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December 20, 2011

To the Village Council
Village of Holly, Michigan

We have audited the financial statements of the Village of Holly, Michigan (the "Village") for the year ended June 30, 2011 and have issued our report thereon dated December 20, 2011. Professional standards require that we provide you with the following information related to our audit which is divided into the following sections:

Section I - Communications Required Under SAS 115

Section II - Communications Required Under SAS 114

Section III - Other Recommendations and Related Information

Section IV - Legislative and Informational Items

Section I includes any deficiencies we observed in the Village's accounting principles or internal controls that we believe are significant. Current auditing standards require us to formally communicate annually matters we note about the Village's accounting policies and internal controls.

Section II includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the Village Council of the Village of Holly, Michigan.

Section III presents recommendations related to internal control, procedures, and other matters noted during our current year audit. These comments are offered in the interest of helping the Village in its efforts toward continuous improvement, not just in the areas of internal control and accounting procedures, but also in operational or administrative efficiency and effectiveness.

Section IV contains updated legislative and informational items that we believe will be of interest to you.

We would like to take this opportunity to thank the Village's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the Village Council and management of the Village of Holly, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

To the Village Council
Village of Holly, Michigan

December 20, 2011

We welcome any questions you may have regarding the following communications and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC

Tadd Harburn, CPA

To the Village Council
Village of Holly, Michigan

December 20, 2011

Section I - Communications Required Under SAS 115

In planning and performing our audit of the financial statements of the Village of Holly, Michigan (the "Village") as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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

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. We consider the following deficiencies in the Village's internal control to be material weaknesses:

Important background to consider: **The Village hired a new Treasurer in April, 2011. Since that time and leading up to the start of the audit fieldwork the Treasurer made great strides to try to bring the Village's fiscal year general ledger in balance, reconcile bank accounts, and also implement a new software accounting package. With this scenario as a backdrop we noted the following material weaknesses:**

Account Reconciliations/Year-end Procedures - Accounting tasks such as periodic reconciliations play a key role in ensuring the accuracy of accounting data included in the financial statements. The process for the year-end closing of the books can be a difficult and trying process. In the process of performing our audit, we noted that there was a certain lack of review and reconciliation in many areas of the accounting function specifically with the general ledger and the subledgers. Accounting tasks such as monthly reconciliations, cross-checks, and reviews of the general ledger balances (compared to support) play a key role in proving the accuracy of accounting data and financial information that comprise interim and year-end financial statements. We strongly suggest that the Village continue to establish effective review

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and reconciliation policies and procedures as a customary part of the accounting process. We recommend that particular attention be given to reconciling the following:

- **Accrual Adjustments** - We provided significant assistance in identifying and posting accrual adjustments to the accounting records during this year's audit. Accruals represent any adjustments other than cash that impact the accounting records (state-shared revenue, due from other governments, property taxes, deferred revenue, special assessments, capital assets, and debt). This deficiency is repeated from the prior year's audit.

- **Fund Balance/Net Assets** - The current year fund balance per the trial balance should agree to the ending fund balance on the prior year audited financial statements for each fund. We recommend the Village implement procedures to verify the balances are in agreement - first, after the audit adjustments are posted and once again at year end while preparing for the audit to ensure that adjustments have not been posted in error to fund balances during the year. During the course of our audit, we noted that the fund balances/net assets of several of the funds did not agree to the prior year audited financial statements, and adjustments were required. This deficiency is repeated from the prior year's audit.

- **Customer Receivables/Revenue** - We noted that the prior year's unbilled account receivable balance in the Water and Sewer Funds was reversed in the wrong period. We recommend that procedures be implemented to periodically verify that accounts receivable general ledger accounts are clearing out (i.e., prior balance is reversed in the next fiscal year). We also noted that the sewer and water aged accounts receivable balance created by the billing system was not reconciled on a regular basis to the balance per the general ledger system. We recommend that a monthly reconciliation be performed and reviewed to ensure that the aging and the general ledger are in agreement. This deficiency is repeated from the prior year's audit.

- **Reconciliation of Pooled Cash Fund** - We noted that the pooled fund cash fund was not properly reconciled to the cash balance at year end. Upon further review, management performed additional procedures to correct the variances. The correction resulted in adjustments to cash, account payable, and expense accounts in various funds. The pooled cash reconciliations should be performed and reviewed throughout the year to ensure that there are no variances between cash balances between the pooled cash fund and the Village's participating funds.

Segregation of Duties - As noted in the prior years, there continues to be a lack of segregation of duties that exists related to the following areas:

The clerk/treasurer is the only employee who has the ability to make adjustments to the utility billing system. This is not an entirely reliable control since the clerk/treasurer also has occasional responsibility for collecting cash from customers. In addition, the other clerks who collect cash receipts from customers on a regular basis all have access to the general ledger system to post manual adjustments.

The accounts payable clerk is a check signer, inputs invoices into the accounts payable program, can make adjustments to the general ledger system, and can create new vendors in the system. The Village has implemented a policy that requires a signed vendor approval form prior to set up of a new vendor; however, we also recommend that the accounts payable clerk's access to make journal entries be removed. In addition, someone independent of the accounting function should review cancelled checks for unusual vendors and signatures. It is our understanding that the Village manager reviewed bank statements and cancelled checks throughout the year.

Outstanding Tax Appeals and Chargebacks - Annually, any delinquent real property taxes that are unpaid as of March 1 are purchased by Oakland County for subsequent collection. The County remits 100 percent of the Village's share of delinquent real property taxes to the Village in May or June of each year. If the County is unable to collect the full amount from the taxpayer, it bills back (charges back) the unpaid delinquent taxes to the Village and other tax collecting units as applicable. These charge-backs represent an expense (or reduction of revenue) to the Village, and are typically charged back to the Village three years after the initial tax collection period. Due to the current economic environment, the volume of charge-backs has become larger. The Village also has a number of property tax appeals pending before the Board of Review and Michigan Tax Tribunal. Depending on the final outcome of these cases, the Village may be required to refund property taxes that have previously been collected and recognized as revenue in the General Fund.

The Village normally does not record a fund liability (in the General Fund) each year for the estimated charge-backs related to non-payment by the taxpayer or reductions in taxes related to pending tax appeals because, until recently, the amount has generally not been significant or material to the financial statements. The amount of estimated charge-backs at June 30, 2011 was calculated by us and an adjustment was proposed but not posted. The adjustment is significant but not material to the financial statements taken as a whole.

In order to properly state property tax revenue, Village management should calculate and record a liability in the General Fund for the probable estimate of charge-backs due to Oakland County and probable losses on pending tax appeals.

Overall Monitoring – The Village Council is responsible for overseeing the strategic direction and obligations related to the accountability of the municipality, including overseeing the Village's financial reporting. We understand through discussions with management and per review of board minutes that Council only receives budget to actual reports. As a result of not receiving and reviewing balance sheet information, Council cannot ascertain as to whether the interim financial information is balanced, complete and accurate. We recommend that Council be provided with a balance sheet along with budget to actual reports on a regular basis.

To the Village Council
Village of Holly, Michigan

December 20, 2011

Section II - Communications Required Under SAS 114

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 2, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Village of Holly. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 25, 2011.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Holly are described in Note 1 to the financial statements.

As described in Note 14, the Village changed accounting policies related to GASB 54 for Fund Balance Reporting and Governmental Fund Type Definitions. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

We noted no transactions entered into by the Village during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements was the computation of the net other postemployment benefit asset and estimated liability of related to open Michigan tax tribunal cases.

Management's estimate of the net other postemployment benefits asset and estimated liability of related to open Michigan tax tribunal cases is based on actuarial valuation and probability of settlement We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We are required to inform those charged with governance of any serious difficulties encountered in dealing with management related to the performance of the audit. We encountered no significant difficulties in dealing with management in performing and completing our audit

Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, other than the adjustments described in Section I – Communications Required under SAS 115.

Disagreements with Management

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

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Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 20, 2011.

Management Consultations with Other Independent Accountants

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

Section III - Other Recommendations and Related Information

During our audit, we noted areas where we believe there are opportunities for the Village to further strengthen internal control or to increase operating efficiencies. Our observations on those areas are presented for your consideration below.

Fund Balance

The Village currently has a process in place that includes a review and reconciliation of the draft of the financial statements to the Village's general ledger. We suggest that the Village implement an additional process, which consists of agreeing the final audited financial statements to the fund balance/net assets per the Village's general ledger after all audit adjustments are posted. This additional process can help to ensure that all entries have been posted and that fund balance/net assets in the Village's general ledger agrees to the final audited financial statements submitted to the State of Michigan.

OPEB Valuation

The Village's annual other postemployment benefits (OPEB) annual required contribution (ARC) is calculated based on the valuation of the plan assets and the unfunded actuarial accrued liability. GASB 45 requires that the actuarial accrued liability be reevaluated at least every three years for plans with less than 100 members, both active and retirees. The Village obtained an actuarial report as of December 31, 2007, which was used to determine the annual required contribution for fiscal years 2010 and 2011. A new valuation is required in order to determine the ARC for fiscal year 2012, 2013 and 2014 and to compute the unfunded liability as of 12/31/2010. OPEB plans with less than 100 members can forego the need to obtain a full scope actuarial valuation and used what is referred to as the alternative measurement method. The Village has the option to complete its own valuation based on widely accepted actuarial assumptions. We will be happy to assist with this process in any way possible if the Village chooses to forego a full scope actuarial report.

Debt Covenant Analysis

The Village failed to meet the revenue bond covenant in the Sewer Fund for the current year. The Village has not met their debt covenant in the last three years. We recommend that the Village continue to review sewer rates annually to determine whether they provide the required revenue under the bond agreements, as well as perform an annual review of the debt covenants to ensure that they are met.

Section IV - Legislative and Informational Items

Budgetary Stress

The Village has been navigating its budget through some rough waters. Specifically:

- Property taxes have declined due to decreases in taxable value. After decades of relatively dependable inflationary increases, taxable value dropped 8% in 2009, and 14% in 2010. For 2011 taxable value is not yet completed, but is currently anticipated to be 5% lower;

- State shared revenue has been on a steady decline since 2001, as the State uses it to balance its own budget; 2011 will see an additional 1/3 reduction in statutory revenue sharing;

- Building permits, interest income and all revenue, it seems, other than cable fees have dropped off the charts.

As a result, the Village's anticipated revenue for 2011 much lower than it was just three years ago. This has permanently re-set the level of services that the Village can afford to provide. In reaction to this revenue decline, the Village has:

- Reduced staffing levels
- Modified its health care benefit provisions to current employees

We would like to commend the Village for the actions taken to date. These are difficult decisions to make, since they impact employees as well as service levels that residents had come to expect. Unfortunately, the taxable value and state shared revenue continues to decline, and we anticipate that additional cost reductions will become necessary in the 2012 budget.

Impact of Census Results on State Shared Revenue

The 2010 census data was released on March 22, 2011. Census results indicated an overall decline in population for the State of Michigan of 0.6%. The impact of the Census on local units of government will vary widely; based mostly upon whether or not a local unit is receiving statutory revenue sharing payments.

In the prior year, it was reported that approximately 1,200 local units (out of approximately 1,775) did not receive any statutory revenue payments. For those communities who are only receiving constitutional payments, their percentage increase (or decrease) in population should result in a corresponding percentage increase (decrease) in constitutional revenue sharing payments, retroactive to October 1, 2010. The retroactive payments are scheduled to be made (or deducted) in the June and August distributions.

The State's budget appropriation for 2010-11 specifies that each local unit that experiences an increase in constitutional distributions (for instance, as a result of a population increase) will receive a corresponding reduction in statutory revenue sharing. What is less clear is whether those communities that receive a decline in constitutional distributions (due to a population decline) would receive a decrease in statutory revenue sharing.

This is because of the provision that if the total statutory state shared revenue to be paid throughout the State is higher than the State's budgeted amount, the State is under no obligation to pay more than was budgeted. At this point, we believe communities should plan on receiving the decreased amount.

State initiatives impacting local units of government

Governor Snyder has begun his tenure with several significant initiatives, and he is moving his agenda forward at a quick pace. One of these initiatives is to improve the transparency and efficiency of local units – cities, townships, villages and counties. More specifically, his current local government initiatives include

- Replace "statutory revenue sharing" with a newly named "Economic Vitality Incentive Program" that will be reduced by approximately 1/3 and require local units to compete for the remaining $200 million by demonstrating best practices in the following areas:
  - Transparency - provide more accessible financial information to citizens;
  - Service sharing – consolidation or collaboration with other units of government
  - Employee benefits – slimmed down pension and health care benefits
- Significantly strengthening the powers of emergency managers;
- Changes to Act 312, police and fire arbitration;
- Changes to the Urban Cooperation Act;
- Potential elimination of personal property taxes.

Each of these initiatives could have an impact on the Village of Holly, and will be discussed in more detail below.

Accountability and Transparency

Governor Snyder's proposals call for each local unit to produce a citizen's guide to their finances (a "transparency tool") and a performance "dashboard" (already prepared and submitted by the Village prior to the October 1, 2011 deadline). These two tools should be readily available to the public, which likely means available via the Internet. The citizen's guide can be thought of as a simplified view of financial data, much like a Popular Annual Financial Report (PAFR). The performance dashboard would be comparisons of key metrics both to your community (over time) and to other communities (comparables).

At this point, there is no single set of criteria for these two tools; the result is to allow local units to design tools that are tailored and relevant to them.

Service Sharing and Consolidation

The second requirement to compete for statutory revenue sharing has an implementation date of January 1, 2012. The State is requiring local units to submit a plan that identifies the increased sharing of services with other governments, or consolidation of services. While it appears that past endeavors will be considered this first year, the State is also looking for communities to develop plans to enter into new sharing arrangements. At this time, communities are required to certify that that they have plans that they intend to implement. Actual sharing agreements do not need to be in place by January 1, 2012.

The State requires the service sharing plans to include estimates of potential savings and costs associated with sharing services. In addition, the State has set aside a small amount ($5 million out of the $200 million) to assist communities with one-time implementation costs related to launching new service sharing initiatives.

Employee Compensation Best Practices

The new EVIP program requires changes only to new, modified, or extended employee contracts. Such contracts would be subject to the following criteria:

a) Placing all new hires in a defined contribution plan or a hybrid retirement plan that caps annual employer contributions at 10 percent of base salary.

b) Where applicable a 1.5 percent multiplier should be used to determine employee pensions. A 2 percent multiplier should be used for employees who are not eligible for social security benefits.

c) Implementing controls to avoid pension spiking such as using a three-year salary average that does not include more than a total of 240 hours of paid leave and overtime to determine benefit levels.

d) If health care is offered, all new hires must be on an 80/20 employer to employee health care premium split.

Other Legislative Developments

<u>Healthcare Initiatives</u>

Senate Bill 7 (now PA 152 of 2011), the "Publicly Funded Health Insurance Contribution Act", was signed into law by the Governor in late September 2011. This new law requires all public employers to place hard caps on the amounts they contribute toward healthcare with an option to elect an 80% contribution cap rather than a hard cap. There is also an option for the local unit to opt out entirely.

PA 152 would limit annual costs for medical benefit plans to the following:

- $5,500 for single coverage
- $11,000 for individual and spousal coverage
- $15,000 for family coverage

These limits would apply once contracts expire or by January 1, 2012 if there is no contract.

Alternatively, given a majority vote of its governing bodies, a public employer can opt out of the hard cap and into an 80% contribution cap. Under this option, public employers would pay no more than 80% of the total annual costs for all of the medical benefit plans it offers or contributed to for its employees and elected public officials. This option would REQUIRE that publically elected officials would have to pay 20% or more of the total annual costs of that plan, but the employee's share of the costs could be allocated as the government sees fit.

This Act does contain a complete opt-out provision. It would allow communities to opt-out of these provisions entirely with a 2/3 vote of the governing body.

Failure to comply with the provisions in this Act will result in a 10% reduction in each EVIP payment for the period of noncompliance. Opting out by a 2/3 vote of the governing body under the provisions of this act is not considered failure to comply.

The law, which applies to all public employers, will take effect on January 1, 2012. However, any collective bargaining agreement or other contract executed on or after September 15, 2011 would also have to comply once the bill is signed.

Senate Bill 34 – Elimination of the Personal Property Tax

On January 19, 2011, SB 34 was introduced. Very simply, this bill, if it becomes law, will amend PA 206 of 1893 and exempt all personal property from the collection of taxes. Altogether, this would reduce revenue for communities across the State by approximately $770 million. Including the school districts, the lost revenue would be over $1 billion. This bill does not provide any source of revenue to replace that which is lost.

Obviously, this would be devastating to many communities as personal property taxes are a significant component of a local unit's tax structure. During the Governor's announcement of his budget, he did state that the elimination of the personal property tax was not part of his 2012 budget. The Village of Holly personal property tax currently brings in approximately $37,000.

Emergency Managers - Public Act 4 of 2011

On March 16, 2011, PA 4, *Local Government and School District Fiscal Accountability Act*, was signed into law. This Act repeals Public Act 72 of 1990, the previous *Local Government Fiscal Responsibility Act*. Under the new Act, the State Treasurer can conduct a preliminary review to determine the existence of a local government financial problem if one or more of 18 different "triggering events" occur. Some of these events are truly a sign of financial stress, such as incurring payless paydays or defaulting on a bond or note payment. Others are more subjective, including a blanket statement that the existence of "other facts or circumstances…as determined by the State Treasurer" is sufficient to start the process.

If a finding of probable financial stress is made, the Governor shall appoint a review team. The team would conduct its review and report back to the Governor and State Treasurer within 60 days of its appointment. Depending on the severity of the findings during the review, the actions then taken could range from none to a declaration of a financial emergency, the local unit would be placed in receivership, and an Emergency Manager (EM) appointed in place of the existing governing body and chief administrative officer.

For communities that have some of the triggers but seem to have a plan to address them, there is an in-between step whereby a consent agreement is entered into and monitored.

Clearly, this legislation is causing great anxiety in terms of both the uncertainty as to how aggressive the State will be in implementing the legislation as well the broadness of the powers granted to an EM. Any new EMs would have the authority to reject, modify or terminate the terms of an existing contract or collective bargaining agreement.

This legislation may ultimately change the tenor of future union negotiations, in that it gives the collective bargaining representatives a strong incentive to work with the Village to avoid receivership by an EM.

Proposed Changes to Act 312, Police & Fire Arbitration

Public Act 312 prohibited public police and fire department employees from the right to strike. Whenever contracts are not resolved, the employees or employer may initiate binding arbitration in lieu of striking. The arbitrator's decision is final and binding upon the parties involved.

The Governor's March 21, 2011 special message called for reforming Act 312 of 1969, the Police & Fire Arbitration Act. In July 2011, Public Act 116 of 2011 was signed into law and contains the following provisions:

- A stronger consideration of a community's ability to pay;
- Internal salary and benefit comparisons;
- Reducing the timeframe of the process to no more than 180 days.

Proposed Amendments to the Urban Cooperation Act & related statutes

Various House and Senate bills intend to amend the numerous statutes that govern local unit service sharing. These bills eliminate certain guarantees and provisions of collectively bargained agreements. The problem in trying to form new collaborative ventures is that the existing Act includes a clause that prevents the immediate negotiation of new contracts. This stands in the way of even the consideration of mergers by many local units because the new entity is hampered by a multi-layer set of work rules, wages and benefits which effectively eliminate the economic efficiencies that are the very reason to consolidate. Under the amended Act, management and employees should be allowed to immediately begin the collective bargaining process for the new entity and complete this within an appropriate time.

The bills are still a work in progress; however, passage in the fall is expected.

New Contractor Withholding Requirements

IRC 3402(t) provides that all federal, state and some local governments and instrumentalities must withhold 3% of payments for property or services, unless the payment is less than $10,000 or another exception applies. The withholding is remitted by the government agency to the federal government and the payee will have the amount of withholding applied to federal taxes owed or refunded when a tax return is filed.

Even though IRC 3402(t) was originally effective on January 1, 2011, the effective date has been extended several times. The final regulations were issued May 9, 2011 and extended the effective date to January 1, 2013. This requirement applies to local government entities *if the total payments are more than $100 million*. Local government entities are generally any city, county, township, water or fire district. The rules for determining which payments are included in the determination of the $100 million threshold are cumbersome and the guidance for the actual process for withholding has not yet been issued. For the time being, we just wanted to make you aware of this upcoming change.

Retro-Pay Prohibition

Public Act 54 of 2011, which was signed by the Governor on June 7, prohibits retroactive pay on an expired contract and calls for employees working under an expired agreement to bear the cost of any increased healthcare costs until a new contract is in effect. During that period, the public employer is authorized to make payroll deductions necessary to pay the increased cost of maintaining those benefits. This Act was ordered to take effect immediately.

To the Village Council
Village of Holly, Michigan

December 20, 2011

Client: **Village of Holly**
Opinion Unit: **Governmental Activities**
Y/E: **6/30/2011**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The effect of misstatements and classification errors identified would be to Increase (Decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Assets	Liabilities	Net Assets	Revenue	Expenses
KNOWN MISSTATEMENTS:						
A1	Overstated A/P balance					
A2						
ESTIMATE ADJUSTMENTS:						
B1	To record potential property tax chargebacks and MTT adjustments		$ 26,873		$ (26,873)	
B2						
IMPLIED ADJUSTMENTS						
C1						
C2						
		$ -	-	$ -	-	$ -
	Total	$ -	$ 26,873	$ -	$ (26,873)	$ -

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To the Village Council
Village of Holly, Michigan

December 20, 2011

Client: **Village of Holly**
Opinion Unit: **General Fund (Major Governmental Fund)**
Y/E: **6/30/2011**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The effect of misstatements and classification errors identified would be to Increase (Decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Assets	Liabilities	Fund Balance	Revenue	Expenses
KNOWN MISSTATEMENTS:						
A1						
A2						
ESTIMATE ADJUSTMENTS:						
B1	To record potential property tax chargebacks and MTT adjustments		$ 26,873		$ (26,873)	
B2						
IMPLIED ADJUSTMENTS						
C1						
C2						
		$ -	-	$ -	-	$ -
	Total	$ -	$ 26,873	$ -	$ (26,873)	$ -