

**HOWELL AREA FIRE AUTHORITY**

**Report on Audit of Financial Statements**

**For the Year Ended June 30, 2021**

**HOWELL AREA FIRE AUTHORITY**

**AUTHORITY BOARD MEMBERS**

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

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

Laura Walker - Assistant Secretary/Assistant Treasurer

**ATTORNEY**

Gentry Nalley, PLLC

**AUDITORS**

Pfeffer, Hanniford & Palka  
Certified Public Accountants

## TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	
<b>MANAGEMENT DISCUSSION AND ANALYSIS</b>	7
<b><u>BASIC FINANCIAL STATEMENTS</u></b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
Statement of Net Position	12
Statement of Activities	13
<b>FUND FINANCIAL STATEMENTS</b>	
Balance Sheet - Governmental Funds and Component Unit	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	16
Reconciliation of the Balance Sheet of Special Response Team Component Unit to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds and Component Unit	18
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Special Response Team Component Unit to the Statement of Activities	20
Statement of Fiduciary Net Position – Fiduciary Funds	22
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	23
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	25
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	45
Defined Benefit Pension Plan - Schedule of Employer Contributions	46
Defined Benefit Pension Plan – Notes to the Schedule of Employer Contributions	47
Defined Benefit Pension Plan - Schedule of Changes in Net Pension Liability and Related Ratios	48
Defined Benefit Other Post Employment Benefit Plan - Schedule of Employer Contributions	49
Defined Benefit Other Post Employment Benefit Plan - Schedule of Changes in Net OPEB Liability and Related Ratios	50
<b>SUPPLEMENTARY INFORMATION</b>	
Combining Balance Sheet - Funds Included in GASB 54 General Fund Consolidation	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Funds Included in GASB 54 General Fund Consolidation	53
General Fund (Pre GASB 54 Consolidation) Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	54
Statement of Revenues - Budget and Actual	55
Statement of Expenditures - Budget and Actual	56



---

**PFEFFER ■ HANNIFORD ■ PALKA**  
*Certified Public Accountants*

**John M. Pfeffer, C.P.A.**  
**Patrick M. Hanniford, C.P.A.**  
**Kenneth J. Palka, C.P.A.**

*Members:*  
*AICPA Private Practice Companies Section*  
*MACPA*

**225 E. Grand River - Suite 104**  
**Brighton, Michigan 48116-1575**  
**(810) 229-5550**  
**FAX (810) 229-5578**

## INDEPENDENT AUDITOR'S REPORT

October 29, 2021

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

Honorable Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and the aggregate discretely presented component unit of the Howell Area Fire Authority, Michigan, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Howell Area Fire Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of the Howell Area Fire Authority, Michigan, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Howell Area Fire Authority of Michigan's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

PFEFFER, HANNIFORD & PALKA  
Certified Public Accountants

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**Management Discussion and Analysis**  
**June 30, 2021**

---

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, 2021. 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 \$7,897,934. This is a \$1,083,381 increase over last year's net position of \$6,814,553.

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

#### Summary of Net Position

	<u>6/30/2021</u>	<u>6/30/2020</u>
<b>Assets</b>		
Current and other assets	\$ 5,425,549	\$ 4,566,146
Capital assets	2,356,875	2,468,682
Other non-current assets	177,666	
<b>Total assets</b>	<u>7,960,090</u>	<u>7,034,828</u>
<b>Deferred outflows of resources</b>		
Pension related activities	439,276	215,617
<b>Liabilities</b>		
Current and other liabilities	79,081	88,821
Non-current liabilities	350,041	347,071
<b>Total liabilities</b>	<u>429,122</u>	<u>435,892</u>
<b>Deferred inflows of resources</b>		
OPEB related activities	72,310	
<b>Net position:</b>		
Invested in capital assets	2,374,186	3,130,887
Unrestricted	5,523,748	3,683,666
<b>Total net position</b>	<u>\$ 7,897,934</u>	<u>\$ 6,814,553</u>

**Summary of Changes in Net Position**

	<u>6/30/2021</u>	<u>6/30/2020</u>
<b>Revenues:</b>		
<b>Program revenues</b>		
Operating grants and contributions	\$ 136,792	\$ 15,281
<b>General revenues</b>		
Property taxes	2,944,663	2,824,016
Other	103,153	114,318
Transfer of capital assets	<u>(13,583)</u>	
<b>Total revenues</b>	3,171,025	2,953,615
<b>Expenses for fire protection</b>	<u>2,087,644</u>	<u>2,694,950</u>
<b>Increase (decrease) in net position</b>	1,083,381	258,665
<b>Beginning net position</b>	<u>6,814,553</u>	<u>6,555,888</u>
<b>Ending net position</b>	<u>\$ 7,897,934</u>	<u>\$ 6,814,553</u>

**Changes in Financial Status and Analysis of Authority’s Fund**

Under fund accounting, the Authority’s overall General Fund balance increased by \$347,571. Management plans on building up the fund balance for future year purchases of equipment and keeping on top of its legacy costs for pension and OPEB liabilities.

**Budgetary Highlights**

The budget was adopted prior to the start of the fiscal year with amendments made as needed throughout the year. The Authority did not exceed budgeted appropriations in any category, as can be seen in the Required Supplementary Information on page 44.

**Capital Asset and Debt Administration**

The Authority and its component unit Special Response Team had no debt obligations as of June 30, 2021. The Authority paid a deposit on a new fire engine totaling \$525,617, which will be received in the upcoming fiscal year. In addition, the Authority repaved the parking lot at the Oceola Township station, totaling \$36,405 and a new vehicle totaling \$39,307. Oceola Township contributed 50% of the cost of the parking lot repaving project. The Authority disposed of a fully depreciated vehicle no longer in service.

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

**Economic Conditions and Future Activities**

The Authority’s operations are funded by a tax millage. A millage rate of 1.5 mills was approved by the electorate, which started December of 2012 and was renewed in the 2017 fiscal year. The taxable value increased by \$110,743,007 from 2020 to 2021 and is expected to increase 3 to 4% over the next fiscal year.

**Contacting the Authority’s Financial Management**

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

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

HOWELL AREA FIRE AUTHORITY

STATEMENT OF NET POSITION  
JUNE 30, 2021

	Primary Government	Component Unit
	Governmental Activities	Special Response Team
<b>ASSETS</b>		
Cash and investments	\$ 4,837,838	\$ 212,374
Receivables	15,207	4,840
Inventory		1,341
Prepaid expenses	572,504	
Depreciable capital assets - net of depreciation	2,356,875	288,380
Net OPEB asset	177,666	
<b>Total assets</b>	<b>7,960,090</b>	<b>506,935</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related activities, net of deferred inflows	439,276	
<b>LIABILITIES</b>		
Accounts payable	25,647	7,583
Accrued expenses	53,434	
Other non-current liabilities		
Accrued compensated absences	46,964	
Net pension liability	303,077	
<b>Total liabilities</b>	<b>429,122</b>	<b>7,583</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
OPEB related activities, net of deferred outflows	72,310	
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	2,356,875	288,380
Unrestricted	5,541,059	210,972
<b>Total net position</b>	<b>\$ 7,897,934</b>	<b>\$ 499,352</b>

The notes are an integral part of the financial statements.

**HOWELL AREA FIRE AUTHORITY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Component Unit</u>
<b>Governmental activities:</b>					
Fire protection	\$ (2,087,644)	\$	\$ 136,792	\$ (1,950,852)	\$
<b>Component Unit</b>					
Special response team	\$ (72,232)	\$ 40,000	\$		(32,232)
		<b>General Revenues:</b>			
				2,944,663	
				61,543	
				2,602	51
				21,772	
				12,942	
				(13,583)	13,583
				4,294	7,456
			<b>Total general revenues</b>	<b>3,034,233</b>	<b>21,090</b>
			<b>Changes in net position</b>	<b>1,083,381</b>	<b>(11,142)</b>
			<b>Net position, July 1, 2020</b>	<b>6,814,553</b>	<b>510,494</b>
			<b>Net position, June 30, 2021</b>	<b>\$ 7,897,934</b>	<b>\$ 499,352</b>

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, 2021**

	<b>General</b>	<b>Component Unit Special Response Team Fund</b>
	<u>General</u>	<u>Team Fund</u>
<b>ASSETS</b>		
Cash and investments	\$ 4,837,838	\$ 212,374
Accounts receivable	15,207	4,840
Inventories		1,341
Prepaid expenditures	46,887	
<b>Total assets</b>	<u>\$ 4,899,932</u>	<u>\$ 218,555</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 16,062	\$ 7,583
Due to others	9,585	
Accrued expenditures	6,770	
Accrued wages	53,560	
<b>Total liabilities</b>	<u>85,977</u>	<u>7,583</u>
<b>FUND BALANCES</b>		
Non-spendable	46,887	
Restricted	9,508	210,972
Committed	1,033,824	
Unassigned	3,723,736	
<b>Total fund balances</b>	<u>4,813,955</u>	<u>210,972</u>
<b>Total liabilities and fund balances</b>	<u>\$ 4,899,932</u>	<u>\$ 218,555</u>

The notes are an integral part of the financial statements.

**HOWELL AREA FIRE AUTHORITY**

**RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021**

<b>Total fund balance per balance sheet</b>		\$ 4,813,955
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.</p>		
Deposit on capital assets	\$ 525,617	
Historical cost	5,009,931	
Depreciation	<u>(2,653,056)</u>	
<b>Capital assets net of depreciation</b>		2,882,492
<p>Pension and OPEB related activities are not a consumption of current resources and therefore, are reported as deferred outflows (inflows) of resources in the Statement of Net Position.</p>		
Net deferred outflows (inflows) of resources relating to pension	439,276	
Net deferred outflows (inflows) of resources relating to OPEB	<u>(72,310)</u>	
<b>Total deferred outflows (inflows) of resources</b>		366,966
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:</p>		
Employee compensated absences	(40,068)	
Net pension liability	(303,077)	
Net OPEB asset	<u>177,666</u>	
<b>Total liabilities</b>		<u>(165,479)</u>
<b>Net position of governmental activities</b>		<u>\$ 7,897,934</u>

The notes are an integral part of the financial statements.

HOWELL AREA FIRE AUTHORITY

RECONCILIATION OF THE BALANCE SHEET OF  
SPECIAL RESPONSE TEAM COMPONENT UNIT TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021

<b>Total fund balance per balance sheet</b>		\$	210,972
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.			
Historical cost		\$	479,296
Depreciation			<u>(190,916)</u>
<b>Capital assets net of depreciation</b>			<u>288,380</u>
<b>Net position of governmental activities</b>		\$	<u><u>499,352</u></u>

The notes are an integral part of the financial statements.

**HOWELL AREA FIRE AUTHORITY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS AND COMPONENT UNIT  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>General</u>	<u>Component Unit Special Response Team Fund</u>
<b>REVENUES</b>		
Property taxes	\$ 2,944,663	\$
Federal grants	135,092	
State grants	61,543	
Charges for services		40,000
Interest	2,602	51
Donations	1,650	
Miscellaneous	26,116	7,456
<b>Total revenues</b>	<u>3,171,666</u>	<u>47,507</u>
<b>EXPENDITURES</b>		
<b>Current:</b>		
Fire protection	2,235,708	
Special response		39,753
<b>Capital outlay:</b>		
Fire protection	601,329	
<b>Total expenditures</b>	<u>2,837,037</u>	<u>39,753</u>
<b>Excess of revenues over (under) expenditures</b>	334,629	7,754
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from sale of assets	12,942	
<b>Net changes in fund balances</b>	347,571	7,754
<b>FUND BALANCE, JULY 1, 2020</b>	<u>4,466,384</u>	<u>203,218</u>
<b>FUND BALANCE, JUNE 30, 2021</b>	<u>\$ 4,813,955</u>	<u>\$ 210,972</u>

The notes are an integral part of the financial statements.

**HOWELL AREA FIRE AUTHORITY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2021**

<b>Net Change in Fund Balance per Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds</b>	<b>\$ 347,571</b>
--	-------------------

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	\$ 76,312	
Deposit on capital outlay	525,617	
Transfer of assets to Component Unit	(13,583)	
Depreciation expense	<u>(174,536)</u>	
<b>Totals</b>		<b>413,810</b>

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	(7,362)	
Change in net pension liability and related activity	230,695	
Change in Net OPEB Liability and related activity	<u>98,667</u>	
<b>Totals</b>		<u><b>322,000</b></u>

<b>Change in net position of governmental activities</b>	<b>\$ <u>1,083,381</u></b>
--	----------------------------

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, 2021

<b>Net Change in Fund Balance per Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds</b>	\$ 7,754
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:	
Transfer of assets from General Operations activity	13,583
Depreciation expense	<u>(32,479)</u>
<b>Change in net position of governmental activities</b>	<u>\$ (11,142)</u>

The notes are an integral part of the financial statements.

## **FIDUCIARY FUNDS**

The notes are an integral part of the financial statements.

**HOWELL AREA FIRE AUTHORITY**  
**FIDUCIARY FUND**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2021**

	<b>OPEB and Employee Benefit Trusts</b>
<b>ASSETS</b>	
Cash and investments	<u>\$    902,427</u>
<b>NET POSITION</b>	
Restricted - held in trust for pension and employee benefits	<u>\$    902,427</u>

The notes are an integral part of the financial statements.

HOWELL AREA FIRE AUTHORITY

FIDUCIARY FUND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
JUNE 30, 2021

	<u>OPEB and Employee Benefit Trusts</u>
<b>ADDITIONS</b>	
Contributions	\$ 89,000
Interest and investment revenue	<u>182,085</u>
<b>Total additions</b>	271,085
<b>DEDUCTIONS</b>	
Administrative costs	<u>1,349</u>
<b>Change in net position</b>	269,736
<b>NET POSITION, JULY 1, 2020</b>	<u>632,691</u>
<b>NET POSITION, JUNE 30, 2021</b>	<u><u>\$ 902,427</u></u>

The notes are an integral part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

## HOWELL AREA FIRE AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

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

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

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

The board members appoint its officers.

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

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

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

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

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

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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

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

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

The Authority reports the following major governmental fund:

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

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

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

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

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

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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

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

**D. CAPITAL ASSETS**

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

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

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

**E. MANAGEMENT ESTIMATES**

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

**F. BUDGETS**

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

**G. RISK MANAGEMENT**

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

HOWELL AREA FIRE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021

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

**H. ACCRUED COMPENSATED ABSENCES**

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

**I. FUND EQUITY**

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

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

**J. CASH AND CASH EQUIVALENTS**

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

**K. DEFINED BENEFIT PENSION PLANS**

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

HOWELL AREA FIRE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021

**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, 2021, the Authority records deferred outflows/(inflows) of resources on the Statement of Net Position relating to pension and OPEB differences from expected investment returns compared to actual, changes in experience, differences in actuarial assumptions, and contributions made subsequent to the Net Pension Liability measurement date and the Net OPEB Liability measurement date. Detailed information for these deferred outflows and inflows can be found in these notes to the financial statements for Defined Benefit Pension and Defined Benefit OPEB plans.

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE 2 - TAX MILLAGE**

The Authority levied a 1.4435 (rolled back from 1.5 by Headlee) millage on all taxable property in the five-member municipalities which make up the Authority. The Authority approved a six-year millage, starting December of 2017 and ending December 2022. Taxable value for the December 2020 levy was \$2,055,931,675.

**NOTE 3 – CASH AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The deposits are in accordance with statutory authority.

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

As of June 30, 2021, cash and investments consist of the following:

	<b>Howell Area Fire Authority</b>	<b>Fiduciary Fund OPEB Trust Fund</b>	<b>Component Unit Special Response</b>
<b>Deposits</b>			
Checking accounts	\$ 474,085	\$	\$ 4,916
Money market accounts	476,244		208,282
Savings accounts	<u>3,370,856</u>		
<b>Total deposits</b>	4,321,185		213,198
<b>Investments</b>			
MBIA/RHFV	<u>525,242</u>	<u>902,427</u>	
<b>Total cash and investments</b>	<u>\$ 4,846,427</u>	<u>\$ 902,427</u>	<u>\$ 213,198</u>

The carrying amounts of cash and investments are stated at \$4,837,838 for the Authority funds, \$902,427 for the fiduciary fund, and \$212,374 for the component unit as of June 30, 2021. The difference between the carrying amounts and amounts mentioned above stem from cash on hand and outstanding items.

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**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, 2021, deposits in banks totaled \$4,534,383 which was exposed to custodial credit risk as follows:

	<b>Howell Area Fire Authority</b>	<b>Fiduciary Fund OPEB Trust Fund</b>	<b>Component Unit Special Response</b>	<b>Total</b>
Insured by FDIC	\$ 1,179,309	\$	\$ 213,198	\$ 1,392,507
Uninsured and uncollateralized	3,141,876			3,141,876
	<u>\$ 4,321,185</u>	<u>\$</u>	<u>\$ 213,198</u>	<u>\$ 4,534,383</u>

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

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

**NOTE 4 - FUND EQUITY INFORMATION**

As of June 30, 2021 the Authority's fund equity was categorized as follows under GASB Standards:

	<b>General</b>	<b>Component Unit</b>
<b>Non-spendable</b>		
Prepaid expenditures	\$ 46,887	\$
<b>Restricted</b>		
Special Response Team		210,972
General reserve	223	
See in the Dark	950	
Smoke alarms	6,044	
AED's	407	
Honor Guard	1,884	
<b>Total restricted</b>	<u>9,508</u>	<u>210,972</u>
<b>Committed</b>		
Capital improvements	1,033,824	
<b>Unassigned</b>	3,723,736	
<b>Total fund equity</b>	<u>\$ 4,813,955</u>	<u>\$ 210,972</u>

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Balance</u> <u>7/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Re-</u> <u>Classifications</u>	<u>Balance</u> <u>6/30/2021</u>
<b><u>Governmental Activities:</u></b>					
<b>Capital assets being depreciated</b>					
Buildings	\$ 1,810,360	\$ 36,405	\$	\$	\$ 1,846,765
Leasehold improvements	53,637				53,637
Vehicles and equipment	3,131,422	39,907	(29,198)	(32,602)	3,109,529
<b>Total capital assets being depreciated</b>	<u>4,995,419</u>	<u>76,312</u>	<u>(29,198)</u>	<u>(32,602)</u>	<u>5,009,931</u>
Less accumulated depreciation for					
Buildings	(78,968)	(48,314)			(127,282)
Leasehold improvements	(28,308)	(3,090)			(31,398)
Vehicles and equipment	(2,419,461)	(123,132)	29,198	19,019	(2,494,376)
<b>Total accumulated depreciation</b>	<u>(2,526,737)</u>	<u>(174,536)</u>	<u>29,198</u>	<u>19,019</u>	<u>(2,653,056)</u>
<b>Net capital assets</b>	<u>\$ 2,468,682</u>	<u>\$ (98,224)</u>	<u>\$</u>	<u>\$ (13,583)</u>	<u>\$ 2,356,875</u>

In addition to the capital outlay acquisitions, the Authority paid \$525,617 for a new fire engine that is expected to be received in the upcoming fiscal year. The payment was recorded as a prepaid expenditure on the government-wide financial statements. The Authority disposed of a vehicle which was fully depreciated at the time of disposal resulting in gain on sale of assets of \$12,942. In addition, the Authority reclassified a vehicle purchased in prior years as an asset of the Component Unit Special Response Team, with an initial purchase price of \$32,602, accumulated depreciation of \$19,101 and net book value of \$13,343. The asset's original cost and related depreciation was moved from the General Operating activity to the Component Unit Special Response Team activity. The net amount was recorded as a transfer of capital assets on the Government Wide Statement of Activities

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

	<u>Balance</u> <u>7/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Re-</u> <u>Classifications</u>	<u>Balance</u> <u>6/30/2021</u>
<b><u>Component Unit - Special Response Team:</u></b>					
Capital assets being depreciated					
Vehicle and equipment	\$ 446,694	\$	\$	\$ 32,602	\$ 479,296
Less accumulated depreciation	(139,418)	(32,479)		(19,019)	(190,916)
<b>Net capital assets</b>	<u>\$ 307,276</u>	<u>\$ (32,479)</u>	<u>\$</u>	<u>\$ 13,583</u>	<u>\$ 288,380</u>

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

The Authority has no outstanding long-term debt.

HOWELL AREA FIRE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021

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

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

**LESSOR**

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

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

**NOTE 7 - DEFINED BENEFIT PLAN**

**Plan Description**

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

**Description of Plan Benefits**

***Benefits Provided***

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

***Employees covered by benefit terms***

At the December 31, 2020 valuation date, the following employees were covered by the benefit terms:

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

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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

**Contributions**

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

The actuarially determined rate for the year ended June 30, 2021 for Division 05 was 13.30% of covered wages for the Authority and 2.68% for employees. The actuarially determined rate for Division 50 was \$343 for the year ended June 30, 2021 with no required employee contribution as the plan is closed.

**Net Pension Liability**

The total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of December 31, 2020.

**Actuarial assumptions**

The total pension liability in the December 31, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%.

Salary Increase: 3.00% in the long term.

Investment rate of return: 7.35%, net of investment expense, including inflation.

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>x</u>	<u>Target Allocation Gross Rate of Return</u>	<u>=</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	60.00%	x	7.75%	=	4.65%
Global Fixed Income	20.00%	x	3.75%	=	0.75%
Private Investments	20.00%	x	9.75%	=	1.95%
<b>Total</b>					<u><u>7.35%</u></u>

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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

**Discount Rate**

The discount rate used to measure the total pension liability is 7.60% for 2020. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
<b>Balance at 12/31/2019</b>	\$ 1,712,499	\$ 1,484,222	\$ 228,277
<b>Changes for the year</b>			
Service Cost	64,359		64,359
Interest on Total Pension Liability	129,457		129,457
Changes in Benefits			
Difference between expected and actual experience	88,039		88,039
Changes in assumptions	57,939		57,939
Employer Contributions		61,764	(61,764)
Employee Contributions		12,767	(12,767)
Net Investment Income		193,477	(193,477)
Benefit payments, including employee refunds	(82,575)	(82,575)	
Administrative expense		(3,013)	3,013
Other Changes	1		1
<b>Net Changes</b>	<u>257,220</u>	<u>182,420</u>	<u>74,800</u>
<b>Balance at 12/31/2020</b>	<u>\$ 1,969,719</u>	<u>\$ 1,666,642</u>	<u>\$ 303,077</u>

**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 7.60%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.60%) or 1% higher (8.60%) than the current rate.

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>6.60%</u>	<u>Discount Rate</u>	<u>8.60%</u>
		<u>7.60%</u>	
Net Pension Liability at 12/31/2020	\$ 303,077	\$ 303,077	\$ 303,077
Change in Net Pension Liability (NPL) from change in discount rate	247,515		(207,175)
Calculated NPL	<u>\$ 550,592</u>	<u>\$ 303,077</u>	<u>\$ 95,902</u>

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

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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

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

For the year ended June 30, 2021, the Authority recognized pension expense of \$96,452. The Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Total</b>
Differences in experience	\$ 131,313	\$	\$ 131,313
Differences in assumptions	102,436		102,436
Excess (Deficit) of Investment Returns		(59,856)	(59,856)
<b>Total deferred outflows (inflows) to be amortized</b>	233,749	(59,856)	173,893
Contributions subsequent to the measurement date	265,383		265,383
<b>Total deferred outflows (inflows)</b>	\$ 499,132	\$ (59,856)	\$ 439,276

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

<b>Fiscal Year Ended</b>	<b>Expense</b>
<b>June 30,</b>	
2022	\$ 32,078
2023	45,375
2024	12,221
2025	11,966
2026	27,094
Thereafter	45,159
<b>Total</b>	<b>\$ 173,893</b>

The amounts reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ended June 30, 2021.

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

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

The Authority requires eligible part-time employees to contribute 1% of gross wages and as a benefit to employees, the Authority matches the employees' additional Sec. 457 contributions, up to 5% of gross wages. Employer and employee contributions to the plan for the year ended June 30, 2021 were \$18,399 and \$36,115, 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 \$30,965 for the year ended June 30, 2021.

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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

**Summary of Significant Accounting Policies**

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

**Plan Description**

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

**Benefits Provided**

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

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

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

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

**Summary of Plan Participants**

As of June 30, 2021, the Retirement Plan membership consisted of the following:

Inactive plan members currently receiving benefits	3
Active employees	6
<b>Total</b>	9

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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

**Contributions**

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

**Assumptions and Methods**

The Fire Authority’s OPEB liability was measured as of June 30, 2021.

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2021. The following actuarial assumptions were used in the measurement:

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

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the retirement plan’s target asset allocation as of June 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Target Allocation Gross Rate of Return</u>	<u>Long-Term Expected Gross Rate of Return</u>
Global Equity	60.00%	x	7.75%	= 4.65%
Global Fixed Income	20.00%	x	3.75%	= 0.75%
Private Investments	20.00%	x	9.75%	= 1.95%
<b>Total</b>				<u><u>7.35%</u></u>

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

HOWELL AREA FIRE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021

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

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.35%. The projection of cash flows used to determine the discount rate assumed that the employer would make contributions consistent with the actuarially determined contribution. Based on those assumptions, the retirement plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”, not applicable to this plan), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. The discount rate used for prior actuarial valuations was 7.75%.

**Changes in Net OPEB Liability**

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a)-(b)</b>
<b>Balance at 6/30/2020</b>	\$ 707,838	\$ 632,691	\$ 75,147
<b>Changes for the year</b>			
Service cost	25,927		25,927
Interest on total OPEB liability	53,013		53,013
Changes in benefits			
Difference between expected and actual experience	(5,907)		(5,907)
Changes in assumptions	(31,097)		(31,097)
Employer contributions		89,000	(89,000)
Employer contributions (benefits paid)		25,014	(25,014)
Employee contributions			
Net investment income		182,084	(182,084)
Benefit payments, including employee refunds	(25,014)	(25,014)	
Administrative expense		(1,349)	1,349
Other changes			
<b>Net changes</b>	<u>16,922</u>	<u>269,735</u>	<u>(252,813)</u>
<b>Balance at 6/30/2021</b>	<u>\$ 724,760</u>	<u>\$ 902,426</u>	<u>\$ (177,666)</u>

HOWELL AREA FIRE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021

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

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

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

**Discount**

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>6.60%</b>	<b>7.60%</b>	<b>8.60%</b>
Net OPEB Liability at 6/30/2021	\$ (177,666)	\$ (177,666)	\$ (177,666)
Change in Net OPEB Liability (NOL) from change in discount rate	86,391		(73,045)
Calculated NOL	<u>\$ (91,275)</u>	<u>\$ (177,666)</u>	<u>\$ (250,711)</u>

**Trend**

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
	<b>7.25%</b>	<b>8.25%</b>	<b>9.25%</b>
Net OPEB Liability at 6/30/2021	\$ (177,666)	\$ (177,666)	\$ (177,666)
Change in Net OPEB Liability (NOL) from change in trends	(86,167)		104,668
Calculated NOL	<u>\$ (263,833)</u>	<u>\$ (177,666)</u>	<u>\$ (72,998)</u>

**Components of Fire Authority's OPEB Expense for the Fiscal Year Ending June 30, 2021**

Below are the components of the Total OPEB Expense:

	<b>Fiscal Year Ending June 30, 2021</b>
Service Cost (Beginning of Year)	\$ 25,927
Interest on Total OPEB Liability	53,013
Experience (Gains)/Losses	13,992
Changes of Assumptions	(14,271)
Employee Contributions	
Projected Earnings on OPEB Plan Investments	(48,088)
Investment Earnings (Gains)/Losses	(16,575)
Administrative Expenses	1,349
Other Changes in Fiduciary Net Position	
<b>Total OPEB Expense</b>	<u>\$ 15,347</u>

HOWELL AREA FIRE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021

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

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Total</b>
Differences in experience	\$ 70,949	\$	\$ 70,949
Differences in assumptions		(62,922)	(62,922)
Excess (Deficit) of Investment Returns		(80,337)	(80,337)
<b>Total deferred outflows (inflows) to be amortized</b>	<b>\$ 70,949</b>	<b>\$ (143,259)</b>	<b>\$ (72,310)</b>

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

<b>Fiscal Year Ended June 30,</b>	<b>Expense</b>
2022	\$ (16,854)
2023	(17,145)
2024	(20,375)
2025	(27,079)
2026	7,172
Thereafter	1,971
<b>Total</b>	<b>\$ (72,310)</b>

**Reconciliation of Net OPEB Liability**

	<b>Net OPEB Liability</b>
<b>Net OPEB Liability June 30, 2020</b>	\$ 75,147
Total OPEB Expense	15,347
Contributions	(114,014)
Change in deferred outflows of resources	(68,082)
Change in deferred inflows of resources	(86,064)
<b>Net OPEB Liability June 30, 2021</b>	<b>\$ (177,666)</b>

**Total OPEB Liability by Participant Status**

	<b>2021</b>
Active participants	\$ 367,616
Inactive participants receiving benefits	357,144
<b>Total</b>	<b>\$ 724,760</b>

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE 10 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 29, 2021, which is the date the financial statements were available to be issued.

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

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

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

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

The Authority received reduced property tax revenues during the year ending June 30, 2021, as a result of industrial facilities tax exemption (IFT's) agreements.

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

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

**NOTE 12 – UNION NEGOTIATIONS**

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

Contract negotiations between the Authority and the Union were underway for the years 2019 through 2021 and remain in discussions as of the date of the Audit report of October 29, 2021.

At this time, management believes the amount of any potential adjustments to the financial statements relating to the Union contract negotiations will not be material. As such, management has opted to exclude any estimates for contract adjustments from the financial statements.

**HOWELL AREA FIRE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE 13 – UPCOMING GASB STANDARDS**

**GASB 87 - LEASES**

The Governmental Accounting Standards Board (GASB) issued GASB Standard No. 87, Leases to improve the accounting and financial reporting of leases by governments. This standard requires the recognition of lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows and outflows of resources based on the payment provisions of the contract. This standard will require a lessee to recognize a lease liability and right-to-use lease asset and a lessor to recognize a lease receivable and a deferred inflow of resources.

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

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

In May, 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, Subscription-based Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based technology arrangements (SBITAs) for government end users (governments). This statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset – and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and 4) requires not disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The standard is required to be implemented for the Authority's statements for the year ended March 31, 2023.

**OTHER GASB PRONOUNCEMENTS**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**HOWELL AREA FIRE AUTHORITY**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021**

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>	<u>\$ 2,931,500</u>	<u>\$ 2,931,500</u>	<u>\$ 3,171,666</u>	<u>\$ 240,166</u>
<b>EXPENDITURES</b>				
Personnel	1,958,296	2,263,296	1,900,793	362,503
Professional fees	78,000	88,000	63,199	24,801
Insurance - liability	44,000	44,000	43,269	731
Supplies	47,000	47,000	30,912	16,088
Equipment and capital outlay	716,500	711,500	614,867	96,633
Communications	19,500	19,500	15,441	4,059
Uniforms	43,000	43,000	34,975	8,025
Training	21,500	21,500	5,410	16,090
Repairs and maintenance	68,500	68,500	43,982	24,518
Unallocated	35,200	35,200	23,430	11,770
City Station #20	39,801	39,801	34,936	4,865
Oceola Township Fire Station #22	18,501	18,501	11,488	7,013
Marion Township Station #23	12,601	12,601	6,353	6,248
Cohoctah Township Station #24	<u>13,101</u>	<u>13,101</u>	<u>7,982</u>	<u>5,119</u>
<b>Total expenditures</b>	<u>3,115,500</u>	<u>3,425,500</u>	<u>2,837,037</u>	<u>588,463</u>
<b>Excess of revenues over (under) expenditures</b>	(184,000)	(494,000)	334,629	828,629
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets			<u>12,942</u>	<u>12,942</u>
<b>Net changes in fund balance</b>	(184,000)	(494,000)	347,571	841,571
<b>FUND BALANCE, JULY 1, 2020</b>	<u>4,466,384</u>	<u>4,466,384</u>	<u>4,466,384</u>	
<b>FUND BALANCE, JUNE 30, 2021</b>	<u><u>\$ 4,282,384</u></u>	<u><u>\$ 3,972,384</u></u>	<u><u>\$ 4,813,955</u></u>	<u><u>\$ 841,571</u></u>

**HOWELL AREA FIRE AUTHORITY**  
**DEFINED BENEFIT PENSION PLAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Schedule of Employer Contributions**

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

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

HOWELL AREA FIRE AUTHORITY

DEFINED BENEFIT PENSION PLAN  
NOTES TO THE SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2021

**Notes to the Schedule of Employer Contributions**

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	
Unfunded actuarial liability - Division 05	23 years
Gain/(loss) on investments - Division 05	19 - 22 years
Change in assumptions - Division 05	19 years
Change in experience - Division 05	18 years
Unfunded actuarial liability - Division 50	16 years
Gain/(loss) on investments - Division 50	10 - 14 years
Change in assumptions - Division 50	10 years
Change in experience - Division 50	10 years
Asset valuation method	5 years smoothed
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.35%
Retirement age	Age 60, with early retirement at age 55 with 15 years of service or 50 with 25 years of service with reduced benefits. Early retirement eligible with no reduced benefits at age 55 with 25 years of service.
Mortality	50% Female/50% Male 2014 Healthy Annuitant Annuity Mortality Table, Employee Mortality table, and Juvenile Mortality table

**Previous Actuarial Methods and Assumptions**

A ten-year smoothed valuation of assets. Inflation was estimated at 3.5%, salary increases were estimated at 3.75%, and the investment rate of return was estimated at 7.75%.

**HOWELL AREA FIRE AUTHORITY**

**DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2021**

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

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

**HOWELL AREA FIRE AUTHORITY**

**DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2021**

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

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

**HOWELL AREA FIRE AUTHORITY**

**DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2021**

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

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

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

**SUPPLEMENTARY INFORMATION**

HOWELL AREA FIRE AUTHORITY

COMBINING BALANCE SHEET  
 FUNDS INCLUDED IN GASB 54 GENERAL FUND CONSOLIDATION  
 JUNE 30, 2021

	General Fund - Pre Consolidation	Capital Reserve Equipment Fund	Site/ Building Reserve Fund	Eliminations	Totals Restated General Fund
<b>Assets</b>					
Cash and investments	\$ 3,804,014	\$ 833,291	\$ 200,533	\$	\$ 4,837,838
Receivables	15,207				15,207
Prepaid expenditures	46,887				46,887
<b>Total assets</b>	<u>\$ 3,866,108</u>	<u>\$ 833,291</u>	<u>\$ 200,533</u>	<u>\$</u>	<u>\$ 4,899,932</u>
<b>Liabilities</b>					
Accounts payable	\$ 16,062	\$	\$	\$	\$ 16,062
Due to others	9,585				9,585
Accrued expenditures	6,770				6,770
Accrued wages	53,560				53,560
<b>Total liabilities</b>	<u>85,977</u>				<u>85,977</u>
<b>Fund Balance</b>					
Nonspendable	46,887				46,887
Restricted	9,508				9,508
Committed		833,291	200,533		1,033,824
Unassigned	3,723,736				3,723,736
<b>Total fund balance</b>	<u>3,780,131</u>	<u>833,291</u>	<u>200,533</u>		<u>4,813,955</u>
<b>Total liabilities and fund balance</b>	<u>\$ 3,866,108</u>	<u>\$ 833,291</u>	<u>\$ 200,533</u>	<u>\$</u>	<u>\$ 4,899,932</u>

HOWELL AREA FIRE AUTHORITY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 FUNDS INCLUDED IN GASB 54 GENERAL FUND CONSOLIDATION  
 FOR THE YEAR ENDED JUNE 30, 2021

	General Fund - Pre Consolidation	Capital Reserve Equipment Fund	Site/ Building Reserve Fund	Eliminations	Totals Restated General Fund
<b>REVENUES</b>					
Fire millage	\$ 2,944,663	\$	\$	\$	\$ 2,944,663
Federal grants	135,092				135,092
State grants	61,543				61,543
Interest	2,184	382	36		2,602
Donations	1,650				1,650
Miscellaneous	26,116				26,116
<b>Total revenues</b>	<u>3,171,248</u>	<u>382</u>	<u>36</u>		<u>3,171,666</u>
<b>EXPENDITURES</b>					
Current:					
Fire protection	2,235,708				2,235,708
Capital outlay	601,329				601,329
<b>Total expenditures</b>	<u>2,837,037</u>				<u>2,837,037</u>
<b>Excess of revenues over (under) expenditures</b>	<u>334,211</u>	<u>382</u>	<u>36</u>		<u>334,629</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of assets	12,942				12,942
Transfers in	218,554	100,000	150,000	(468,554)	
Transfers (out)	(250,000)	(218,554)		468,554	
<b>Total other financing sources (uses)</b>	<u>(18,504)</u>	<u>(118,554)</u>	<u>150,000</u>		<u>12,942</u>
<b>Net changes in fund balances</b>	315,707	(118,172)	150,036		347,571
<b>FUND BALANCE, JULY 1, 2020</b>	<u>3,464,424</u>	<u>951,463</u>	<u>50,497</u>		<u>4,466,384</u>
<b>FUND BALANCE, JUNE 30, 2021</b>	<u>\$ 3,780,131</u>	<u>\$ 833,291</u>	<u>\$ 200,533</u>	<u>\$</u>	<u>\$ 4,813,955</u>

**HOWELL AREA FIRE AUTHORITY**

**GENERAL FUND (PRE GASB 54 RESTATEMENT)  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>	\$ 2,931,500	\$ 3,171,248	\$ 239,748
<b>EXPENDITURES</b>			
Personnel	2,263,296	1,900,793	362,503
Professional fees	88,000	63,199	24,801
Insurance	44,000	43,269	731
Supplies	47,000	30,912	16,088
Equipment and capital outlay	711,500	614,867	96,633
Communications	19,500	15,441	4,059
Uniforms	43,000	34,975	8,025
Training	21,500	5,410	16,090
Repairs and maintenance	68,500	43,982	24,518
Unallocated	35,200	23,430	11,770
City station #20	39,801	34,936	4,865
Oceola Township Fire Station #22	18,501	11,488	7,013
Marion Township Station #23	12,601	6,353	6,248
Cohoctah Township Station #24	13,101	7,982	5,119
<b>Total expenditures</b>	<u>3,425,500</u>	<u>2,837,037</u>	<u>588,463</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(494,000)</u>	<u>334,211</u>	<u>828,211</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of assets		12,942	12,942
Transfers in	184,000	218,554	34,554
Transfers (out)	<u>(250,000)</u>	<u>(250,000)</u>	
<b>Total other financing sources (uses)</b>	<u>(66,000)</u>	<u>(18,504)</u>	<u>47,496</u>
<b>Net change in fund balance</b>	<u>(560,000)</u>	<u>315,707</u>	<u>875,707</u>
<b>FUND BALANCE, JULY 1, 2020</b>	<u>3,464,424</u>	<u>3,464,424</u>	
<b>FUND BALANCE, JUNE 30, 2021</b>	<u>\$ 2,904,424</u>	<u>\$ 3,780,131</u>	<u>\$ 875,707</u>

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

**HOWELL AREA FIRE AUTHORITY**  
**GENERAL FUND (PRE GASB 54 RESTATEMENT)**  
**STATEMENT OF REVENUES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Property tax revenue			
City of Howell	\$ 470,000	\$ 466,394	\$ (3,606)
Howell Township	532,000	569,433	37,433
Marion Township	775,000	772,847	(2,153)
Oceola Township	960,000	955,180	(4,820)
Cohoctah Township	170,000	180,809	10,809
Federal grants		135,092	135,092
State grants		61,543	61,543
Interest income	5,000	2,184	(2,816)
Donations	1,500	1,650	150
Miscellaneous	18,000	26,116	8,116
<b>Total revenues</b>	<u>\$ 2,931,500</u>	<u>\$ 3,171,248</u>	<u>\$ 239,748</u>

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

**HOWELL AREA FIRE AUTHORITY**

**GENERAL FUND (PRE GASB 54 RESTATEMENT)  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Final</b>		<b>Variance</b>
	<b>Budget</b>	<b>Actual</b>	<b>Favorable</b>
			<b>(Unfavorable)</b>
<b>PERSONNEL</b>			
Salaries - fire personnel	\$ 1,400,186	\$ 1,150,838	\$ 249,348
Salaries - board	4,500	3,600	900.00
Payroll taxes	107,458	90,509	16,949
Health insurance	192,500	153,528	38,972
Retiree health	40,000	31,465	8,535
Disability insurance	25,000	22,485	2,515
Worker compensation insurance	80,000	44,000	36,000
Pension	318,652	315,368	3,284
OPEB	95,000	89,000	6,000
<b>Total personnel</b>	<b>2,263,296</b>	<b>1,900,793</b>	<b>362,503</b>
<b>PROFESSIONAL FEES</b>			
Payroll administration	25,000	12,227	12,773
Accounting/audit services	22,500	18,840	3,660
Computer support	8,500	5,497	3,003
Attorney fees	30,000	26,464	3,536
Recruitment	2,000	171	1,829
<b>Total professional fees</b>	<b>88,000</b>	<b>63,199</b>	<b>24,801</b>
<b>INSURANCE</b>			
General liability	44,000	43,269	731
<b>SUPPLIES</b>			
Office supplies	5,000	4,249	751
Food and beverage	3,000	733	2,267
Postage	2,000	668	1,332
Fuel	24,000	16,265	7,735
Operating supplies	12,000	8,997	3,003
Software	1,000		1,000
<b>Total supplies</b>	<b>47,000</b>	<b>30,912</b>	<b>16,088</b>
<b>EQUIPMENT AND CAPITAL OUTLAY</b>			
Capital outlay and equipment	711,500	614,867	96,633

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, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>COMMUNICATIONS</b>	19,500	15,441	4,059
<b>UNIFORMS</b>			
Clothing allowance	10,000	9,323	677
Protective clothing	33,000	25,652	7,348
<b>Total uniforms</b>	43,000	34,975	8,025
<b>TRAINING</b>			
Public teaching	12,000	5,226	6,774
Community promotion	5,000	184	4,816
Seminars and conferences	3,000		3,000
Educational supplies	1,500		1,500
<b>Total training</b>	21,500	5,410	16,090
<b>REPAIRS AND MAINTENANCE</b>			
Equipment	13,000	13,476	(476)
Vehicles	3,500		3,500
Radios	52,000	30,506	21,494
<b>Total repairs and maintenance</b>	68,500	43,982	24,518
<b>UNALLOCATED</b>			
Mileage	1,500	449	1,051
Physicals and examinations	9,000	8,138	862
Miscellaneous	4,700	1,650	3,050
Dues and memberships	5,000	2,279	2,721
Printing and publications	1,000		1,000
Purchases with donation funds	1,500	5,369	(3,869)
Tax chargebacks	6,000	1,066	4,934
Hazardous material projects	6,500	4,479	2,021
<b>Total unallocated</b>	35,200	23,430	11,770

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, 2021**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>CITY STATION #20</b>			
Grounds maintenance	5,000	2,490	2,510
Telephone	4,000	5,570	(1,570)
Utilities	23,800	19,896	3,904
Repairs and maintenance	7,000	6,980	20
Lease	1		1
<b>Total city station #20</b>	<b>39,801</b>	<b>34,936</b>	<b>4,865</b>
<b>OCEOLA TOWNSHIP FIRE STATION #22</b>			
Grounds maintenance	3,300	665	2,635
Telephone	1,600	1,611	(11)
Utilities	10,100	7,967	2,133
Repairs and maintenance	3,500	1,245	2,255
Lease	1		1
<b>Total Oceola Township fire station #22</b>	<b>18,501</b>	<b>11,488</b>	<b>7,013</b>
<b>MARION TOWNSHIP STATION #23</b>			
Telephone	1,600	1,550	50
Utilities	6,500	2,736	3,764
Repairs and maintenance	4,500	2,067	2,433
Lease	1		1
<b>Total Marion Township station #23</b>	<b>12,601</b>	<b>6,353</b>	<b>6,248</b>
<b>COHOCTAH TOWNSHIP STATION #24</b>			
Grounds maintenance	1,500	148	1,352
Telephone	2,300	2,241	59
Utilities	5,800	3,673	2,127
Repairs and maintenance	3,500	1,920	1,580
Lease	1		1
<b>Total Cohoctah Township station #24</b>	<b>13,101</b>	<b>7,982</b>	<b>5,119</b>
<b>Total expenditures</b>	<b>\$ 3,425,500</b>	<b>\$ 2,837,037</b>	<b>\$ 588,463</b>

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