

# **Village of Holly, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2016**

# Village of Holly, Michigan

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# Village of Holly, Michigan

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## Independent Auditor's Report

To the Board of Directors  
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, 2016, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2016, and the respective changes in its financial position, and, where applicable, cash flows, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Village of Holly, Michigan

**Other Matters**

**Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion & analysis, the major fund budgetary comparison schedules, schedule of changes in the Village net pension liability and related ratios, 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 purposes 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*

November 9, 2016

# **Village of Holly, Michigan**

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## **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, 2016. 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 Change
	2015	2016	Change	
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 926,751	\$ 981,665	\$ 54,914	6%
Operating grants	526,741	504,587	(22,154)	-4%
Capital grants	7,576	9,924	2,348	100%
General revenue:				
Property taxes	1,326,595	1,363,089	36,494	3%
State-shared revenue	571,861	562,976	(8,885)	-2%
Investment earnings	6,807	6,207	(600)	-9%
Other revenue	132,005	170,443	38,438	29%
Total revenue	3,498,336	3,598,891	100,555	3%
<b>Program Expenses</b>				
General government	348,623	391,800	43,177	12%
Public safety	1,769,083	1,878,483	109,400	6%
Public works	1,249,862	1,227,539	(22,323)	-2%
Community and economic development	97,755	71,550	(26,205)	-27%
Recreation and culture	71,739	117,414	45,675	64%
Interest on long-term debt	-	-	-	
Total expenses	3,537,062	3,686,786	149,724	4%
<b>Change in Net Position</b>	<b>\$ (38,726)</b>	<b>\$ (87,895)</b>	<b>\$ (49,169)</b>	127%

# Village of Holly, Michigan

## Management's Discussion and Analysis (Continued)

The Village's total governmental revenue increased by \$100,555 due primarily to an increase in the charges for services and operating grants. Expenses increased by \$149,724 during the year due primarily to increases in public safety for costs related to the Village Dispatch unit.

	Governmental Activities			Percent Change
	2015	2016	Change	
Other assets	\$ 2,142,811	\$ 2,502,769	\$ 359,958	17%
Capital assets	<u>2,928,247</u>	<u>2,760,240</u>	<u>(168,007)</u>	-6%
Total assets	5,071,058	5,263,009	191,951	4%
Deferred outflows of resources	239,411	827,536	588,125	100%
Current liabilities	218,428	192,398	(26,030)	-12%
Long-term liabilities	<u>3,805,635</u>	<u>4,704,342</u>	<u>898,707</u>	24%
Total liabilities	<u>4,024,063</u>	<u>4,896,740</u>	<u>872,677</u>	22%
Net position:				
Net investment in capital assets	2,928,247	2,760,240	(168,007)	-6%
Restricted	302,641	419,125	116,484	38%
Unrestricted	<u>(1,944,482)</u>	<u>(1,985,560)</u>	<u>(41,078)</u>	2%
Total net position	<u>\$ 1,286,406</u>	<u>\$ 1,193,805</u>	<u>\$ (92,601)</u>	-7%

Total governmental net position decreased by 7 percent from a year ago - from \$1,286,406 to \$1,193,805. Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, decreased by \$41,078 for governmental activities. This represents an increase of approximately 40 percent. The current level of unrestricted net position for our governmental activities stands at (\$1,985,560) or (46) 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
	2015	2016	Change	
Other assets	\$ 3,397,812	\$ 3,829,236	\$ 431,424	13%
Capital assets	30,884,048	30,098,387	(785,661)	-3%
Total assets	34,281,860	33,927,623	(354,237)	-1%
Deferred outflows of resources	532,179	882,862	350,683	
Current liabilities	376,486	275,877	(100,609)	-27%
Long-term liabilities	15,883,654	15,256,601	(627,053)	-4%
Total liabilities	16,260,140	15,532,478	(727,662)	-4%
Net position:				
Net investment in capital assets	17,746,634	18,005,695	259,061	1%
Restricted	902,996	828,996	(74,000)	-8%
Unrestricted	(95,731)	443,316	539,047	-563%
Total net position	<u>\$ 18,553,899</u>	<u>\$ 19,278,007</u>	<u>\$ 724,108</u>	4%

	Business-type Activities			Percent Change
	2015	2016	Change	
Operating revenue	\$ 2,212,985	\$ 2,335,296	\$ 122,311	6%
Operating expenses, other than depreciation	1,822,539	2,026,166	203,627	11%
Depreciation and amortization	976,563	979,806	3,243	0%
Operating loss	(586,117)	(670,676)	(84,559)	14%
Debt service charges	1,606,938	1,607,513	575	0%
Interest income	21,307	21,570	263	1%
Interest expense	(480,507)	262,273	742,780	-155%
Bond issuance costs	(226,020)	-	226,020	100%
Cell tower leases	18,250	18,250	-	0%
Capital contributions	2,500	9,724	7,224	289%
Change in net position	<u>\$ 356,351</u>	<u>\$ 724,108</u>	<u>\$ 367,757</u>	103%

# **Village of Holly, Michigan**

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## **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 increased 4 percent from a year ago, increasing from \$18,553,899 to \$19,278,007. Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, increased by \$539,047 or 563 percent. The current level of unrestricted net position stands at \$443,316 or about (12) percent of annual operating expenses.

Debt service charges increased 0 percent from a year ago, increasing from \$1,606,938 to \$1,607,513 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 \$206,870 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 refunding's 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 detailed information about the most significant funds, not the Village as a whole. The Village's major funds for 2016 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 51 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
	2015	2016	Change	
<b>Revenue</b>				
Property taxes	\$ 1,326,595	\$ 1,363,089	\$ 36,494	3%
Charges for services	707,095	740,205	33,110	5%
Licenses and permits	93,789	102,363	8,574	9%
State-shared revenue	571,861	562,976	(8,885)	-2%
Act 51 funding	389,931	443,319	53,388	14%
Federal, state, and local grants	139,740	62,713	(77,027)	-55%
Fines and forfeitures	18,967	19,443	476	3%
Investment income	6,807	6,207	(600)	-9%
Special assessments	320,895	340,472	19,577	6%
Other	46,328	95,350	49,022	106%
Total revenue	3,622,008	3,736,137	114,129	3%
<b>Expenditures</b>				
Current:				
General government	413,047	421,195	8,148	2%
Public safety	1,654,549	1,644,971	(9,578)	-1%
Public works	1,215,050	1,075,904	(139,146)	-11%
Health and welfare	37,942	56,236	18,294	48%
Community and economic development	60,182	17,414	(42,768)	-71%
Recreation and culture	26,490	36,567	10,077	38%
Capital outlay	7,756	95,687	87,931	1134%
Debt service	-	-	-	
Total expenditures	3,415,016	3,347,974	(67,042)	-2%
<b>Excess of Revenue Over (Under)</b>				
<b>Expenditures</b>	206,992	388,163	181,171	88%
<b>Other Financing Sources (Uses)</b>				
Transfers - net	-	(4,556)	(4,556)	
Total other financing sources (uses)	-	(4,556)	(4,556)	
<b>Net Change in Fund Balances</b>	206,992	383,607	176,615	85%
<b>Fund Balances - Beginning of year</b>	1,516,371	1,723,363	206,992	14%
<b>Fund Balances - End of year</b>	<u>\$ 1,723,363</u>	<u>\$ 2,106,970</u>	<u>\$ 383,607</u>	22%

# **Village of Holly, Michigan**

## **Management's Discussion and Analysis (Continued)**

Other revenue increased during the year by \$49,022 primarily due to the sale of Village assets and settlements and recoveries that occurred during the year.

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 3 percent. Charges for services increased by \$33,110 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 changes of approximately (2) percent and 14 percent, respectively.

Overall expenditures in the governmental funds decreased by \$67,042, or 2 percent, in the current year primarily related to operating expenses ending lower than expected and slightly lower salary and wage costs during the year in various departments.

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 \$266,987.

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

During 2016, the Village had various infrastructure projects and the majority of the governmental activities capital asset purchases of \$217,000 were related to the various equipment purchases, building improvements in the Lakeside Cemetery, and police vehicles.

Additional information regarding the Village's capital assets can be found in Note 6 to the financial statements.

Additional information regarding the Village's long-term debt can be found in Note 10 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**

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## **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. Taxable values in the DDA district remained unchanged from prior year, and 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, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 4)	\$ 1,875,023	\$ 2,425,991	\$ 4,301,014	\$ 58,187
Receivables	259,245	543,767	803,012	365
Internal balances	(48)	48	-	-
Inventory	-	30,434	30,434	-
Restricted assets (Note 11)	-	828,996	828,996	-
Due from fiduciary fund - Retiree Health Care	54,382	-	54,382	-
Capital assets (Note 6):				
Assets not subject to depreciation	178,885	124,021	302,906	-
Assets subject to depreciation	2,581,355	29,974,366	32,555,721	-
Land contract receivable (Note 7)	314,167	-	314,167	-
<b>Total assets</b>	<b>5,263,009</b>	<b>33,927,623</b>	<b>39,190,632</b>	<b>58,552</b>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding (Note 1)	-	331,175	331,175	-
Pension-related amounts (Note 13)	827,536	551,687	1,379,223	-
<b>Total deferred outflows of resources</b>	<b>827,536</b>	<b>882,862</b>	<b>1,710,398</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	35,493	60,670	96,163	928
Accrued liabilities and other	33,361	215,207	248,568	-
Unearned revenue (Note 7)	123,544	-	123,544	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 10)	118,759	11,060	129,819	-
Capital leases (Note 9)	-	76,914	76,914	-
Current portion of long-term debt (Note 10)	-	525,000	525,000	-
Due in more than one year:				
Current portion of long-term debt - Funded by noncurrent assets (Note 10)	-	410,000	410,000	-
Capital leases (Note 9)	-	5,099	5,099	-
Net OPEB obligation (Note 14)	366,567	148,064	514,631	-
Net pension liability (Note 13)	4,219,016	2,812,683	7,031,699	-
Long-term debt (Note 10)	-	11,267,781	11,267,781	-
<b>Total liabilities</b>	<b>4,896,740</b>	<b>15,532,478</b>	<b>20,429,218</b>	<b>928</b>
<b>Net Position</b>				
Net investment in capital assets	2,760,240	18,005,695	20,765,935	-
Restricted for:				
Streets and highways	382,343	-	382,343	-
Lake improvement	5,629	-	5,629	-
Rubbish	31,153	-	31,153	-
Restricted for bond reserve	-	828,996	828,996	-
Unrestricted	(1,985,560)	443,316	(1,542,244)	57,624
<b>Total net position</b>	<b>\$ 1,193,805</b>	<b>\$ 19,278,007</b>	<b>\$ 20,471,812</b>	<b>\$ 57,624</b>

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
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 391,800	\$ 290,530	\$ 950	\$ -
Public safety:				
Police	1,484,917	97,006	2,240	-
Building inspections and related	68,620	105,644	-	-
Fire	324,946	850	-	-
Public works	1,227,539	459,845	460,537	9,924
Community and economic development	71,700	27,790	40,860	-
Recreation and culture	117,414	-	-	-
Total governmental activities	<u>3,686,936</u>	<u>981,665</u>	<u>504,587</u>	<u>9,924</u>
Business-type activities:				
Sewer Fund	1,943,495	2,155,140	-	-
Water Fund	1,303,692	1,792,247	-	2,343
Community Center	21,058	13,672	-	-
Total business-type activities	<u>3,268,245</u>	<u>3,961,059</u>	<u>-</u>	<u>2,343</u>
Total primary government	<u>\$ 6,955,181</u>	<u>\$ 4,942,724</u>	<u>\$ 504,587</u>	<u>\$ 12,267</u>
Component units	<u>\$ 92,899</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				
Transfers				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year (Note 2)</b>				
<b>Net Position - End of year</b>				

## Statement of Activities Year Ended June 30, 2016

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (100,320)	\$ -	\$ (100,320)	\$ -
(1,385,671)	-	(1,385,671)	-
37,024	-	37,024	-
(324,096)	-	(324,096)	-
(297,233)	-	(297,233)	-
(3,050)	-	(3,050)	-
(117,414)	-	(117,414)	-
(2,190,760)	-	(2,190,760)	-
-	211,645	211,645	-
-	490,898	490,898	-
-	(7,386)	(7,386)	-
-	695,157	695,157	-
(2,190,760)	695,157	(1,495,603)	-
-	-	-	(92,899)
1,363,089	-	1,363,089	90,316
562,976	-	562,976	-
6,207	21,570	27,777	-
94,314	-	94,314	-
76,129	2,825	78,954	7,352
2,102,715	24,395	2,127,110	97,668
(4,556)	4,556	-	-
(92,601)	724,108	631,507	4,769
1,286,406	18,553,899	19,840,305	52,855
<b>\$ 1,193,805</b>	<b>\$ 19,278,007</b>	<b>\$ 20,471,812</b>	<b>\$ 57,624</b>

# Village of Holly, Michigan

## Governmental Funds Balance Sheet June 30, 2016

	General Fund	Major Streets Fund	Nonmajor Funds	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 1,316,809	\$ 436,671	\$ 121,543	\$ 1,875,023
Receivables:				
Property taxes receivable	82	-	-	82
Special assessments receivable	11,538	-	3,735	15,273
Receivables from sales to customers on account	21,908	-	-	21,908
Due from other governmental units	126,914	61,551	33,517	221,982
Due from other funds (Note 8)	38,347	-	1,302	39,649
Due from fiduciary fund - Retiree Health Care	54,382	-	-	54,382
Land contract receivable (Note 7)	314,167	-	-	314,167
<b>Total assets</b>	<b>\$ 1,884,147</b>	<b>\$ 498,222</b>	<b>\$ 160,097</b>	<b>\$ 2,542,466</b>
<b>Liabilities</b>				
Accounts payable	\$ 30,354	\$ 2,397	\$ 2,742	\$ 35,493
Due to other funds (Note 8)	5,858	-	33,839	39,697
Accrued liabilities and other	29,784	1,040	2,537	33,361
<b>Total liabilities</b>	<b>65,996</b>	<b>3,437</b>	<b>39,118</b>	<b>108,551</b>
<b>Deferred Inflows of Resources -</b>				
Unavailable revenue	325,705	-	1,240	326,945
<b>Fund Balances</b>				
Restricted:				
Roads	-	382,343	-	382,343
Lake improvement	-	-	4,389	4,389
Solid waste	-	-	31,153	31,153
Committed - Cemetery care	144,625	-	-	144,625
Assigned:				
Tri party	34,779	-	-	34,779
Sidewalks	144,329	-	-	144,329
Roads	-	112,442	-	112,442
Mill pond	100,000	-	-	100,000
Capital improvements	182,018	-	-	182,018
Senior transportation	-	-	84,197	84,197
Unassigned	886,695	-	-	886,695
<b>Total fund balances</b>	<b>1,492,446</b>	<b>494,785</b>	<b>119,739</b>	<b>2,106,970</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,884,147</b>	<b>\$ 498,222</b>	<b>\$ 160,097</b>	<b>\$ 2,542,466</b>

# Village of Holly, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2016

<b>Fund Balance Reported in Governmental Funds</b>	\$ 2,106,970
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	2,760,240
Deferred outflows of resources - pension difference between projected and actual investment earnings as well as contributions made to the plan after the measurement date	827,536
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	12,778
Land contract receivables are expected to be collected over several years and are not available to pay for current year expenditures	314,167
Land contract sale recognized on the installment method, revenue is unearned	(123,544)
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	(118,759)
Other postemployment benefit obligations do not present a claim on current financial resources and are not reported as fund liabilities	(366,567)
Net pension liability does not present a claim on current financial resources and is not reported as a fund liability	<u>(4,219,016)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 1,193,805</u></b>

# Village of Holly, Michigan

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2016

	General Fund	Major Streets Fund	Nonmajor Funds	Total
<b>Revenue</b>				
Property taxes	\$ 1,363,089	\$ -	\$ -	\$ 1,363,089
Licenses and permits	102,363	-	-	102,363
Federal grants	4,915	8,609	44,554	58,078
State-shared revenue and grants	567,611	306,893	136,426	1,010,930
Charges for services	732,245	-	7,960	740,205
Fines and forfeitures	19,443	-	-	19,443
Investment income	4,565	1,631	11	6,207
Other revenue:				
Special assessments	542	-	339,930	340,472
Local donations	-	11,952	-	11,952
Other miscellaneous income	72,325	-	11,073	83,398
Total revenue	2,867,098	329,085	539,954	3,736,137
<b>Expenditures</b>				
Current:				
General government:				
Village council	10,026	-	-	10,026
Village manager	62,688	-	-	62,688
Clerk/Treasurer	108,685	-	-	108,685
Buildings and grounds	97,323	-	-	97,323
Attorney	21,959	-	-	21,959
Data processing	10,369	-	-	10,369
Other	110,145	-	-	110,145
Public safety:				
Police	1,137,848	-	-	1,137,848
Dispatch	147,218	-	-	147,218
Fire	293,195	-	-	293,195
Building inspections and related	66,710	-	-	66,710
Public works:				
Streets	-	232,774	157,421	390,195
Rubbish disposal	-	-	304,290	304,290
Other public works activities	300,227	-	-	300,227
Cemetery	78,192	-	-	78,192
Lake maintenance	-	-	3,000	3,000
Senior transportation	-	-	56,236	56,236
Community and economic development:				
Redevelopment and housing	2,100	-	-	2,100
Planning, zoning, and related	15,314	-	-	15,314
Recreation and culture	36,567	-	-	36,567
Capital outlay	95,687	-	-	95,687
Total expenditures	2,594,253	232,774	520,947	3,347,974
<b>Excess of Revenue Over Expenditures</b>	272,845	96,311	19,007	388,163
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 8)	-	-	1,302	1,302
Transfers out (Note 8)	(5,858)	-	-	(5,858)
<b>Net Change in Fund Balances</b>	266,987	96,311	20,309	383,607
<b>Fund Balances - Beginning of year</b>	1,225,459	398,474	99,430	1,723,363
<b>Fund Balances - End of year</b>	<u>\$ 1,492,446</u>	<u>\$ 494,785</u>	<u>\$ 119,739</u>	<u>\$ 2,106,970</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, 2016**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 383,607</b>
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	218,684
Depreciation expense	(367,470)
Net book value of assets disposed of	(19,221)
Changes in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	16,188
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	2,381
Change in the liability for other postemployment benefits is recorded when earned in the statement of activities	(57,892)
Change in the net pension liability and related deferred inflows and outflows is recorded when incurred in the statement of activities	<u>(268,878)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (92,601)</u></b>

# Village of Holly, Michigan

## Proprietary Funds Statement of Net Position June 30, 2016

	Enterprise Funds			Total
	Sewer Fund	Water Fund	Nonmajor Enterprise - Community Center	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 4)	\$ 652,319	\$ 1,773,672	\$ -	\$ 2,425,991
Receivables	298,981	244,786	-	543,767
Due from other funds	-	-	4,556	4,556
Inventory	30,434	-	-	30,434
Total current assets	981,734	2,018,458	4,556	3,004,748
Noncurrent assets:				
Restricted assets (Note 11)	382,500	446,496	-	828,996
Capital assets (Note 6):				
Assets not subject to depreciation	96,095	27,926	-	124,021
Assets subject to depreciation	19,811,290	10,163,076	-	29,974,366
Total noncurrent assets	20,289,885	10,637,498	-	30,927,383
Total assets	21,271,619	12,655,956	4,556	33,932,131
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	146,986	184,189	-	331,175
Pension-related amounts (Note 13)	317,223	234,464	-	551,687
Total deferred outflows	464,209	418,653	-	882,862
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	26,279	34,343	48	60,670
Due to other funds (Note 8)	-	-	4,508	4,508
Accrued liabilities and other	139,589	75,618	-	215,207
Compensated absences	9,508	1,552	-	11,060
Capital leases (Note 9)	38,457	38,457	-	76,914
Current portion of long-term debt (Note 10)	525,000	-	-	525,000
Total current liabilities	738,833	149,970	4,556	893,359
Noncurrent liabilities:				
Net OPEB obligation (Note 14)	82,234	65,830	-	148,064
Net pension liability (Note 13)	1,617,295	1,195,388	-	2,812,683
Current portion of long-term debt - Funded by noncurrent assets (Note 10)	-	410,000	-	410,000
Capital leases (Note 9)	2,550	2,549	-	5,099
Long-term debt (Note 10)	7,076,619	4,191,162	-	11,267,781
Total noncurrent liabilities	8,778,698	5,864,929	-	14,643,627
Total liabilities	9,517,531	6,014,899	4,556	15,536,986
<b>Net Position</b>				
Net investment in capital assets	12,131,014	5,874,681	-	18,005,695
Restricted	382,500	446,496	-	828,996
Unrestricted	(295,217)	738,533	-	443,316
Total net position	<u>\$ 12,218,297</u>	<u>\$ 7,059,710</u>	<u>\$ -</u>	<u>\$ 19,278,007</u>

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

# Village of Holly, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2016

	Enterprise Funds			Total
	Sewer Fund	Water Fund	Nonmajor Enterprise - Community Center	
<b>Operating Revenue</b>				
Sale of water	\$ -	\$ 916,165	\$ -	\$ 916,165
Sewage disposal charges	1,166,160	-	-	1,166,160
Other sales to customers	8,100	6,100	-	14,200
Interest and penalty charges	50,592	36,933	-	87,525
Recoveries	3,001	125,403	-	128,404
Sales and rentals	-	-	13,672	13,672
Charges to other funds	-	9,170	-	9,170
Total operating revenue	1,227,853	1,093,771	13,672	2,335,296
<b>Operating Expenses</b>				
Cost of water	-	805,211	-	805,211
Wastewater treatment	773,683	-	-	773,683
Cost of electrical production	314,355	-	-	314,355
Other operation and maintenance costs	-	-	21,058	21,058
Billing and administrative costs	56,148	55,711	-	111,859
Depreciation	678,198	301,608	-	979,806
Total operating expenses	1,822,384	1,162,530	21,058	3,005,972
<b>Operating Loss</b>	(594,531)	(68,759)	(7,386)	(670,676)
<b>Nonoperating Revenue (Expenses)</b>				
Investment income	2,984	18,586	-	21,570
Interest expense	(121,111)	(141,162)	-	(262,273)
Debt service charge	927,287	680,226	-	1,607,513
Cell tower leases	-	18,250	-	18,250
Other miscellaneous revenue	-	-	2,825	2,825
Total nonoperating revenue	809,160	575,900	2,825	1,387,885
<b>Income (Loss) - Before contributions and transfers</b>	214,629	507,141	(4,561)	717,209
<b>Capital Contributions</b>	-	2,343	-	2,343
<b>Transfers in</b>	-	-	4,556	4,556
<b>Change in Net Position</b>	214,629	509,484	(5)	724,108
<b>Net Position - Beginning of year</b>	12,003,668	6,550,226	5	18,553,899
<b>Net Position - End of year</b>	<u>\$ 12,218,297</u>	<u>\$ 7,059,710</u>	<u>\$ -</u>	<u>\$ 19,278,007</u>

# Village of Holly, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2016

	Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Enterprise - Community Center	Total
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 1,244,249	\$ 1,084,650	\$ 13,672	\$ 2,342,571
Receipts (payments) from interfund services and reimbursements	-	9,170	(4,556)	4,614
Payments to suppliers	(433,092)	(294,595)	(1,700)	(729,387)
Payments to employees	(501,115)	(409,660)	(19,765)	(930,540)
Internal activity - Payments to other funds	(84,536)	(80,208)	4,508	(160,236)
Operating grants and subsidies	-	-	2,825	2,825
Net cash provided by (used in) operating activities	225,506	309,357	(5,016)	529,847
Transfers from other funds	-	-	4,556	4,556
<b>Cash Flows from Noncapital Financing Activities - Cell tower leases</b>	-	18,250	-	18,250
Net cash provided by noncapital financing activities	-	18,250	4,556	22,806
<b>Cash Flows from Capital and Related Financing Activities</b>				
Receipt of capital grants	-	2,343	-	2,343
Purchase of capital assets	(83,577)	(110,568)	-	(194,145)
Principal and interest paid on capital debt	(967,519)	(574,594)	-	(1,542,113)
Debt service charge	927,287	680,226	-	1,607,513
Net cash used in capital and related financing activities	(123,809)	(2,593)	-	(126,402)
<b>Cash Flows from Investing Activities - Interest received on investment</b>	2,984	18,586	-	21,570
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	104,681	343,600	(460)	447,821
<b>Cash and Cash Equivalents - Beginning of year</b>	930,138	1,876,568	460	2,807,166
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 1,034,819</u>	<u>\$ 2,220,168</u>	<u>\$ -</u>	<u>\$ 3,254,987</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>				
Cash and investments	\$ 652,319	\$ 1,773,672	\$ -	\$ 2,425,991
Restricted cash	382,500	446,496	-	828,996
Total cash and cash equivalents	<u>\$ 1,034,819</u>	<u>\$ 2,220,168</u>	<u>\$ -</u>	<u>\$ 3,254,987</u>

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, 2016

	Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Enterprise - Community Center	Total
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>				
Operating loss	\$ (594,531)	\$ (68,759)	\$ (7,386)	\$ (670,676)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation	678,198	301,608	-	979,806
Changes in assets and liabilities:				
Receivables	16,396	49	-	16,445
Due from other funds	-	-	(4,556)	(4,556)
Accounts payable	4,118	(17,223)	(407)	(13,512)
Due to other funds	-	-	4,508	4,508
Estimated claims liability	-	-	2,825	2,825
Accrued and other liabilities	121,325	93,682	-	215,007
Net cash provided by (used in) operating activities	<u>\$ 225,506</u>	<u>\$ 309,357</u>	<u>\$ (5,016)</u>	<u>\$ 529,847</u>

# Village of Holly, Michigan

## Fiduciary Funds Statement of Fiduciary Net Position June 30, 2016

	Retiree Health Care Fund (Employee Benefits Fund)	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 97,401	\$ 174,983
Investments:		
Certificates of deposit	165,036	-
Mutual funds	100,769	-
Total assets	363,206	<u>\$ 174,983</u>
<b>Liabilities</b>		
Due to primary government (Note 8)	54,382	\$ -
Refundable deposits, bonds, etc.	-	121,186
Other miscellaneous liabilities	-	53,797
Total liabilities	54,382	<u>\$ 174,983</u>
<b>Net Position Held in Trust for Retiree Healthcare Benefits</b>	<u>\$ 308,824</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, 2016**

### **Additions**

Investment income - Net increase in fair value investments	\$ 9,728
Contributions:	
Employer contributions	10,000
Employee	<u>25,523</u>
Total contributions	<u>35,523</u>
Total additions	45,251

### **Deductions**

Benefit payments	58,281
Transfer out of plan	10,001
Administrative expenses	<u>1,970</u>
Total deductions	<u>70,252</u>

**Net Decrease in Net Position Held in Trust** (25,001)

**Net Position Held in Trust for Retiree Healthcare Benefits - Beginning of year** 333,825

**Net Position Held in Trust for Retiree Healthcare Benefits - End of year** \$ 308,824

# Village of Holly, Michigan

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## Component Units Statement of Net Position June 30, 2016

	Downtown Development Authority	Economic Development Corporation	Total
<b>Assets</b>			
Cash and cash equivalents (Note 4)	\$ 58,122	\$ 65	\$ 58,187
Property tax receivable	365	-	365
Total assets	58,487	65	58,552
<b>Liabilities - Accounts payable</b>	928	-	928
<b>Net Position</b>	<b>\$ 57,559</b>	<b>\$ 65</b>	<b>\$ 57,624</b>

# Village of Holly, Michigan

## Component Units Statement of Activities Year Ended June 30, 2016

	Expenses	Net (Expense) Revenue and Changes in Net Position		
		Downtown Development Authority	Economic Development Corporation	Total
<b>Functions/Programs</b>				
Downtown Development Authority	\$ 92,899	\$ (92,899)	\$ -	\$ (92,899)
Economic Development Corporation	-	-	-	-
Total component units	<b>\$ 92,899</b>	(92,899)	-	(92,899)
General revenue:				
Property taxes		90,316	-	90,316
Other miscellaneous income		7,352	-	7,352
Total general revenue		97,668	-	97,668
<b>Change in Net Position</b>		4,769	-	4,769
<b>Net Position - Beginning of year</b>		52,790	65	52,855
<b>Net Position - End of year</b>		<b>\$ 57,559</b>	<b>\$ 65</b>	<b>\$ 57,624</b>

# Village of Holly, Michigan

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## Notes to Financial Statements June 30, 2016

### 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 legally 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 revenue 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 revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue 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 revenue 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 revenue 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 revenue was 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 funds:

- 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.

### **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.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is 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, 2016

### 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 acquisition value.

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, 2016, 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, and for differences between projected and actual experience, and changes in assumptions related to economic and demographic factors for governmental activities and for business-type activities. See the table in Note 13 related to when amounts related to pensions will be recognized in pension expense. The Village also reported deferred outflows of \$146,986 in the Sewer Fund and \$184,189 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 revenue 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 delinquent property taxes and special assessments in the governmental funds for \$12,778 and \$314,167, 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 2015 tax is levied and collectible on December 1, 2015 and is recognized as revenue in the year ended June 30, 2016 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2015 taxable valuation of the Village totaled \$99.2 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 13.4378 mills for operating purpose. This resulted in \$1,363,089 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 revenue and expenses from nonoperating items. Operating revenue 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 revenue 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 revenue and expenses not meeting this definition are reported as nonoperating revenue 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 year, the Village adopted GASB Statement No. 72, *Fair Value Measurement and Application*. As a result, the notes to the financial statements now include enhanced disclosures about fair value measurement, the level of fair value hierarchy, and valuation techniques.

### **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.

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2016

### Note 3 - Stewardship, Compliance, and Accountability (Continued)

Shortfall at July 1, 2015	\$ (259,124)
Current year permit revenue	105,344
Related expenses - Direct costs	<u>66,710</u>
Current year surplus	<u>38,634</u>
Cumulative shortfall at June 30, 2016	<u>\$ (220,490)</u>

### 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.

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.

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2016

### Note 4 - Deposits and Investments (Continued)

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 \$2,277,505 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	\$ 1,294,144	389 days
Pooled investments #77865	1,462,376	389 days

**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	\$ 1,294,144	N/A	N/A
Pooled investments #77865	1,462,376	N/A	N/A

### Note 5 - Fair Value Measurement

The Village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Village's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Village has the following recurring fair value measurements as of June 30, 2016:

#### Governmental Activities:

- Investment pools of \$2,756,520 are valued using a matrix pricing model (Level 2 inputs).

#### Fiduciary Funds:

- Mutual Funds of \$106,769 are valued at active quoted prices (level 1 inputs)

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of the Oakland County Investment Pool at June 30, 2016 was determined primarily based on Level 2 inputs. The Village estimates the fair value of these investments based on the underlying investments held by the investment pool using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals as well as the quoted price of the underlying investments.

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2016

### Note 6 - Capital Assets

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

<b>Governmental Activities</b>	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2016</u>
Capital assets not being depreciated:				
Land	\$ 148,853	\$ -	\$ 353	\$ 148,500
Construction in progress	-	30,385	-	30,385
Subtotal	148,853	30,385	353	178,885
Capital assets being depreciated:				
Roads and sidewalks	9,690,999	-	-	9,690,999
Buildings and improvements	1,530,858	49,500	20,393	1,559,965
Office furnishings and equipment	718,954	21,691	-	740,645
Vehicles	1,344,774	117,108	-	1,461,882
Subtotal	13,285,585	188,299	20,393	13,453,491
Accumulated depreciation:				
Roads and sidewalks	7,918,873	247,135	-	8,166,008
Buildings and improvements	789,628	43,546	1,525	831,649
Office furnishings and equipment	631,470	21,635	-	653,105
Vehicles	1,166,220	55,154	-	1,221,374
Subtotal	10,506,191	367,470	1,525	10,872,136
Net capital assets being depreciated	<u>2,779,394</u>	<u>(179,171)</u>	<u>18,868</u>	<u>2,581,355</u>
Net capital assets	<u>\$ 2,928,247</u>	<u>\$ (148,786)</u>	<u>\$ 19,221</u>	<u>\$ 2,760,240</u>

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2016

### Note 6 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2015	Reclassifications	Additions	Disposals	Balance June 30, 2016
Capital assets not being depreciated:					
Land	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Construction in progress	10,996	(10,996)	74,021	-	74,021
Subtotal	60,996	(10,996)	74,021	-	124,021
Capital assets being depreciated:					
Water and sewer distribution system	46,420,093	10,996	82,642	-	46,513,731
Equipment and vehicles	1,328,243	-	37,482	-	1,365,725
Subtotal	47,748,336	10,996	120,124	-	47,879,456
Accumulated depreciation:					
Water and sewer distribution system	16,212,690	-	915,363	-	17,128,053
Equipment and vehicles	712,594	-	64,443	-	777,037
Subtotal	16,925,284	-	979,806	-	17,905,090
Net capital assets being depreciated	30,823,052	10,996	(859,682)	-	29,974,366
Net capital assets	<u>\$ 30,884,048</u>	<u>\$ -</u>	<u>\$ (785,661)</u>	<u>\$ -</u>	<u>\$ 30,098,387</u>

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

Governmental activities:

General government	\$ 35,992
Public safety	71,540
Public works	258,027
Recreation and culture	1,911
Total governmental activities	<u>\$ 367,470</u>

Business-type activities:

Water	\$ 301,608
Sewer	678,198
Total business-type activities	<u>\$ 979,806</u>

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2016

### Note 7 - 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, 2016 there was a receivable of \$314,167 remaining to be paid by the buyer. Revenue of \$22,154 was recognized in the current year related to the sale. The unrecognized gain of \$123,544 is reported as unearned revenue in the government-wide financial statements and a deferred inflow of resources of \$314,167 is reported in the governmental fund statements.

### Note 8 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Due to/from Other Funds</b>		
General Fund	Nonmajor governmental funds	\$ 33,839
	Nonmajor enterprise fund	<u>4,508</u>
	Total General Fund	<u>\$ 38,347</u>
Nonmajor governmental funds - Local Streets	General Fund	<u>\$ 1,302</u>
	Nonmajor enterprise fund - Community Center Fund	General Fund

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 \$54,382 as a result of the premium payments related to retiree health care being paid through pooled cash.

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2016

### Note 8 - Interfund Receivables, Payables, and Transfers (Continued)

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	\$ 1,302
	Nonmajor enterprise fund	<u>4,556</u>
	Total General Fund	<u>\$ 5,858</u>

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

### Note 9 - 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 June 30</u>	<u>Amount</u>
2017	\$ 79,800
2018	<u>5,217</u>
Total minimum lease payments	85,017
Less amount representing interest	<u>(3,004)</u>
Present value	<u>\$ 82,013</u>

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2016

### Note 10 - 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.

Description	Amount
<b>Business-type Activities:</b>	
<u>General obligations:</u>	
2015 Refunding General Obligation Limited Tax Bond, with interest from 2 percent to 4.375 percent, maturing in 2025	\$ 3,395,000
Bond refunding premium	522,781
Total general obligations	<u>\$ 3,917,781</u>
<u>Revenue bonds:</u>	
1999 Water Supply Revenue Bonds Act 94, with interest of 2.5 percent, maturing in 2019	\$ 350,000
2014 Refunding Wastewater System Revenue Bond, with interest from 2 percent to 4 percent, maturing in 2025	3,825,000
2015 Refunding Water System Revenue Bond, with interest from 2 percent to 3.75 percent, maturing in 2027	4,110,000
Subtotal	<u>8,285,000</u>
Total business-type activity debt	<u>\$ 12,202,781</u>

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2016

### Note 10 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Accumulated compensated absences	\$ 134,947	\$ 118,759	\$ 134,947	\$ 118,759	\$ 118,759
<b>Business-type Activities</b>					
General obligation bonds	\$ 3,720,000	\$ -	\$ 325,000	\$ 3,395,000	\$ 170,000
Revenue bonds	9,025,000	-	740,000	8,285,000	765,000
Unamortized bond premium on refunding series 2014 bond	133,231	-	14,116	119,115	-
Unamortized bond premium on refunding series 2014 bond	443,160	-	39,494	403,666	-
Total	13,321,391	-	1,118,610	12,202,781	935,000
Accumulated compensated absences	13,113	11,060	13,113	11,060	11,060
Total business-type activities	\$ 13,334,504	\$ 11,060	\$ 1,131,723	\$ 12,213,841	\$ 946,060

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
2017	\$ 935,000	\$ 382,453	\$ 1,317,453
2018	1,025,000	354,878	1,379,878
2019	1,090,000	325,728	1,415,728
2020	1,175,000	292,978	1,467,978
2021	1,075,000	258,053	1,333,053
2022-2026	5,940,000	677,648	6,617,648
2027-2031	440,000	8,250	448,250
Total	\$ 11,680,000	\$ 2,299,988	\$ 13,979,988

**Revenue 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 \$5,271,061. During the current year, net revenue of the water system was \$967,781 compared to the annual debt requirements of \$536,503.

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2016

### Note 10 - Long-term Debt (Continued)

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 \$4,756,374. During the current year, net revenue of the sewer system was \$1,030,402 compared to the annual debt requirements of \$468,350.

### Note 11 - Restricted Assets

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

	Business-type Activities
Unspent bond proceeds and related interest	\$ 496
Revenue bond restrictions - Bond reserve	828,500
Total restricted assets	<u>\$ 828,996</u>

### Note 12 - 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 13 - 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](http://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.

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2016

### Note 13 - Agent Defined Benefit Pension Plan Description (Continued)

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 non-duty 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 non-duty 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.

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, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	33
Inactive plan members entitled to but not yet receiving benefits	7
Active plan members	<u>22</u>
Total employees covered by MERS	<u><u>62</u></u>

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2016

### Note 13 - Agent Defined Benefit Pension Plan Description (Continued)

**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, 2016 the Village's monthly contribution amount was \$33,953 for closed divisions. The Village's average contribution rate was 20.79, 5.97, and 4.39 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, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

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
<b>Balance at December 31, 2014</b>	\$ 12,581,447	\$ 6,978,091	\$ 5,603,356
Service cost	146,181	-	146,181
Interest	1,009,586	-	1,009,586
Differences between expected and actual experience	20,630		20,630
Changes in assumptions	680,433		680,433
Contributions - Employer	-	546,242	(546,242)
Net investment income	-	(102,696)	102,696
Benefit payments, including refunds	(834,266)	(834,266)	-
Administrative expenses	-	(15,059)	15,059
Net changes	1,022,564	(405,779)	1,428,343
<b>Balance at December 31, 2015</b>	<u>\$ 13,604,011</u>	<u>\$ 6,572,312</u>	<u>\$ 7,031,699</u>

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2016

### Note 13 - Agent Defined Benefit Pension Plan Description (Continued)

**Assumption Changes** - MERS has lowered the assumed rate of return from 8.0 percent to 7.75 percent. Mortality table increased life expectancy, asset smoothing was lowered from 10 years to five years.

#### Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2016, the Village recognized pension expense of \$941,596. At June 30, 2016, the Village reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 15,469
Changes in assumptions	510,325
Net difference between projected and actual earnings on pension plan investments	609,260
Employer contributions to the plan subsequent to the measurement date	<u>244,169</u>
Total	<u>\$ 1,379,223</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 (\$244,169), which will impact the net pension liability in fiscal year 2016, rather than pension expense.

<u>Years Ending June 30</u>	<u>Amount</u>
2017	\$ 333,960
2018	333,960
2019	333,960
2020	133,174

### Note 13 - Agent Defined Benefit Pension Plan Description (Continued)

**Actuarial Assumptions** - The total pension liability in the December 31, 2015 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 2015, 2016, and 2017, respectively, including inflation
Investment rate of return	7.75 %	Net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Mortality Tables 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, 2015 valuation were based on the results of the most recent actuarial experience study for periods 2009 - 2013.

**Discount Rate** - The discount rate used to measure the total pension liability was 8.00 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, 2016

### Note 13 - 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, 2015, 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 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 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability of the Village	\$ 8,601,934	\$ 7,031,699	\$ 5,712,146

**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, 2016

### Note 14 - 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 \$10,000 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)	\$ 100,924
Interest on the prior year's net OPEB obligation	19,233
Less adjustment to the annual required contribution	<u>(22,917)</u>
Annual OPEB cost	97,240
Amounts contributed:	
Contributions made	(10,000)
Adjustment to the net OPEB obligation	<u>-</u>
Increase in net OPEB liability	87,240
OPEB obligation - Beginning of year	<u>427,391</u>
OPEB obligation - End of year	<u>\$ 514,631</u>

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2016

### Note 14 - Other Postemployment Benefits (Continued)

Employer contributions and annual OPEB cost data for the year ended June 30, 2016 and the two preceding years are as follows:

Fiscal Year Ended	Alternative Measurement Method Date	Annual Required Contribution	Annual OPEB Contributions	Net OPEB (Asset) Obligation
6/30/14	6/30/14	\$ 126,477	\$ -	\$ 364,768
6/30/15	6/30/15	67,721	-	427,391
6/30/16	6/30/16	100,924	10,000	514,631

The funding progress of the plan is as follows:

Alternative Measurement Method 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
6/30/14	\$ 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
6/30/16	378,000	902,088	524,088	41.9	1,308,704	40.0

**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 was 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 14 - 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 5.6 percent initially to an ultimate rate of 5.9 percent after six years was used.

**Health Insurance Premiums** - 2016 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](http://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 15 - Commitments

The Village has committed to a multi-year refuse collection agreement through June 30, 2019 at the following base rates:

- July 1, 2016 through June 30, 2017 at \$12.37 per month per unit
- July 1, 2017 through June 30, 2018 at \$12.74 per month per unit
- July 1, 2018 through June 30, 2019 at \$13.13 per month per unit

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

### **Note 16 - Upcoming Accounting Pronouncements**

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 statements 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**

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# Village of Holly, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 1,295,354	\$ 1,340,004	\$ 1,363,089	\$ 23,085
Licenses and permits	76,350	78,891	102,363	23,472
Federal grants	25,000	4,000	4,915	915
State-shared revenue and grants	593,356	593,656	567,611	(26,045)
Charges for services	524,568	600,771	732,245	131,474
Fines and forfeitures	1,000	20,810	19,443	(1,367)
Investment income	3,500	4,500	4,565	65
Other revenue - Other miscellaneous income	17,500	65,904	72,325	6,421
Total revenue	2,536,628	2,708,536	2,866,556	158,020
<b>Expenditures - Current</b>				
General government:				
Village council	9,096	10,594	10,026	568
Village manager	68,340	77,559	62,688	14,871
Clerk/Treasurer	111,878	114,963	108,685	6,278
Buildings and grounds	105,618	103,497	97,323	6,174
Attorney	25,200	22,500	21,959	541
Data processing	16,000	13,750	10,369	3,381
Other	117,325	109,701	110,145	(444)
Total general government	453,457	452,564	421,195	31,369
Public safety:				
Police	1,156,088	1,111,926	1,137,848	(25,922)
Dispatch	152,225	148,543	147,218	1,325
Fire	302,828	296,527	293,195	3,332
Building inspections and related	56,480	50,995	66,710	(15,715)
Total public safety	1,667,621	1,607,991	1,644,971	(36,980)
Public works:				
Other public works activities	259,159	305,851	300,227	5,624
Cemetery	83,324	77,598	78,192	(594)
Total public works	342,483	383,449	378,419	5,030
Community and economic development - Planning, zoning, and related	18,600	16,006	15,314	692
Recreation and culture	21,935	34,311	36,567	(2,256)
Capital outlay	94,919	95,784	95,687	97
Total expenditures	2,599,015	2,590,105	2,592,153	(2,048)
<b>Other Financing Sources - Transfers out</b>	-	-	(5,858)	5,858
<b>Net Change in Fund Balance</b>	(62,387)	118,431	268,545	161,830
<b>Fund Balance - Beginning of year</b>	934,949	934,949	934,949	-
<b>Fund Balance - End of year</b>	<u>\$ 872,562</u>	<u>\$ 1,053,380</u>	<u>\$ 1,203,494</u>	<u>\$ 150,114</u>

# Village of Holly, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds - Major Streets Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Federal grants	\$ 8,000	\$ 7,500	\$ 8,609	\$ 1,109
State-shared revenue and grants	260,438	253,952	306,893	52,941
Investment income	1,000	1,500	1,631	131
Other revenue - Local donations	-	11,952	11,952	-
Total revenue	<u>269,438</u>	<u>274,904</u>	<u>329,085</u>	<u>54,181</u>
<b>Expenditures - Current</b>				
Public works:				
Street construction	92,797	74,658	78,369	(3,711)
Winter maintenance	74,778	54,139	51,769	2,370
Traffic services	27,998	33,122	32,948	174
Administration	68,178	55,173	55,479	(306)
Tree maintenance	12,849	12,091	14,209	(2,118)
Total expenditures	<u>276,600</u>	<u>229,183</u>	<u>232,774</u>	<u>(3,591)</u>
<b>Net Change in Fund Balance</b>	(7,162)	45,721	96,311	50,590
<b>Fund Balance - Beginning of year</b>	<u>398,474</u>	<u>398,474</u>	<u>398,474</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 391,312</u></u>	<u><u>\$ 444,195</u></u>	<u><u>\$ 494,785</u></u>	<u><u>\$ 50,590</u></u>

# Village of Holly, Michigan

## Note to Required Supplemental Information Year Ended June 30, 2016

**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	\$ 2,867,098	\$ 2,594,253	\$ (5,858)	\$ 266,987	\$ 1,492,446
Municipal Street Fund budgeted separately from the General Fund	(542)	-	-	(542)	(144,329)
Cemetery Endowment Trust Fund budgeted separately from the General Fund	-	(2,100)	-	2,100	(144,623)
Amounts per budget statement	<u>\$ 2,866,556</u>	<u>\$ 2,592,153</u>	<u>\$ (5,858)</u>	<u>\$ 268,545</u>	<u>\$ 1,203,494</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>
General Fund Expenditures	\$ 2,590,105	\$ 2,592,153
Major Streets Fund - Expenditures	229,183	232,774

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

	2016	2015
Total pension liability:		
Service cost	\$ 146,181	\$ 158,199
Interest	1,009,586	984,990
Differences between expected and actual experience	20,630	-
Changes in assumptions	680,433	-
Benefit payments, including refunds	(834,266)	(843,831)
Net change in total pension liability	1,022,564	299,358
Total pension liability - Beginning of year	12,581,447	12,282,089
Total pension liability - End of year	<b>\$ 13,604,011</b>	<b>\$ 12,581,447</b>
Plan fiduciary net position:		
Contributions - Employer	\$ 546,242	\$ 580,401
Net investment income (loss)	(102,696)	424,586
Administrative expenses	(15,059)	(15,553)
Benefit payments, including refunds	(834,266)	(843,831)
Net change in plan fiduciary net position	(405,779)	145,603
Plan fiduciary net position - Beginning of year	6,978,091	6,832,488
Plan fiduciary net position - End of year	<b>\$ 6,572,312</b>	<b>\$ 6,978,091</b>
Village's net pension liability - Ending	<b>\$ 7,031,699</b>	<b>\$ 5,603,356</b>
Plan fiduciary net position as a percentage of total pension liability	48.31 %	55.46 %
Covered employee payroll	\$ 1,178,050	\$ 1,322,030
Village's net pension liability as a percentage of covered employee payroll	596.9 %	423.8 %

# Village of Holly, Michigan

## Required Supplemental Information Schedule of Village Contributions Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 493,462	\$ 624,340	\$ 472,763	\$ 347,307	\$ 293,775	\$ 269,286	\$ 266,319	\$ 235,060	\$ 253,770	\$ 263,337
Contributions in relation to the actuarially determined contribution	493,462	624,340	550,379	347,307	293,775	269,286	266,319	235,060	253,770	263,337
<b>Contribution Excess</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (77,616)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Employee Payroll</b>	<b>\$ 1,178,050</b>	<b>\$ 1,322,030</b>	<b>\$ 1,237,915</b>	<b>\$ 918,677</b>	<b>\$ 970,678</b>	<b>\$ 954,753</b>	<b>\$ 1,163,999</b>	<b>\$ 1,234,703</b>	<b>\$ 1,319,010</b>	<b>\$ 1,473,040</b>
<b>Contributions as a Percentage of Covered Employee Payroll</b>	<b>41.9 %</b>	<b>47.2 %</b>	<b>44.5 %</b>	<b>37.8 %</b>	<b>30.3 %</b>	<b>28.2 %</b>	<b>22.9 %</b>	<b>19.0 %</b>	<b>19.2 %</b>	<b>17.9 %</b>

### 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, 2016 were determined based on the actuarial valuation as of December 31, 2013. The most recent valuation is as of December 31, 2015.

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	7.75 percent - Net of investment expense, including inflation
Retirement age	Experience-based table of rates are specific to the type of eligibility condition
Mortality	RP 2014 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, 2016

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
6/30/16	\$ 378,000	\$ 902,088	\$ 524,088	41.9	\$ 1,308,704	-
6/30/15	355,449	613,834	258,385	57.9	1,308,522	-
6/30/14	498,435	1,021,818	523,383	48.8	1,554,406	-
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
6/30/16	6/30/16	\$ 100,924	9.9 %
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, 2016, 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	2.0 percent
*Includes inflation at	4.5 percent
Premium increases	5.60 - 6.30 percent

## **Other Supplemental Information**

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# Village of Holly, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2016

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Local Streets Fund	Lake Improvement Fund	Solid Waste Fund	Holly Area Transportation Fund	
<b>Assets</b>					
Cash and investments	\$ -	\$ 1,953	\$ 31,094	\$ 88,496	\$ 121,543
Receivables:					
Special assessments receivable	-	3,676	59	-	3,735
Due from other governmental units	33,517	-	-	-	33,517
Due from other funds	1,302	-	-	-	1,302
<b>Total assets</b>	<b>\$ 34,819</b>	<b>\$ 5,629</b>	<b>\$ 31,153</b>	<b>\$ 88,496</b>	<b>\$ 160,097</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 2,742	\$ 2,742
Due to other funds	33,839	-	-	-	33,839
Accrued liabilities and other	980	-	-	1,557	2,537
<b>Total liabilities</b>	<b>34,819</b>	<b>-</b>	<b>-</b>	<b>4,299</b>	<b>39,118</b>
<b>Deferred Inflows of Resources -</b>					
Unavailable revenue	-	1,240	-	-	1,240
<b>Fund Balances</b>					
Restricted:					
Lake improvement	-	4,389	-	-	4,389
Solid waste	-	-	31,153	-	31,153
Assigned - Senior transportation	-	-	-	84,197	84,197
<b>Total fund balances</b>	<b>-</b>	<b>4,389</b>	<b>31,153</b>	<b>84,197</b>	<b>119,739</b>
<b>Total liabilities and fund balances</b>	<b>\$ 34,819</b>	<b>\$ 5,629</b>	<b>\$ 31,153</b>	<b>\$ 88,496</b>	<b>\$ 160,097</b>

# Village of Holly, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2016

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Local Streets Fund	Lake Improvement Fund	Solid Waste Fund	Holly Area Transportation Fund	
<b>Revenue</b>					
Federal grants	\$ 8,609	\$ -	\$ -	\$ 35,945	\$ 44,554
State-shared revenue and grants	136,426	-	-	-	136,426
Charges for services	-	-	-	7,960	7,960
Investment income	11	-	-	-	11
Other revenue	11,073	7,001	332,929	-	351,003
	<u>156,119</u>	<u>7,001</u>	<u>332,929</u>	<u>43,905</u>	<u>539,954</u>
Total revenue					
<b>Expenditures</b>					
Current:					
Public works	157,421	3,000	304,290	-	464,711
Senior transportation	-	-	-	56,236	56,236
	<u>157,421</u>	<u>3,000</u>	<u>304,290</u>	<u>56,236</u>	<u>520,947</u>
Total expenditures					
<b>Excess of Expenditures (Over) Under Revenue</b>	(1,302)	4,001	28,639	(12,331)	19,007
<b>Other Financing Sources - Transfers in</b>	1,302	-	-	-	1,302
<b>Net Change in Fund Balances</b>	-	4,001	28,639	(12,331)	20,309
<b>Fund Balances - Beginning of year</b>	-	388	2,514	96,528	99,430
<b>Fund Balances - End of year</b>	<u>\$ -</u>	<u>\$ 4,389</u>	<u>\$ 31,153</u>	<u>\$ 84,197</u>	<u>\$ 119,739</u>