



VILLAGE OF HOWARD CITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2025



Vredeveld Haefner LLC
CPAs and Consultants

VILLAGE OF HOWARD CITY

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INDEPENDENT AUDITORS' REPORT

June 25, 2025

Village Council
Village of Howard City, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Howard City, Michigan (the "Village"), as of and for the year ended February 28, 2025, and the related notes to the financial statements, which collectively comprise the Village'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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village as of February 28, 2025, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Village 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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 Village'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 and *Government 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 and *Government 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 Village'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 Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged in 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 on pages 3 through 8 and the information on pages 33 through 38 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2025, on our consideration of the Village of Howard City'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 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 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 Village of Howard City's internal control over financial reporting and compliance.

Uredereld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Village of Howard City

Management's Discussion and Analysis

As management of the Village of Howard City (the Village), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the year ended February 28, 2025. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- Paid off fire truck loan.
- Began implementation of SCADA system and paid \$107,975 thus far.
- Built and paid for the Band Shell.
- Completed road repairs totaling \$223,376.
- Paid for the demolition and re-pouring of cement basketball / tennis courts slab to be converted in the following year.
- Placed \$100,000.00 down for a new fire truck and financed \$387,162.00 amount.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Howard City's financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other 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 Village's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Village's assets and liabilities, with the difference between the two 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 Village 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 position 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 only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Village of Howard City 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 Village include general government, public safety, public works, recreation and culture, and debt service activities. The business-type activities of the Village include sewer and water services.

The government-wide financial statements include not only the Village itself (known as the primary government), but also a legally separate Downtown Development Authority for which the Village is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund financial statements. 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 Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary 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 Village maintains six individual governmental funds. 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 the general, major streets, local streets, and street bond debt service funds which are considered to be major funds. Data is combined into a single aggregated presentation for the other governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements and schedules.

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

Proprietary funds. The Village maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its sewer and water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village uses an internal service fund to account for its fleet of vehicles. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the *government-wide* financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operations, each of which are considered to be major funds of the Village.

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 also presents certain *required supplementary information* which includes this management discussion and analysis as well as major fund budgetary schedules and pension benefit schedules.

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 Village of Howard City, assets and deferred outflows exceeded liabilities and deferred inflows by \$10,589,528 at the close of the most recent fiscal year.

A portion of the Village's net position reflects unrestricted net position which is available for future operations while a significant portion of net position is invested in capital assets (e.g., land, buildings and improvements, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village'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.

Following is a summary of net position:

Summary of Net Position

	Governmental Activities		Business-type Activities		Totals	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Current and other assets	\$2,585,382	\$2,647,929	\$1,635,151	\$1,578,250	\$4,220,533	\$4,226,179
Capital assets	3,603,056	3,336,492	4,861,473	4,948,653	8,464,529	8,285,145
Total assets	6,188,438	5,984,421	6,496,624	6,526,903	12,685,062	12,511,324
Deferred outflows of resources	32,080	41,916	-	-	32,080	41,916
Current liabilities	192,358	370,082	115,735	115,333	308,093	485,415
Long-term liabilities	923,270	1,181,920	489,000	555,000	1,412,270	1,736,920
Total liabilities	1,115,628	1,552,002	604,735	670,333	1,720,363	2,222,335
Deferred inflows of resources	407,251	416,284	-	-	407,251	416,284
Net position						
Net investment in capital assets	2,609,713	2,033,006	4,306,473	4,328,653	6,916,186	6,361,659
Restricted	1,023,638	1,012,171	83,500	92,500	1,107,138	596,452
Unrestricted	1,064,288	1,012,874	1,501,916	1,435,417	2,566,204	2,956,510
Total net position	\$4,697,639	\$4,058,051	\$5,891,889	\$5,856,570	\$10,589,528	\$9,914,621

Net position of the Village increased by \$695,600. The governmental activities increase in net position of \$660,281 is primarily due to the recognition of federal ARPA funds and an increase in property tax revenue. The business-type activities increase in net position of \$35,319 was primarily the result of the receipt of a drinking water grant during the year.

Following is a summary of activities:

Summary of Activities

	Governmental Activities		Business-type Activities		Totals	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Revenue						
Program revenue						
Charges for services	\$ 164,601	\$ 162,962	\$ 732,072	\$ 704,826	\$ 896,673	\$ 867,788
Operating grants and Contributions	601,534	582,293	-	-	601,534	582,293
Capital grants and contributions	190,678	163,323	80,050	9,265	446,927	172,588
General revenue						
Property taxes	623,466	414,674	-	-	447,267	414,674
State shared revenues	214,743	214,708	-	-	214,743	214,708
Other	83,717	41,663	52,505	32,403	136,222	74,066
Total revenue	1,878,739	1,579,623	864,627	746,494	2,743,366	2,326,117
Expenses						
General government	244,335	247,544	-	-	244,335	247,544
Public safety	267,704	244,754	-	-	267,704	244,754
Public works	550,991	768,342	-	-	550,991	768,342
Recreation and culture	115,913	64,199	-	-	115,913	64,199
Interest on long-term debt	39,515	44,723	-	-	39,515	44,723
Sewer	-	-	468,093	440,224	468,093	440,224
Water	-	-	361,215	268,097	361,215	268,097
Total expenses	1,218,458	1,369,562	829,308	708,321	2,047,766	2,077,883
Increase in net position	660,281	210,061	35,319	38,173	695,600	248,234
Net position, beginning of year	4,037,358	3,847,890	5,856,570	5,818,397	9,893,928	9,666,287
Net position, end of year	\$4,697,639	\$4,057,951	\$5,891,889	\$5,856,570	\$10,589,528	\$9,914,521

Governmental Activities. During the year the Village invested \$550,991 or 45% of governmental activities expenses in public works, which includes major and local streets, while general government, public safety, recreation and culture and interest on long-term debt made up the remaining 55% of governmental activities expenses. Beginning net position does not tie to the prior years ending net position due to the correction of an error as described in note 9.

Business-type Activities. Business-type activities increased the Village's net position by \$35,319. As noted above, the primary reason for the increase was the receipt of grant funding during the year.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,998,837, an increase of \$154,861 in comparison with the prior year. Of the \$1,998,837, \$975,088 is reported in the general fund. The remaining amount of fund balance is reported in various funds as non-spendable, restricted, committed, or assigned for certain uses such as street construction.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the general fund was \$650,437. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 98% of total general fund expenditures and transfers out. Fund balance of the Village's general fund increased by \$143,393, primarily due to higher than anticipated revenues.

At the end of the current fiscal year, fund balance of the major streets special revenue fund was \$441,224, a decrease of \$25,525. Fund balance of the local streets special revenue fund was \$82,316, an increase of \$41,483. Fund balance of the municipal street fund was \$500,098, a decrease of \$4,491.

Proprietary Funds. The Village's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net position of the sewer and water funds at the end of the year amounted to \$717,530 and \$784,386, respectively. The sewer fund had a decrease in net position for the year of \$8,286 and the water fund had an increase of \$43,605. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Village's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Village's investment in capital assets for its governmental and business-type activities as of February 28, 2025, amounted to \$8,464,529 (net of accumulated depreciation).

The Village's capital assets (net of depreciation) are summarized as follows:

Capital Assets			
	Governmental Activities	Business-type Activities	Total
Land	\$ -	\$ 34,300	\$ 34,300
Construction in progress	-	130,476	130,476
Buildings, vehicles, equipment and infrastructure	3,603,057	4,696,696	8,299,753
Total	\$3,603,057	\$4,861,472	\$8,464,529

Significant additions during the year included a copier machine, sprinkler system, wood chipper, 2024 ford super duty, and various road improvements throughout the village. Additional information on the Village of Howard City capital assets can be found in Note 4 of these financial statements.

Debt. At the end of the current fiscal year, the Village had total debt outstanding of \$1,548,343 consisting entirely of bonds. Principal payments of \$375,143 were made during the year. Additional information on the Village's long-term debt can be found in Note 6 of these financial statements.

Budgetary Highlights

- We continue to increase tax revenue - tax revenue has grown 11% this FY.
- Roof Repairs to well houses, wastewater treatment plant building and DPW Office.
- Village is 99% funded in MERS retirement.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Village's budget for the 2026 fiscal year:

- The taxable value of the Village once again has a slight increase.
- It is anticipated that the Village will see a new tax revenue as new businesses are moving in to the Village.
- A new dispensary in the Village will result in additional State revenues of approximately \$58,000.
- The Village tweaked their banking accounts and are now increasing interest revenue within these accounts by approximately \$35,000.
- The Village is anticipating possible bonding within water and sewer. This will be dependent on what the Village qualifies for under State grant opportunities that were applied for.
- The Village is expecting to spend \$85,000 in major and local street repair and maintenance.
- Meter replacement will be \$252,000 for this FY.
- Chosen to receive \$187,500 MEDC RAP 3.0 grant that will begin in 2026.
- Village will eliminate approximately \$4,000 per month in analog lines once SCADA is fully in place.

Requests for Information

This financial report is designed to provide a general overview of the Village'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 can be obtained by contacting the Village office at (231) 937-4311.

BASIC FINANCIAL STATEMENTS

VILLAGE OF HOWARD CITY

STATEMENT OF NET POSITION

FEBRUARY 28, 2025

	Primary Government			Component Unit
	Governmental	Business-Type		Downtown
	Activities	Activities	Total	Development Authority
Assets				
Cash and cash equivalents	\$ 2,056,998	\$ 1,447,290	\$ 3,504,288	\$ 304,810
Accounts receivable	190	104,361	104,551	-
Due from other governments	104,366	-	104,366	-
Prepaid items	25,698	-	25,698	-
Lease receivable	398,130	-	398,130	-
Land held for sale	-	-	-	28,462
Restricted cash	-	83,500	83,500	-
Capital assets				
Land	-	34,300	34,300	-
Construction in progress	-	130,476	130,476	-
Depreciable capital assets, net	3,603,056	4,696,697	8,299,753	-
Total assets	<u>6,188,438</u>	<u>6,496,624</u>	<u>12,685,062</u>	<u>333,272</u>
Deferred outflows of resources				
Pension related	32,080	-	32,080	-
Liabilities				
Accounts payable	17,439	6,619	24,058	119
Accrued liabilities	17,251	43,116	60,367	-
Unearned revenue	22,602	-	22,602	-
Debt due within one year	135,066	66,000	201,066	-
Noncurrent liabilities				
Compensated absences	22,940	-	22,940	-
Net pension liability	42,053	-	42,053	-
Debt due in more than one year	858,277	489,000	1,347,277	-
Total liabilities	<u>1,115,628</u>	<u>604,735</u>	<u>1,720,363</u>	<u>119</u>
Deferred inflows of resources				
Lease related	407,251	-	407,251	-
Net position				
Net investment in capital assets	2,609,713	4,306,473	6,916,186	-
Restricted for				
Streets	1,023,638	-	1,023,638	-
Revenue bonds	-	83,500	83,500	-
Unrestricted	1,064,288	1,501,916	2,566,204	333,153
Total net position	<u>\$ 4,697,639</u>	<u>\$ 5,891,889</u>	<u>\$ 10,589,528</u>	<u>\$ 333,153</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF HOWARD CITY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED FEBRUARY 28, 2025

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities				
General government	\$ 244,335	\$ 49,122	\$ 8,967	\$ 7,906
Public safety	267,704	107,614	-	10,000
Public works	550,991	2,535	548,608	-
Recreation and culture	115,913	5,330	43,959	172,772
Interest on long-term debt	39,515	-	-	-
Total governmental activities	1,218,458	164,601	601,534	190,678
Business-type activities				
Sewer	468,093	424,120	-	-
Water	361,215	307,952	-	80,050
Total business-type activities	829,308	732,072	-	80,050
Total primary government	<u>\$ 2,047,766</u>	<u>\$ 896,673</u>	<u>\$ 601,534</u>	<u>\$ 270,728</u>
Component unit				
Downtown Development Authority	<u>\$ 215,030</u>	<u>\$ -</u>	<u>\$ 6,280</u>	<u>\$ -</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

VILLAGE OF HOWARD CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2025

	Primary Government			Component Unit
	Governmental	Business-type		Downtown
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Development Authority</u>
Changes in net assets				
Net (expense) revenue	\$ (261,645)	\$ (17,186)	\$ (278,831)	\$ (208,750)
General revenues				
Property taxes	447,267	-	447,267	241,629
Property taxes restricted for streets	176,199	-	176,199	-
State shared revenues	214,743	-	214,743	-
Interest and rentals	40,414	24,527	64,941	-
Gain on sale of capital assets	35,000	-	35,000	-
Other revenue	8,303	27,978	36,281	-
Total general revenues	921,926	52,505	974,431	241,629
Change in net position	660,281	35,319	695,600	32,879
Net position, beginning of year, as previously reported	4,058,051	5,856,570	9,914,621	300,274
Correction of an error	(20,693)	-	(20,693)	-
Net position, beginning of year, as restated	4,037,358	5,856,570	9,893,928	300,274
Net position, end of year	<u>\$ 4,697,639</u>	<u>\$ 5,891,889</u>	<u>\$ 10,589,528</u>	<u>\$ 333,153</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

VILLAGE OF HOWARD CITY

GOVERNMENTAL FUNDS BALANCE SHEET

FEBRUARY 28, 2025

		Special Revenue				
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Municipal Streets</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Assets						
Cash and cash equivalents	\$ 969,163	\$ 395,292	\$ 58,760	\$ 502,004	\$ 111	\$ 1,925,330
Accounts receivable	190	-	-	-	-	190
Due from other governments	34,834	45,976	23,556	-	-	104,366
Prepaid items	25,698	-	-	-	-	25,698
Lease receivable	398,130	-	-	-	-	398,130
Total assets	<u>\$ 1,428,015</u>	<u>\$ 441,268</u>	<u>\$ 82,316</u>	<u>\$ 502,004</u>	<u>\$ 111</u>	<u>\$ 2,453,714</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 13,865	\$ -	\$ -	\$ 1,906	\$ -	\$ 15,771
Accrued liabilities	9,209	44	-	-	-	9,253
Unearned revenue	22,602	-	-	-	-	22,602
Total liabilities	<u>45,676</u>	<u>44</u>	<u>-</u>	<u>1,906</u>	<u>-</u>	<u>47,626</u>
Deferred inflows of resources						
Lease related	407,251	-	-	-	-	407,251
Fund balances						
Nonspendable						
Prepaid items	25,698	-	-	-	-	25,698
Restricted						
Streets	-	441,224	82,316	500,098	-	1,023,638
Committed						
Various projects	84,454	-	-	-	-	84,454
Assigned						
Debt service	-	-	-	-	111	111
Subsequent year expenditures	214,499	-	-	-	-	214,499
Unassigned	650,437	-	-	-	-	650,437
Total fund balances	<u>975,088</u>	<u>441,224</u>	<u>82,316</u>	<u>500,098</u>	<u>111</u>	<u>1,998,837</u>
Total liabilities and fund balances	<u>\$ 1,428,015</u>	<u>\$ 441,268</u>	<u>\$ 82,316</u>	<u>\$ 502,004</u>	<u>\$ 111</u>	<u>\$ 2,453,714</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF HOWARD CITY

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

FEBRUARY 28, 2025

Fund balances - total governmental funds	\$ 1,998,837
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - capital assets (net of accumulated depreciation)	3,273,317
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - long-term debt payable	(993,343)
Deduct - compensated absences payable	(22,940)
Deduct - accrued interest on bonds and loans payable	(7,998)
Deduct - net pension liability	(42,053)
Add - deferred outflows related to net pension liability	32,080
Internal service funds are used by management to charge the costs of centralized services, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.	
Add - net position of governmental activities accounted for in the internal service fund	<u>459,739</u>
Net position of governmental activities	<u>\$ 4,697,639</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF HOWARD CITY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED FEBRUARY 28, 2025

		Special Revenue				
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Municipal Streets</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Revenues						
Taxes and penalties	\$ 447,267	\$ -	\$ -	\$ 176,199	\$ -	\$ 623,466
Intergovernmental revenues						
Federal	172,772	-	-	-	-	172,772
State	233,710	253,086	117,955	-	-	604,751
Local	-	-	-	-	169,007	169,007
Charges for services	160,061	-	-	-	-	160,061
Fines	570	-	-	-	-	570
Interest and rentals	36,133	4,280	4,280	4,280	1	48,974
Miscellaneous	51,482	2,375	2,375	-	-	56,232
Total revenues	<u>1,101,995</u>	<u>259,741</u>	<u>124,610</u>	<u>180,479</u>	<u>169,008</u>	<u>1,835,833</u>
Expenditures						
Current						
Legislative	11,194	-	-	-	-	11,194
General government	220,063	-	-	-	-	220,063
Public safety	218,559	-	-	-	-	218,559
Public works	88,395	285,266	133,127	134,970	-	641,758
Recreation and culture	270,887	-	-	-	-	270,887
Debt service						
Principal	177,000	-	-	-	133,143	310,143
Interest	7,504	-	-	-	35,864	43,368
Total expenditures	<u>993,602</u>	<u>285,266</u>	<u>133,127</u>	<u>134,970</u>	<u>169,007</u>	<u>1,715,972</u>
Revenues over (under) expenditures	<u>108,393</u>	<u>(25,525)</u>	<u>(8,517)</u>	<u>45,509</u>	<u>1</u>	<u>119,861</u>
Other financing sources (uses)						
Gain on sale of capital assets	35,000	-	-	-	-	35,000
Transfers in	-	-	50,000	-	-	50,000
Transfers out	-	-	-	(50,000)	-	(50,000)
Total other financing sources (uses)	<u>35,000</u>	<u>-</u>	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>	<u>35,000</u>
Net changes in fund balances	143,393	(25,525)	41,483	(4,491)	1	154,861
Fund balances, beginning of year	<u>831,695</u>	<u>466,749</u>	<u>40,833</u>	<u>504,589</u>	<u>110</u>	<u>1,843,976</u>
Fund balances, end of year	<u>\$ 975,088</u>	<u>\$ 441,224</u>	<u>\$ 82,316</u>	<u>\$ 500,098</u>	<u>\$ 111</u>	<u>\$ 1,998,837</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF HOWARD CITY

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

FOR THE YEAR ENDED FEBRUARY 28, 2025

Net changes in fund balances - total governmental funds	\$ 154,861
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>	
Add - capital outlay	517,691
Deduct - depreciation expense	(283,671)
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
Add - principal payments on long-term debt	310,143
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p>	
Deduct - increase in compensated absences	(2,247)
Deduct - increase in net pension liability	(13,476)
Deduct - decrease in deferred outflows related to net pension liability	(9,836)
Add - decrease in accrued interest	3,853
<p>Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.</p>	
Add - increase in net position of the internal service fund	<u>(17,037)</u>
Change in net position of governmental activities	<u>\$ 660,281</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF HOWARD CITY

PROPRIETARY FUNDS STATEMENT OF NET POSITION

FEBRUARY 28, 2025

	<u>Enterprise Funds</u>		<u>Enterprise Funds Total</u>	<u>Governmental Activities Motor Pool</u>
Assets	<u>Sewer</u>	<u>Water</u>		
Current assets				
Cash and cash equivalents	\$ 669,107	\$ 778,183	\$ 1,447,290	\$ 131,668
Accounts receivable	63,233	41,128	104,361	-
Due from other government	-	-	-	-
Total current assets	<u>732,340</u>	<u>819,311</u>	<u>1,551,651</u>	<u>131,668</u>
Noncurrent assets				
Restricted cash	83,500	-	83,500	-
Land	17,879	16,421	34,300	-
Construction in progress	76,488	53,988	130,476	-
Capital assets, net	<u>3,641,828</u>	<u>1,054,869</u>	<u>4,696,697</u>	<u>329,739</u>
Net noncurrent assets	<u>3,819,695</u>	<u>1,125,278</u>	<u>4,944,973</u>	<u>329,739</u>
Total assets	<u>4,552,035</u>	<u>1,944,589</u>	<u>6,496,624</u>	<u>461,407</u>
Liabilities				
Current liabilities				
Accounts payable	4,984	1,635	6,619	1,668
Accrued liabilities	9,826	33,290	43,116	-
Current portion of long-term debt	<u>66,000</u>	<u>-</u>	<u>66,000</u>	<u>-</u>
Total current liabilities	80,810	34,925	115,735	1,668
Long-term liabilities				
Bonds payable, net of current portion	<u>489,000</u>	<u>-</u>	<u>489,000</u>	<u>-</u>
Total long-term liabilities	<u>489,000</u>	<u>-</u>	<u>489,000</u>	<u>-</u>
Total liabilities	<u>569,810</u>	<u>34,925</u>	<u>604,735</u>	<u>1,668</u>
Net position				
Net investment in capital assets	3,181,195	1,125,278	4,306,473	329,739
Restricted for bonds	83,500	-	83,500	-
Unrestricted	<u>717,530</u>	<u>784,386</u>	<u>1,501,916</u>	<u>130,000</u>
Total net position	<u>\$ 3,982,225</u>	<u>\$ 1,909,664</u>	<u>\$ 5,891,889</u>	<u>\$ 459,739</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF HOWARD CITY

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED FEBRUARY 28, 2025

	<u>Enterprise Funds</u>		<u>Enterprise Funds</u>	<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Motor Pool</u>
Operating revenue				
Charges for services	\$ 424,120	\$ 297,952	\$ 722,072	\$ 139,165
Other	<u>15,440</u>	<u>22,538</u>	<u>37,978</u>	<u>-</u>
Total operating revenue	<u>439,560</u>	<u>320,490</u>	<u>760,050</u>	<u>139,165</u>
Operating expense				
Personnel services	118,033	91,482	209,515	26,351
Contractual	28,834	110,673	139,507	-
Utilities	40,042	34,354	74,396	14,974
Repair and maintenance	39,126	62,684	101,810	27,092
Other expenses	52,750	22,135	74,885	20,237
Depreciation	<u>170,064</u>	<u>39,887</u>	<u>209,951</u>	<u>71,827</u>
Total operating expense	<u>448,849</u>	<u>361,215</u>	<u>810,064</u>	<u>160,481</u>
Operating income (loss)	<u>(9,289)</u>	<u>(40,725)</u>	<u>(50,014)</u>	<u>(21,316)</u>
Non-operating revenue (expense)				
Interest income	20,247	4,280	24,527	4,279
Interest expense	(19,244)	-	(19,244)	-
State grant revenue	<u>-</u>	<u>80,050</u>	<u>80,050</u>	<u>-</u>
Total non-operating revenue (expense)	<u>1,003</u>	<u>84,330</u>	<u>85,333</u>	<u>4,279</u>
Income (loss) before transfers	<u>(8,286)</u>	<u>43,605</u>	<u>35,319</u>	<u>(17,037)</u>
Changes in net position	(8,286)	43,605	35,319	(17,037)
Net position, beginning of year	<u>3,990,511</u>	<u>1,866,059</u>	<u>5,856,570</u>	<u>476,776</u>
Net position, end of year	<u>\$ 3,982,225</u>	<u>\$ 1,909,664</u>	<u>\$ 5,891,889</u>	<u>\$ 459,739</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF HOWARD CITY

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED FEBRUARY 28, 2025

	<u>Enterprise Funds</u>		<u>Enterprise Funds</u>	<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Motor Pool</u>
Cash flows from operating activities				
Receipts from customers and users	\$ 434,524	\$ 318,354	\$ 752,878	\$ 139,165
Payments to employees	(118,033)	(91,482)	(209,515)	(26,351)
Payments to suppliers	(164,471)	(226,725)	(391,196)	(61,543)
Net cash provided by (used in) operating activities	<u>152,020</u>	<u>147</u>	<u>152,167</u>	<u>51,271</u>
Cash flows from capital and related financing activities				
Interest paid	(19,244)	-	(19,244)	-
Principal paid on bonds	(65,000)	-	(65,000)	-
Capital grant received	-	80,050	80,050	-
Acquisitions of capital assets	(68,783)	(53,988)	(122,771)	(104,371)
Net cash provided by (used in) capital and related financing activities	<u>(153,027)</u>	<u>26,062</u>	<u>(126,965)</u>	<u>(104,371)</u>
Cash flows from investing activities				
Interest income	<u>20,247</u>	<u>4,280</u>	<u>24,527</u>	<u>4,279</u>
Net increase (decrease) in cash and cash equivalents	19,240	30,489	49,729	(48,821)
Cash and cash equivalents, beginning of year	<u>733,367</u>	<u>747,694</u>	<u>1,481,061</u>	<u>180,489</u>
Cash and cash equivalents, end of year	<u>\$ 752,607</u>	<u>\$ 778,183</u>	<u>\$ 1,530,790</u>	<u>\$ 131,668</u>
Cash flows from operating activities				
Operating income (loss)	\$ (9,289)	\$ (40,725)	\$ (50,014)	\$ (21,316)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	170,064	39,887	209,951	71,827
Changes in operating assets and liabilities which provided (used) cash				
Accounts receivable	(5,036)	(2,136)	(7,172)	-
Accounts payable	(4,753)	(1,843)	(6,596)	760
Accrued liabilities	1,034	4,964	5,998	-
Net cash provided by (used in) operating activities	<u>\$ 152,020</u>	<u>\$ 147</u>	<u>\$ 152,167</u>	<u>\$ 51,271</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF HOWARD CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Howard City, Michigan (the Village) was incorporated in 1895, and covers an area of approximately 2.4 square miles. The Village operates under an elected Village Council of 7 members and provides services to its more than 1,800 residents in many areas including water and sewer services, community enrichment and development, and human services.

The accounting policies of the Village conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

These financial statements present the Village and its component unit for which the Village is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the Village.

Discretely Presented Component Unit

The Village established a Downtown Development Authority (DDA) in 1996 to complete various projects in the downtown district. Funding for these projects will be provided through captured property taxes from various units of government. The members of the governing boards of the DDA are appointed by the Village Council. The budgets of the DDA must be approved by the Village Council, and the Village has the ability to significantly influence its operations. Financial statements are not separately issued for the DDA. This entity is reported in a separate column in the Village's financial statements to emphasize that it is legally separate from the Village.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary 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 and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the 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 financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing

VILLAGE OF HOWARD CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2025

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.

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 except grant revenues which are recognized when grant requirements are met, state shared revenue is recognized in the month in which taxes are collected, and interest revenue which is recorded when earned. 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, state revenue, grant 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. All other revenue items are considered to be measurable and available only when cash is received by the Village.

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 enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Village reports the following major governmental funds:

The *General fund* is the general operating fund of the Village. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Major and Local Streets funds* are used to account for the proceeds of Act 51 revenue from the Michigan Department of Transportation that is legally restricted to expenditures for streets within the Village.

The *Municipal Streets fund* is used to account for the proceeds of an additional voted millage levied for streets.

The Village reports the following major proprietary funds:

The *Sewer enterprise fund* is used to account for the operations of the Village's sewer department that provides sewer services to most residents of the Village on a user charge basis.

The *Water enterprise fund* is used to account for the operations of the Village's water department that provides water services to most residents of the Village on a user charge basis.

Additionally, the Village reports the following fund types:

The *Debt Service funds* are used to account for the financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

VILLAGE OF HOWARD CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2025

The *Internal Service fund* is used to account for the revenues and costs of goods or services provided by the Village to other departments and funds on a cost reimbursement basis.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Budgets and Budgetary Accounting

Comparisons to budget are presented for general and special revenue funds. The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to year-end, the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all funds.
5. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles.
6. Adoption and amendments of all budgets used by the Village are governed by Public Act 621. The appropriations ordinances are based on the projected expenditures budget of the department heads of the Village. Any amendment to the original budget must meet the requirements of Public Act 621. The Village amended its budget for the year. Any revisions that alter the total expenditures of any activity must be approved by the Village Council.

Budgets for expenditures are adopted on an activity basis for the general and special revenue funds and lapse at year end. Budgeted amounts are as originally adopted and amended by the Village Council.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Village considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash represents amounts set aside in accordance with various bond requirements.

Investment Statutory Authority

State statutes authorize the Village to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

VILLAGE OF HOWARD CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2025

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers' acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements using the consumption method.

Capital Assets

Capital assets, which include land, buildings and improvements, vehicles and equipment, and infrastructure are reported in the governmental and business-type activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received.

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

No interest expense has been capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	15-60
Equipment	3-15
Vehicles	3-15
System infrastructure	5-50

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Village has an item that qualifies for reporting in this category related to the net pension liability which is discussed in Note 5.

VILLAGE OF HOWARD CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2025

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village has an item that qualifies for reporting in this category related to the lease which is discussed in Note 8.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the 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. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. 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 and discounts received on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures regardless of fund or activity.

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted - the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed - the related assets can only be spent for a specific purpose identified by formal resolution of the Village Council.
4. Assigned - the related assets can only be spent for a specific purpose identified by formal resolution of the Village Council. The Council has not delegated authority for the ability to assign fund balance.
5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

Net Position and Fund Balance Flow Assumptions

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/fund balance and unrestricted – net position/fund balance, 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 use restricted resources first, then unrestricted resource as they are needed. 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.

VILLAGE OF HOWARD CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2025

Property Taxes

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14. Real property taxes not collected as of September 30 are turned over to the County for collection, which advances the Village 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Village Treasurer. Property taxes levied in July of each year are recognized as revenue in that year.

Property taxes levied on July 1 of each year are recognized as revenue in that year. The City's 2024 taxable value \$53,800,606 on which they levied 14.1796 mills for general fund operations.

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Compensated Absences

Under contracts and employee policy, employee groups and individual employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in the contracts. Accumulated vacation time of governmental funds is recorded on the statement of net position and not on the governmental fund balance sheets because it is not expected to be liquidated with expendable available financial resources.

Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended February 28, 2025, the Village carried commercial insurance to cover risks of losses. The Village has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

VILLAGE OF HOWARD CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2025

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the activity level, the same level at which the budgets of the Village were adopted. During the year ended February 28, 2025, the Village spent \$270,887 in the culture and recreation activity and \$11,194 in the council activity, which were \$43,818 and \$544 over the budgeted amounts, respectively.

3. CASH AND CASH EQUIVALENTS

The captions on the financial statements relating to cash and cash equivalents are as follows:

	Governmental Activities	Business- type Activities	Component Unit	Total
Cash and cash equivalents	\$2,056,998	\$1,447,290	\$304,810	\$3,809,098
Restricted cash	-	83,500	-	83,500
	<u>\$2,056,998</u>	<u>\$1,530,790</u>	<u>\$304,810</u>	<u>\$3,892,598</u>

Restricted cash consists of the following at February 28, 2025:

	Sewer Fund
2009 Sewage disposal revenue bonds	\$29,500
1994 Sewer system revenue bonds USDA Bond interest and redemption	34,000
1994 Sewer system revenue bonds USDA general account	<u>20,000</u>
	<u>\$83,500</u>

These deposits are in financial institutions located in Michigan. State policy limits the Treasurer's investing options to financial institutions located in Michigan (with specific exceptions). All accounts are in the name of the Village and a specific fund or common account. They are recorded in Village records at fair value.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. As of year-end, \$3,379,113 of the Village's bank balance of \$3,892,296 was exposed to custodial credit risk because it was uninsured and uncollateralized.

VILLAGE OF HOWARD CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2025

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance March 1, 2024	Additions	Deletions	Balance February 28, 2025
Governmental Activities				
Capital assets, not being depreciated				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Capital assets, being depreciated				
Building and improvements	235,162	171,904	-	407,066
Infrastructure	5,229,425	338,535	-	5,567,959
Vehicles and equipment	1,876,798	111,623	274,743	1,713,677
Total capital assets, being depreciated	7,341,385	622,062	274,743	7,688,702
Less accumulated depreciation				
Building and improvements	119,870	15,455	-	135,324
Infrastructure	2,579,276	224,855	-	2,804,131
Vehicles and equipment	1,305,747	115,188	274,743	1,146,190
Total accumulated depreciation	4,004,893	355,498	274,743	4,085,645
Net capital assets, being depreciated	3,336,492	266,564	-	3,603,057
Governmental Activities capital assets, net	\$3,336,492	\$266,564	\$ -	\$3,603,056
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 34,300	\$ -	\$ -	\$ 34,300
Construction in progress	22,500	107,976	-	130,476
Total capital assets, not being depreciated	56,800	107,976	-	164,776
Capital assets, being depreciated				
Systems	8,797,520	-	-	8,797,520
Machinery and equipment	65,133	14,795	-	79,929
Software	6,870	-	-	6,870
Total capital assets, being depreciated	8,869,523	14,795	-	8,869,523
Less accumulated depreciation				
Systems	3,946,470	201,903	-	4,148,374
Machinery and equipment	24,330	8,048	-	32,379
Software	6,870	-	-	6,870
Total accumulated depreciation	3,977,670	209,951	-	4,187,623
Net capital assets, being depreciated	4,891,853	(195,156)	-	4,696,696
Business-type Activities capital assets, net	\$4,948,653	\$(87,180)	-	\$4,861,472

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 19,195
Public safety	42,152
Public works	206,420
Culture and recreation	15,904
Internal service fund	71,827
Total depreciation expense, governmental activities	\$355,498

VILLAGE OF HOWARD CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2025

Business-type Activities	
Sewer	\$170,064
Water	<u>39,887</u>
Total depreciation expense, business-type activities	<u><u>\$209,951</u></u>

5. PENSION PLANS

Defined Contribution Plan

The Village maintains a defined contribution 401(a) Plan administered by MERS. The plan is available to all full-time employees at time of hire. The plan provisions and contribution requirements are established and may be amended by Village Council. The contribution by the Village is 10% of gross wages. Employer contributions to the plan for the year ended February 28, 2025 amounted to \$39,006.

MERS Defined Benefit Plan

Plan Description

The Village participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multi-employer defined benefit pension plan providing retirement, death and disability benefits. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

This plan is closed to new entrants.

Benefits Provided

Benefits provided include a multiplier of up to 1.7 times final average compensation with a vesting period of 10 years. Effective in 2020, plan participants are frozen at their current multiplier rate. Normal retirement age is 60 with early retirement at 50 with 25 years of service or 55 with 15 years of service with various benefits. Benefits are calculated using final average compensation of 5 years.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are 2.5%.

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2023):

Active plan members	0
Inactive employees entitled but not yet receiving benefits	5
Inactive employees or beneficiaries currently receiving benefits	<u>4</u>
Total	<u><u>9</u></u>

VILLAGE OF HOWARD CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2025

Contributions

The Village is required to contribute at an actuarially determined rate. For divisions closed to new employees the employer had no monthly employer contribution amount. Participating employees are not required to contribute to the Plan. The contribution requirements of the Village are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability at December 31, 2024 was determined by an annual actuarial valuation as of December 31, 2023 (which included roll forward procedures to December 31, 2024).

The total pension liability in the December 31, 2023 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: base wage inflation of 3.00% in the long-term (plus merit and longevity from 0 to 11% based on age)

Investment rate of return: 7.0%, net of investment expense, including inflation

Mortality rates used for non-disabled plan member were based on a weighted blend of RP-2019 mortality tables of a 50% Male and 50% Female blend. Mortality rates used for disabled plan member were based on a blend of RP-2019 disabled retiree mortality tables of a 50% Male and 50% Female blend of disabled retirees

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money Weighted Rate of Return*</u>
Global Equity	60.0%	7.00%	2.70%
Global Fixed Income	20.0%	4.66%	0.43%
Private investments	20.0%	9.00%	1.30%
Inflation			2.50%
Administrative fee			0.25%
Discount rate			7.18%

VILLAGE OF HOWARD CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2025

Discount rate. The discount rate used to measure the total pension liability is 7.18%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

The components of the change in the net pension liability were as follows:

	Increase (Decrease)		Net Pension
	Total Pension Liability	Plan Fiduciary Net Position	Liability (Asset)
	(a)	(b)	(a)-(b)
Balance at December 31, 2023	\$831,468	\$802,891	\$ 28,577
Changes for the Year:			
Service cost	-	-	-
Interest	58,576	-	58,576
Change in benefits	-	-	-
Differences between expected and actual experience	6,061	-	6,061
Change in assumptions	6,270	-	6,270
Contributions: employer	-	-	-
Contributions: employee	-	-	-
Net investment income (loss)	-	59,426	(59,426)
Benefit payments, including refunds	(47,037)	(47,037)	-
Administrative expense	-	(1,752)	1,752
Other changes	243	-	243
Net changes	24,113	10,637	13,476
Balance at December 31, 2024	\$855,581	\$813,528	\$ 42,053

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

For the year ended February 28, 2025 the Village recognized pension expense of \$23,312. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ -
Differences in assumptions	-	-
Excess (deficit) investment returns	32,080	-
Contributions subsequent to the measurement date*	-	-
Total	\$32,080	\$ -

* The amount reported as deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending February 28, 2025.

VILLAGE OF HOWARD CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2025

Amounts reported as deferred outflows and inflows of resources from pension related items (excluding contributions subsequent to measurement date) will be recognized in pension expense as follows:

2026	\$14,342
2027	25,026
2028	(6,582)
2028	(706)
Total	<u>\$32,080</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	\$954,058	\$855,581	\$772,678
Fiduciary net position	813,528	813,528	813,528
Net pension liability (asset)	<u>\$140,530</u>	<u>\$ 42,053</u>	<u>\$(40,850)</u>

6. LONG-TERM DEBT

The following is a summary of the debt transactions of the Village for the year ended February 28, 2025.

	Balance March 1, <u>2024</u>	<u>Additions</u>	<u>Deletions</u>	Balance February 28, <u>2025</u>	Due Within One Year
Governmental Activities					
2011 Limited Tax General Obligation Bonds, payable in annual installments of \$25,000 to \$70,000 through 2031, plus interest at 4.875%	\$ 405,000	\$ -	\$50,000	\$ 355,000	\$ 50,000
2016 Limited Tax General Obligation Bonds, payable in bi-annual installments of \$31,982 to \$49,067 through 2031, plus interest at 2.30%	721,486	-	83,143	638,343	85,066
2017 Act 99 Installment Purchase Agreement, payable in annual installments if \$8,000 to \$21,000 through 2034, plus interest at 3.125%	177,000	-	177,000	-	-
Total debt	1,303,486	-	310,143	993,343	135,066
Accrued employee benefits*	20,693	2,247	-	22,940	2,528
Total Governmental Activities	<u>\$1,324,179</u>	<u>\$ 2,247</u>	<u>\$310,143</u>	<u>\$1,016,283</u>	<u>\$137,594</u>

VILLAGE OF HOWARD CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2025

	Balance March 1, <u>2024</u>	<u>Additions</u>	<u>Deletions</u>	Balance February 28, <u>2025</u>	Due Within One <u>Year</u>
Business-type Activities					
1994 Sewer System Revenue Bonds, payable in annual installments of \$5,000 to \$28,000 through 2034, plus interest at 4.50%	\$280,000	\$ -	\$20,000	\$260,000	\$21,000
2009 Sewage Disposal Revenue Bonds, payable in annual installments of \$35,000 to \$50,000 through 2031, plus interest at 2.50%	340,000	-	45,000	295,000	45,000
Total Business-type Activities	\$620,000	\$ -	\$65,000	\$555,000	\$66,000

* The change in accrued employee benefits is presented as a net change.

The annual requirements to amortize all debt outstanding as of February 28, 2025 are as follows:

Year Ending February 28	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2026	\$135,067	\$ 31,503	\$ 66,000	\$ 18,040
2027	142,034	27,098	72,000	15,885
2028	144,047	22,404	73,000	13,623
2029	151,107	17,663	75,000	11,292
2030	158,214	12,630	75,000	8,917
2031-2035	262,874	8,991	194,000	17,045
Total	\$993,343	\$120,289	\$555,000	\$84,802

All debt of the Village is private placement. In the event of default, the Village will 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 charter limitations.

7. LEASE RECEIVABLE

The Village has entered into a lease arrangement with a company to lease space for cell tower installations. The lease was entered into in March 2010 and contains automatic renewals that cannot be cancelled by the Village. The lease was amended to provide options to extend six additional five-year terms, through March 2070. Currently, the Village is in the initial 30-year lease; current monthly payment of approximately \$320 increasing annually by 3% with an annual payment of approximately \$16,000 increasing by 2%. The lessee can terminate this lease upon 30 days written notice dependent upon specific conditions within the contract. Only 20 years of the lease was calculated for the lease receivable as it cannot be determined if the current technology will still be relevant by the last year of this lease and the lessee reserves the right to cancel the lease.

The Village has recognized a total deferred inflow of resources of \$407,251 in the current fiscal year along with a lease receivable of \$398,130. The Village recognized approximately \$20,460 in lease revenue for the current fiscal year.

VILLAGE OF HOWARD CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2025

8. RESTATEMENT OF FUND BALANCE

Beginning net position on the government wide statements was decreased by \$20,693 to recognize accrued employee benefits.

9. SUBSEQUENT EVENT

Subsequent to year-end, the Village entered into an ACT 99 installment purchase agreement for the purchase of a new fire truck. The new fire truck has a purchase price of \$487,126.

10. FUND BALANCE COMMITMENTS

Committed fund balance consists of the following at February 28, 2025:

	General Fund
Ensley park	\$27,995
Harvest festival	1,758
Ballfield	6,355
Bandshell	37,274
Buck pole	6,982
Music Festival	4,090
	<hr/>
	\$84,454

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF HOWARD CITY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED FEBRUARY 28, 2025

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes and penalties	\$ 404,050	\$ 447,078	\$ 447,267	\$ 189
Intergovernmental revenues				
Federal	-	172,772	172,772	-
State	210,500	197,040	233,710	36,670
Charges for services	162,544	169,947	160,061	(9,886)
Fines	500	500	570	70
Interest and rentals	18,000	28,000	36,133	8,133
Miscellaneous	5,000	8,437	51,482	43,045
Total revenues	800,594	1,023,774	1,101,995	78,221
Expenditures				
Current				
Legislative - Village Council	10,650	10,650	11,194	(544)
General government				
Village manager	193,598	199,149	189,142	10,007
Grounds	75,500	35,500	30,873	4,627
Tribunal refunds	-	50	48	2
Total general government	269,098	234,699	220,063	14,636
Public safety				
Police services	138,250	138,250	138,244	6
Fire department	91,950	92,900	80,315	12,585
Total public safety	230,200	231,150	218,559	12,591
Department of public works	113,500	114,250	88,395	25,855
Culture and recreation	46,500	227,070	270,887	(43,818)
Debt service				
Principal	17,000	177,000	177,000	-
Interest and fiscal charges	5,532	7,997	7,504	493
Total expenditures	692,480	1,002,815	993,602	9,213
Revenues over (under) expenditures	108,114	20,959	108,393	87,434
Other financing sources (uses)				
Gain on sale of capital assets	-	-	35,000	35,000
Net changes in fund balance	108,114	20,959	143,393	122,434
Fund balance, beginning of year	831,695	831,695	831,695	-
Fund balance, end of year	\$ 939,809	\$ 852,654	\$ 975,088	\$ 122,434

VILLAGE OF HOWARD CITY
MAJOR STREETS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED FEBRUARY 28, 2025

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 200,000	\$ 200,000	\$ 253,086	\$ 53,086
Interest and rentals	-	4,000	4,280	280
Miscellaneous	-	2,375	2,375	-
Total revenues	<u>200,000</u>	<u>206,375</u>	<u>259,741</u>	<u>53,366</u>
Expenditures				
Public works				
Routine maintenance	246,900	267,600	262,855	4,745
Winter maintenance	31,000	31,000	22,411	8,589
Total expenditures	<u>277,900</u>	<u>298,600</u>	<u>285,266</u>	<u>13,334</u>
Net changes in fund balances	(77,900)	(92,225)	(25,525)	66,700
Fund balances, beginning of year	<u>466,749</u>	<u>466,749</u>	<u>466,749</u>	<u>-</u>
Fund balances, end of year	<u>\$ 388,849</u>	<u>\$ 374,524</u>	<u>\$ 441,224</u>	<u>\$ 66,700</u>

VILLAGE OF HOWARD CITY
LOCAL STREETS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED FEBRUARY 28, 2025

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 105,000	\$ 80,000	\$ 117,955	\$ 37,955
Interest and rentals	-	4,000	4,280	280
Miscellaneous	2,300	2,300	2,375	75
Total revenues	<u>107,300</u>	<u>86,300</u>	<u>124,610</u>	<u>38,310</u>
Expenditures				
Public works				
Routine maintenance	107,900	119,650	109,327	10,323
Winter maintenance	23,200	25,700	23,800	1,900
Total expenditures	<u>131,100</u>	<u>145,350</u>	<u>133,127</u>	<u>12,223</u>
Revenues over (under) expenditures	(23,800)	(59,050)	(8,517)	50,533
Other financing sources (uses)				
Transfers in	20,000	50,000	50,000	-
Net changes in fund balances	(3,800)	(9,050)	41,483	50,533
Fund balances, beginning of year	<u>40,833</u>	<u>40,833</u>	<u>40,833</u>	<u>-</u>
Fund balances, end of year	<u>\$ 37,033</u>	<u>\$ 31,783</u>	<u>\$ 82,316</u>	<u>\$ 50,533</u>

VILLAGE OF HOWARD CITY
MUNICIPAL STREETS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED FEBRUARY 28, 2025

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ 150,000	\$ 176,000	\$ 176,199	\$ 199
Intergovernmental revenues				
Interest	-	4,000	4,280	280
Total revenues	<u>150,000</u>	<u>180,000</u>	<u>180,479</u>	<u>479</u>
Expenditures				
Public works				
Routine maintenance	178,000	178,000	134,970	43,030
Total expenditures	<u>178,000</u>	<u>178,000</u>	<u>134,970</u>	<u>43,030</u>
Revenues over (under) expenditures	(28,000)	2,000	45,509	43,509
Other financing sources (uses)				
Transfers out	(60,000)	(50,000)	(50,000)	-
Net changes in fund balances	(88,000)	(48,000)	(4,491)	43,509
Fund balances, beginning of year	<u>504,589</u>	<u>504,589</u>	<u>504,589</u>	<u>-</u>
Fund balances, end of year	<u>\$ 416,589</u>	<u>\$ 456,589</u>	<u>\$ 500,098</u>	<u>\$ 43,509</u>

**DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN EMPLOYERS NET PENSION
LIABILITY AND RELATED RATIOS**

FOR THE YEAR ENDED FEBRUARY 28, 2025

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total pension liability									
Service cost	\$ 7,056	\$ 2,937	\$ 3,255	\$ 3,139	\$ 3,321	\$ 2,199	\$ -	\$ -	\$ -
Interest	65,514	65,734	68,413	68,356	55,729	56,374	54,723	60,492	58,576
Changes in benefit terms	-	-	-	-	(47,107)	(53,023)	-	-	-
Difference between expected and actual experience	(57,160)	2,033	12,879	(179,826)	18,743	21,291	43,949	(40,586)	6,061
Changes in assumptions	48,378	-	-	30,978	24,982	27,009	31,452	-	6,270
Benefit payments including employee refunds	(43,723)	(55,467)	(69,773)	(44,664)	(43,157)	(50,101)	(45,776)	(46,069)	(47,037)
Other	(36)	15,231	(2,073)	-	-	8,232	(4,622)	219	243
Net change in total pension liability	<u>20,029</u>	<u>30,468</u>	<u>12,701</u>	<u>(122,017)</u>	<u>12,511</u>	<u>11,981</u>	<u>79,726</u>	<u>(25,944)</u>	<u>24,113</u>
Total pension liability, beginning of year	<u>812,013</u>	<u>832,042</u>	<u>862,510</u>	<u>875,211</u>	<u>753,194</u>	<u>765,705</u>	<u>777,686</u>	<u>857,412</u>	<u>831,468</u>
Total pension liability, end of year	<u>\$ 832,042</u>	<u>\$ 862,510</u>	<u>\$ 875,211</u>	<u>\$ 753,194</u>	<u>\$ 765,705</u>	<u>\$ 777,686</u>	<u>\$ 857,412</u>	<u>\$ 831,468</u>	<u>\$ 855,581</u>
Plan Fiduciary Net Position									
Contributions-employer	\$ 32,732	\$ 29,384	\$ 35,367	\$ 39,057	\$ 45,665	\$ 33,788	\$ 5,494	\$ -	\$ -
Contributions-employee	-	-	-	-	-	-	-	-	-
Net investment income	(9,156)	83,798	(26,280)	86,136	94,298	114,084	(94,066)	83,289	59,426
Benefit payments including employee refunds	(43,723)	(55,467)	(69,773)	(44,664)	(43,157)	(50,101)	(45,776)	(46,069)	(47,037)
Administrative expense	(1,340)	(1,328)	(1,326)	(1,485)	(1,453)	(1,308)	(1,647)	(1,771)	(1,752)
Net change in plan fiduciary net position	<u>(21,487)</u>	<u>56,387</u>	<u>(62,012)</u>	<u>79,044</u>	<u>95,353</u>	<u>96,463</u>	<u>(135,995)</u>	<u>35,449</u>	<u>10,637</u>
Plan fiduciary net position, beginning of year	<u>659,689</u>	<u>638,202</u>	<u>694,589</u>	<u>632,577</u>	<u>711,621</u>	<u>806,974</u>	<u>903,437</u>	<u>767,442</u>	<u>802,891</u>
Plan fiduciary net position, end of year	<u>\$ 638,202</u>	<u>\$ 694,589</u>	<u>\$ 632,577</u>	<u>\$ 711,621</u>	<u>\$ 806,974</u>	<u>\$ 903,437</u>	<u>\$ 767,442</u>	<u>\$ 802,891</u>	<u>\$ 813,528</u>
Total net pension liability (asset)	<u>\$ 193,840</u>	<u>\$ 167,921</u>	<u>\$ 242,634</u>	<u>\$ 41,573</u>	<u>\$ (41,269)</u>	<u>\$ (125,751)</u>	<u>\$ 89,970</u>	<u>\$ 28,577</u>	<u>\$ 42,053</u>
Plan fiduciary net position as a percentage of the total pension liability	77%	81%	72%	94%	105%	116%	90%	97%	95%
Covered employee payroll	\$ 90,658	\$ 36,393	\$ 38,708	\$ 37,069	\$ 38,708	\$ 38,708	\$ -	\$ -	\$ -
Employer's net pension liability as a percentage of covered employee payroll	214%	461%	627%	112%	-107%	-325%	n/a	n/a	n/a

VILLAGE OF HOWARD CITY
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED FEBRUARY 28, 2025

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially determined contributions	\$ 32,732	\$ 29,384	\$ 35,367	\$ 39,057	\$ 45,665	\$ 33,788	\$ 5,494	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	32,732	29,384	35,367	39,057	45,665	33,788	5,494	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 90,658	\$ 36,393	\$ 38,708	\$ 37,069	\$ 38,708	\$ 38,708	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	36.1%	80.7%	91.4%	105.4%	118.0%	87.3%	n/a	n/a	n/a

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	10 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.00% (3.75% for 2015 through 2019)
Investment rate of return	7.00% (7.35% for 2020 and 2021; 7.75% for 2015 through 2019)
Retirement age	Varies depending on plan adoption
Mortality	RP-2014 mortality tables of a 50% Male and 50% Female blend

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Basis of Accounting

Budgets for the General and special revenue funds are adopted on a basis consistent with generally accepted accounting principles.

Pension Schedules

The pension data is based on a measurement date of December 31.

The pension schedules are being accumulated prospectively until ten years of data is presented.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

VILLAGE OF HOWARD CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

FEBRUARY 28, 2025

	Debt Service		
	<u>2016 Debt</u>	<u>Street Bond</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ <u>102</u>	\$ <u>9</u>	\$ <u>111</u>
Total assets	\$ <u>102</u>	\$ <u>9</u>	\$ <u>111</u>
Fund balances			
Assigned			
Debt service	<u>102</u>	<u>9</u>	<u>111</u>
Total fund balances	<u>102</u>	<u>9</u>	<u>111</u>
Total liabilities and fund balances	\$ <u>102</u>	\$ <u>9</u>	\$ <u>111</u>

VILLAGE OF HOWARD CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED FEBRUARY 28, 2025

	Debt Service		
	<u>2016 Debt</u>	<u>Street Bond</u>	<u>Total</u>
Revenues			
Intergovernmental revenues			
Local	\$ 99,263	\$ 69,744	\$ 169,007
Interest and rentals	<u>1</u>	<u>-</u>	<u>1</u>
Total revenues	<u>99,264</u>	<u>69,744</u>	<u>169,008</u>
Expenditures			
Debt service			
Principal	83,143	50,000	133,143
Interest	<u>16,120</u>	<u>19,744</u>	<u>35,864</u>
Total expenditures	<u>99,263</u>	<u>69,744</u>	<u>169,007</u>
Revenues over (under) expenditures	<u>1</u>	<u>-</u>	<u>1</u>
Net changes in fund balances	1	-	1
Fund balances, beginning of year	<u>101</u>	<u>9</u>	<u>110</u>
Fund balances, end of year	<u>\$ 102</u>	<u>\$ 9</u>	<u>\$ 111</u>

VILLAGE OF HOWARD CITY
DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET/STATEMENT OF NET POSITION

FEBRUARY 28, 2025

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 304,810	\$ -	\$ 304,810
Land held for sale	<u>28,462</u>	<u>-</u>	<u>28,462</u>
Total assets	333,272	-	333,272
Liabilities and fund balances			
Liabilities			
Accounts payable	<u>119</u>	<u>-</u>	<u>119</u>
Total liabilities	<u>119</u>	<u>-</u>	<u>119</u>
Fund balances			
Nonspendable	28,462	(28,462)	
Unassigned	<u>304,691</u>	<u>(304,691)</u>	
Total fund balance	<u>333,153</u>	<u>(333,153)</u>	
Total liabilities and fund balances	<u>\$ 333,272</u>		
Net position			
Unrestricted		<u>\$ 333,153</u>	<u>\$ 333,153</u>

VILLAGE OF HOWARD CITY

DOWNTOWN DEVELOPMENT AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED FEBRUARY 28, 2025

	General Fund	Adjustments	Statement of Activities
Revenues			
Taxes	\$ 241,629	\$ -	\$ 241,629
Investment earnings	4,280	-	4,280
Miscellaneous	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total revenues	<u>247,909</u>	<u>-</u>	<u>247,909</u>
Expenditures/expenses			
Current			
General government	46,023	-	46,023
Debt transfer	<u>169,007</u>	<u>-</u>	<u>169,007</u>
Total expenditures/expenses	<u>215,030</u>	<u>-</u>	<u>215,030</u>
Net changes in fund balance	32,879	(32,879)	
Change in net position		32,879	32,879
Fund balance/net position, beginning of year	<u>300,274</u>		<u>300,274</u>
Fund balance/net position, end of year	<u>\$ 333,153</u>		<u>\$ 333,153</u>

INTERNAL CONTROL AND COMPLIANCE



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INDEPENDENT AUDITORS' 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

June 25, 2025

Village Council
Village of Howard City, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Howard City (the Village) as of and for the year ended February 28, 2025, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated June 25, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing 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 Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as finding number 2025-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of 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*.

The Village's Response to the Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Village'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 Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Urodeuxeld Haefner LLC

VILLAGE OF HOWARD CITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED FEBRUARY 28, 2025

Finding 2025-001

CONDITION: The Village does not have procedures in place to prepare financial statements in accordance with generally accepted accounting principles including procedures to record certain revenue and expenditure/expense accruals and to present required financial statement disclosures.

CRITERIA: Generally Accepted Auditing Standards require the Village to have the ability to prepare financial statements in accordance with generally accepted accounting principles and to record revenue and expenditure/expense accruals as appropriate.

CAUSE OF CONDITION: The audit process identified several significant journal entries which were necessary to present financial statements in accordance with generally accepted accounting principles.

POTENTIAL EFFECT OF CONDITION: Auditing standards require that this control deficiency be reported as a material weakness.

RECOMMENDATION: The Village's system of controls should be modified so that the Village prepares the necessary adjustments to present financial statements and disclosures in accordance with generally accepted accounting principles.

MANAGEMENT RESPONSE: The Village maintains financial records throughout the year on the modified accrual basis of accounting and has determined that any benefits derived from preparing accrual basis financial statements and required disclosures is not cost effective.