



**TOWNSHIP OF HOWELL
LIVINGSTON COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2024**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
<hr/>	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds	
Balance Sheet	16
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balance	18
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities	19
Proprietary Funds	
Statement of Net Position	20
Statement of Revenues, Expenses, and Changes in Net Position	21
Statement of Cash Flows	22
Fiduciary Funds	
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
Notes to the Financial Statements	27
REQUIRED SUPPLEMENTARY INFORMATION	
<hr/>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
General Fund	39
Road Fund	40
ARPA Fund	41

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Howell (the "Township") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township, as of June 30, 2024, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational,

economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

Gabridge & Company, PLC
Grand Rapids, MI
December 31, 2024

Management's Discussion and Analysis

Township of Howell
Management's Discussion and Analysis
June 30, 2024

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, 2024. 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 and deferred inflows of resources at the close of the most recent fiscal year by \$45,304,660 (net position for all activities). Of this amount, \$21,527,496 (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 \$2,361,734 in 2024.
- At the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$8,034,878, which is an increase of \$271,657. Approximately 86.6%, or \$6,960,842, of fund balance is unassigned. These funds are available for spending at the Township's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,960,842 or 492.9% of the general fund's annualized expenditures.

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, community and economic development, 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 three major governmental funds, the general fund, road fund, and ARPA 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 three major funds.

The Township adopts an annual appropriated budget for its general and special revenue funds. 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 two custodial funds; a general trust and agency fund and a tax collection fund

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 and deferred inflows of resources by \$45,304,660 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	
	2024	2023	2024	2023	2024	2023
ASSETS						
<i>Current Assets</i>						
Cash and Cash Equivalents	\$ 5,430,640	\$ 4,056,304	\$ 2,129,261	\$ 953,166	\$ 7,559,901	\$ 5,009,470
Accounts Receivable	15,802	19,538	338,753	462,012	354,555	481,550
Special Assessments Receivable - Short-term	-	-	268,880	300,857	268,880	300,857
Due from State	130,978	137,769	-	-	130,978	137,769
Prepaid Items	25,988	25,715	62,458	19,775	88,446	45,490
Leases Receivable	-	-	14,327	23,554	14,327	23,554
Total Current Assets	5,603,408	4,239,326	2,813,679	1,759,364	8,417,087	5,998,690
<i>Noncurrent Assets</i>						
Investment in Joint Ventures	2,835,365	2,361,885	11,475,065	10,906,147	14,310,430	13,268,032
Special Assessments Receivable - Long-term, net	-	-	155,233	431,223	155,233	431,223
Capital Assets not being Depreciated	265,392	265,392	19,831	332,418	285,223	597,810
Capital Assets being Depreciated, net	294,090	333,389	22,527,447	23,100,648	22,821,537	23,434,037
Long-term Leases Receivable	-	-	-	24,065	-	24,065
Total Assets	8,998,255	7,199,992	36,991,255	36,553,865	45,989,510	43,753,857
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	269,917	109,978	287,255	264,398	557,172	374,376
Accrued Payroll and Related Liabilities	14,502	35,778	-	-	14,502	35,778
Escrow Payable	44,825	35,271	-	-	44,825	35,271
Unearned Revenue	37,726	306,306	-	-	37,726	306,306
Internal Balances	(2,798,440)	(4,011,228)	2,798,440	4,011,228	-	-
Total Current Liabilities	(2,431,470)	(3,523,895)	3,085,695	4,275,626	654,225	751,731
<i>Noncurrent Liabilities</i>						
Compensated Absences	16,450	16,797	-	-	16,450	16,797
Total Liabilities	(2,415,020)	(3,507,098)	3,085,695	4,275,626	670,675	768,528
DEFERRED INFLOWS OF RESOURCES						
Deferred Lease Revenue	-	-	14,175	42,403	14,175	42,403
Total Deferred Inflows of Resources	-	-	14,175	42,403	14,175	42,403
NET POSITION						
Net Investment in Capital Assets	559,482	598,781	22,547,278	23,433,066	23,106,760	24,031,847
Restricted	670,404	695,610	-	-	670,404	695,610
Unrestricted	10,183,389	9,412,699	11,344,107	8,802,770	21,527,496	18,215,469
Total Net Position	\$ 11,413,275	\$ 10,707,090	\$ 33,891,385	\$ 32,235,836	\$ 45,304,660	\$ 42,942,926

Of the Township's net position, \$23,106,760 (51.0%) 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, \$670,404 (1.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$21,527,496

(47.5%) 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 \$1,374,336 due to the payback of interfund balances. The investments in joint ventures increased during the year as a result of the net position of the ventures themselves increasing. Accounts payable increased during the year due to a difference year over year in the timing of payment of invoices at year end. Unearned revenue decreased by \$268,580 as ARPA funds were used for capital purchases.

Business-type activities. Cash and cash equivalents increased by \$1,176,095 due to the sale of land payment of receivables. Accounts receivable also decreased during the year due to an increase in collection rates compared to the previous year. Internal balances represent amounts owed by the sewer/water to the general fund. This amount decreased during the year by \$1,212,788. The investments in joint ventures increased during the year as a result of the net position of the ventures themselves increasing.

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	
	2024	2023	2024	2023	2024	2023
Revenues						
Program Revenues						
Charges for Services	\$ 121,595	\$ 113,048	\$ 3,018,510	\$ 2,672,905	\$ 3,140,105	\$ 2,785,953
Operating Grants and Contributions	119,794	266,878	-	-	119,794	266,878
Capital Grants and Contributions	163,581	-	-	-	163,581	-
Total Program Revenues	<u>404,970</u>	<u>379,926</u>	<u>3,018,510</u>	<u>2,672,905</u>	<u>3,423,480</u>	<u>3,052,831</u>
General Revenues						
Taxes	1,012,786	946,990	-	-	1,012,786	946,990
Unrestricted State Aid	942,748	963,944	-	-	942,748	963,944
Interest Income	51,422	21,539	31,846	64,084	83,268	85,623
Change in Joint Venture	473,480	200,918	568,918	-	1,042,398	200,918
Gain on Sale of Fixed Assets	-	-	44,336	205,141	44,336	205,141
Total General Revenues	<u>2,480,436</u>	<u>2,133,391</u>	<u>645,100</u>	<u>269,225</u>	<u>3,125,536</u>	<u>2,402,616</u>
Total Revenues	<u>2,885,406</u>	<u>2,513,317</u>	<u>3,663,610</u>	<u>2,942,130</u>	<u>6,549,016</u>	<u>5,455,447</u>
Expenses						
General Government	1,265,243	961,841	-	-	1,265,243	961,841
Public Works	524,419	756,892	2,171,642	2,232,231	2,696,061	2,989,123
Recreation and Culture	127,855	118,507	-	-	127,855	118,507
Community and Economic Development	98,123	125,156	-	-	98,123	125,156
Total Expenses	<u>2,015,640</u>	<u>1,962,396</u>	<u>2,171,642</u>	<u>2,232,231</u>	<u>4,187,282</u>	<u>4,194,627</u>
Change in Net Position before Transfers	<u>869,766</u>	<u>550,921</u>	<u>1,491,968</u>	<u>709,899</u>	<u>2,361,734</u>	<u>1,260,820</u>
Transfers In (Out)	<u>(163,581)</u>	<u>-</u>	<u>163,581</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>706,185</u>	<u>550,921</u>	<u>1,655,549</u>	<u>709,899</u>	<u>2,361,734</u>	<u>1,260,820</u>
<i>Net Position at Beginning of Period</i>	<u>10,707,090</u>	<u>10,156,169</u>	<u>32,235,836</u>	<u>31,525,937</u>	<u>42,942,926</u>	<u>41,682,106</u>
Net Position at End of Period	<u>\$ 11,413,275</u>	<u>\$ 10,707,090</u>	<u>\$ 33,891,385</u>	<u>\$ 32,235,836</u>	<u>\$ 45,304,660</u>	<u>\$ 42,942,926</u>

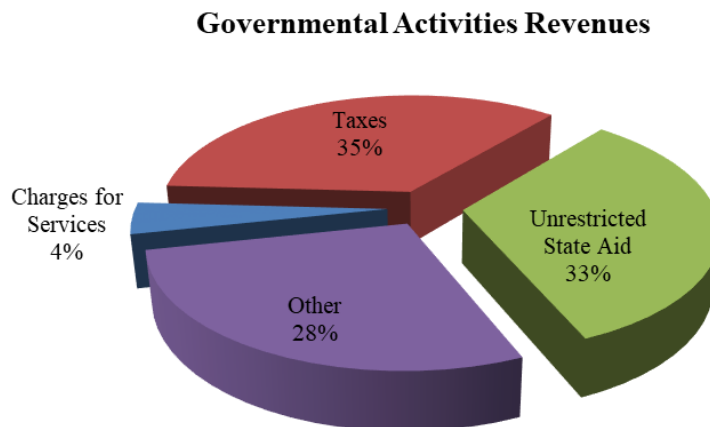
Governmental activities. Governmental activities increased the Township's net position by \$706,185 during fiscal year 2024. The total increase was the result of total revenues of \$2,885,406 less total expenses of \$2,015,640. Taxes increased \$65,796 due to an increase in taxable value. Operating grants and contributions decreased by \$147,084 whereas capital grants and contributions increased by \$163,581 as the ARPA funds that were earned in the current fiscal year

were more capital-related than operating-related. The investments in joint ventures increased by \$272,562 during the year as a result of the net position of the ventures themselves increasing. General government expenses increased by \$303,402 largely related to the broadband project and public works expenses decreased by \$232,473 due to a decrease in road projects during the fiscal year.

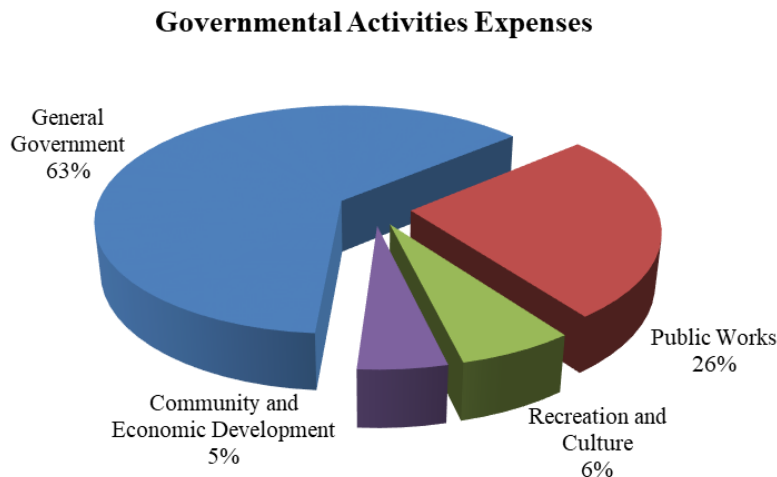
Business-type activities. Business-type activities increased the Township’s net position by \$1,655,549. Charges for services decreased by \$345,605, mostly due to connection fees increasing. The investments in joint ventures increased by \$568,918 during the year as a result of the net position of the ventures themselves increasing.

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 \$8,034,878. Of this amount, \$6,960,842 or 86.6%, 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 \$296,863, bringing the balance to \$7,364,474.

Road Fund. The road fund is used to construct, pave, and repave roads within the Township. The balance of the road fund decreased during the year by \$27,981, bringing the balance to \$663,850.

ARPA Fund. The ARPA fund had an increase in net position of \$2,775 during the year bringing the balance to \$6,554.

Changes in the governmental 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 \$11,344,107 with a total increase in net position of \$1,655,549. 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 did not have significant amendments to its original budget to account for the changing environment of expenditures. A schedule showing the Township's general fund, road fund, and ARPA 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 expenditures in excess of the amount appropriated during the year ended June 30, 2024.

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, 2024, amounted to \$23,106,760 (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 no outstanding long-term debt.

More information on the Township's retirements of its 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 a similar amount 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 2024. 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 2025, the Township plans again to use current revenues to provide essential services and to maintain the Township's financial reserves at similar levels.

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, 2024

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 5,430,640	\$ 2,129,261	\$ 7,559,901
Due from State	130,978	--	130,978
Special Assessments Receivable - Current Portion	--	268,880	268,880
Accounts Receivable	15,802	338,753	354,555
Prepaid Items	25,988	62,458	88,446
Leases Receivable	--	14,327	14,327
Total Current Assets	<u>5,603,408</u>	<u>2,813,679</u>	<u>8,417,087</u>
<i>Noncurrent Assets</i>			
Capital Assets not being Depreciated	265,392	19,831	285,223
Capital Assets being Depreciated, net	294,090	22,527,447	22,821,537
Equity in MHOG	--	11,475,065	11,475,065
Equity in Howell Area Fire Authority	2,835,365	--	2,835,365
Special Assessment Receivable - Long-term, net	--	155,233	155,233
Total Assets	<u>8,998,255</u>	<u>36,991,255</u>	<u>45,989,510</u>
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	269,917	287,255	557,172
Accrued Payroll and Related Liabilities	14,502	--	14,502
Escrow Payable	44,825	--	44,825
Unearned Revenue	37,726	--	37,726
Internal Balances	(2,798,440)	2,798,440	--
Total Current Liabilities	<u>(2,431,470)</u>	<u>3,085,695</u>	<u>654,225</u>
<i>Noncurrent Liabilities</i>			
Compensated Absences	16,450	--	16,450
Total Liabilities	<u>(2,415,020)</u>	<u>3,085,695</u>	<u>670,675</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Lease Revenue	--	14,175	14,175
Total Deferred Inflows of Resources	<u>--</u>	<u>14,175</u>	<u>14,175</u>
NET POSITION			
Investment in Capital Assets	559,482	22,547,278	23,106,760
<i>Restricted for:</i>			
Roads	663,850	--	663,850
ARPA	6,554	--	6,554
<i>Unrestricted</i>	10,183,389	11,344,107	21,527,496
Total Net Position	<u>\$ 11,413,275</u>	<u>\$ 33,891,385</u>	<u>\$ 45,304,660</u>

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

**Township of Howell
Balance Sheet
Governmental Funds
June 30, 2024**

	<u>Special Revenue</u>			<u>Total Governmental Funds</u>
	<u>General</u>	<u>Road Fund</u>	<u>ARPA</u>	
ASSETS				
Cash and Cash Equivalents	\$ 4,592,391	\$ 688,969	\$ 149,280	\$ 5,430,640
Due from State	130,978	--	--	130,978
Accounts Receivable	15,802	--	--	15,802
Prepaid Items	25,988	--	--	25,988
Due from Other Funds	2,798,440	--	--	2,798,440
<i>Total Assets</i>	<u>\$ 7,563,599</u>	<u>\$ 688,969</u>	<u>\$ 149,280</u>	<u>\$ 8,401,848</u>
LIABILITIES				
Accounts Payable	\$ 139,798	\$ 25,119	\$ 105,000	\$ 269,917
Accrued Payroll and Related Liabilities	14,502	--	--	14,502
Escrow Payable	44,825	--	--	44,825
Unearned Revenue	--	--	37,726	37,726
<i>Total Liabilities</i>	<u>199,125</u>	<u>25,119</u>	<u>142,726</u>	<u>366,970</u>
FUND BALANCE				
Nonspendable for:				
Prepaid Items	25,988	--	--	25,988
Restricted for:				
Roads	--	663,850	--	663,850
ARPA	--	--	6,554	6,554
Assigned for:				
Recreation	359,344	--	--	359,344
Capital Improvements	18,300	--	--	18,300
Unassigned	6,960,842	--	--	6,960,842
<i>Total Fund Balance</i>	<u>7,364,474</u>	<u>663,850</u>	<u>6,554</u>	<u>8,034,878</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 7,563,599</u>	<u>\$ 688,969</u>	<u>\$ 149,280</u>	<u>\$ 8,401,848</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, 2024

Total Fund Balance - Governmental Funds	\$	8,034,878
General government capital assets of \$1,458,380, net of accumulated depreciation of \$898,898, are not financial resources and, accordingly, are not reported in the funds.		559,482
Joint venture assets reported in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,835,365
Compensated absences are not due in and payable in the current period and, therefore, are not reported in the funds.		(16,450)
Total Net Position - Governmental Activities	\$	<u>11,413,275</u>

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, 2024

	<u>Special Revenue</u>			Total Governmental Funds
	<u>General</u>	<u>Road Fund</u>	<u>ARPA</u>	
Revenues				
Taxes	\$ 587,747	\$ 425,039	\$ --	\$ 1,012,786
Intergovernmental - State	942,748	--	--	942,748
Intergovernmental - Federal	--	--	268,581	268,581
Licenses and Permits	95,213	--	--	95,213
Charges for Services	40,193	--	--	40,193
Interest Income	42,150	6,497	2,775	51,422
Other Revenues	983	--	--	983
<i>Total Revenues</i>	<u>1,709,034</u>	<u>431,536</u>	<u>271,356</u>	<u>2,411,926</u>
Expenditures				
General Government	1,121,291	--	105,000	1,226,291
Public Works	64,902	459,517	--	524,419
Community and Economic Development	98,123	--	--	98,123
Recreation and Culture	127,855	--	--	127,855
<i>Total Expenditures</i>	<u>1,412,171</u>	<u>459,517</u>	<u>105,000</u>	<u>1,976,688</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>296,863</u>	<u>(27,981)</u>	<u>166,356</u>	<u>435,238</u>
Other Financing Sources (Uses)				
Transfers Out	--	--	(163,581)	(163,581)
<i>Net Other Financing Sources (Uses)</i>	<u>--</u>	<u>--</u>	<u>(163,581)</u>	<u>(163,581)</u>
<i>Net Change in Fund Balance</i>	<u>296,863</u>	<u>(27,981)</u>	<u>2,775</u>	<u>271,657</u>
<i>Fund Balance at Beginning of Period</i>	7,067,611	691,831	3,779	7,763,221
<i>Fund Balance at End of Period</i>	<u>\$ 7,364,474</u>	<u>\$ 663,850</u>	<u>\$ 6,554</u>	<u>\$ 8,034,878</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, 2024

Total Net Change in Fund Balances - Governmental Funds	\$	271,657
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 \$32,299 exceeds capital outlay expenditures of \$0.		(39,299)
Joint venture gain is reported in governmental activities and is not reported in the funds.		473,480
Change in compensated absences.		347
Changes in Net Position - Governmental Activities	\$	<u>706,185</u>

Township of Howell
Statement of Net Position
Proprietary Fund
June 30, 2024

	Business-type Activities - Enterprise Fund
	<u>Sewer / Water</u>
ASSETS	
<i>Current Assets</i>	
Cash and Cash Equivalents	\$ 2,129,261
Special Assessments Receivable - Current Portion	268,880
Accounts Receivable	338,753
Prepaid Items	62,458
Leases Receivable	14,327
Total Current Assets	<u>2,813,679</u>
<i>Noncurrent Assets</i>	
Capital Assets not being Depreciated	19,831
Capital Assets being Depreciated, net	22,527,447
Equity in MHOG	11,475,065
Special Assessment Receivable - Long-term, net	155,233
Total Assets	<u>36,991,255</u>
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	287,255
Due to Other Funds	2,798,440
Total Liabilities	<u>3,085,695</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Lease Revenue	14,175
Total Deferred Inflows of Resources	<u>14,175</u>
NET POSITION	
Investment in Capital Assets	22,547,278
<i>Unrestricted</i>	11,344,107
Total Net Position	<u>\$ 33,891,385</u>

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 Fund
For the Year Ended June 30, 2024

	Business-type Activities - Enterprise Fund
	Sewer / Water
Operating Revenues	
Charges for Services	\$ 1,863,453
Connection Fees	773,188
<i>Total Operating Revenues</i>	2,636,641
Operating Expenses	
Public Works	1,419,549
Depreciation	752,093
<i>Total Operating Expenses</i>	2,171,642
<i>Operating Income (Loss)</i>	464,999
Non-Operating Revenues (Expenses)	
Gain on Sale of Capital Assets	44,336
Interest Income	126,636
Write-up of Special Assessments	17,165
Miscellaneous Revenue	269,914
Change in Joint Venture	568,918
<i>Net Non-Operating Revenues (Expenses)</i>	1,026,969
<i>Income Before Transfers</i>	1,491,968
Transfers In	163,581
<i>Change In Net Position</i>	1,655,549
<i>Net Position at Beginning of Period</i>	32,235,836
<i>Net Position at End of Period</i>	\$ 33,891,385

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, 2024**

	Business-type Activities - Enterprise Fund
	Sewer / Water
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 2,759,900
Cash Payments to Suppliers for Goods and Services	(1,439,375)
<i>Net Cash Provided by Operating Activities</i>	1,320,525
Cash Flows from Non-capital Financing Activities	
Change in Internal Balances	(1,212,788)
Miscellaneous Revenue	274,978
Transfers In	163,581
<i>Net Cash Used in Non-capital Financing Activities</i>	(774,229)
Cash Flows from Capital and Related Financing Activities	
Special Assessments	17,165
Adjustment on Special Assessment	307,967
Capital Asset Additions	(178,892)
Sale of Capital Assets	356,923
<i>Net Cash Provided by Capital and Related Financing Activities</i>	503,163
Cash Flows from Investing Activities	
Interest Income	126,636
<i>Net Cash Provided by Investing Activities</i>	126,636
Net Increase in Cash and Equivalents	1,176,095
<i>Cash and Equivalents - Beginning of Year</i>	953,166
Cash and Equivalents - End of Year	\$ 2,129,261

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, 2024**

	Business-type Activities - Enterprise Fund
	Sewer / Water
Reconciliation of Operating Income to	
Net Cash Provided by Operating Activities	
Operating Income	\$ 464,999
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities	
Depreciation Expense	752,093
Changes in Assets and Liabilities	
Accounts Receivable	123,259
Prepaid Items	(42,683)
Accounts Payable	22,857
Net Cash Provided by Operating Activities	\$ 1,320,525

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

Township of Howell
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2024

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	\$ 153,589
<i>Total Assets</i>	153,589
LIABILITIES	
Accounts Payable	14,852
Advances Payable	89,500
Due to Other Governments	49,237
<i>Total Liabilities</i>	153,589
NET POSITION	
Restricted for Individuals, Organizations, and Agencies	\$ --

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

Township of Howell
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2024

	Custodial Fund
ADDITIONS	
Property taxes collected for other governments	\$ 14,030,362
<i>Total Additions</i>	14,030,362
DEDUCTIONS	
Payment of property taxes to other governments	14,030,362
<i>Total Deductions</i>	14,030,362
<i>Net Increase (Decrease) in Net Position</i>	--
<i>Net Position at Beginning of Period</i>	--
<i>Net Position at End of Period</i>	\$ --

Notes to the Financial Statements

Township of Howell

Notes to the Financial Statements

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

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 **ARPA Fund** accounts for the revenues and expenditures related to the American Rescue Plan Act.

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 *custodial funds* account for assets held for other governments in a custodial capacity, including tax collection, 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

Township of Howell

Notes to the Financial Statements

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.

Assets, Liabilities, Deferred Inflows of Resources, 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 - All trade and special assessments receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The Township reported \$6,509,212 in allowance for doubtful accounts as of year-end.

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."

Leases Receivable

The Township acts as a lessor for leases involving the right to use Township assets. As per GASB 87, the Township recognizes a lease receivable and a deferred inflow of resources in its government-wide and governmental fund financial statements.

Initially, the lease receivable is measured at the present value of expected lease payments over the lease term. The lease receivable is subsequently reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for prepaid lease payments received at lease inception. Over the lease term, the deferred inflow of resources is recognized as revenue.

Significant estimates and judgments involved include determining the discount rate used to present value lease receipts, determining the lease term, and estimating lease receipts. The Township utilizes its estimated incremental borrowing rate as the discount rate for leases. The lease term comprises the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable consist of fixed payments from the lessee.

Township of Howell

Notes to the Financial Statements

The Township continually monitors changes that may necessitate a remeasurement of the lease receivable. If significant changes occur, the lease receivable will be remeasured accordingly.

Prepaid and Other Assets – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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.

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,

Township of Howell

Notes to the Financial Statements

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).

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

Township of Howell

Notes to the Financial Statements

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 2023 Township levies of .8469 mills and .9019 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, for tax year 2023 that amount to \$469,162,112. The 2023 levy became a lien on properties on December 1, 2023, and was substantially collected in early 2023. Taxes became delinquent on March 1, 2024.

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 31, 2024, the date the financial statements were available to be issued. Management is not aware of events that would have a significant impact on these financial statements.

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.

Township of Howell

Notes to the Financial Statements

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 at year end.

Note 3 - Deposits and Investments

Cash Equivalents - As of June 30, 2024, the Township's cash and cash equivalents were reported as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents	\$ 5,430,640	\$ 2,129,261	\$ 7,559,901	\$ 153,589

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:

Insured	\$ 500,000
Uninsured	7,251,581
Total Bank Balance	<u>\$ 7,751,581</u>

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 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.

Township of Howell

Notes to the Financial Statements

Note 4 - Capital Assets

Governmental capital assets activity for the year ended June 30, 2024 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
<i>Subtotal</i>	<u>265,392</u>	<u>-</u>	<u>-</u>	<u>265,392</u>
Capital Assets Being Depreciated				
Buildings and Improvement	871,937	-	-	871,937
Furniture and Equipment	321,051	-	-	321,051
<i>Subtotal</i>	<u>1,192,988</u>	<u>-</u>	<u>-</u>	<u>1,192,988</u>
Less Accumulated Depreciation				
Buildings and Improvement	624,423	31,051	-	655,474
Furniture and Equipment	235,176	8,248	-	243,424
<i>Subtotal</i>	<u>859,599</u>	<u>39,299</u>	<u>-</u>	<u>898,898</u>
Capital Assets Being Depreciated, net	<u>333,389</u>	<u>(39,299)</u>	<u>-</u>	<u>294,090</u>
<i>Net Capital Assets, Governmental</i>	<u>\$ 598,781</u>	<u>\$ (39,299)</u>	<u>\$ -</u>	<u>\$ 559,482</u>

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

Business-type capital assets activity for the year ended June 30, 2024, was as follows:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital Assets not Being Depreciated				
Land	\$ 332,418	\$ -	\$ 312,587	\$ 19,831
Capital Assets Being Depreciated				
Sewer System	13,894,670	171,812	-	14,066,482
Water System	3,424,310	7,080	-	3,431,390
Water/Sewer System	18,376,215	-	-	18,376,215
<i>Subtotal</i>	<u>35,695,195</u>	<u>178,892</u>	<u>-</u>	<u>35,874,087</u>
Less Accumulated Depreciation				
Sewer System	6,935,440	675,385	-	7,610,825
Water System	1,168,812	72,336	-	1,241,148
Water/Sewer System	4,490,295	4,372	-	4,494,667
<i>Subtotal</i>	<u>12,594,547</u>	<u>752,093</u>	<u>-</u>	<u>13,346,640</u>
Capital Assets Being Depreciated, net	<u>23,100,648</u>	<u>(573,201)</u>	<u>-</u>	<u>22,527,447</u>
<i>Net Capital Assets, Business-type</i>	<u>\$ 23,433,066</u>	<u>\$ (573,201)</u>	<u>\$ 312,587</u>	<u>\$ 22,547,278</u>

Depreciation expense was charged to the sewer system (\$679,757) and water system (\$72,336) for business-type activities.

Township of Howell

Notes to the Financial Statements

Note 5 – Compensated Absences

Compensated absences activity for June 30, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 16,797	\$ -	\$ (347)	\$ 16,450	\$ -

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

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

Interfund Receivables, Payables, and Advances

As of June 30, 2024, the general fund had a receivable balance of \$2,798,440 with the sewer/water fund having a payable balance of the same amount. The balances resulted from the Township's general fund assisting the sewer/water fund in paying off all of the Township's long-term debt. The above amount is the amount the sewer/water fund will repay to the general fund.

Transfers

For the year ended June 30, 2024, the ARPA fund transferred \$163,581 to the sewer/water 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, 2024 was \$11,475,065 (25%) which is recorded in the sewer/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.

Township of Howell

Notes to the Financial Statements

Authority balances as of and for the fiscal year ended September 30, 2023, the latest audited financial statements, was as follows:

MHOG	
Total Assets	\$ 49,219,132
Total Liabilities and deferred inflows	3,318,873
Total Net Position	45,900,259
Total Revenue	6,707,580
Total Expenses	4,431,907

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, 2024 was \$2,835,365 (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, 2024, the latest audited financial statements available, was as follows:

Howell Area Fire Authority	
Total Assets and Deferred Outflows	\$ 11,757,575
Total Liabilities and Deferred Inflows	416,115
Total Net Position	11,341,460
Total Revenue	5,241,292
Total Expenses	3,347,368

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

Township of Howell

Notes to the Financial Statements

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 \$78,961 during the year. No amounts were contributed by the participants.

Note 9 – Leases Receivable

The Township is reporting total lease receivables of \$14,327 as of June 30, 2024. For fiscal year 2024 the Township reported lease revenue of \$28,197 and interest revenue of \$638 related to lease payments received.

Farm Land Leases – On January 1, 2020 the Township entered into a 5-year lease agreement with Local Farmers for two parcels. These lease agreements included the right to extend this lease for year to year after the initial term. Based on this agreement, the Township is receiving annual payments through calendar year 2024.

Required Supplementary Information

Township of Howell
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Property Taxes	\$ 565,000	\$ 565,000	\$ 587,747	\$ 22,747
Intergovernmental - State	930,000	930,000	942,748	12,748
Licenses and Permits	96,050	96,050	95,213	(837)
Charges for Services	34,700	34,700	40,193	5,493
Interest Income	11,000	11,000	42,150	31,150
Other Revenues	500	500	983	483
Total Revenues	<u>1,637,250</u>	<u>1,637,250</u>	<u>1,709,034</u>	<u>71,784</u>
Expenditures				
General Government				
Township Board	36,315	36,315	26,696	9,619
Supervisor	52,970	52,970	50,290	2,680
Clerk	123,530	123,530	111,144	12,386
Elections	103,825	103,825	54,703	49,122
Treasurer	91,388	97,580	92,613	4,967
Township Hall	461,340	461,340	393,170	68,170
Township General Expenditures	214,700	289,700	279,617	10,083
Board of Review	6,100	6,100	2,978	3,122
Assessor	129,825	129,825	110,080	19,745
Total General Government	<u>1,219,993</u>	<u>1,301,185</u>	<u>1,121,291</u>	<u>179,894</u>
Public Works				
Cemetery	15,000	15,000	9,482	5,518
Drains	70,000	60,000	55,420	4,580
Total Public Works	<u>85,000</u>	<u>75,000</u>	<u>64,902</u>	<u>10,098</u>
Community and Economic Development				
Planning Commission	37,000	37,000	22,442	14,558
Zoning Administration	96,855	96,855	70,342	26,513
Board of Appeals	7,220	7,220	3,229	3,991
Engineering	10,000	10,000	2,110	7,890
Total Community and Economic Development	<u>151,075</u>	<u>151,075</u>	<u>98,123</u>	<u>52,952</u>
Recreation and Culture	<u>140,000</u>	<u>140,000</u>	<u>127,855</u>	<u>12,145</u>
Total Expenditures	<u>1,596,068</u>	<u>1,667,260</u>	<u>1,412,171</u>	<u>255,089</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>41,182</u>	<u>(30,010)</u>	<u>296,863</u>	<u>326,873</u>
Net Change in Fund Balance	<u>41,182</u>	<u>(30,010)</u>	<u>296,863</u>	<u>326,873</u>
Fund Balance at Beginning of Period	7,067,611	7,067,611	7,067,611	--
Fund Balance at End of Period	<u>\$ 7,108,793</u>	<u>\$ 7,037,601</u>	<u>\$ 7,364,474</u>	<u>\$ 326,873</u>

Notes to the Schedule:

The budgetary comparison schedules are presented as required supplementary information (RSI) and compare the original and final budget with actual amounts. The budget is prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP).

Township of Howell
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Road Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Property Taxes	\$ 418,000	\$ 418,000	\$ 425,039	\$ 7,039
Interest Income	2,000	2,000	6,497	4,497
Total Revenues	<u>420,000</u>	<u>420,000</u>	<u>431,536</u>	<u>11,536</u>
Expenditures				
Public Works	420,000	494,000	459,517	34,483
Total Expenditures	<u>420,000</u>	<u>494,000</u>	<u>459,517</u>	<u>34,483</u>
Excess (Deficiency) of Revenues				
Over Expenditures	--	(74,000)	(27,981)	46,019
Net Change in Fund Balance	--	(74,000)	(27,981)	46,019
<i>Fund Balance at Beginning of Period</i>	691,831	691,831	691,831	--
Fund Balance at End of Period	<u>\$ 691,831</u>	<u>\$ 617,831</u>	<u>\$ 663,850</u>	<u>\$ 46,019</u>

Notes to the Schedule:

The budgetary comparison schedules are presented as required supplementary information (RSI) and compare the original and final budget with actual amounts. The budget is prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP).

Township of Howell
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
ARPA
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Intergovernmental - Federal	\$ 163,581	\$ 163,581	\$ 268,581	\$ 105,000
Interest Income	--	--	2,775	2,775
Total Revenues	<u>163,581</u>	<u>163,581</u>	<u>271,356</u>	<u>107,775</u>
Expenditures				
Public Works	105,000	105,000	105,000	--
Total Expenditures	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>	<u>--</u>
Other Financing Uses				
Transfers Out	163,581	163,581	163,581	--
Total Expenditures and Other Financing Uses	<u>268,581</u>	<u>268,581</u>	<u>268,581</u>	<u>--</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	<u>(105,000)</u>	<u>(105,000)</u>	<u>2,775</u>	<u>107,775</u>
Net Change in Fund Balance	<u>(105,000)</u>	<u>(105,000)</u>	<u>2,775</u>	<u>107,775</u>
Fund Balance at Beginning of Period	3,779	3,779	3,779	--
Fund Balance at End of Period	<u>\$ (101,221)</u>	<u>\$ (101,221)</u>	<u>\$ 6,554</u>	<u>\$ 107,775</u>

Notes to the Schedule:

The budgetary comparison schedules are presented as required supplementary information (RSI) and compare the original and final budget with actual amounts. The budget is prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP).

December 31, 2024

To the Board of Trustees
Township of Howell

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Howell (the "Township") for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 19, 2024. 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. There were no new accounting policies adopted, and the application of existing policies was not changed during the fiscal year ended June 30, 2024. We noted no transactions entered into by the Township 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 vacation banks.

We evaluated key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 31, 2024.

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 Township'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 Township'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 the management's discussion and analysis and budgetary comparison information, which are 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 the Township Board of Trustees and management of the Township and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

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

Gabridge & Company, PLC
Grand Rapids, MI