

Village of Holly, Michigan

**Financial Report
with Supplemental Information
June 30, 2015**

Village of Holly, Michigan

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Village of Holly, Michigan

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Independent Auditor's Report

To the Village Council
Village of Holly, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Holly, Michigan (the "Village") as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Village of Holly, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Holly, Michigan as of June 30, 2015 and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Village Council
Village of Holly, Michigan

As discussed in Note 2 to the basic financial statements, in 2015, the Village adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of governmental employers through pension plans. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major fund budgetary comparison schedules, the schedule of changes in the Village net pension liability and related ratios, the schedule of Village contributions, and other postemployment benefits system schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Holly, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Plante & Moran, PLLC

October 21, 2015

Village of Holly, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the Village of Holly, Michigan's (the "Village") financial performance provides an overview of the Village of Holly's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the Village's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Village of Holly as a whole and present a longer-term view of the Village of Holly's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village of Holly's operations in more detail than the government-wide financial statements by providing information about the Village of Holly's most significant funds. The fiduciary fund statements provide financial information about activities for which the Village of Holly acts solely as a trustee or agent for the benefit of those outside of the government.

Village of Holly, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

The following tables show, in a condensed format, the current year's net position and changes in net position compared to the prior year:

	Governmental Activities			Percent
	2014	2015	Change	Change
Revenue				
Program revenue:				
Charges for services	\$ 853,459	\$ 926,751	\$ 73,292	9%
Operating grants	411,005	451,793	40,788	10%
Capital grants	-	7,576	7,576	100%
General revenue:				
Property taxes	1,301,404	1,326,595	25,191	2%
State-shared revenue	555,809	571,861	16,052	3%
Investment earnings	7,891	6,807	(1,084)	-14%
Other revenue	<u>266,730</u>	<u>206,953</u>	<u>(59,777)</u>	-22%
Total revenue	<u>3,396,298</u>	<u>3,498,336</u>	<u>102,038</u>	<u>3%</u>
Program Expenses				
General government	411,804	348,623	(63,181)	-15%
Public safety	1,722,631	1,769,083	46,452	3%
Public works	1,205,388	1,249,862	44,474	4%
Community and economic development	45,688	97,755	52,067	114%
Recreation and culture	28,692	71,739	43,047	150%
Interest on long-term debt	<u>503</u>	<u>-</u>	<u>(503)</u>	-100%
Total expenses	<u>3,414,706</u>	<u>3,537,062</u>	<u>122,356</u>	<u>4%</u>
Change in Net Position	<u>\$ (18,408)</u>	<u>\$ (38,726)</u>	<u>\$ (20,318)</u>	<u>110%</u>

Village of Holly, Michigan

Management's Discussion and Analysis (Continued)

The Village's total governmental revenue increased by \$102,038 due primarily to an increase in the charges for services and operating grants. Expenses increased by \$122,356 during the year due primarily to increases in public safety for costs related to the Village Dispatch unit.

	Governmental Activities			Percent Change
	2014*	2015	Change	
Other assets	\$ 2,083,269	\$ 2,142,811	\$ 59,542	3%
Capital assets	<u>3,096,523</u>	<u>2,928,247</u>	<u>(168,276)</u>	-5%
Total assets	5,179,792	5,071,058	(108,734)	-2%
Deferred outflows of resources	<u>-</u>	<u>239,411</u>	<u>239,411</u>	100%
Current liabilities	299,622	218,428	(81,194)	-27%
Long-term liabilities	<u>401,323</u>	<u>3,805,635</u>	<u>3,404,312</u>	848%
Total liabilities	<u>700,945</u>	<u>4,024,063</u>	<u>3,323,118</u>	474%
Net position:				
Net investment in capital assets	3,096,523	2,928,247	(168,276)	-5%
Restricted	357,820	302,641	(55,179)	-15%
Unrestricted	<u>1,024,504</u>	<u>(1,944,482)</u>	<u>(2,968,986)</u>	-290%
Total net position	<u>\$ 4,478,847</u>	<u>\$ 1,286,406</u>	<u>\$ (3,192,441)</u>	-71%

*GASB Statement No. 68 was adopted by the Village as of July 1, 2014.

Total governmental net position decreased by 71 percent from a year ago - from \$4,478,847 to \$1,286,406, which was primarily related to implementation of GASB Statement No. 68 for the net pension liability to be recorded as of July 1, 2014. Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, decreased by \$2,968,986 for governmental activities. This represents a decrease of approximately 290 percent. The current level of unrestricted net position for our governmental activities stands at (\$1,944,482) or (55) percent of governmental activity expenses.

Village of Holly, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The following table shows, in a condensed format, the current year's net position and changes in net position compared to the prior year:

	Business-type Activities			Percent Change
	2014*	2015	Change	
Other assets	\$ 3,338,795	\$ 3,397,812	\$ 59,017	2%
Capital assets	<u>31,754,866</u>	<u>30,884,048</u>	<u>(870,818)</u>	-3%
Total assets	35,093,661	34,281,860	(811,801)	-2%
Deferred outflows of resources	98,999	532,179	433,180	
Current liabilities	322,218	376,486	54,268	17%
Long-term liabilities	<u>14,552,402</u>	<u>15,883,654</u>	<u>1,331,252</u>	9%
Total liabilities	<u>14,874,620</u>	<u>16,260,140</u>	<u>1,385,520</u>	9%
Net position:				
Net investment in capital assets	17,560,018	17,746,634	186,616	1%
Restricted	988,996	902,996	(86,000)	-9%
Unrestricted	<u>1,769,026</u>	<u>(95,731)</u>	<u>(1,864,757)</u>	-105%
Total net position	<u>\$ 20,318,040</u>	<u>\$ 18,553,899</u>	<u>\$ (1,764,141)</u>	-9%

*GASB Statement No. 68 was adopted by the Village as of July 1, 2014.

	Business-type Activities			Percent Change
	2014	2015	Change	
Operating revenue	\$ 2,428,239	\$ 2,212,985	\$ (215,254)	-9%
Operating expenses, other than depreciation	1,715,069	1,822,539	107,470	6%
Depreciation and amortization	<u>978,512</u>	<u>976,563</u>	<u>(1,949)</u>	0%
Operating loss	(265,342)	(586,117)	(320,775)	121%
Debt service charges	1,475,514	1,606,938	131,424	9%
Interest income	33,308	21,307	(12,001)	-36%
Interest expense	765,380	480,507	(284,873)	-37%
Bond issuance costs	169,738	226,020	56,282	100%
Cell tower leases	45,775	18,250	(27,525)	-60%
Capital contributions	<u>3,799</u>	<u>2,500</u>	<u>(1,299)</u>	-34%
Change in net position	<u>\$ 357,936</u>	<u>\$ 356,351</u>	<u>\$ (1,585)</u>	0%

Village of Holly, Michigan

Management's Discussion and Analysis (Continued)

The Village's business-type activities consist of the Water and Sewer Funds. We provide water to residents from Village wells and sewage treatment through a Village-owned and operated sewage treatment plant. The net position of business-type activities decreased 9 percent from a year ago, decreasing from \$20,318,040 to \$18,553,899 primarily related to implementation of GASB Statement No. 68 for the net pension liability to be recorded as of July 1, 2014. Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, decreased by \$1,864,757 or 105 percent. The current level of unrestricted net position stands at (\$95,731) or about (3) percent of annual operating expenses.

Debt service charges increased 8 percent from a year ago, increasing from \$1,475,514 to \$1,606,938 due primarily to an increase in active meters being serviced in the Village; the debt service fee for water and sewer is charged per meter instead of billed based on account.

Operating expenses increased \$123,070 from a year ago primarily due to an increase in fringe benefits and repairs and maintenance expenses. The interest expense for the outstanding debt decreased due to refundings of water and sewer debt that occurred in the current year.

The Village's Funds

Our analysis of the Village's funds begins on page 14, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village's major funds for 2015 include the General Fund and Major Streets Fund. The General Fund includes services of the general government, i.e., the Village Council, manager, clerk-treasurer - public safety (police and fire), public works, community and economic development, and provides services for planning and zoning, senior transportation, and parks and recreation. Public safety makes up 50 percent of the total General Fund expenditures.

Village of Holly, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the total governmental fund activity, on a modified accrual basis, compared to the prior year:

	Governmental Funds			Percent Change
	2014	2015	Change	
Revenue				
Property taxes	\$ 1,301,404	\$ 1,326,595	\$ 25,191	2%
Charges for services	625,898	707,095	81,197	13%
Licenses and permits	108,366	93,789	(14,577)	-13%
State-shared revenues	555,809	571,861	16,052	3%
Act 51 funding	358,358	389,931	31,573	9%
Federal, state, and local grants	52,395	139,740	87,345	167%
Fines and forfeitures	15,699	18,967	3,268	21%
Investment income	7,891	6,807	(1,084)	-14%
Special assessments	333,650	320,895	(12,755)	-4%
Other	166,516	46,328	(120,188)	-72%
Total revenue	3,525,986	3,622,008	96,022	3%
Expenditures				
Current:				
General government	552,511	413,047	(139,464)	-25%
Public safety	1,660,625	1,654,549	(6,076)	0%
Public works	972,386	1,215,050	242,664	25%
Health and welfare	37,478	37,942	464	1%
Community and economic development	8,416	60,182	51,766	615%
Recreation and culture	10,624	26,490	15,866	149%
Capital outlay	58,279	7,756	(50,523)	-87%
Debt service	1,425	-	(1,425)	-100%
Total expenditures	3,301,744	3,415,016	113,272	3%
Net Change in Fund Balances	224,242	206,992	(17,250)	-8%
Fund Balances - Beginning of year	1,292,129	1,516,371	224,242	17%
Fund Balances - End of year	\$ 1,516,371	\$ 1,723,363	\$ 206,992	14%

Village of Holly, Michigan

Management's Discussion and Analysis (Continued)

Other revenue decreased during the year by \$120,188. The majority of those decreases related to revenue from Oakland County for switching dispatch services out of the Village that occurred in 2014.

Property tax revenue appears to be on the rebound with slight increases in taxable values resulting in a small increase in property tax revenue of about 2 percent. Charges for services increased by \$81,197 in the current year, primarily due to an increase in rents and charges to external parties. State-shared revenue and Act 51 revenue was fairly consistent with the prior year with increases of approximately 3 percent and 9 percent, respectively.

Overall expenditures in the governmental funds increased by \$113,272 or 3 percent in the current year primarily related to increases in capital outlay expenditures related to the purchase of new vehicles and public works related to increases in vehicle fuel and retirement expense.

Other major funds are the Water and Sewer Funds, which are categorized as enterprise or business fund. These funds operate on revenue they receive from the customers (users) of the water and sewer systems.

General Fund Budgetary Highlights

Over the course of the year, the Village amended the budget to take into account various minor expenditures and revenue changes. Increases in revenue and monitoring of expenditures resulted in an increase in the fund balance of \$287,012.

Capital Asset and Debt Administration

During 2015, the Village had various infrastructure projects and the majority of the governmental activities capital asset purchases of \$217,500 were related to the Grange Hall Road sidewalk improvements.

Additional information regarding the Village's capital assets can be found in Note 5 to the financial statements.

Additional information regarding the Village's long-term debt can be found in Note 9 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Local Economy

The Downtown Development Authority (the "DDA") and the Holly Chamber of Commerce have a working partnership agreement to promote the Village of Holly through special events and activities. During 2008, the Downtown Development Authority completed a new streetscape downtown. This investment in the downtown area should make the downtown area more attractive and user-friendly for visitors.

Village of Holly, Michigan

Management's Discussion and Analysis (Continued)

The Village and the DDA are working together to bring businesses to the downtown area that are attractive to our local residents as well as visitors. With the reduction in taxable values of approximately \$536,440 for this fiscal year, priorities were made to continue to provide services to village residents.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village's office.

Village of Holly, Michigan

Statement of Net Position June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 4)	\$ 1,516,743	\$ 1,904,170	\$ 3,420,913	\$ 53,529
Receivables	268,123	560,212	828,335	300
Inventory	-	30,434	30,434	-
Restricted assets (Note 1)	-	902,996	902,996	-
Due from fiduciary fund - Retiree Health Care	21,624	-	21,624	-
Capital assets (Note 5):				
Assets not subject to depreciation	148,853	60,996	209,849	-
Assets subject to depreciation	2,779,394	30,823,052	33,602,446	-
Land contract receivable (Note 6)	336,321	-	336,321	-
Total assets	5,071,058	34,281,860	39,352,918	53,829
Deferred Outflows of Resources				
Deferred charge on refunding (Note 1)	-	372,572	372,572	-
Pension-related amounts (Note 12)	239,411	159,607	399,018	-
Total deferred outflows of resources	239,411	532,179	771,590	-
Liabilities				
Accounts payable	43,980	74,182	118,162	974
Accrued liabilities and other	28,750	302,304	331,054	-
Unearned revenue (Note 6)	145,698	-	145,698	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 9)	134,947	13,113	148,060	-
Capital leases (Note 8)	-	107,082	107,082	-
Current portion of long-term debt (Note 9)	-	241,500	241,500	-
Due in more than one year:				
Current portion of long-term debt - Funded by noncurrent assets (Note 9)	-	798,500	798,500	-
Capital leases (Note 8)	-	82,009	82,009	-
Net OPEB obligation (Note 13)	308,675	118,716	427,391	-
Net pension liability (Note 12)	3,362,013	2,241,343	5,603,356	-
Long-term debt (Note 9)	-	12,281,391	12,281,391	-
Total liabilities	4,024,063	16,260,140	20,284,203	974
Net Position				
Net investment in capital assets	2,928,247	17,746,634	20,674,881	-
Restricted for:				
Streets and highways	286,032	-	286,032	-
Senior transportation	13,707	-	13,707	-
Rubbish	2,514	-	2,514	-
Lake improvement	388	-	388	-
Restricted for bond reserve	-	902,996	902,996	-
Unrestricted	(1,944,482)	(95,731)	(2,040,213)	52,855
Total net position	\$ 1,286,406	\$ 18,553,899	\$ 19,840,305	\$ 52,855

The Notes to Financial Statements are an
Integral Part of this Statement.

Village of Holly, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 348,623	\$ 288,090	\$ 850	\$ -
Public safety:				
Police	1,402,787	104,455	2,148	-
Building inspections and related	58,331	74,975	-	-
Fire	307,965	1,561	-	-
Public works	1,249,862	428,697	404,175	7,576
Community and economic development	97,755	28,973	44,620	-
Recreation and culture	71,739	-	-	-
Total governmental activities	3,537,062	926,751	451,793	7,576
Business-type activities:				
Sewer Fund	2,076,987	2,137,691	-	-
Water Fund	1,422,080	1,693,915	-	2,500
Community Center	6,562	6,567	-	-
Total business-type activities	3,505,629	3,838,173	-	2,500
Total primary government	<u>\$ 7,042,691</u>	<u>\$ 4,764,924</u>	<u>\$ 451,793</u>	<u>\$ 10,076</u>
Component units	<u>\$ 83,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year (as restated) (Note 2)				
Net Position - End of year				

Statement of Activities Year Ended June 30, 2015

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (59,683)	\$ -	\$ (59,683)	\$ -
(1,296,184)	-	(1,296,184)	-
16,644	-	16,644	-
(306,404)	-	(306,404)	-
(409,414)	-	(409,414)	-
(24,162)	-	(24,162)	-
(71,739)	-	(71,739)	-
(2,150,942)	-	(2,150,942)	-
-	60,704	60,704	-
-	274,335	274,335	-
-	5	5	-
-	335,044	335,044	-
(2,150,942)	335,044	(1,815,898)	-
-	-	-	(83,596)
1,326,595	-	1,326,595	80,143
571,861	-	571,861	-
6,807	21,307	28,114	302
85,677	-	85,677	-
121,276	-	121,276	6,919
2,112,216	21,307	2,133,523	87,364
(38,726)	356,351	317,625	3,768
1,325,132	18,197,548	19,522,680	49,087
\$ 1,286,406	\$ 18,553,899	\$ 19,840,305	\$ 52,855

Village of Holly, Michigan

Governmental Funds Balance Sheet June 30, 2015

	General Fund	Major Streets Fund	Nonmajor Funds	Total
Assets				
Cash and cash equivalents	\$ 1,109,249	\$ 310,271	\$ 97,223	\$ 1,516,743
Receivables:				
Property taxes receivable	82	-	-	82
Special assessments receivable	10,397	-	2,495	12,892
Receivables from sales to customers on account	16,082	-	-	16,082
Due from other governmental units	122,115	90,632	26,320	239,067
Due from other funds (Note 7)	24,342	-	-	24,342
Due from fiduciary fund - Retiree Health Care	21,624	-	-	21,624
Land contract receivable (Note 6)	336,321	-	-	336,321
Total assets	\$ 1,640,212	\$ 400,903	\$ 126,038	\$ 2,167,153
Liabilities				
Accounts payable	\$ 39,752	\$ 2,429	\$ 1,799	\$ 43,980
Due to other funds (Note 7)	-	-	24,342	24,342
Accrued liabilities and other	28,283	-	467	28,750
Total liabilities	68,035	2,429	26,608	97,072
Deferred Inflows of Resources -				
Unavailable revenue	346,718	-	-	346,718
Fund Balances				
Restricted:				
Roads	-	286,032	-	286,032
Lake improvement	-	-	388	388
Solid waste	-	-	2,514	2,514
Senior transportation	-	-	13,707	13,707
Committed - Cemetery care	146,725	-	-	146,725
Assigned:				
Tri party	34,779	-	-	34,779
Sidewalks	143,786	-	-	143,786
Roads	-	112,442	-	112,442
Mill pond	100,000	-	-	100,000
Capital improvements	182,018	-	-	182,018
Senior transportation	-	-	82,821	82,821
Unassigned	618,151	-	-	618,151
Total fund balances	1,225,459	398,474	99,430	1,723,363
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,640,212	\$ 400,903	\$ 126,038	\$ 2,167,153

The Notes to Financial Statements are an
Integral Part of this Statement.

Village of Holly, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2015

Fund Balance Reported in Governmental Funds	\$ 1,723,363
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	2,928,247
Deferred outflows of resources - pension difference between projected and actual investment earnings as well as contributions made to the plan after the measurement date	239,411
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	10,397
Land contract receivables are expected to be collected over several years and are not available to pay for current year expenditures	336,321
Land contract sale recognized on the installment method, revenue is unearned	(145,698)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(134,947)
Other postemployment benefit obligations do not present a claim on current financial resources and are not reported as fund liabilities	(308,675)
Net pension liability does not present a claim on current financial resources and is not reported as a fund liability	<u>(3,362,013)</u>
Net Position of Governmental Activities	<u>\$ 1,286,406</u>

Village of Holly, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2015

	General Fund	Major Streets Fund	Nonmajor Funds	Total
Revenue				
Property taxes	\$ 1,326,595	\$ -	\$ -	\$ 1,326,595
Licenses and permits	93,789	-	-	93,789
Federal grants	7,632	82,070	44,110	133,812
State-shared revenue and grants	577,789	271,870	118,061	967,720
Charges for services	700,940	-	6,155	707,095
Fines and forfeitures	18,967	-	-	18,967
Investment income	4,530	2,218	59	6,807
Other revenue:				
Special assessments	1,140	-	319,755	320,895
Local donations	-	18,992	-	18,992
Other miscellaneous income	27,336	-	-	27,336
Total revenue	2,758,718	375,150	488,140	3,622,008
Expenditures				
Current:				
General government:				
Village council	7,877	-	-	7,877
Village manager	56,694	-	-	56,694
Clerk/Treasurer	98,798	-	-	98,798
Buildings and grounds	97,956	-	-	97,956
Attorney	8,646	-	-	8,646
Data processing	10,587	-	-	10,587
Other	132,489	-	-	132,489
Public safety:				
Police	1,181,726	-	-	1,181,726
Dispatch	136,623	-	-	136,623
Fire	279,101	-	-	279,101
Building inspections and related	57,099	-	-	57,099
Public works:				
Streets	-	430,759	163,461	594,220
Rubbish disposal	-	-	310,216	310,216
Other public works activities	259,777	-	-	259,777
Cemetery	45,237	-	-	45,237
Lake maintenance	-	-	5,600	5,600
Senior transportation	-	-	37,942	37,942
Community and economic development:				
Redevelopment and housing	729	-	-	729
Planning, zoning, and related	59,453	-	-	59,453
Recreation and culture	26,490	-	-	26,490
Capital outlay	7,756	-	-	7,756
Total expenditures	2,467,038	430,759	517,219	3,415,016
Excess of Revenue Over (Under) Expenditures	291,680	(55,609)	(29,079)	206,992
Other Financing Sources (Uses)				
Transfers in (Note 7)	-	-	4,668	4,668
Transfers out (Note 7)	(4,668)	-	-	(4,668)
Net Change in Fund Balances	287,012	(55,609)	(24,411)	206,992
Fund Balances - Beginning of year	938,447	454,083	123,841	1,516,371
Fund Balances - End of year	<u>\$ 1,225,459</u>	<u>\$ 398,474</u>	<u>\$ 99,430</u>	<u>\$ 1,723,363</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

Village of Holly, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 206,992
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	200,539
Depreciation expense	(368,815)
Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	(2,381)
Increase in the liability for other postemployment benefits is recorded when earned in the statement of activities	(42,299)
Increase in the net pension liability is recorded when incurred in the statement of activities	<u>(32,762)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (38,726)</u></u>

Village of Holly, Michigan

Proprietary Funds Statement of Net Position June 30, 2015

	Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Enterprise - Community Center	Total
Assets				
Current assets:				
Cash and cash equivalents (Note 4)	\$ 511,638	\$ 1,392,072	\$ 460	\$ 1,904,170
Receivables	315,377	244,835	-	560,212
Inventory	30,434	-	-	30,434
Total current assets	857,449	1,636,907	460	2,494,816
Noncurrent assets:				
Restricted assets (Note 10)	418,500	484,496	-	902,996
Capital assets (Note 5):				
Assets not subject to depreciation	50,000	10,996	-	60,996
Assets subject to depreciation	20,452,006	10,371,046	-	30,823,052
Total noncurrent assets	20,920,506	10,866,538	-	31,787,044
Total assets	21,777,955	12,503,445	460	34,281,860
Deferred Outflows of Resources				
Deferred charge on refunding	165,359	207,213	-	372,572
Pension-related amounts (Note 12)	91,774	67,833	-	159,607
Total deferred outflows	257,133	275,046	-	532,179
Liabilities				
Current liabilities:				
Accounts payable	22,161	51,566	455	74,182
Accrued liabilities and other	222,693	79,611	-	302,304
Compensated absences	11,065	2,048	-	13,113
Capital leases (Note 8)	53,541	53,541	-	107,082
Current portion of long-term debt (Note 9)	241,500	-	-	241,500
Total current liabilities	550,960	186,766	455	738,181
Noncurrent liabilities:				
Net OPEB obligation (Note 13)	66,070	52,646	-	118,716
Net pension liability (Note 12)	1,288,772	952,571	-	2,241,343
Current portion of long-term debt - Funded by noncurrent assets (Note 9)	418,500	380,000	-	798,500
Capital leases (Note 8)	41,005	41,004	-	82,009
Long-term debt (Note 9)	7,666,113	4,615,278	-	12,281,391
Total noncurrent liabilities	9,480,460	6,041,499	-	15,521,959
Total liabilities	10,031,420	6,228,265	455	16,260,140
Net Position				
Net investment in capital assets	12,246,706	5,499,928	-	17,746,634
Restricted	418,500	484,496	-	902,996
Unrestricted	(661,538)	565,802	5	(95,731)
Total net position	<u>\$ 12,003,668</u>	<u>\$ 6,550,226</u>	<u>\$ 5</u>	<u>\$ 18,553,899</u>

Village of Holly, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

	Enterprise Funds			Total
	Sewer Fund	Water Fund	Nonmajor Enterprise - Community Center	
Operating Revenue				
Sale of water	\$ -	\$ 928,026	\$ -	\$ 928,026
Sewage disposal charges	1,153,050	-	-	1,153,050
Other sales to customers	4,000	3,000	-	7,000
Interest and penalty charges	51,877	38,375	-	90,252
Recoveries	-	18,489	-	18,489
Sales and rentals	-	-	6,567	6,567
Charges to other funds	-	9,601	-	9,601
Total operating revenue	1,208,927	997,491	6,567	2,212,985
Operating Expenses				
Cost of water	-	823,350	-	823,350
Wastewater treatment	711,376	-	-	711,376
Cost of electrical production	169,158	-	-	169,158
Other operation and maintenance costs	-	-	6,562	6,562
Billing and administrative costs	57,280	54,813	-	112,093
Depreciation	676,646	299,917	-	976,563
Total operating expenses	1,614,460	1,178,080	6,562	2,799,102
Operating (Loss) Income	(405,533)	(180,589)	5	(586,117)
Nonoperating Revenue (Expenses)				
Investment income	3,919	17,388	-	21,307
Interest expense	(355,238)	(125,269)	-	(480,507)
Bond issuance costs	(107,289)	(118,731)	-	(226,020)
Debt service charge	928,764	678,174	-	1,606,938
Cell tower leases	-	18,250	-	18,250
Total nonoperating revenue	470,156	469,812	-	939,968
Income - Before contributions	64,623	289,223	5	353,851
Capital Contributions	-	2,500	-	2,500
Change in Net Position	64,623	291,723	5	356,351
Net Position - Beginning of year (as restated) (Note 2)	11,939,045	6,258,503	-	18,197,548
Net Position - End of year	<u>\$ 12,003,668</u>	<u>\$ 6,550,226</u>	<u>\$ 5</u>	<u>\$ 18,553,899</u>

Village of Holly, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2015

	Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Enterprise - Community Center	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 1,222,970	\$ 986,782	\$ 6,567	\$ 2,216,319
Receipts from interfund services and reimbursements	-	9,601	-	9,601
Payments to suppliers	(340,212)	(299,101)	455	(638,858)
Payments to employees	(536,025)	(440,807)	(6,562)	(983,394)
Internal activity - Payments to other funds	(81,166)	(80,137)	-	(161,303)
Net cash provided by operating activities	265,567	176,338	460	442,365
Cash Flows from Noncapital Financing Activities				
Cell tower leases	-	18,250	-	18,250
Cash Flows from Capital and Related Financing Activities				
Receipt of capital grants	-	2,500	-	2,500
Purchase of capital assets	(45,875)	(59,870)	-	(105,745)
Principal and interest paid on capital debt	(1,055,390)	(942,700)	-	(1,998,090)
Debt service charge	1,027,763	678,174	-	1,705,937
Net cash used in capital and related financing activities	(73,502)	(321,896)	-	(395,398)
Cash Flows from Investing Activities				
Interest received on investment	3,919	17,388	-	21,307
Net Increase (Decrease) in Cash and Cash Equivalents	195,984	(109,920)	460	86,524
Cash and Cash Equivalents - Beginning of year	734,154	1,986,488	-	2,720,642
Cash and Cash Equivalents - End of year	\$ 930,138	\$ 1,876,568	\$ 460	\$ 2,807,166
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 511,638	\$ 1,392,072	\$ 460	\$ 1,904,170
Restricted cash	418,500	484,496	-	902,996
Total cash and cash equivalents	\$ 930,138	\$ 1,876,568	\$ 460	\$ 2,807,166

The Notes to Financial Statements are an Integral Part of this Statement.

Village of Holly, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2015

	Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Enterprise - Community Center	Total
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating loss (income)	\$ (405,533)	\$ (180,589)	\$ 5	\$ (586,117)
Adjustments to reconcile operating loss (income) to net cash from operating activities:				
Depreciation	676,646	299,917	-	976,563
Changes in assets and liabilities:				
Receivables	14,043	(1,108)	-	12,935
Accounts payable	2,945	40,860	455	44,260
Accrued and other liabilities	(22,534)	17,258	-	(5,276)
Net cash provided by operating activities	\$ 265,567	\$ 176,338	\$ 460	\$ 442,365
Noncash Transactions				
Refunding of sewer bonds	\$ 4,290,278	\$ 3,707,882	\$ -	\$ 7,998,160
Payments to escrow agent for refunding	(4,290,278)	(3,707,882)	-	(7,998,160)

See Note 9 regarding the noncash transaction related to bond refunding that occurred during the year.

Village of Holly, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2015

	Retiree Health Care Fund (Employee Benefits Fund)	Agency Funds
Assets		
Cash and cash equivalents	\$ 2,921	\$ 189,739
Investments:		
Certificates of deposit	249,530	-
Mutual funds	102,998	-
Total assets	355,449	<u>\$ 189,739</u>
Liabilities		
Due to primary government (Note 7)	21,624	\$ -
Refundable deposits, bonds, etc.	-	118,062
Other miscellaneous liabilities	-	71,677
Total liabilities	21,624	<u>\$ 189,739</u>
Net Position Held in Trust for Retiree Healthcare Benefits	<u>\$ 333,825</u>	

Village of Holly, Michigan

Fiduciary Funds **Statement of Changes in Fiduciary Net Position** **Retiree Health Care Fund (Employee Benefits Fund)** **Year Ended June 30, 2015**

Additions

Net increase in fair value of investments	\$ (752)
Contributions - Employee	<u>20,798</u>
Total additions	20,046

Deductions

Benefit payments	39,586
Transfer out of plan	5,000
Administrative expenses	<u>4,234</u>
Total deductions	<u>48,820</u>

Net Decrease in Net Position Held in Trust (28,774)

Net Position Held in Trust for Retiree Healthcare Benefits - Beginning of year 362,599

Net Position Held in Trust for Retiree Healthcare Benefits - End of year \$ 333,825

Village of Holly, Michigan

Component Units Statement of Net Position June 30, 2015

	Downtown Development Authority	Economic Development Corporation	Total
Assets			
Cash and cash equivalents (Note 4)	\$ 53,464	\$ 65	\$ 53,529
Property tax receivable	300	-	300
Total assets	53,764	65	53,829
Liabilities - Accounts payable	974	-	974
Net Position	\$ 52,790	\$ 65	\$ 52,855

Village of Holly, Michigan

Component Units Statement of Activities Year Ended June 30, 2015

	Expenses	Net (Expense) Revenue and Changes in Net Position		
		Downtown Development Authority	Economic Development Corporation	Total
Functions/Programs				
Downtown Development Authority	\$ 83,596	\$ (83,596)	\$ -	\$ (83,596)
Economic Development Corporation	-	-	-	-
Total component units	<u>\$ 83,596</u>	(83,596)	-	(83,596)
General revenue:				
Property taxes		80,143	-	80,143
Investment income		302	-	302
Other miscellaneous income		6,919	-	6,919
Total general revenue		<u>87,364</u>	-	<u>87,364</u>
Change in Net Position		3,768	-	3,768
Net Position - Beginning of year		<u>49,022</u>	<u>65</u>	<u>49,087</u>
Net Position - End of year		<u>\$ 52,790</u>	<u>\$ 65</u>	<u>\$ 52,855</u>

Village of Holly, Michigan

Notes to Financial Statements June 30, 2015

Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the Village of Holly, Michigan (the "Village"):

Reporting Entity

The Village of Holly, Michigan is governed by an elected seven-member council. The accompanying financial statements present the Village and its component units, entities for which the Village is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Village's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Village (see discussion below for description).

Discretely Presented Component Units:

Downtown Development Authority - The Downtown Development Authority (the "Authority") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The Authority's governing body, which consists of five individuals, is selected by the Village Council. In addition, the Authority's budget is subject to approval by the Village Council. The Authority does not publish separate financial statements.

Economic Development Corporation - The Economic Development Corporation (the "EDC"), which was established pursuant the provisions of Public Act 338 of 1974 (MCL 125.1601 through 125.1636), as amended, is governed by a nine-person board of directors appointed by the Village Council. The EDC may not issue debt without the Village Council's approval. The EDC does not publish separate financial statements. There is currently no activity in the EDC.

Accounting and Reporting Principles

The Village follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Note I - Summary of Significant Accounting Policies (Continued)

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives, the government-wide perspective and the fund-based perspective. 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 and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. 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. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Fund Accounting

The Village accounts for its various activities in several different funds, in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures for which specific revenues were used.

Note I - Summary of Significant Accounting Policies (Continued)

The various funds are aggregated into three broad fund types:

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The Village reports the following fund as “major” governmental fund:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.
- Major Streets Fund - The Major Streets Fund accounts for repairs and maintenance of major streets in the Village which are financed primarily through state-shared revenue and miscellaneous local sources.

Proprietary funds include enterprise funds, which provide goods or services to users in exchange for charges or fees. The Village reports the following funds as “major” enterprise funds:

- The Sewer Fund accounts for the activity related to sanitary sewage collection and treatment. The Village operates its own sewage treatment plant.
- The Water Fund accounts for the operations of the water distribution system.

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include the following:

- The Retiree Health Care Fund (Employee Benefits Fund) accumulates resources for future retiree healthcare payments to retirees.
- The Agency Fund accounts for deposits received by the Village that will ultimately be returned to customers, developers, and others once the terms of the deposit arrangement have been satisfied. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Interfund activity: During the course of operations, the Village has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Village of Holly, Michigan

Notes to Financial Statements June 30, 2015

Note I - Summary of Significant Accounting Policies (Continued)

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Village has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the Village considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow of resources."

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Village of Holly, Michigan

Notes to Financial Statements June 30, 2015

Note I - Summary of Significant Accounting Policies (Continued)

Inventories - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Restricted Assets - The revenue bonds of the enterprise funds require amounts to be set aside for debt service principal and interest and a bond reserve. These amounts have been classified as restricted assets. Unspent bond proceeds of the enterprise funds are required to be set aside for construction. These amounts have also been classified as restricted assets.

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Lives
Roads, bridges, and sidewalks	15 - 20
Water and sewer distribution systems	30 - 75
Water and sewer treatment facilities	30 - 50
Buildings and building improvements	25 - 50
Office furnishings and equipment	4 - 20
Vehicles	5

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The General Fund is generally used to liquidate governmental long-term debt.

Note I - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2015, the Village reported deferred outflows of resources related to pensions for the net difference between projected and actual earnings on pension plan investments as well as for payments made to the plan after the measurement date of \$231,379 for governmental activities and \$154,252 (\$88,695 for Sewer and \$65,557 for Water) for business type activities. See the table in Note 12 related to when amounts related to pensions will be recognized in pension expense. The Village also reported deferred outflows of \$165,359 in the Sewer Fund and \$207,213 in the Water Fund related to deferred charges on the refunding of revenue bonds.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from delinquent property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Village has deferred inflows of resources related to special assessments and land contract sales in the governmental funds for \$10,397 and \$336,321, respectively.

Net Position Flow Assumption

Sometimes the Village will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumption

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact

Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose

Committed: Amounts that have been formally set aside by the Village Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Village Council.

Assigned: Intent to spend resources on specific purposes expressed by the Village Council

Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

Note I - Summary of Significant Accounting Policies (Continued)

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. The related property taxes are billed and become a lien on July 1. The taxes are due without penalty during the period from July 1 through September 30, with a final collection date of February 28. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Village's 2014 tax is levied and collectible on December 1, 2014 and is recognized as revenue in the year ended June 30, 2015 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2014 taxable valuation of the Village totaled \$99.7 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 13.5244 mills for operating purpose. This resulted in \$1,326,595 for operations. These amounts are recognized in the respective General Fund financial statements as tax revenue.

Pension - The Village of Holly offers a defined benefit pension plan to its employees. The Village records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Village's pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs - The Village offers retiree healthcare benefits to retirees. The Village uses the alternative measurement method to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the Village reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any. The General Fund, Sewer Fund, and Water Fund are used to liquidate costs.

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Village does not have a policy to pay any amounts when employees separate from service with the Village. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. All other accrued compensated absences are reported in the government-wide financial statements; generally, the funds that report each employee's compensation (the General Fund and Water and Sewer Funds, primarily) are used to liquidate the obligation.

Proprietary Funds Operating Classification - 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 Water and Sewer Funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Change in Accounting

During the current year, the Village adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the government-wide statements and the proprietary funds now include a liability for our unfunded legacy costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to the pension footnote for further details. This change does not impact the General Fund or any other governmental fund.

Village of Holly, Michigan

Notes to Financial Statements June 30, 2015

Note 2 - Change in Accounting (Continued)

As a result of implementing this statement, the beginning governmental activities and business type activities net position were restated to \$1,325,132 and \$18,197,548 (a reduction of \$3,153,715 for governmental activities and \$2,120,492 for business-type activities). The beginning net position for the Sewer and Water Funds were restated to \$11,939,045 and \$6,258,503 (a reduction of \$1,238,579 for Sewer and \$881,913 for Water).

Note 3 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Village oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation, to ensure compliance with the building codes. The Village charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. The Village accounts for its construction code activities within the General Fund.

Shortfall at July 1, 2014	\$ (277,000)
Current year permit revenue	74,975
Related expenses - Direct costs	<u>57,099</u>
Current year surplus	<u>17,876</u>
Cumulative shortfall at June 30, 2015	<u>\$ (259,124)</u>

Fund Deficits - As of June 30, 2015, the Local Streets Fund had a fund deficit of \$4,668. The deficit in this fund was caused by an operating loss in the fund.

Note 4 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Village of Holly, Michigan

Notes to Financial Statements June 30, 2015

Note 4 - Deposits and Investments (Continued)

The Retiree Health Care Fund is established through Public Act 149 of 1999. This act authorizes the fund, in accordance with Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Village has designated four banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investment vehicles listed above. The Village's deposits and investment policies are in accordance with statutory authority.

The Village's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At year end, the Village and its component units had \$1,657,502 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Village's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. There were no investments held at year end or during the year that were subject to interest rate risk.

Investment	Fair Value	Weighted Average Maturity
Pooled investments #77866	\$ 1,283,520	646 days
Pooled investments #77865	1,450,372	646 days

Village of Holly, Michigan

Notes to Financial Statements June 30, 2015

Note 4 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Village has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Pooled investments #77866	\$ 1,283,520	N/A	N/A
Pooled investments #77865	1,450,372	N/A	N/A

Note 5 - Capital Assets

Capital asset activity of the Village's governmental and business-type activities was as follows:

Governmental Activities	Balance July 1, 2014	Reclassifications	Additions	Disposals	Balance June 30, 2015
Capital assets not being depreciated:					
Land	\$ 148,500	\$ -	\$ 353	\$ -	\$ 148,853
Construction in progress	16,960	(16,960)	-	-	-
Subtotal	165,460	(16,960)	353	-	148,853
Capital assets being depreciated:					
Roads and sidewalks	9,507,471	16,960	166,568	-	9,690,999
Buildings and improvements	1,510,465	-	20,393	-	1,530,858
Office furnishings and equipment	734,380	-	13,225	28,651	718,954
Vehicles	1,375,804	-	-	31,030	1,344,774
Subtotal	13,128,120	16,960	200,186	59,681	13,285,585
Accumulated depreciation:					
Roads and sidewalks	7,683,437	-	235,436	-	7,918,873
Buildings and improvements	745,175	-	44,453	-	789,628
Office furnishings and equipment	535,889	94,126	30,106	28,651	631,470
Vehicles	1,232,556	(94,126)	58,820	31,030	1,166,220
Subtotal	10,197,057	-	368,815	59,681	10,506,191
Net capital assets being depreciated	2,931,063	16,960	(168,629)	-	2,779,394
Net capital assets	\$ 3,096,523	\$ -	\$ (168,276)	\$ -	\$ 2,928,247

Village of Holly, Michigan

Notes to Financial Statements June 30, 2015

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	-	10,996	-	10,996
Subtotal	50,000	10,996	-	60,996
Capital assets being depreciated:				
Water and sewer distribution system	46,420,093	-	-	46,420,093
Equipment and vehicles	1,388,559	94,749	(155,065)	1,328,243
Subtotal	47,808,652	94,749	(155,065)	47,748,336
Accumulated depreciation:				
Water and sewer distribution system	15,296,839	915,851	-	16,212,690
Equipment and vehicles	806,947	60,712	(155,065)	712,594
Subtotal	16,103,786	976,563	(155,065)	16,925,284
Net capital assets being depreciated	31,704,866	(881,814)	-	30,823,052
Net capital assets	<u>\$ 31,754,866</u>	<u>\$ (870,818)</u>	<u>\$ -</u>	<u>\$ 30,884,048</u>

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

Governmental activities:	
General government	\$ 57,871
Public safety	57,684
Public works	251,349
Recreation and culture	1,911
Total governmental activities	<u>\$ 368,815</u>
Business-type activities:	
Water	\$ 299,917
Sewer	676,646
Total business-type activities	<u>\$ 976,563</u>

Village of Holly, Michigan

Notes to Financial Statements June 30, 2015

Note 6 - Land Contract Sale and Receivable

In 2014, the Village entered into an agreement to sell the former Village Offices on land contract. The sale of the land, building, and building improvements occurred in August 2014 at a price of \$411,000; the net book value of the assets sold was \$190,623. The sales price is to be paid over four years and the final payment is due in September 2017. Title of the property transferred to the buyer on the date of the sale.

At June 30, 2015 there was a receivable of \$336,321 remaining to be paid by the buyer. Revenue of \$24,126 was recognized in the current year related to the sale. The unrecognized gain of \$145,698 is reported as unearned revenue in the government-wide financial statements and a deferred inflow of resources of \$336,321 is reported in the governmental fund statements.

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from Other Funds		
General Fund	Nonmajor governmental funds	\$ <u>24,342</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

There is a payable from the Retiree Health Care Fund (Employee Benefits Fund) to the primary government in the amount of \$21,624 as a result of the premium payments related to retiree health care being paid through pooled cash.

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Other nonmajor governmental funds	\$ <u>4,668</u>

The transfer from the General Fund to the Local Streets Fund represents the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations.

Village of Holly, Michigan

Notes to Financial Statements June 30, 2015

Note 8 - Leases

Capital Leases - The Village Sewer and Water Funds entered into a lease agreement to finance the purchase of water meters. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value are as follows:

<u>Years Ending</u> <u>June 30</u>	<u>Amount</u>
2016	\$ 113,371
2017	79,800
2018	<u>5,217</u>
Total minimum lease payments	198,388
Less amount representing interest	<u>(9,297)</u>
Present value	<u>\$ 189,091</u>

Note 9 - Long-term Debt

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Village is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the Village) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Village of Holly, Michigan

Notes to Financial Statements June 30, 2015

Note 9 - Long-term Debt (Continued)

Description	Amount
Business-type Activities:	
<u>General obligations:</u>	
2006 General Obligation Limited Tax Bond, with interest from 4 percent to 4.375 percent, maturing in 2016	\$ 300,000
2015 Refunding General Obligation Limited Tax Bond, with interest from 2 percent to 4.375 percent, maturing in 2025	3,420,000
Bond refunding premium	576,391
Total general obligations	<u>\$ 4,296,391</u>
<u>Revenue bonds:</u>	
1999 Water Supply Revenue Bonds Act 94, with interest of 2.5 percent, maturing in 2019	\$ 430,000
2014 Refunding Wastewater System Revenue Bond, with interest from 2 percent to 4 percent, maturing in 2025	4,185,000
2006 Water System Revenue Bond, with interest from 4 percent to 5.5 percent, maturing in 2016	275,000
2015 Refunding Water System Revenue Bond, with interest from 2 percent to 3.75 percent, maturing in 2027	4,135,000
Subtotal	<u>9,025,000</u>
Total business-type activity debt	<u>\$ 13,321,391</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Accumulated compensated absences	\$ 134,947	\$ 138,995	\$ 138,995	\$ 134,947	\$ 134,947
Business-type Activities					
General obligation bonds	\$ 4,150,000	\$ 3,420,000	\$ 3,850,000	\$ 3,720,000	\$ 300,000
Revenue bonds	9,885,000	4,135,000	4,995,000	9,025,000	740,000
Unamortized bond premium on refunding series 2014 bond	146,554	-	13,323	133,231	-
Unamortized bond premium on refunding series 2014 bond	-	443,160	-	443,160	-
Total	14,181,554	7,998,160	8,858,323	13,321,391	1,040,000
Accumulated compensated absences	13,113	13,506	13,506	13,113	13,113
Total business-type activities	<u>\$ 14,194,667</u>	<u>\$ 8,011,666</u>	<u>\$ 8,871,829</u>	<u>\$ 13,334,504</u>	<u>\$ 1,053,113</u>

Village of Holly, Michigan

Notes to Financial Statements June 30, 2015

Note 9 - Long-term Debt (Continued)

Total interest expense for the year was approximately \$480,507 for business type activities. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Business-type Activities		
	Principal	Interest	Total
2016	\$ 1,040,000	\$ 561,359	\$ 1,601,359
2017	935,000	542,219	1,477,219
2018	1,050,000	506,538	1,556,538
2019	1,090,000	469,938	1,559,938
2020	1,175,000	432,425	1,607,425
2021-2025	5,750,000	1,474,975	7,224,975
2026-2030	1,705,000	204,088	1,909,088
Total	<u>\$ 12,745,000</u>	<u>\$ 4,191,542</u>	<u>\$ 16,936,542</u>

Advance and Current Refundings - During the year, the Village issued \$4,135,000 in revenue bonds at a premium of \$155,278 with an average interest rate of 2.82 percent. The proceeds of these bonds along with an additional cash payment from the Village of \$285,666 was used to advance refund \$4,250,000 of outstanding revenue bonds with an average interest rate of 4.85 percent. The net proceeds of \$4,457,213 (after payment of \$118,731 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed. The advance refunding reduced total debt service payments over the next 20 years by \$550,319, which represents an economic gain of \$437,899.

During the year, the Village issued \$3,420,000 in general obligation bonds at a premium of \$287,882 with an average interest rate of 2.95 percent. The proceeds of these bonds along with an additional cash payment from the Village of \$24,767 was used to advance refund \$3,550,000 of outstanding revenue bonds with an average interest rate of 4.85 percent. The net proceeds of \$3,625,136 (after payment of \$107,513 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed. The advance refunding reduced total debt service payments over the next 20 years by \$280,026, which represents an economic gain of \$239,596.

Village of Holly, Michigan

Notes to Financial Statements June 30, 2015

Note 9 - Long-term Debt (Continued)

Revenues Pledged - The Village has pledged substantially all revenue of the Water Fund, net of operating expenses, to repay the above water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the water plant. The bonds are payable solely from the net revenue of the water system. The remaining principal and interest to be paid on the revenue bonds total \$6,063,992. During the current year, net revenue of the water system was \$833,364 compared to the annual debt requirements of \$617,134.

The Village has pledged substantially all revenue of the Sewer Fund, net of operating expenses, to repay the above water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the wastewater plant. The bonds are payable solely from the net revenue of the sewer system. The remaining principal and interest to be paid on the revenue bonds total \$5,122,224. During the current year, net revenue of the sewer system was \$1,200,717 compared to the annual debt requirements of \$363,074.

Note 10 - Restricted Assets

The balances of the restricted asset accounts represent unspent bond proceeds and bond reserves held in the form of cash and investments:

	<u>Business-type Activities</u>
Unspent bond proceeds and related interest	\$ 496
Revenue bond restrictions - Bond reserve	<u>902,500</u>
Total restricted assets	<u>\$ 902,996</u>

Note 11 - Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for all such claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 12 - Agent Defined Benefit Pension Plan Description

Plan Description - The Village participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS, or MERS of Michigan) that covers all employees of the Village. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided - The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers Department of Public Works (DPW)/clerical, department heads, police, and dispatch employees.

Retirement benefits for DPW/clerical and police/dispatch employees hired prior to July 1, 2006 as well as department heads are calculated as 2.5 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service. A reduced early retirement at 50 with 15 years of service is also available. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction.

Retirement benefits for employees hired after July 1, 2006 are calculated as 1.5 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service. A reduced early retirement at 50 with 15 years of service is also available. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date for DPW/Clerical and Police/Dispatch employees hired prior to July 1, 2006 as well as department heads. The annual adjustments are 2.5 percent, noncompounding.

Village of Holly, Michigan

Notes to Financial Statements June 30, 2015

Note 12 - Agent Defined Benefit Pension Plan Description (Continued)

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the city council, generally after negotiations of these terms with the affected unions. Police and fire employees benefit terms may be subject to binding arbitration in certain circumstances.

Employees Covered by Benefit Terms - At the December 31, 2014 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	30
Inactive plan members entitled to but not yet receiving benefits	6
Active plan members	<u>24</u>
Total employees covered by MERS	<u><u>60</u></u>

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2015, the average active employee contribution rate was 0.10 percent of annual pay. The Village's monthly contribution amount was \$33,953 for closed divisions. The Village's average contribution rate was 21.06, 6.71, and 8.15 percent of annual pay for department heads, DPW/clerical employees, and police officers and command employees, respectively.

Net Pension Liability

The net pension liability reported at June 30, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

Village of Holly, Michigan

Notes to Financial Statements June 30, 2015

Note 12 - Agent Defined Benefit Pension Plan Description (Continued)

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2013	\$ 12,282,089	\$ 6,832,488	\$ 5,449,601
Service cost	158,199	-	158,199
Interest	984,990	-	984,990
Contributions - Employer	-	580,401	(580,401)
Net investment income	-	424,586	(424,586)
Benefit payments, including refunds	(843,831)	(843,831)	-
Administrative expenses	-	(15,553)	15,553
Net changes	299,358	145,603	153,755
Balance at December 31, 2014	<u>\$ 12,581,447</u>	<u>\$ 6,978,091</u>	<u>\$ 5,603,356</u>

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2015, the Village recognized pension expense of \$628,741. At June 30, 2015, the Village reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 102,069
Employer contributions to the plan subsequent to the measurement date	296,949
Total	<u>\$ 399,018</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$296,949), which will impact the net pension liability in fiscal year 2016, rather than pension expense.

Village of Holly, Michigan

Notes to Financial Statements June 30, 2015

Note 12 - Agent Defined Benefit Pension Plan Description (Continued)

Years Ending June 30	Amount
2016	\$ 25,517
2017	25,517
2018	25,517
2019	25,518

Actuarial Assumptions - The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 %	
Salary increases	4.5 %	In the long term, 1 percent, 2 percent, and 3 percent for calendar years 2014, 2015, and 2016, respectively, including inflation
Investment rate of return	8.25 %	Net of pension plan investment expense, including inflation

Mortality rates were based on the 1994 Group Annuity Mortality Table of a 50 percent male and 50 percent female blend. For disabled retirees, the regular mortality table is used with a 10-year set-forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of the most recent actuarial experience study in 2008. The MERS retirement board is currently conducting an actuarial experience study covering the period from January 1, 2009 through December 31, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make 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.

Village of Holly, Michigan

Notes to Financial Statements June 30, 2015

Note 12 - Agent Defined Benefit Pension Plan Description (Continued)

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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 as of December 31, 2014, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	58 %	5.0 %
Global fixed income	20	2.2
Real assets	12	4.2
Diversifying strategies	10	6.6

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Village, calculated using the discount rate of 8.25 percent, as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.25 percent) or 1 percentage point higher (9.25 percent) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Net pension liability of the Village	\$ 7,031,890	\$ 5,603,356	\$ 4,398,653

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are report by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Village of Holly, Michigan

Notes to Financial Statements June 30, 2015

Note 13 - Other Postemployment Benefits

Plan Description - The Village provides retiree healthcare benefits to eligible pre-Medicare retired employees and their spouses with a 35 percent contribution required from the retirees. Currently, the plan has five members including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits.

This is a single-employer defined benefit plan administered by the Village. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

Funding Policy - The collective bargaining agreements require a contribution of 35 percent per month of the premium from all retired employees or their spouses currently participating in the plan. In the current year, the Village contributed \$0 into a prefunded retiree healthcare fund, which is reported in these financial statements as an other employee benefit trust fund type.

Funding Progress - The Village's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer. The Village has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the net OPEB liability:

Annual required contribution (recommended)	\$ 67,721
Interest on the prior year's net OPEB obligation	16,415
Less adjustment to the annual required contribution	<u>(21,513)</u>
Annual OPEB cost	62,623
Amounts contributed:	
Payments of current premiums	-
Adjustment to the net OPEB obligation	<u>-</u>
Increase in net OPEB liability	62,623
OPEB obligation - Beginning of year	<u>364,768</u>
OPEB obligation - End of year	<u>\$ 427,391</u>

Village of Holly, Michigan

Notes to Financial Statements June 30, 2015

Note 13 - Other Postemployment Benefits (Continued)

Employer contributions and annual OPEB cost data for the year ended June 30, 2015 and the three preceding years are as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Annual OPEB Contributions	Net OPEB (Asset) Obligation
6/30/13	6/30/13	\$ 127,110	\$ -	\$ 241,337
6/30/14	6/30/14	126,477	-	364,768
6/30/15	6/30/15	67,721	-	427,391

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/13	\$ 441,561	\$ 946,750	\$ 505,189	46.6 %	\$ 1,329,519	38.0 %
6/30/14	498,435	1,021,818	523,383	48.8	1,544,406	33.9
6/30/15	355,449	613,834	258,385	57.9	1,308,522	19.7

* The AAL for the actuarial valuation date of June 30, 2012 has been restated to properly reflect the estimated annual cost of retiree health insurance.

Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement Age for Active Employees - Based on historical average retirement age for the covered group, active plan members were assumed to retire at age 57, or at the first subsequent year in which the member would qualify for benefits.

Marital Status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Turnover - Nongroup-specific age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for the purpose of allocating to periods the present value of total benefits to be paid.

Note 13 - Other Postemployment Benefits (Continued)

Healthcare Cost Trend Rate - The expected rate increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services. A rate of 6.1 percent initially to an ultimate rate of 6.5 percent after six years was used.

Health Insurance Premiums - 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Payroll Growth Rate - The expected long-term payroll growth rate was assumed to equal 1 percent.

Based on the historical and expected returns of the Village's short-term investment portfolio, a discount rate of 4.5 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015 was 30 years.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The United States Life Tables for males and for females were obtained from the Center for Disease Control (www.cdc.gov). The most recent data utilized are the life tables for males and females, 2002 version (Tables 2 and 3 from the National Vital Statistics Reports, Vol. 53, No. 6 dated November 10, 2004).

Note 14 - Commitments

The Village has committed to a multi-year refuse collection agreement through June 30, 2016 at the following base rates:

- July 1, 2015 through June 30, 2016 at \$11.77 per month per unit

In addition to the base rate, a fuel recovery fee will be charged based on ongoing fuel prices.

Note 15 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Village is currently evaluating the impact this standard will have on the financial statements when adopted, during the Village's 2016 fiscal year.

Note 15 - Upcoming Accounting Pronouncements (Continued)

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statement more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the Village will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The Village is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016, whereas GASB Statement No. 75 is effective one year later.

Required Supplemental Information

Village of Holly, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,363,066	\$ 1,326,402	\$ 1,326,595	\$ 193
Licenses and permits	76,250	72,565	93,789	21,224
Federal grants	25,000	7,456	7,632	176
State-shared revenue and grants	578,796	576,861	577,789	928
Charges for services	536,068	609,020	700,940	91,920
Fines and forfeitures	26,000	19,013	18,967	(46)
Investment income	2,500	4,350	4,530	180
Other revenue - Other miscellaneous income	14,000	23,851	27,336	3,485
Total revenue	2,621,680	2,639,518	2,757,578	118,060
Expenditures - Current				
General government:				
Village council	7,621	7,878	7,877	1
Village manager	60,667	64,923	56,694	8,229
Clerk/Treasurer	104,290	97,746	98,798	(1,052)
Buildings and grounds	177,042	96,906	97,956	(1,050)
Attorney	22,700	18,700	8,646	10,054
Data processing	14,000	12,039	10,587	1,452
Other	115,274	127,628	132,489	(4,861)
Total general government	501,594	425,820	413,047	12,773
Public safety:				
Police	1,205,515	1,203,819	1,181,726	22,093
Dispatch	149,948	132,695	136,623	(3,928)
Fire	290,351	286,273	279,101	7,172
Building inspections and related	35,863	55,750	57,099	(1,349)
Total public safety	1,681,677	1,678,537	1,654,549	23,988
Public works:				
Other public works activities	269,614	259,709	259,777	(68)
Cemetery	40,234	32,823	45,237	(12,414)
Total public works	309,848	292,532	305,014	(12,482)
Community and economic development - Planning, zoning, and related	8,600	57,404	59,453	(2,049)
Recreation and culture	24,348	25,707	26,490	(783)
Capital outlay	11,900	7,756	7,756	-
Total expenditures	2,537,967	2,487,756	2,466,309	21,447
Other Financing Sources - Transfers out	-	-	(4,668)	4,668
Net Change in Fund Balance	83,713	151,762	286,601	144,175
Fund Balance - Beginning of year	648,348	648,348	648,348	-
Fund Balance - End of year	<u>\$ 732,061</u>	<u>\$ 800,110</u>	<u>\$ 934,949</u>	<u>\$ 134,839</u>

Village of Holly, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds - Major Streets Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ 8,000	\$ 7,900	\$ 82,070	\$ 74,170
State-shared revenue and grants	254,785	254,785	271,870	17,085
Investment income	1,000	2,202	2,218	16
Other revenue - Local donations	-	20,511	18,992	(1,519)
Total revenue	<u>263,785</u>	<u>285,398</u>	<u>375,150</u>	<u>89,752</u>
Expenditures - Current				
Public works:				
Street construction	88,320	229,004	238,356	(9,352)
Winter maintenance	53,094	50,374	64,209	(13,835)
Traffic services	27,347	44,337	45,526	(1,189)
Administration	69,405	52,720	56,401	(3,681)
Tree maintenance	12,026	15,467	26,267	(10,800)
Total expenditures	<u>250,192</u>	<u>391,902</u>	<u>430,759</u>	<u>(38,857)</u>
Net Change in Fund Balance	13,593	(106,504)	(55,609)	50,895
Fund Balance - Beginning of year	<u>454,083</u>	<u>454,083</u>	<u>454,083</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 467,676</u></u>	<u><u>\$ 347,579</u></u>	<u><u>\$ 398,474</u></u>	<u><u>\$ 50,895</u></u>

Village of Holly, Michigan

Note to Required Supplemental Information Year Ended June 30, 2015

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, except that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)."

The budget is presented to the Village Council for consideration and adopted by the Village Council prior to July 1 each year. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the fund total level. The village manager cannot transfer budget amounts within departments without approval of the Village Council. The village manager presents a resolution to the Village Council for the budget amendments throughout the fiscal year. The budget to actual shows the budget at a more detailed level than how it is adopted.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Transfers Out</u>	<u>Total Change in Fund Balance</u>	<u>Fund Balance</u>
General Fund:					
Amounts per operating statement	\$ 2,758,718	\$ 2,467,038	\$ (4,668)	\$ 287,012	\$ 1,225,459
Municipal Street Fund budgeted separately from the General Fund	(1,140)	-	-	(1,140)	(143,786)
Cemetery Endowment Trust Fund budgeted separately from the General Fund	-	(729)	-	729	(146,724)
Amounts per budget statement	<u>\$ 2,757,578</u>	<u>\$ 2,466,309</u>	<u>\$ (4,668)</u>	<u>\$ 286,601</u>	<u>\$ 934,949</u>

Excess of Expenditures Over Appropriations in Budgeted Funds - The following fund had expenditures in excess of the budgeted amounts.

	<u>Budget</u>	<u>Actual</u>
Major Streets Fund - Expenditures	\$ 391,902	\$ 430,759

Budget overruns related to unanticipated expenditures for which the Village did not amend the budget.

Village of Holly, Michigan

Required Supplemental Information Schedule of Changes in the Village Net Pension Liability and Related Ratios

	<u>2015</u>
Total pension liability	
Service cost	\$ 158,199
Interest	984,990
Benefit payments, including refunds	<u>(843,831)</u>
Net change in total pension liability	299,358
Total pension liability - Beginning of year	<u>12,282,089</u>
Total pension liability - Eng of year	<u>\$ 12,581,447</u>
Plan fiduciary net position	
Contributions - Employer	\$ 580,401
Net investment income	424,586
Administrative expenses	(15,553)
Benefit payments, including refunds	<u>(843,831)</u>
Net change in plan fiduciary net position	145,603
Plan fiduciary net position - Beginning of year	<u>6,832,488</u>
Plan fiduciary net position - End of year	<u>\$ 6,978,091</u>
Village's net pension liability - Ending	<u>\$ 5,603,356</u>
Plan fiduciary net position as a percentage of total pension liability	55.46 %
Covered employee payroll	\$ 1,322,030
Village's net pension liability as a percentage of covered employee payroll	423.8 %

Village of Holly, Michigan

Required Supplemental Information Schedule of Village Contributions Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 624,340	\$ 472,763	\$ 347,307	\$ 293,775	\$ 269,286	\$ 266,319	\$ 235,060	\$ 253,770	\$ 263,337	\$ 303,378
Contributions in relation to the actuarially determined contribution	624,340	550,379	347,307	293,775	269,286	266,319	235,060	253,770	263,337	303,378
Contribution Excess	\$ -	\$ (77,616)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 1,322,030	\$ 1,237,915	\$ 918,677	\$ 970,678	\$ 954,753	\$ 1,163,999	\$ 1,234,703	\$ 1,319,010	\$ 1,473,040	\$ 1,572,242
Contributions as a Percentage of Covered Employee Payroll	47.2 %	44.5 %	37.8 %	30.3 %	28.2 %	22.9 %	19.0 %	19.2 %	17.9 %	19.3 %

Notes to Schedule of Village Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported. Contributions for the Village's fiscal year ended June 30, 2015 were determined based on the actuarial valuation as of December 31, 2012. The most recent valuation is as of December 31, 2014.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed basis
Remaining amortization period	24 years
Asset valuation method	10 year smoothed market
Inflation	3 percent to 4 percent
Salary increases	4.5 percent in the long-term (1 percent, 2 percent, and 3 percent for calendar years 2014, 2015 and 2016, respectively)
Investment rate of return	8.0 percent - Net of investment expense, including inflation
Retirement age	Experience-based table of rates are specific to the type of eligibility condition
Mortality	1994 Group Annuity Mortality Table of a 50 percent male and 50 percent female blend
Other information	None

Village of Holly, Michigan

Required Supplemental Information OPEB System Schedule Year Ended June 30, 2015

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/15	\$ 355,449	\$ 613,834	\$ 258,385	57.9	\$ -	-
6/30/14	498,435	1,021,818	523,383	48.8	-	DIV/0
6/30/13	441,561	946,750	505,189	46.6	-	-
6/30/12	535,592	1,113,409	577,817	48.1	-	-
12/31/07	582,694	478,775	(103,919)	121.7	-	-

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/15	6/30/15	\$ 67,721	-
6/30/14	6/30/14	126,477	-
6/30/13	6/30/13	127,110	-
6/30/12	6/30/12	157,850	-
6/30/11	12/31/07	-	-

* The required contribution is expressed to the Village as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2015, the latest actuarial valuation, follows:

Amortization method	Level percent
Amortization period (perpetual)	30 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	4.50 percent
Projected salary increases	1.0 percent
*Includes inflation at	4.5%
Premium increases	6.10 - 6.60 percent

Other Supplemental Information

Village of Holly, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2015

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Local Streets Fund	Lake Improvement Fund	Solid Waste Fund	Holly Area Transportation Fund	
Assets					
Cash and investments	\$ -	\$ -	\$ 2,623	\$ 94,600	\$ 97,223
Receivables:					
Special assessments receivable	-	2,436	59	-	2,495
Due from other governmental units	23,475	-	-	2,845	26,320
	<u>23,475</u>	<u>-</u>	<u>-</u>	<u>2,845</u>	<u>26,320</u>
Total assets	<u>\$ 23,475</u>	<u>\$ 2,436</u>	<u>\$ 2,682</u>	<u>\$ 97,445</u>	<u>\$ 126,038</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,181	\$ -	\$ 168	\$ 450	\$ 1,799
Due to other funds	22,294	2,048	-	-	24,342
Accrued liabilities and other	-	-	-	467	467
	<u>23,475</u>	<u>2,048</u>	<u>168</u>	<u>917</u>	<u>26,608</u>
Total liabilities	23,475	2,048	168	917	26,608
Fund Balances					
Restricted:					
Lake improvement	-	388	-	-	388
Solid waste	-	-	2,514	-	2,514
Senior transportation	-	-	-	13,707	13,707
Assigned - Senior transportation	-	-	-	82,821	82,821
	<u>-</u>	<u>388</u>	<u>2,514</u>	<u>96,528</u>	<u>99,430</u>
Total fund balances	-	388	2,514	96,528	99,430
Total liabilities and fund balances	<u>\$ 23,475</u>	<u>\$ 2,436</u>	<u>\$ 2,682</u>	<u>\$ 97,445</u>	<u>\$ 126,038</u>

Village of Holly, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2015

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Local Streets Fund	Lake Improvement Fund	Solid Waste Fund	Holly Area Transportation Fund	
Revenue					
Federal grants	\$ 7,122	\$ -	\$ -	\$ 36,988	\$ 44,110
State-shared revenue and grants	118,061	-	-	-	118,061
Charges for services	-	-	-	6,155	6,155
Investment income	59	-	-	-	59
Other revenue	-	8,817	310,938	-	319,755
	<u>125,242</u>	<u>8,817</u>	<u>310,938</u>	<u>43,143</u>	<u>488,140</u>
Total revenue					
Expenditures					
Current:					
Public works	163,461	5,600	310,216	-	479,277
Senior transportation	-	-	-	37,942	37,942
	<u>163,461</u>	<u>5,600</u>	<u>310,216</u>	<u>37,942</u>	<u>517,219</u>
Total expenditures					
Excess of Expenditures (Over) Under Revenue	(38,219)	3,217	722	5,201	(29,079)
Other Financing Sources - Transfers in	4,668	-	-	-	4,668
Net Change in Fund Balances	(33,551)	3,217	722	5,201	(24,411)
Fund Balances (Deficit) - Beginning of year	33,551	(2,829)	1,792	91,327	123,841
Fund Balances (Deficit) - End of year	<u>\$ -</u>	<u>\$ 388</u>	<u>\$ 2,514</u>	<u>\$ 96,528</u>	<u>\$ 99,430</u>