



**TOWNSHIP OF HOWELL  
LIVINGSTON COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Township Board of Trustees  
Township of Howell  
Howell, Michigan

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Howell, Michigan (the "Township"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Township'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 business-type activities, each major fund, and the aggregate remaining fund information of the Township, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2020, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Gabridge & Company, PLC  
Grand Rapids, MI  
December 22, 2020

## **Management's Discussion and Analysis**

**Township of Howell**  
**Management's Discussion and Analysis**  
**June 30, 2020**

As the Township Board of Trustees of Howell Township, Livingston County, Michigan, (the "Township" or "government") we offer readers of the Township's financial statements this narrative overview and analysis as an explanation of the financial activities of the Township for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

***Financial Highlights***

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$34,875,828 (net position for all activities). Of this amount, \$17,358,670 (unrestricted net position for all activities) may be used to meet the government's ongoing obligations to citizens and creditors. The township's total net position increased by \$1,009,588 in 2020.
- At the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$6,970,833, which is an increase of \$389,683. Approximately 80.3%, or \$5,600,224, of fund balance is unassigned. These funds are available for spending at the Township's discretion.
- The Township's total outstanding long-term debt decreased by \$1,688,447 during the current fiscal year. The remaining long-term debt at year end was \$9,551,552 (excluding the liability for compensated absences); 100% of this debt is in the sewer/water fund.

***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

***Government-wide Financial Statements.*** The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private- sector business.

The *Statement of Net Position* presents information on all of the Township's assets and liabilities, with the difference being 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 Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave and long-term debt).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public works and recreation and culture. The business-type activities of the Township include sewer and water operations.

### ***Focus on Funds***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

***Governmental Funds.*** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township has two major governmental funds, the general fund and the road fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these two major funds.

The Township adopts an annual appropriated budget for its general and special revenue fund. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

***Proprietary Funds.*** Enterprise funds, the only proprietary fund type used by the Township, are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses the enterprise funds to account for its sewer and water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements provide information for the sewer, water and water/sewer systems, which are considered to be major funds of the Township. Proprietary funds are where the user fees collected on behalf of the Township are held for specific purposes. For example, sewer and water use bills, special assessments, and special fees are used to pay for the system operations, debt payments, and the developments for which they are collected.

***Fiduciary Funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary funds are all the monies collected by the Township meant for another agency (e.g., school taxes, county taxes, library taxes and escrow accounts). The Township has a general trust and agency, tax collection, and health flex agency funds.

### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### ***Other Information***

In addition to the basic financial statements and accompanying notes, this report further presents required supplementary information (RSI) that explains the information presented in the financial statements.



## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets for all activities exceeded liabilities by \$34,875,828 at the close of the most recent fiscal year. The table below illustrates the results of the governmental activities and business-type activities that combine to capture the township's total net position.

### Township of Howell's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash and Cash Equivalents	\$ 3,256,860	\$ 2,902,342	\$ 873,936	\$ 1,108,174	\$ 4,130,796	\$ 4,010,516
Accounts Receivable	19,033	19,114	296,565	356,691	315,598	375,805
Special Assessments Receivable - Short-term	-	-	357,488	324,814	357,488	324,814
Due from State	84,167	100,677	-	-	84,167	100,677
Prepaid Items	20,355	21,710	1,500	4,722	21,855	26,432
Due from Agency Funds	961	961	-	-	961	961
<b>Total Current Assets</b>	<b>3,381,376</b>	<b>3,044,804</b>	<b>1,529,489</b>	<b>1,794,401</b>	<b>4,910,865</b>	<b>4,839,205</b>
<i>Noncurrent Assets</i>						
Investment in Joint Ventures	1,703,638	1,638,972	10,773,338	10,756,987	12,476,976	12,395,959
Special Assessments Receivable - Long-term	-	-	1,445,665	1,636,078	1,445,665	1,636,078
Nondepreciable Capital Assets	265,392	265,392	415,442	471,699	680,834	737,091
Depreciable Capital Assets	352,223	392,734	24,848,951	25,468,275	25,201,174	25,861,009
<b>Total Assets</b>	<b>5,702,629</b>	<b>5,341,902</b>	<b>39,012,885</b>	<b>40,127,440</b>	<b>44,715,514</b>	<b>45,469,342</b>
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	77,747	106,403	3,053	26,182	80,800	132,585
Accrued Payroll and Related Liabilities	23,782	17,374	-	-	23,782	17,374
Escrow Payable	33,441	23,725	-	-	33,441	23,725
Accrued Interest Payable	-	-	50,100	57,442	50,100	57,442
Deposits Payable	80,652	121,105	-	-	80,652	121,105
Current Portion of Long-term Debt	-	-	1,795,000	1,700,000	1,795,000	1,700,000
Internal Balances	(3,805,079)	(3,804,953)	3,805,079	3,804,953	-	-
<b>Total Current Liabilities</b>	<b>(3,589,457)</b>	<b>(3,536,346)</b>	<b>5,653,232</b>	<b>5,588,577</b>	<b>2,063,775</b>	<b>2,052,231</b>
<i>Noncurrent Liabilities</i>						
Compensated Absences	19,359	10,872	-	-	19,359	10,872
Long-term Debt	-	-	7,756,552	9,539,999	7,756,552	9,539,999
<b>Total Liabilities</b>	<b>(3,570,098)</b>	<b>(3,525,474)</b>	<b>13,409,784</b>	<b>15,128,576</b>	<b>9,839,686</b>	<b>11,603,102</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	617,615	658,126	15,712,841	14,699,975	16,330,456	15,358,101
Restricted	1,186,702	1,183,763	-	-	1,186,702	1,183,763
Unrestricted	7,468,410	7,025,487	9,890,260	10,298,889	17,358,670	17,324,376
<b>Total Net Position</b>	<b>\$ 9,272,727</b>	<b>\$ 8,867,376</b>	<b>\$ 25,603,101</b>	<b>\$ 24,998,864</b>	<b>\$ 34,875,828</b>	<b>\$ 33,866,240</b>

Of the Township's net position, \$16,330,456 (46.8%) reflects its investment in capital assets (e.g. land, buildings, equipment, and vehicles); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position, \$1,186,702 (3.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of

\$17,358,670, or 49.8%, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

**Governmental activities.** Cash and cash equivalents increased by \$354,518 as a result of the general fund surplus (increase in fund balance) of \$386,744. Accounts payable decreased \$28,656 as the Township did not have expenditures payable for road projects and Township hall projects at fiscal year-end.

**Business-type activities.** Cash and cash equivalents decreased by \$234,238 caused by sewer plant project payments. The wet spring caused a decrease in usage further resulting in decreased summer utility billings. As a result, accounts receivable decreased by \$60,126. Long-term special assessments receivable decreased by \$190,413 as a special assessment was collected on 2019 winter tax bills. The Township's total outstanding long-term debt decreased by \$1,688,447 during the current fiscal year.

The following table illustrates and summarizes the results of the changes in the net position for the Township. The Condensed information was derived from the government-wide statement of activities.

**Township of Howell's Changes in Net Position**

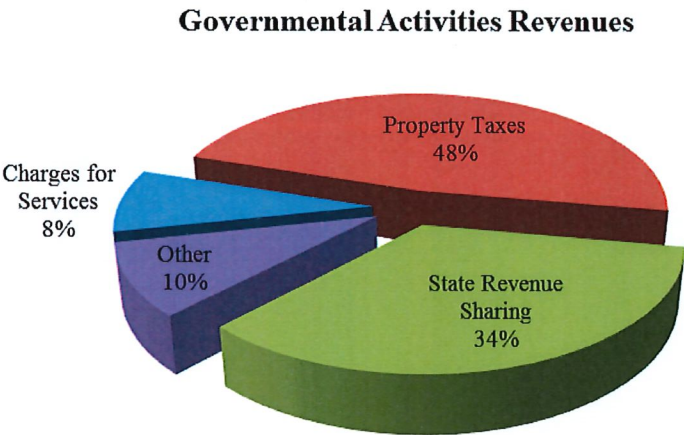
	Governmental Activities		Business-type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
<b>Revenue</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 142,425	\$ 136,387	\$ 2,441,498	\$ 2,477,659	\$ 2,583,923	\$ 2,614,046
Operating Grants and Contributions	75,859	65,489	-	-	75,859	65,489
Capital Grants and Contributions	-	-	-	-	-	-
<b>Total Program Revenues</b>	<u>218,284</u>	<u>201,876</u>	<u>2,441,498</u>	<u>2,477,659</u>	<u>2,659,782</u>	<u>2,679,535</u>
<b>General Revenues</b>						
Property Taxes	807,396	774,286	-	-	807,396	774,286
State Revenue Sharing	584,057	574,560	-	-	584,057	574,560
Interest Income	17,166	8,598	173,200	184,214	190,366	192,812
Other	69,106	456,446	-	-	69,106	456,446
Sale of Fixed Assets	-	-	-	383,256	-	383,256
<b>Total General Revenues</b>	<u>1,477,725</u>	<u>1,813,890</u>	<u>173,200</u>	<u>567,470</u>	<u>1,650,925</u>	<u>2,381,360</u>
<b>Total Revenues</b>	<u>1,696,009</u>	<u>2,015,766</u>	<u>2,614,698</u>	<u>3,045,129</u>	<u>4,310,707</u>	<u>5,060,895</u>
<b>Expenses</b>						
General Government	820,802	846,543	-	-	820,802	846,543
Public Works	365,299	380,434	2,010,461	1,791,154	2,375,760	2,171,588
Recreation and Culture	104,557	115,985	-	-	104,557	115,985
<b>Total Expenses</b>	<u>1,290,658</u>	<u>1,342,962</u>	<u>2,010,461</u>	<u>1,791,154</u>	<u>3,301,119</u>	<u>3,134,116</u>
<b>Change in Net Position</b>	<u>405,351</u>	<u>672,804</u>	<u>604,237</u>	<u>1,253,975</u>	<u>1,009,588</u>	<u>1,926,779</u>
<i>Net Position at Beginning of Period</i>	<u>8,867,376</u>	<u>8,194,572</u>	<u>24,998,864</u>	<u>23,744,889</u>	<u>33,866,240</u>	<u>31,939,461</u>
<b>Net Position at End of Period</b>	<u>\$ 9,272,727</u>	<u>\$ 8,867,376</u>	<u>\$ 25,603,101</u>	<u>\$ 24,998,864</u>	<u>\$ 34,875,828</u>	<u>\$ 33,866,240</u>

**Governmental activities.** Governmental activities increased the Township's net position by \$405,301 during fiscal year 2020. The total increase was the result of total revenues of \$1,696,009 less total expenses of \$1,290,658. Attorney fees decreased from \$116,362 in the prior fiscal year to \$68,431 in the current fiscal year. A decrease in road projects resulted in a decrease in public works expenses by \$15,135.

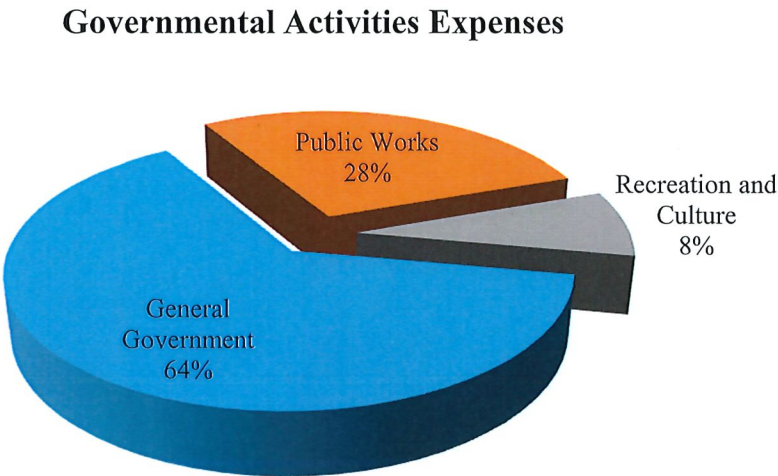
**Business-type activities.** Business-type activities increased the Township’s net position by \$604,237. Charges for services decreased by \$36,161, a result of decreased connection fees collected for water/sewer projects. There were no property sales in the current fiscal resulting in a decrease in revenue compared to the prior year in the amount of \$383,256. Public works expenses increased by \$219,307, partially related to an increase in WWTP electricity expense of \$32,031 and an increase in WWTP biosolids removal of \$8,462.

**Governmental Activities**

The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year-end:



The following chart summarizes the expenses for the governmental activities of the Township for the most recent fiscal year-end:



### ***Financial Analysis of the Government's Funds***

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

***Governmental Activities.*** At the completion of the Township's fiscal year, its governmental funds reported fund balances of \$6,970,833. Of this amount, \$5,600,224 or 80.3%, is unassigned.

***General Fund.*** The general fund is the main operating fund of the Township. The balance of the general fund increased in the fiscal year by \$386,744, bringing the balance to \$5,784,131.

***Road Fund.*** The road fund is used to construct, pave, and repave roads within the Township. The balance of the road fund increased during the year by \$2,939, bringing the balance to \$1,186,702.

Changes in both funds are described in an earlier section of this report.

### ***Business-type Activities***

The Township's propriety funds provide the same type of information in the government-wide financial statements, but in more detail.

Unrestricted net position of the sewer/water fund at the end of the year amounted to \$9,890,260, an decrease of \$408,629. The reason for the increase in net position is explained in an earlier section of this report.

### ***General Fund Budgetary Highlights***

During the year, the township revised its original budget to account for the changing environment of expenditures. The changes between the original and final adopted budgets were significant during the year. Township Hall within the general fund decreased from \$178,100 to \$151,100 as a result of increased hall maintenance. A schedule showing the Township's general fund and road fund original budget, final budget and the actual results are included as required supplementary information in the financial section of the audit report.

The Township had no expenditure in excess of the amount appropriated during the year ended June 30, 2020.

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

***Capital Assets.*** The Township's investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounted to \$25,882,008 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, water and sewer systems, and furniture and equipment.

More information on the Township's capital assets is available in the Notes to the Financial Statements.

***Long-term Debt.*** At the end of the current fiscal year, the Township had outstanding long-term debt of \$9,551,552. All payments have been made in a timely fashion on the Township's debt. The current debt limitation ratio of general obligation debt over the Township's assessed value is within legal requirements.

More information on the Township's long-term debt is available in the Notes to the Financial Statements section of this document.

### ***Economic Factors and Next Year's Budgets and Rates***

Management estimates roughly \$983,750 of revenues to be available for appropriation in the general fund in the upcoming fiscal year. Expenditures are expected to change by small amounts compared to 2020. The Township continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2021, the Township plans again to use current revenues to provide essential services and to maintain the Township's financial reserves at similar levels.

The ongoing costs of providing essential services for the citizens of the Township will again need to be monitored in order to maintain the financial condition of the Township. Additionally, management and the Township Board of Trustees are currently working to determine the significance that the COVID-19 Pandemic will have on the City's upcoming revenues.

### ***Requests for Information***

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information are welcomed, and should be directed to:

Township of Howell  
Township Clerk  
3525 Bryon Road  
Howell, MI 48855

## **Basic Financial Statements**

**Township of Howell**  
**Statement of Net Position**  
**June 30, 2020**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 3,256,860	\$ 873,936	\$ 4,130,796
Due from State	84,167	--	84,167
Special Assessments Receivable - Current Portion	--	357,488	357,488
Accounts Receivable	19,033	296,565	315,598
Due from Agency	961	--	961
Prepaid Items	20,355	1,500	21,855
<b>Total Current Assets</b>	<u>3,381,376</u>	<u>1,529,489</u>	<u>4,910,865</u>
<i>Noncurrent Assets</i>			
Capital Assets not being Depreciated	265,392	415,442	680,834
Capital Assets being Depreciated, Net	352,223	24,848,951	25,201,174
Equity in MHOG	--	10,773,338	10,773,338
Equity in Howell Area Fire Authority	1,703,638	--	1,703,638
Special Assessment Receivable - Long-term	--	1,445,665	1,445,665
<b>Total Assets</b>	<u>5,702,629</u>	<u>39,012,885</u>	<u>44,715,514</u>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	77,747	3,053	80,800
Accrued Payroll and Related Liabilities	23,782	--	23,782
Escrow Payable	33,441	--	33,441
Deposits Payable	80,652	--	80,652
Current Portion of Long-term Debt	--	1,795,000	1,795,000
Accrued Interest	--	50,100	50,100
Internal Balances	(3,805,079)	3,805,079	--
<b>Total Current Liabilities</b>	<u>(3,589,457)</u>	<u>5,653,232</u>	<u>2,063,775</u>
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	7,756,552	7,756,552
Compensated Absences	19,359	--	19,359
<b>Total Liabilities</b>	<u>(3,570,098)</u>	<u>13,409,784</u>	<u>9,839,686</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	617,615	15,712,841	16,330,456
<i>Restricted for:</i>			
Roads	1,186,702	--	1,186,702
<i>Unrestricted</i>	7,468,410	9,890,260	17,358,670
<b>Total Net Position</b>	<u>\$ 9,272,727</u>	<u>\$ 25,603,101</u>	<u>\$ 34,875,828</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Howell**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

Functions/Programs	Program Revenues			Net (Expense) Revenue		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>						
<b>Governmental Activities:</b>						
General Government	\$ 820,802	\$ 142,425	\$ 75,859	\$ (602,518)	\$ --	\$ (602,518)
Public Works	365,299	--	--	(365,299)	--	(365,299)
Recreation and Culture	104,557	--	--	(104,557)	--	(104,557)
<b>Total Governmental Activities</b>	<b>1,290,658</b>	<b>142,425</b>	<b>75,859</b>	<b>(1,072,374)</b>	<b>--</b>	<b>(1,072,374)</b>
<b>Business-type Activities:</b>						
Sewer / Water	2,010,461	2,441,498	--	--	431,037	431,037
<b>Total Business-type Activities</b>	<b>2,010,461</b>	<b>2,441,498</b>	<b>--</b>	<b>--</b>	<b>431,037</b>	<b>431,037</b>
<b>Total</b>	<b>\$ 3,301,119</b>	<b>\$ 2,583,923</b>	<b>\$ 75,859</b>	<b>\$ (1,072,374)</b>	<b>\$ 431,037</b>	<b>\$ (641,337)</b>
<b>General Purpose Revenues</b>						
Taxes				807,396	--	807,396
State Revenue Sharing				584,057	--	584,057
Other				69,106	--	69,106
Interest Income				17,166	173,200	190,366
<b>Total General Revenues</b>				<b>1,477,725</b>	<b>173,200</b>	<b>1,650,925</b>
<b>Change in Net Position</b>				<b>405,351</b>	<b>604,237</b>	<b>1,009,588</b>
<i>Net Position at Beginning of Period</i>				8,867,376	24,998,864	33,866,240
<b>Net Position at End of Period</b>				<b>\$ 9,272,727</b>	<b>\$ 25,603,101</b>	<b>\$ 34,875,828</b>

The Notes to the Financial Statements are an integral part of these Financial Statements



**Township of Howell**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

		<u>Special Revenue</u>	
	<u>General</u>	<u>Road Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,043,528	\$ 1,213,332	\$ 3,256,860
Due from State	84,167	--	84,167
Accounts Receivable	19,033	--	19,033
Due from Agency	961	--	961
Prepaid Items	20,355	--	20,355
Due from Other Funds	3,866,151	--	3,866,151
<i><b>Total Assets</b></i>	<u>6,034,195</u>	<u>1,213,332</u>	<u>7,247,527</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 51,117	\$ 26,630	\$ 77,747
Accrued Payroll and Related Liabilities	23,782	--	23,782
Escrow Payable	33,441	--	33,441
Deposits Payable	80,652	--	80,652
Due to Other Funds	61,072	--	61,072
<i><b>Total Liabilities</b></i>	<u>250,064</u>	<u>26,630</u>	<u>276,694</u>
<b>FUND BALANCE</b>			
Nonspendable	20,355	--	20,355
Restricted	--	1,186,702	1,186,702
Assigned	163,552	--	163,552
Unassigned	5,600,224	--	5,600,224
<i><b>Total Fund Balance</b></i>	<u>5,784,131</u>	<u>1,186,702</u>	<u>6,970,833</u>
<i><b>Total Liabilities and Fund Balance</b></i>	<u>\$ 6,034,195</u>	<u>\$ 1,213,332</u>	<u>\$ 7,247,527</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Howell**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2020**

Total Fund Balance - Governmental Funds	\$ 6,970,833
General government capital assets of \$1,374,684 net of accumulated depreciation of \$757,069 are not financial resources, and accordingly are not reported in the funds.	617,615
Joint venture assets reported in governmental activities are not financial resources and therefore are not reported in the funds.	1,703,638
Compensated absences are not due in and payable in the current period, and therefore, are not reported in the funds.	(19,359)
<b>Total Net Position-Governmental Funds</b>	<b>\$ <u>9,272,727</u></b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Howell**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

		<u>Special Revenue</u>	
	<u>General</u>	<u>Road Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 463,857	\$ 343,539	\$ 807,396
State Revenue Sharing	659,916	--	659,916
Licenses and Permits	96,691	--	96,691
Charges for Services	45,734	--	45,734
Other	4,440	--	4,440
Interest Income	15,383	1,783	17,166
<b>Total Revenues</b>	<u>1,286,021</u>	<u>345,322</u>	<u>1,631,343</u>
<b>Expenditures</b>			
General Government	771,804	--	771,804
Public Works	22,916	342,383	365,299
Recreation and Culture	104,557	--	104,557
<b>Total Expenditures</b>	<u>899,277</u>	<u>342,383</u>	<u>1,241,660</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>386,744</u>	<u>2,939</u>	<u>389,683</u>
<b>Net Change in Fund Balance</b>	<u>386,744</u>	<u>2,939</u>	<u>389,683</u>
<b>Fund Balance at Beginning of Period</b>	<u>5,397,387</u>	<u>1,183,763</u>	<u>6,581,150</u>
<b>Fund Balance at End of Period</b>	<u>\$ 5,784,131</u>	<u>\$ 1,186,702</u>	<u>\$ 6,970,833</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Howell**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended June 30, 2020**

Total Net Change in Fund Balances - Governmental Funds	\$	389,683
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Governmental funds report capital outlay as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$40,511 in excess of capital outlay expenditures of \$0.		(40,511)
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Decrease in compensated absences.		(8,487)
-----------------------------------	--	---------

Joint venture income (loss) is reported in governmental activities and is not reported in the funds.		64,666
--	--	--------

<b>Changes in Net Position-Governmental Funds</b>	<b>\$</b>	<b><u>405,351</u></b>
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The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Howell**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2020**

	<b><u>Business-type Activities - Enterprise Funds</u></b>
	<b><u>Sewer / Water</u></b>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash and Cash Equivalents	\$ 873,936
Special Assessments Receivable - Current Portion	357,488
Accounts Receivable	296,565
Prepaid Items	1,500
<b>Total Current Assets</b>	<b>1,529,489</b>
<i>Noncurrent Assets</i>	
Capital Assets not being Depreciated	415,442
Capital Assets being Depreciated, Net	24,848,951
Equity in MHOG	10,773,338
Special Assessment Receivable - Long-term	1,445,665
<b>Total Assets</b>	<b>39,012,885</b>
<b>LIABILITIES</b>	
<i>Current Liabilities</i>	
Accounts Payable	3,053
Current Portion of Long-term Debt	1,795,000
Accrued Interest	50,100
Due to Other Funds	3,805,079
<b>Total Current Liabilities</b>	<b>5,653,232</b>
<i>Noncurrent Liabilities</i>	
Long-term Debt	7,756,552
<b>Total Liabilities</b>	<b>13,409,784</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	15,712,841
<i>Unrestricted</i>	9,890,260
<b>Total Net Position</b>	<b>\$ 25,603,101</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Howell**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2020**

	<b>Business-type Activities - Enterprise Funds</b>
	<b>Sewer / Water</b>
<b>Operating Revenues</b>	
Charges for Services	\$ 1,737,188
Connection Fees	704,310
<i><b>Total Operating Revenues</b></i>	<u>2,441,498</u>
<b>Operating Expenses</b>	
Public Works	1,154,240
Depreciation	720,388
<i><b>Total Operating Expenses</b></i>	<u>1,874,628</u>
<i><b>Operating Income (Loss)</b></i>	<u>566,870</u>
<b>Non-Operating Revenues (Expenses)</b>	
Interest Income	173,200
Interest Expense	(377,487)
Write Up (Down) of Special Assessments	225,303
Change in Equity of MHOG	16,351
<i><b>Net Non-Operating Revenues (Expenses)</b></i>	<u>37,367</u>
<i><b>Income Before Contributions and Transfers</b></i>	<u>604,237</u>
<i><b>Change In Net Position</b></i>	<u><b>604,237</b></u>
<i>Net Position at Beginning of Period</i>	24,998,864
<i><b>Net Position at End of Period</b></i>	<u><b>\$ 25,603,101</b></u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Howell**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2020**

	<u><b>Business-type Activities - Enterprise Fund</b></u>
	<u><b>Sewer / Water</b></u>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 2,501,624
Cash Payments to Suppliers for Goods and Services	<u>(1,174,147)</u>
<b><i>Net Cash Provided by Operating Activities</i></b>	<u><b>1,327,477</b></u>
 <b>Cash Flows from Non-capital Financing Activities</b>	
Interfund Activity	<u>126</u>
<b><i>Net Cash Provided by Non-capital Financing Activities</i></b>	<u><b>126</b></u>
 <b>Cash Flows from Capital and Related Financing Activities</b>	
Special Assessments	383,042
Change in Capital Assets	(44,807)
Interest Paid	(384,829)
Principal Payments on Bonds	<u>(1,688,447)</u>
<b><i>Net Cash Used by Capital and Related Financing Activities</i></b>	<u><b>(1,735,041)</b></u>
 <b>Cash Flows from Investing Activities</b>	
Interest on Investments	<u>173,200</u>
<b><i>Net Cash Provided by Investing Activities</i></b>	<u><b>173,200</b></u>
 Net Decrease in Cash and Equivalents	(234,238)
<i>Cash and Equivalents - Beginning of Year</i>	<u>1,108,174</u>
<b>Cash and Equivalents - End of Year</b>	<u><b>\$ 873,936</b></u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Howell**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2020**

	<u><b>Business-type Activities - Enterprise Fund</b></u>
	<u><b>Sewer / Water</b></u>
<b>Reconciliation of Operating Income to</b>	
<b>Net Cash Provided by Operating Activities</b>	
<b>Operating Income</b>	\$ 566,870
<b>Adjustments to Reconcile Operating Income to Net Cash</b>	
<b>Provided by Operating Activities</b>	
Depreciation Expense	720,388
<b>Changes in Assets and Liabilities</b>	
Accounts Receivable, Net	60,126
Prepaid Items	3,222
Accounts Payable	(23,129)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 1,327,477</u>

The Notes to the Financial Statements are an integral part of these Financial Statements



**Township of Howell**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2020**

	<u>Agency</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 109,715
<i>Total Assets</i>	<u>\$ 109,715</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 3,944
Advances Payable	90,000
Due to Primary Government	961
Due to Other Governments	14,810
<i>Total Liabilities</i>	<u>\$ 109,715</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

## **Notes to the Financial Statements**

# Township of Howell

## Notes to the Financial Statements

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### **Note 1 - Summary of Significant Accounting Policies**

#### **Reporting Entity**

The Township of Howell (the “government” or “Township”) is governed by an elected seven-member board. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, *"The Financial Reporting Entity,"* these financial statements present the Township. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. There are no other units that should be included in the financial statements.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (e.g., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the respective fund financial statements.

#### **Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## Township of Howell

### Notes to the Financial Statements

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Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

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

The **Road Fund** accounts for the collection of property taxes and expenditures related to the extra voted road mileage.

The government reports the following major proprietary fund:

The **Sewer/Water Fund** accounts for the activities of the government's joint sewage disposal and water distribution and treatment systems.

Additionally, the government reports the following fund types:

The *agency funds* account for assets held for other governments in an agency capacity, including tax collection, health flex, and other trust and agency purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## Township of Howell

### Notes to the Financial Statements

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#### Assets, Liabilities, and Fund Equity

**Deposits and Investments** - The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations; and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

**Receivables and Payables** - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (e.g., the current portion of interfund loans) or "advances to/from other funds" (e.g., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), if any, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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 outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Buildings and Improvements	25 - 50
System Infrastructure	30 - 50
Vehicles	3 - 30
Furniture and Equipment	5 - 15

**Compensated Absences** - It is the Township's policy to permit employees to accumulate earned but unused vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Township does not have a policy to pay any amounts when employees separate from service with the Township. All vacation pay is accrued when included in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

## Township of Howell

### Notes to the Financial Statements

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**Long-term Obligations** - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Net Position Flow Assumption** - Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

### **Fund Balance Flow Assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### **Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

## Township of Howell

### Notes to the Financial Statements

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The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Township Board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Township Board, or its designee, is authorized to assign fund balance. The Township Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

*Unassigned fund balance* is the residual classification for the Township's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Township Board.

**Property Taxes** - Real and personal property taxes are recorded as revenue in the year for which they are levied, provided they are collectible during that year or within 60 days following that year's end. Property tax revenues shown in the general fund and road special revenue fund reflect the 2019 Township levies of .8664 mills and .9227 mills, respectively, on the taxable valuation of property located in the Township as of the preceding December 31.

Taxable values are established annually by the County and are equalized by the State at an estimated 50% of current market value or \$3678,681,800. The 2019 levy became a lien on properties on December 1, 2019, and was substantially collected in early 2020. Taxes became delinquent on March 1, 2020.

**Use of Estimates** - The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Subsequent Events** - Subsequent events have been evaluated through December 22, 2020, the date the financial statements were available to be issued. The Township will be affected by the recent and ongoing outbreak of the Coronavirus (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. COVID-19 has caused significant government and business disruptions through mandated and voluntary closings and stay at home orders.

Management is in the process of determining the significance that the outbreak will have on the Township's upcoming budget. Charges for services, state revenue sharing, and grant revenues are

## Township of Howell

### Notes to the Financial Statements

expected to decrease significantly during fiscal year 2021. Further, expenditures for personal protective equipment will be incurred during fiscal year 2021. The impact on future revenues and expenditures are highly uncertain as of the date of this report.

#### Note 2 - Stewardship, Compliance, and Accountability

##### Budgetary Information

Annual budgets are adopted at the activity level for the general and road special revenue fund each fiscal year on a basis consistent with generally accepted accounting principles. The government's final budget must be prepared and adopted prior to July 1st of each year.

Reported budgeted amounts are as originally adopted or as amended by the Township Board. The legal level of budgetary control is the activity level. The township does not utilize encumbrance accounting.

##### Excess of Expenditures Over Appropriations

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. The Township had no expenditures in excess of the amount appropriated during the year ended June 30, 2020.

#### Note 3 - Deposits and Investments

**Cash Equivalents** - As of June 30, 2020, the Township's cash and cash equivalents were reported as follows:

	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary Funds
Cash and Cash Equivalents	\$ 3,256,860	\$ 873,936	\$ 4,130,796	\$ 109,715

**Custodial Credit Risk - Deposits** Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require, and during the year the Township did not have, a policy for deposit custodial credit risk. The insured and collateralized is as follows:

	Bank Balance	Carrying Amount
Amount Insured by the FDIC	\$ 4,283,875	\$ 4,240,511

**Credit Risk** - State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized



## Township of Howell

### Notes to the Financial Statements

investments in the accounting policies. The Township's investment policy does not have specific limits in excess of state law on investment credit risk. The Township had no investments that required credit risk ratings at year end.

**Interest Rate Risk** - State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Concentration of Credit Risk** - State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Township's investment policy does not have specific limits in excess of state law on concentration of credit risk.

#### Note 4 - Capital Assets

Governmental capital assets activity for the year ended June 30, 2020 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 265,392	\$ -	\$ -	\$ 265,392
Capital assets being depreciated				
Buildings and Improvement	871,937	-	-	871,937
Furniture and Equipment	237,355	-	-	237,355
<i>Subtotal</i>	<u>1,109,292</u>	<u>-</u>	<u>-</u>	<u>1,109,292</u>
Less accumulated depreciation				
Buildings and Improvement	501,248	31,781		533,029
Furniture and Equipment	215,310	8,730		224,040
<i>Subtotal</i>	<u>716,558</u>	<u>40,511</u>	<u>-</u>	<u>757,069</u>
Capital assets being depreciated, net	<u>392,734</u>	<u>(40,511)</u>	<u>-</u>	<u>352,223</u>
<b><i>Net Capital Assets, Governmental</i></b>	<u>\$ 658,126</u>	<u>\$ (40,511)</u>	<u>\$ -</u>	<u>\$ 617,615</u>

Depreciation expense was charged to the general government for governmental activities.

## Township of Howell

### Notes to the Financial Statements

Business-type capital assets activity for the year ended June 30, 2020, was as follows:

<b>Business-type Activities</b>	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated				
Land	\$ 384,223	\$ 7,297	\$ -	\$ 391,520
Construction in Process	87,476	23,922	(87,476)	23,922
<i>Subtotal</i>	<u>471,699</u>	<u>31,219</u>	<u>(87,476)</u>	<u>415,442</u>
Capital assets being depreciated				
Sewer System	13,441,072	87,476	-	13,528,548
Water System	3,337,835	-	-	3,337,835
Water/Sewer System	18,357,199	13,587	-	18,370,786
<i>Subtotal</i>	<u>35,136,106</u>	<u>101,063</u>	<u>-</u>	<u>35,237,169</u>
Less accumulated depreciation				
Sewer System	4,298,868	650,679	-	4,949,547
Water System	891,538	66,756	-	958,294
Water/Sewer System	4,477,425	2,953	-	4,480,378
<i>Subtotal</i>	<u>9,667,831</u>	<u>720,388</u>	<u>-</u>	<u>10,388,219</u>
Capital assets being depreciated, net	<u>25,468,275</u>	<u>(619,325)</u>	<u>-</u>	<u>24,848,950</u>
<b>Net Capital Assets, Business-type</b>	<u>\$ 25,939,974</u>	<u>\$ (588,106)</u>	<u>\$ (87,476)</u>	<u>\$ 25,264,392</u>

Depreciation expense was charged to the sewer system (\$653,632) and water system (\$66,756) for business-type activities.

### Note 5 - Long-term Debt

Long-term debt outstanding is as follows:

<b>Business-type Activities:</b>	Amount of Issue	Secured	Principal Maturity Ranges	Interest Rate	Maturity
<i>General Obligation Bonds</i>					
2006 Water/Sewer #6	\$ 5,700,000	Secured	\$200,000 - \$420,000	4.00 - 4.63%	2026
2012A Refunding Bonds	7,065,000	Secured	\$505,000 - \$665,000	3.00 - 4.00%	2025
2012B Refunding Bonds	1,475,000	Secured	\$95,000 - \$130,000	2.00 - 3.67%	2026
2012C Refunding Bonds	7,600,000	Secured	\$155,000 - \$590,000	3.00 - 3.73%	2027
2013 Refunding Bonds	2,710,000	Secured	\$25,000 - \$270,000	2.00 - 3.25%	2026

## Township of Howell

### Notes to the Financial Statements

Long-term debt obligation activity for June 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Compensated Absences	\$ 10,872	\$ 8,487	\$ -	\$ 19,359	\$ -
<b>Business-type Activities:</b>					
2006 Water/Sewer #6	\$ 1,075,000	\$ -	\$ (320,000)	\$ 755,000	\$ 335,000
2012A Refunding Bonds	3,105,000	-	(530,000)	2,575,000	525,000
2012B Refunding Bonds	695,000	-	(105,000)	590,000	100,000
2012C Refunding Bonds	4,755,000	-	(530,000)	4,225,000	620,000
2013 Refunding Bonds	1,700,000	-	(215,000)	1,485,000	215,000
Bond Discount	(90,001)	-	11,553	(78,448)	-
<b>Total Business-type Activities Long-term Debt</b>	<b>11,239,999</b>	<b>-</b>	<b>(1,688,447)</b>	<b>9,551,552</b>	<b>1,795,000</b>
<b>Total Primary Government Long-term Obligations</b>	<b>\$ 11,250,871</b>	<b>\$ 8,487</b>	<b>\$ (1,688,447)</b>	<b>\$ 9,570,911</b>	<b>\$ 1,795,000</b>

For the governmental activities, compensated absences are liquidated by the general fund.

**2012 Refunding Bonds** – The Township refunded the 2005 Sewer, 2006 Sewer and 2007 Water Special Assessment Bonds with the 2012 Refunding Bonds A, B, and C. These bonds were sold with a premium of \$56,504 which will be amortized straight-line over the life of the bond. The net present value of the reduced bond obligation to the Township is \$586,848 over the life of the 2012 Refunding Bonds. The total cash flow savings that Township will receive over the life of the bond is \$583,855.

**2013 Refunding Bonds** – The Township refunded the 2004 MHOG Bonds with the 2013 Refunding Bonds. These bonds were sold with a premium of \$114,361 which will be amortized straight-line over the life of the bond. The net present value of the reduced bond obligation to the Township is \$96,846 over the life of the 2013 Refunding Bonds. The total cash flow savings that Township will receive over the life of the bond is \$95,647.

Annual debt service requirements to maturity for the all long-term debt are as follows:

Fiscal Year Ended June 30,	<b>Business-type Activities</b>		
	Principal	Interest	Total
2021	\$ 1,795,000	\$ 309,088	\$ 2,104,088
2022	1,795,000	258,825	2,053,825
2023	1,555,000	207,449	1,762,449
2024	1,470,000	158,994	1,628,994
2025	1,470,000	110,944	1,580,944
2026-2027	1,545,000	91,644	1,636,644
<b>Totals</b>	<b>\$ 9,630,000</b>	<b>\$ 1,136,943</b>	<b>\$ 10,766,943</b>

## Township of Howell

### Notes to the Financial Statements

All bonds are direct placement bonds. The debt documents contain various provisions that in the event of default, the Township shall be required to use money from its general fund or levy an ad valorem tax sufficient to pay the obligation, subject to applicable constitutional, statutory, and other limitations.

#### **Note 6 - Interfund Receivables, Payables, Advances and Transfers**

At June 30, 2020 interfund receivables and payables were as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 3,866,151	\$ 61,072
Sewer/Water Fund	-	3,805,079
Total	<u>\$ 3,866,151</u>	<u>\$ 3,866,151</u>

The above balances generally resulted from a time lag between the payment of special assessments from taxpayers and the related debt those special assessments fund.

#### **Note 7 - Joint Ventures**

##### ***Marion, Howell, Oceola, and Genoa Sewer and Water Authority***

The Township is a member of the Marion, Howell, Oceola and Genoa Sewer and Water Authority (the "Authority" or "MHOG"). The Authority was incorporated by the townships of Marion, Howell, Oceola and Genoa. The Authority is responsible for the operations of the joint water systems. The Township of Howell's equity in this joint venture as of June 30, 2020 was \$10,773,338 (25%) which is recorded in the water fund and on the government-wide statement of net position. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments of the joint venture in the foreseeable future. Complete financial statements for the Marion, Howell, Oceola and Genoa Sewer and Water Authority can be obtained from the administrative offices at the Township of Oceola, Livingston County, Michigan.

Authority balances as of and for the fiscal year ended September 30, 2020 the latest audited financial statements, was as follows:

##### **MHOG**

Total Assets	\$ 46,463,297
Total Liabilities	3,369,945
Total Net Position	43,093,352
Total Revenue	3,569,026
Total Expenses	3,503,623

## Township of Howell

### Notes to the Financial Statements

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#### ***Howell Area Fire Authority***

The Township is a member of the Howell Area Fire Authority, which was jointly incorporated by the City of Howell, Cohoctah Township, Marion Township, Oceola Township and Howell Township (the “Municipalities”) for the purpose of providing fire protection and other emergency health and safety services to the Municipalities. The Township appoints a member to the joint ventures governing board, which approves the annual budget. The funding for the Authority is provided by a dedicated voter-approved millage. The Township’s equity interest in the joint venture at June 30, 2020 was \$1,703,638 (21.16%) which is recorded within the governmental activities column in the statement of net position. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the foreseeable future. Complete financial statements of the Authority can be obtained from the administrative offices at the Township of Howell, Michigan.

Authority balances as of and for the fiscal year ended June 30, 2020 the latest audited financial statements available, was as follows:

#### **Howell Area Fire Authority**

Total Assets and Deferred Outflows	\$ 7,250,445
Total Liabilities and Deferred Inflows	435,892
Total Net Position	6,814,553
Total Revenue	2,953,615
Total Expenses	2,694,950

#### **Note 8 - Defined Contribution Pension Plan**

The Township of Howell pension plan provides pension benefits for all Township officials and all other employees who work at least 36 hours per week on a regular basis and who choose to belong to the plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual’s account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant’s accounts and the returns on the investments of those contributions.

As established by the Township Board, the Township contributes 15 percent of employees’ gross earnings. Additionally, participants may contribute up to 10 percent of gross earnings on a pre-tax basis. In accordance with these requirements, the Township contributed \$60,415 during the year. No amounts were contributed by the participants.

## **Required Supplementary Information**

**Township of Howell**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Consolidated General Fund**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$ 446,500	\$ 446,500	\$ 463,857	\$ 17,357
State Revenue Sharing	605,000	630,000	659,916	29,916
Licenses and Permits	98,550	98,550	96,691	(1,859)
Charges for Services	35,200	35,200	45,734	10,534
Other	2,750	2,750	4,440	1,690
Interest Income	4,750	4,750	15,383	10,633
<b>Total Revenues</b>	<b>1,192,750</b>	<b>1,217,750</b>	<b>1,286,021</b>	<b>68,271</b>
<b>Other Financing Sources</b>				
<b>Total Revenues and Other Financing Sources</b>	<b>1,192,750</b>	<b>1,217,750</b>	<b>1,286,021</b>	<b>68,271</b>
<b>Expenditures</b>				
Recreation and Culture	110,000	110,000	104,557	5,443
Township Board	32,500	32,500	24,973	7,527
Supervisor	46,300	46,300	42,419	3,881
Clerk	102,400	102,400	90,510	11,890
Elections	70,000	70,000	39,789	30,211
Treasurer	89,220	89,220	72,980	16,240
Professional Services	91,500	92,500	80,671	11,829
Township Hall	151,100	178,100	114,654	63,446
Cemetery	11,200	11,200	3,877	7,323
Planning Commission	42,000	42,000	27,745	14,255
Board of Appeals	5,100	5,100	2,814	2,286
Board of Review	3,500	3,500	2,110	1,390
Zoning	71,800	71,800	54,438	17,362
Payroll Taxes	38,500	38,500	30,751	7,749
Assessor	117,000	117,000	85,490	31,510
Insurance	12,000	11,000	8,541	2,459
Economic Development	6,000	6,000	--	6,000
Employees' Life Insurance	33,600	31,600	28,506	3,094
Retirement	62,500	62,500	61,498	1,002
Other/Contingency	4,000	4,000	38	3,962
Street Lighting	6,000	6,000	5,541	459
Drains	25,000	25,000	17,375	7,625
Engineering	8,000	8,000	--	8,000
<b>Total Expenditures</b>	<b>1,139,220</b>	<b>1,164,220</b>	<b>899,277</b>	<b>264,943</b>
<b>Other Financing Uses</b>				
<b>Total Expenditures and Other Financing Uses</b>	<b>1,139,220</b>	<b>1,164,220</b>	<b>899,277</b>	<b>264,943</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>53,530</b>	<b>53,530</b>	<b>386,744</b>	<b>333,214</b>
<b>Net Change in Fund Balance</b>	<b>53,530</b>	<b>53,530</b>	<b>386,744</b>	<b>333,214</b>
<b>Fund Balance at Beginning of Period</b>	<b>5,397,387</b>	<b>5,397,387</b>	<b>5,397,387</b>	<b>--</b>
<b>Fund Balance at End of Period</b>	<b>\$ 5,450,917</b>	<b>\$ 5,450,917</b>	<b>\$ 5,784,131</b>	<b>\$ 333,214</b>

**Township of Howell**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Road Fund**  
**For the Year Ended June 30, 2020**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property Taxes	\$ 330,000	\$ 330,000	\$ 343,539	\$ 13,539
Interest Income	--	--	1,783	1,783
<i><b>Total Revenues</b></i>	<u>330,000</u>	<u>330,000</u>	<u>345,322</u>	<u>15,322</u>
<b>Other Financing Sources</b>				
<i><b>Total Revenues and Other Financing Sources</b></i>	<u>330,000</u>	<u>330,000</u>	<u>345,322</u>	<u>15,322</u>
<b>Expenditures</b>				
Maintenance	249,000	268,000	267,268	732
Chloride	80,000	80,000	75,115	4,885
Chargebacks	1,000	1,000	--	1,000
<i><b>Total Expenditures</b></i>	<u>330,000</u>	<u>349,000</u>	<u>342,383</u>	<u>6,617</u>
<b>Other Financing Uses</b>				
<i><b>Total Expenditures and Other Financing Uses</b></i>	<u>330,000</u>	<u>349,000</u>	<u>342,383</u>	<u>6,617</u>
<i><b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b></i>	<u>--</u>	<u>(19,000)</u>	<u>2,939</u>	<u>21,939</u>
<i><b>Net Change in Fund Balance</b></i>	<u>--</u>	<u>(19,000)</u>	<u>2,939</u>	<u>21,939</u>
<i><b>Fund Balance at Beginning of Period</b></i>	<u>1,183,763</u>	<u>1,183,763</u>	<u>1,183,763</u>	<u>--</u>
<i><b>Fund Balance at End of Period</b></i>	<u><u>\$ 1,183,763</u></u>	<u><u>\$ 1,164,763</u></u>	<u><u>\$ 1,186,702</u></u>	<u><u>\$ 21,939</u></u>



December 22, 2020

To the Township Board of Trustees  
Township of Howell

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Township of Howell, Michigan for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 27, 2020. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

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

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

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

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 22, 2020.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### *Other Matters*

We applied certain limited procedures to management's discussion and analysis and the budgetary comparison schedules, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with

management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

*Restriction on Use*

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

*Gabridge & Company*

Gabridge & Company, PLC  
Grand Rapids, MI

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS*

December 22, 2020

To the Township Board of Trustees  
Township of Howell, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Township of Howell, Michigan, (the "Township") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Township's basic financial statements, and have issued our report thereon dated December 22, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Best regards,

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC  
Grand Rapids, MI