4,825)	(4,077)	(2,969)	(3,013)	(3,097)	(2,713)	(2,625)	(2,487)	(2,337)
Net change in plan fiduciary net position	540,281	471,550	(128,047)	474,819	182,420	163,708	(76,498)	142,922	155,829	91,094
PLAN FIDUCIARY NET POSITION, BEGINNING	2,484,964	2,013,414	2,141,461	1,666,642	1,484,222	1,320,514	1,397,012	1,254,090	1,098,261	1,007,167
PLAN FIDUCIARY NET POSITION, ENDING	$ 3,025,245	$ 2,484,964	$ 2,013,414	$ 2,141,461	$ 1,666,642	$ 1,484,222	$ 1,320,514	$ 1,397,012	$ 1,254,090	$ 1,098,261
NET PENSION LIABILITY										
(TOTAL PENSION LIABILITY - PLAN FIDUCIARY NET POSITION	$ 250,806	$ 192,030	$ 370,366	$ 62,298	$ 303,077	$ 228,277	$ 212,462	$ 45,883	$ 98,656	$ 167,772
Plan fiduciary net position as a percentage of TPL	92.34%	92.83%	84.46%	97.17%	84.61%	86.67%	86.14%	96.82%	92.71%	86.75%
Covered employee payroll	$ 1,355,043	$ 866,327	$ 588,370	$ 520,595	$ 460,694	$ 434,956	$ 368,176	$ 360,276	$ 350,421	$ 334,155
Net pension liability as a percentage of covered employee payroll	18.51%	22.17%	62.95%	11.97%	65.79%	52.48%	57.71%	12.74%	28.15%	50.21%

This schedule is presented to illustrate the requirement to show information for 10 years.

HOWELL AREA FIRE AUTHORITY

DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2025

	For the Plan Year Ended June 30,						
	2024	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Service cost (End of Year)	$ 25,781	$ 24,761	$ 24,981	$ 25,927	$ 26,759	$ 47,446	$ 47,446
Amortization of unfunded liability	(25,781)	(15,642)	(21,913)	11,253	(18,594)	36,075	34,475
Actuarially Determined Employer Contribution		9,119	3,068	37,180	8,165	83,521	81,921
Contributions in relation to the actuarial determined contribution	39,365	107,595	105,569	114,014	28,768	351,790	75,955
Contribution deficiency (excess)	$ (39,365)	$ (98,476)	$ (102,501)	$ (76,834)	$ (20,603)	$ (268,269)	$ 5,966
Covered employee payroll	$ 1,207,214	$ 645,616	$ 634,989	$ 546,516	$ 460,969	$ 412,239	$ 1,035,096
Contributions as a percentage of covered payroll	3.26%	16.67%	16.63%	20.86%	6.24%	85.34%	7.34%

This schedule is presented to illustrate the requirement to show information for 10 years.

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, 2025

	For the Plan Year Ended June 30,						
	2024	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
TOTAL OPEB LIABILITY							
Service Cost	$ 25,781	$ 24,761	$ 24,981	$ 25,927	$ 26,759	$ 47,446	$ 45,564
Interest	59,247	55,966	53,983	53,013	36,343	26,273	24,443
Differences between expected and actual experience	(119,552)	(18,663)	(8,893)	(5,907)	103,419	2,750	
Changes of assumptions	48,334	12,262	26,792	(31,097)	113,521	(193,963)	
Benefit payments, including refunds of employee contributions	(24,365)	(32,595)	(30,569)	(25,014)	(28,768)	(29,254)	(25,955)
Net change in total OPEB liability	(10,555)	41,731	66,294	16,922	251,274	(146,748)	44,052
TOTAL OPEB LIABILITY - BEGINNING	832,785	791,054	724,760	707,838	456,564	603,312	559,260
TOTAL OPEB LIABILITY - ENDING	$ 822,230	$ 832,785	$ 791,054	$ 724,760	$ 707,838	$ 456,564	$ 603,312
PLAN FIDUCIARY NET POSITION							
Contributions to OPEB trust	$ 15,000	$ 75,000	$ 75,000	$ 89,000	$	$ 351,790	$ 50,000
Contributions (benefits paid)	24,365	32,595	30,569	25,014	28,768	29,254	25,955
Net investment income	107,409	71,413	(74,214)	182,084	14,447	16,932	14,965
Benefit payments, including refunds of employee contributions	(24,365)	(32,595)	(30,569)	(25,014)	(28,768)	(29,254)	(25,955)
Administrative Expenses	(2,295)	(1,774)	(1,625)	(1,349)	(1,133)	(867)	(504)
Net change in plan fiduciary net position	120,114	144,639	(839)	269,735	13,314	367,855	64,461
PLAN FIDUCIARY NET POSITION, BEGINNING	1,046,226	901,587	902,426	632,691	619,377	251,522	187,061
PLAN FIDUCIARY NET POSITION, ENDING	$1,166,340	$1,046,226	$ 901,587	$ 902,426	$ 632,691	$ 619,377	$ 251,522
NET OPEB LIABILITY (ASSET)							
(TOTAL OPEB LIABILITY - PLAN FIDUCIARY NET POSITION)	$ (344,110)	$ (213,441)	$ (110,533)	$ (177,666)	$ 75,147	$ (162,813)	$ 351,790
Plan fiduciary net position as a percentage of the total OPEB liability	141.85%	125.63%	113.97%	124.51%	89.38%	135.66%	41.69%
Covered employee payroll	$1,207,214	$ 645,616	$ 634,989	$ 546,516	$ 460,969	$ 412,239	$ 1,035,096
Net OPEB liability as a percentage of covered employee payroll	-28.50%	-33.06%	-17.41%	-32.51%	16.30%	-39.49%	33.99%

This schedule is presented to illustrate the requirement to show information for 10 years.

SUPPLEMENTARY INFORMATION

HOWELL AREA FIRE AUTHORITY

COMBINING BALANCE SHEET
FUNDS INCLUDED IN GASB 54 GENERAL FUND CONSOLIDATION
JUNE 30, 2025

	General Fund - Pre Consolidation	Capital Reserve Equipment Fund	Site/ Building Reserve Fund	Eliminations	Totals Restated General Fund
Assets					
Cash and investments	$ 5,423,175	$ 1,119,960	$ 1,973,003	$	$ 8,516,138
Prepaid expenditures	112,451				112,451
Total assets	$ 5,535,626	$ 1,119,960	$ 1,973,003	$	$ 8,628,589
Liabilities					
Due to others	$ 774	$	$	$	$ 774
Accounts payable	5,516				5,516
Accrued wages	105,746				105,746
Total liabilities	112,036				112,036
Fund Balance					
Nonspendable	112,451				112,451
Restricted	15,588				15,588
Committed		1,119,960	1,973,003		3,092,963
Unassigned	5,295,551				5,295,551
Total fund balance	5,423,590	1,119,960	1,973,003		8,516,553
Total liabilities and fund balance	$ 5,535,626	$ 1,119,960	$ 1,973,003	$	$ 8,628,589

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, 2025

	General Fund - Pre Consolidation	Capital Reserve Equipment Fund	Site/ Building Reserve Fund	Eliminations	Totals Restated General Fund
REVENUES					
Fire millage	$ 5,245,691	$	$	$	$ 5,245,691
State grants	98,979				98,979
Interest	161,489	75,440	46,223		283,152
Donations	1,500				1,500
Contributions from local units	7,412				7,412
Miscellaneous	37,961				37,961
Total revenues	5,553,032	75,440	46,223		5,674,695
EXPENDITURES					
Current:					
Fire protection	3,434,112				3,434,112
Capital outlay	1,478,579				1,478,579
Total expenditures	4,912,691				4,912,691
Excess of revenues over (under) expenditures	640,341	75,440	46,223		762,004
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets	12,500				12,500
Transfers in	800,000	200,000	1,200,000	(2,200,000)	
Transfers (out)	(1,200,000)	(1,000,000)		2,200,000	
Total other financing sources (uses)	(387,500)	(800,000)	1,200,000		12,500
Net changes in fund balances	252,841	(724,560)	1,246,223		774,504
FUND BALANCE, JULY 1, 2024	5,170,749	1,844,520	726,780		7,742,049
FUND BALANCE, JUNE 30, 2025	$ 5,423,590	$ 1,119,960	$ 1,973,003	$	$ 8,516,553

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, 2025

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES	$ 5,077,539	$ 5,553,032	$ 475,493
EXPENDITURES			
Personnel	3,517,500	2,929,449	588,051
Professional fees	128,600	81,435	47,165
Insurance	57,000	55,993	1,007
Supplies	93,000	47,115	45,885
Equipment and capital outlay	1,882,400	1,510,100	372,300
Communications	26,000	24,023	1,977
Uniforms	85,000	64,714	20,286
Training	31,500	18,344	13,156
Repairs and maintenance	98,500	82,228	16,272
Unallocated	45,700	27,219	18,481
City station #20	54,000	38,941	15,059
Oceola Township Fire Station #22	24,100	15,100	9,000
Marion Township Station #23	18,500	7,074	11,426
Cohoctah Township Station #24	21,000	10,956	10,044
Total expenditures	6,082,800	4,912,691	1,170,109
Excess of revenues over (under) expenditures	(1,005,261)	640,341	1,645,602
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of assets	10,000	12,500	2,500
Transfers in	1,000,000	800,000	(200,000)
Transfers (out)		(1,200,000)	(1,200,000)
Total other financing sources (uses)	1,010,000	(387,500)	(1,397,500)
Net change in fund balance	4,739	252,841	248,102
FUND BALANCE, JULY 1, 2024	5,170,749	5,170,749	
FUND BALANCE, JUNE 30, 2025	$ 5,175,488	$ 5,423,590	$ 248,102

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, 2025

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property tax revenue			
City of Howell	$ 830,275	$ 754,981	$ (75,294)
Howell Township	910,100	958,454	48,354
Marion Township	1,403,375	1,424,459	21,084
Oceola Township	1,600,673	1,816,250	215,577
Cohoctah Township	308,116	291,547	(16,569)
Total property tax revenue	5,052,539	5,245,691	193,152
Contributions from local units		7,412	7,412
State grants			
LCSA Reimbursement		63,979	
Turnout gear grant		35,000	
Total state grants		98,979	98,979
Interest income	5,000	161,489	156,489
Donations	1,500	1,500	
Miscellaneous	18,500	37,961	19,461
Total revenues	$ 5,077,539	$ 5,553,032	$ 475,493

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, 2025

	Final Budget	Actual	Variance Favorable (Unfavorable)
PERSONNEL			
Salaries - fire personnel	$ 2,470,000	$ 1,894,672	$ 575,328
Salaries - board	4,500	3,450	1,050.00
Payroll taxes	175,000	145,757	29,243
Health insurance	431,000	431,691	(691)
Retiree health	35,000	25,298	9,702
Disability insurance	40,000	27,483	12,517
Worker compensation insurance	85,000	45,382	39,618
Unemployment insurance		925	(925)
Healthcare savings plan	15,000	15,075	(75)
Pension	242,000	319,716	(77,716)
OPEB	20,000	20,000	
Total personnel	3,517,500	2,929,449	588,051
PROFESSIONAL FEES			
Payroll administration	25,000	27,893	(2,893)
Accounting/audit services	37,500	21,987	15,513
Computer support	30,000	17,732	12,268
Attorney fees	15,000	4,704	10,296
Recruitment	5,000	2,942	2,058
Human Resources	16,100	6,177	9,923
Total professional fees	128,600	81,435	47,165
INSURANCE			
General liability	57,000	55,993	1,007
SUPPLIES			
Office supplies	5,000	2,141	2,859
Food and beverage	3,000	1,659	1,341
Postage	2,000	1,090	910
Fuel	60,000	25,731	34,269
Operating supplies	8,000	9,945	(1,945)
Small tools	10,000	4,870	5,130
Software	5,000	1,679	3,321
Total supplies	93,000	47,115	45,885
EQUIPMENT AND CAPITAL OUTLAY			
Capital outlay and equipment	1,882,400	1,510,100	372,300

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, 2025

	Final Budget	Actual	Variance Favorable (Unfavorable)
COMMUNICATIONS	26,000	24,023	1,977
UNIFORMS			
Clothing allowance	20,000	11,655	8,345
Protective clothing	65,000	53,059	11,941
Total uniforms	85,000	64,714	20,286
TRAINING			
Public teaching	20,000	14,108	5,892
Community promotion	5,000	1,034	3,966
Seminars and conferences	5,000	3,008	1,992
Educational supplies	1,500	194	1,306
Total training	31,500	18,344	13,156
REPAIRS AND MAINTENANCE			
Equipment	25,000	15,515	9,485
Vehicles	3,500	165	3,335
Radios	70,000	66,548	3,452
Total repairs and maintenance	98,500	82,228	16,272
UNALLOCATED			
Mileage	1,000	136	864
Physicals and examinations	10,000	5,756	4,244
Miscellaneous	4,700	6,482	(1,782)
Dues and memberships	7,000	4,228	2,772
Purchases with donation funds	1,500	1,379	121
Tax chargebacks	15,000	4,061	10,939
Hazardous material projects	6,500	5,177	1,323
Total unallocated	45,700	27,219	18,481

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, 2025

	Final Budget	Actual	Variance Favorable (Unfavorable)
CITY STATION #20			
Grounds maintenance	5,000	200	4,800
Telephone	6,500	1,877	4,623
Utilities	27,500	25,248	2,252
Repairs and maintenance	15,000	11,616	3,384
Total city station #20	54,000	38,941	15,059
OCEOLA TOWNSHIP FIRE STATION #22			
Grounds maintenance	4,000	2,425	1,575
Telephone	2,000	2,279	(279)
Utilities	10,600	7,779	2,821
Repairs and maintenance	7,500	2,617	4,883
Total Oceola Township fire station #22	24,100	15,100	9,000
MARION TOWNSHIP STATION #23			
Telephone	2,000	1,378	622
Utilities	6,500	3,139	3,361
Repairs and maintenance	10,000	2,557	7,443
Total Marion Township station #23	18,500	7,074	11,426
COHOCTAH TOWNSHIP STATION #24			
Grounds maintenance	1,500	100	1,400
Telephone	3,000	1,638	1,362
Utilities	6,500	3,395	3,105
Repairs and maintenance	10,000	5,823	4,177
Total Cohoctah Township station #24	21,000	10,956	10,044
Total expenditures	$ 6,082,800	$ 4,912,691	$ 1,170,109

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.

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October 31, 2025

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

Dear Honorable Board of Trustees:

In planning and performing our audit of the financial statements of the Howell Area Fire Authority as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Howell Area Fire Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in the Howell Area Fire Authority's internal control to be a material weakness:

> **Establish Control over the Financial Reporting Process:** Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles.
>
> At times, management may choose to outsource certain accounting functions due to cost or training considerations. Such accounting functions and service providers must be governed by the control policies and procedures of the Authority. Management is as responsible for outsourced functions performed by a service provider as it would be if your personnel performed such functions. Specifically, management is responsible for management decisions and functions: for designating an individual with suitable skill, knowledge, or experience to oversee any outsourced services; and for evaluating the adequacy and results of those services and accepting responsibility for them.

As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management did not perform a detailed review of the financial statements. The absence of this control procedure is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the Authority's internal control.

The existence of significant deficiencies or material weaknesses may already be known to management and may represent a conscious decision by management or those charged with governance to accept that degree of risk because of cost or other considerations. Management is responsible for making decisions concerning costs and the related benefits. We are responsible to communicate significant deficiencies and material weaknesses in accordance with professional standards regardless of management's decisions.

Response by Management: Management believes the cost of hiring additional personnel exceeds the benefits of more control over the financial reporting process. Therefore, management has chosen to continue to request the auditors to prepare the financial statements. However, management has read, reviewed, understands and takes full responsibility of the financial statements.

Conclusion

Thank you for the assistance and cooperation during audit fieldwork. We appreciate the hospitality. Please call with any comments and (or) questions.

This communication is intended solely for the information and use of management, Authority Board of Trustees, and others with the organization, and is not intended to be and should not be used by anyone other than the specified parties.

Pfeffer, Hanniford & Palka, P.C.

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October 31, 2025

To the Authority Board
Howell Area Fire Authority
1211 W. Grand River Avenue
Howell MI 48843

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of Howell Area Fire Authority for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 9, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2024/2025, except as described in the notes to the financial statements. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the Authority's financial statements were:

Depreciation

Management's estimate of the depreciation expense is based on estimated useful lives and salvage values of capital assets. We evaluated the methods, assumptions, and data used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

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Pension and OPEB – Net Pension and OPEB Liability (Asset)

Management's estimates for the various components of the defined benefit pension and OPEB plans, including the total pension and OPEB liability, net pension and OPEB liability, deferred inflow of resources and deferred outflow of resources, are based on experience studies performed by certified actuarial specialists. We have reviewed the estimates provided and summaries of the related experience studies used to develop the net pension liability and related components in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 31, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Other Matters

We applied certain limited procedures to the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining statements and individual fund statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Authority and management of Howell Area Fire Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants