
Village of Holly, Michigan

**Financial Report
with Supplemental Information
June 30, 2022**

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Independent Auditor's Report

To the Village Council
Village of Holly, Michigan

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Holly, Michigan (the "Village") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Village as of June 30, 2022 and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

To the Village Council
Village of Holly, Michigan

In performing an audit in accordance with GAAS, we:

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

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

November 22, 2022

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 as a whole and present a longer-term view of the Village'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 the reader 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's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds. The fiduciary fund statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government.

The Village's Net Position

	Governmental Activities			
	2021	2022	Change	Percent Change
Assets				
Current and other assets	\$ 3,938,709	\$ 4,522,320	\$ 583,611	14.8
Capital assets	3,065,191	3,215,793	150,602	4.9
Total assets	7,003,900	7,738,113	734,213	10.5
Deferred Outflows of Resources	553,084	552,956	(128)	-
Liabilities				
Current liabilities	803,921	1,220,639	416,718	51.8
Noncurrent liabilities	6,451,135	6,539,361	88,226	1.4
Total liabilities	7,255,056	7,760,000	504,944	7.0
Deferred Inflows of Resources	271,084	392,085	121,001	44.6
Net Position				
Net investment in capital assets	2,624,687	2,465,465	(159,222)	(6.1)
Restricted	949,473	1,212,298	262,825	27.7
Unrestricted	(3,543,316)	(3,538,779)	4,537	(0.1)
Total net position	<u>\$ 30,844</u>	<u>\$ 138,984</u>	<u>\$ 108,140</u>	350.6

Village of Holly, Michigan

Management's Discussion and Analysis (Continued)

	Business-type Activities			
	2021	2022	Change	Percent Change
Assets				
Current and other assets	\$ 7,862,406	\$ 8,278,497	\$ 416,091	5.3
Capital assets	26,607,063	26,165,790	(441,273)	(1.7)
Total assets	34,469,469	34,444,287	(25,182)	(0.1)
Deferred Outflows of Resources	492,906	451,423	(41,483)	(8.4)
Liabilities				
Current liabilities	126,778	95,812	(30,966)	(24.4)
Noncurrent liabilities	10,691,457	9,628,504	(1,062,953)	(9.9)
Total liabilities	10,818,235	9,724,316	(1,093,919)	(10.1)
Deferred Inflows of Resources	180,724	261,391	80,667	44.6
Net Position				
Net investment in capital assets	20,206,522	20,420,271	213,749	1.1
Restricted:				
Debt service	627,000	-	(627,000)	(100.0)
Capital projects	-	518,000	518,000	-
Unrestricted	3,129,894	3,971,732	841,838	26.9
Total net position	<u>\$ 23,963,416</u>	<u>\$ 24,910,003</u>	<u>\$ 946,587</u>	4.0

Total governmental net position increased by 350.6 percent from a year ago, from \$30,844 to \$138,984. Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, increased by \$4,537 for governmental activities. This represents an increase of approximately 0.1 percent. The current level of unrestricted net position for our governmental activities stands at \$(3,538,779), or 77.6 percent of governmental activities expenses.

The Village's business-type activities consist of the Water Fund and Sewer Fund. We provide water to residents from village wells and sewage treatment through a sewage treatment plant owned and operated by the Village. The net position of business-type activities increased by 4.0 percent from a year ago, increasing from \$23,963,416 to \$24,910,003. Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, increased by \$841,838, or 26.9 percent. The current level of unrestricted net position stands at \$3,971,732, or about 98.7 percent of annual expenses, including depreciation and interest expenses.

Village of Holly, Michigan

Management's Discussion and Analysis (Continued)

The Village's Changes in Net Position

	Governmental Activities			
	2021	2022	Change	Percent Change
Revenue				
Program revenue:				
Charges for services	\$ 1,234,545	\$ 1,357,635	\$ 123,090	10.0
Operating grants	780,765	766,055	(14,710)	(1.9)
Capital grants	28,598	94,149	65,551	229.2
General revenue:				
Property taxes	1,484,827	1,493,636	8,809	0.6
State-shared revenue	731,183	762,850	31,667	4.3
Investment earnings	6,517	5,925	(592)	(9.1)
Other revenue	263,322	185,601	(77,721)	(29.5)
Total revenue	4,529,757	4,665,851	136,094	3.0
Expenses				
General government	517,741	430,718	(87,023)	(16.8)
Public safety	2,631,284	2,775,263	143,979	5.5
Public works	1,230,982	1,173,700	(57,282)	(4.7)
Community and economic development	43,497	75,491	31,994	73.6
Recreation and culture	74,711	81,155	6,444	8.6
Debt service	2,113	21,384	19,271	912.0
Total expenses	4,500,328	4,557,711	57,383	1.3
Change in Net Position	29,429	108,140	78,711	267.5
Net Position - Beginning of year - As restated	1,415	30,844	29,429	2,079.8
Net Position - End of year	\$ 30,844	\$ 138,984	\$ 108,140	350.6
Business-type Activities				
	2021	2022	Change	Percent Change
Revenue				
Program revenue:				
Charges for services	\$ 4,368,457	\$ 4,540,767	\$ 172,310	3.9
Capital grants	393,638	400,839	7,201	1.8
General revenue	44,618	29,634	(14,984)	(33.6)
Total revenue	4,806,713	4,971,240	164,527	3.4
Expenses				
Sewer Fund	2,199,067	2,421,312	222,245	10.1
Water Fund	1,471,902	1,603,341	131,439	8.9
Total expenses	3,670,969	4,024,653	353,684	9.6
Change in Net Position	1,135,744	946,587	(189,157)	(16.7)
Net Position - Beginning of year	22,827,672	23,963,416	1,135,744	5.0
Net Position - End of year	\$ 23,963,416	\$ 24,910,003	\$ 946,587	4.0

The Village's total governmental revenue increased by \$136,094 primarily due to an increase in capital grants and charges for services. Expenses increased by \$57,383 during the year primarily due to increases in costs related to public safety and public works.

The Village's business-type activities consist of the Water Fund and Sewer Fund. Total revenue for the Village's business-type activities increased by \$164,527 due to an increase in charges for services. Total expenses increased by \$353,684 from the prior year primarily due to an increase in wastewater treatment expenses.

Financial Analysis of Individual Funds

Our analysis of the Village's funds begins on page 10, 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 2022 include the General 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, and community and economic development) and provides services for planning and zoning, senior transportation, and parks and recreation. Public safety makes up 69.9 percent of the total General Fund expenditures.

The fund balance of the General Fund increased by \$167,986 during the year. This increase is most notably related to the increase in charges for services and licenses and permits.

General Fund Budgetary Highlights

In total, the Village received \$221,734 more revenue than expected. Overall for the year, the Village ended up with a favorable variance of \$146,303 over the budgeted use of fund balance. The Village has again produced a timely and balanced budget for 2022.

Capital Assets and Debt Administration

During 2022, the Village had various infrastructure projects, and the majority of the governmental activities capital asset purchases of approximately \$562,000 were related to the various equipment purchases and road repairs. Business-type activities added approximately \$652,000 to assets this year in construction projects and equipment.

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

Additional information regarding the Village's long-term debt can be found in Note 7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Downtown Development Authority (the "DDA") and the Holly Chamber of Commerce have a working partnership agreement to promote the Village of Holly, Michigan 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.

The Village and the DDA are working together to bring businesses to the downtown area that are attractive to our local residents and visitors. Taxable values in the DDA district remained unchanged from the prior year, and priorities were made to continue to provide services to village residents.

Requests for Further Information

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, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 3,674,774	\$ 6,708,770	\$ 10,383,544	\$ 210,906
Receivables	320,877	723,413	1,044,290	166
Internal balances (Note 6)	(18,453)	18,453	-	-
Inventory	-	30,434	30,434	-
Restricted assets (Note 1)	391,627	797,427	1,189,054	-
Capital assets:				
Assets not subject to depreciation (Note 5)	1,182,468	610,330	1,792,798	-
Assets subject to depreciation - Net (Note 5)	2,033,325	25,555,460	27,588,785	38,281
Land contract receivable	153,495	-	153,495	-
Total assets	7,738,113	34,444,287	42,182,400	249,353
Deferred Outflows of Resources				
Deferred charges on bond refunding (Note 7)	-	82,793	82,793	-
Deferred pension costs (Note 9)	530,355	353,564	883,919	-
Deferred OPEB costs (Note 10)	22,601	15,066	37,667	-
Total deferred outflows of resources	552,956	451,423	1,004,379	-
Liabilities				
Accounts payable	53,881	1,585	55,466	47
Accrued liabilities and other	295,567	94,227	389,794	-
Unearned revenue	871,191	-	871,191	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	149,957	22,437	172,394	-
Current portion of long-term debt (Note 7)	70,934	584,066	655,000	-
Due in more than one year:				
Current portion of long-term debt - Funded by noncurrent assets (Note 7)	-	518,000	518,000	-
Net pension liability (Note 9)	5,116,007	3,410,678	8,526,685	-
Net OPEB liability (Note 10)	131,442	87,650	219,092	-
Long-term debt (Note 7)	1,071,021	5,005,673	6,076,694	-
Total liabilities	7,760,000	9,724,316	17,484,316	47
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 9)	351,967	234,646	586,613	-
Deferred OPEB cost reductions (Note 10)	40,118	26,745	66,863	-
Total deferred inflows of resources	392,085	261,391	653,476	-
Net Position				
Net investment in capital assets	2,465,465	20,420,271	22,885,736	38,281
Restricted:				
Streets and highways	1,173,191	-	1,173,191	-
Lake improvement	6,273	-	6,273	-
Rubbish	32,834	-	32,834	-
Bond reserve	-	518,000	518,000	-
Unrestricted	(3,538,779)	3,971,732	432,953	211,025
Total net position	\$ 138,984	\$ 24,910,003	\$ 25,048,987	\$ 249,306

Village of Holly, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 430,718	\$ 535,722	\$ 1,150	\$ -
Public safety:				
Police	1,701,057	117,601	1,331	-
Fire	806,980	174,699	28,425	10,859
Dispatch	140,866	-	-	-
Building inspections and related	126,360	106,636	-	-
Public works:				
Streets	414,558	-	706,036	77,973
Other public works activities	349,364	19,640	-	5,317
Rubbish disposal	396,439	334,850	-	-
Cemetery	8,089	27,650	-	-
Lake maintenance	5,250	-	-	-
Community and economic development	75,491	40,837	29,113	-
Recreation and culture	81,155	-	-	-
Interest on long-term debt	21,384	-	-	-
Total governmental activities	4,557,711	1,357,635	766,055	94,149
Business-type activities:				
Sewer Fund	2,421,312	2,783,411	-	156,000
Water Fund	1,603,341	1,757,356	-	244,839
Total business-type activities	4,024,653	4,540,767	-	400,839
Total primary government	\$ 8,582,364	\$ 5,898,402	\$ 766,055	\$ 494,988
Component units	\$ 215,026	\$ -	\$ -	\$ -

General revenue:

Property taxes
 Unrestricted state-shared revenue
 Unrestricted investment income
 Cable franchise fees
 Other miscellaneous income

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Statement of Activities

Year Ended June 30, 2022

Net Revenue (Expense) and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ 106,154	\$ -	\$ 106,154	\$ -
(1,582,125)	-	(1,582,125)	-
(592,997)	-	(592,997)	-
(140,866)	-	(140,866)	-
(19,724)	-	(19,724)	-
369,451	-	369,451	-
(324,407)	-	(324,407)	-
(61,589)	-	(61,589)	-
19,561	-	19,561	-
(5,250)	-	(5,250)	-
(5,541)	-	(5,541)	-
(81,155)	-	(81,155)	-
(21,384)	-	(21,384)	-
(2,339,872)	-	(2,339,872)	-
-	518,099	518,099	-
-	398,854	398,854	-
-	916,953	916,953	-
(2,339,872)	916,953	(1,422,919)	-
-	-	-	(215,026)
1,493,636	-	1,493,636	208,698
762,850	-	762,850	-
5,925	29,634	35,559	-
112,055	-	112,055	-
73,546	-	73,546	19,135
2,448,012	29,634	2,477,646	227,833
108,140	946,587	1,054,727	12,807
30,844	23,963,416	23,994,260	236,499
\$ 138,984	\$ 24,910,003	\$ 25,048,987	\$ 249,306

Village of Holly, Michigan

Governmental Funds Balance Sheet

June 30, 2022

	General Fund	Major Streets Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 2,351,557	\$ 1,123,969	\$ 199,248	\$ 3,674,774
Receivables:				
Property taxes receivable	82	-	-	82
Special assessments receivable	1,551	-	3,735	5,286
Customer receivables	49,253	-	-	49,253
Due from other governments	160,071	76,819	29,366	266,256
Restricted assets	-	-	391,627	391,627
Land contract receivable	153,495	-	-	153,495
	<u>\$ 2,716,009</u>	<u>\$ 1,200,788</u>	<u>\$ 623,976</u>	<u>\$ 4,540,773</u>
Total assets				
Liabilities				
Accounts payable	\$ 19,882	\$ -	\$ 33,999	\$ 53,881
Advances from other funds (Note 6)	18,453	-	-	18,453
Accrued liabilities and other	290,890	-	4,242	295,132
Unearned revenue	646,191	-	-	646,191
	<u>975,416</u>	<u>-</u>	<u>38,241</u>	<u>1,013,657</u>
Total liabilities				
Deferred Inflows of Resources - Unavailable revenue				
	<u>154,931</u>	<u>-</u>	<u>1,240</u>	<u>156,171</u>
Total liabilities and deferred inflows of resources	1,130,347	-	39,481	1,169,828
Fund Balances				
Restricted:				
Roads	-	1,088,346	84,845	1,173,191
Capital projects	-	-	391,627	391,627
Lake improvement	-	-	5,033	5,033
Solid waste	-	-	32,834	32,834
Committed - Cemetery care	141,760	-	-	141,760
Assigned:				
Tri party	34,779	-	-	34,779
Sidewalks	145,369	-	-	145,369
Roads	-	112,442	-	112,442
Capital projects	-	-	58,407	58,407
Mill pond	150,577	-	-	150,577
Senior transportation	-	-	11,749	11,749
Donations and other	500,479	-	-	500,479
Unassigned	612,698	-	-	612,698
	<u>1,585,662</u>	<u>1,200,788</u>	<u>584,495</u>	<u>3,370,945</u>
Total fund balances				
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,716,009</u>	<u>\$ 1,200,788</u>	<u>\$ 623,976</u>	<u>\$ 4,540,773</u>

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2022

Fund Balances Reported in Governmental Funds	\$ 3,370,945
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	3,215,793
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the fund	156,171
Land contract revenue unearned	(225,000)
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(1,141,955)
Accrued interest is not due and payable in the current period and is not reported in the funds	(435)
Some employee fringe benefits 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:	
Employee compensated absences	(149,957)
Pension benefits (net of any deferred inflows and outflows)	(4,937,619)
Retiree health care benefits (net of any deferred inflows and outflows)	(148,959)
Net Position of Governmental Activities	<u>\$ 138,984</u>

Village of Holly, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2022

	General Fund	Major Streets Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 1,493,636	\$ -	\$ -	\$ 1,493,636
Special assessments	-	-	340,167	340,167
Intergovernmental:				
Federal grants	16,261	11,075	34,786	62,122
State-shared revenue and grants	772,240	571,103	190,756	1,534,099
Charges for services	960,029	-	5,782	965,811
Fines and forfeitures	22,853	-	-	22,853
Licenses and permits	121,652	-	-	121,652
Investment income	4,311	1,460	154	5,925
Other revenue:				
Local donations	28,425	5,650	-	34,075
Miscellaneous income	254,133	-	2,340	256,473
Total revenue	3,673,540	589,288	573,985	4,836,813
Expenditures				
Current services:				
General government	479,584	-	-	479,584
Public safety	2,450,214	-	-	2,450,214
Public works	332,751	271,254	809,907	1,413,912
Senior transportation	-	-	47,421	47,421
Community and economic development	29,170	-	-	29,170
Recreation and culture	40,083	-	-	40,083
Capital outlay	173,752	-	-	173,752
Debt service	-	18,820	1,744	20,564
Total expenditures	3,505,554	290,074	859,072	4,654,700
Net Change in Fund Balances	167,986	299,214	(285,087)	182,113
Fund Balances - Beginning of year	1,417,676	901,574	869,582	3,188,832
Fund Balances - End of year	\$ 1,585,662	\$ 1,200,788	\$ 584,495	\$ 3,370,945

Village of Holly, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2022

Net Change in Fund Balances Reported in Governmental Funds	\$ 182,113
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	561,516
Depreciation expense	(410,914)
Revenue is recorded in the governmental funds on land contract but not on the government-wide statements until the title transfers	(14,400)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	33,000
Change in accrued interest	(820)
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	(2,205)
Change in the other postemployment benefits liability and related deferred inflows and outflows are recorded when incurred in the statement of activities	(9,954)
Change in the net pension liability and related deferred inflows and outflows are recorded when incurred in the statement of activities	(230,196)
Change in Net Position of Governmental Activities	<u>\$ 108,140</u>

Village of Holly, Michigan

Proprietary Funds Statement of Net Position

June 30, 2022

	Enterprise Funds		Total Enterprise Funds
	Sewer Fund	Water Fund	
Assets			
Current assets:			
Cash and investments (Note 3)	\$ 2,679,275	\$ 4,029,495	\$ 6,708,770
Receivables:			
Property taxes receivable	54,455	32,641	87,096
Other receivables	394,142	242,175	636,317
Inventory	30,434	-	30,434
Total current assets	3,158,306	4,304,311	7,462,617
Noncurrent assets:			
Restricted assets (Note 1)	311,500	485,927	797,427
Advances to other funds	-	18,453	18,453
Capital assets:			
Assets not subject to depreciation (Note 5)	50,000	560,330	610,330
Assets subject to depreciation - Net (Note 5)	16,868,318	8,687,142	25,555,460
Total noncurrent assets	17,229,818	9,751,852	26,981,670
Total assets	20,388,124	14,056,163	34,444,287
Deferred Outflows of Resources			
Deferred charges on bond refunding (Note 7)	36,748	46,045	82,793
Deferred pension costs (Note 9)	203,302	150,262	353,564
Deferred OPEB costs (Note 10)	8,663	6,403	15,066
Total deferred outflows of resources	248,713	202,710	451,423
Liabilities			
Current liabilities:			
Accounts payable	-	1,585	1,585
Accrued liabilities and other	53,937	40,290	94,227
Compensated absences (Note 7)	18,565	3,872	22,437
Current portion of long-term debt (Note 7)	378,500	205,566	584,066
Total current liabilities	451,002	251,313	702,315
Noncurrent liabilities:			
Current portion of long-term debt - Funded by noncurrent assets (Note 7)	311,500	206,500	518,000
Net pension liability (Note 9)	1,961,140	1,449,538	3,410,678
Net OPEB liability (Note 10)	50,397	37,253	87,650
Long-term debt (Note 7)	2,569,655	2,436,018	5,005,673
Total noncurrent liabilities	4,892,692	4,129,309	9,022,001
Deferred Inflows of Resources			
Deferred pension cost reductions (Note 9)	134,921	99,725	234,646
Deferred OPEB cost reductions (Note 10)	15,378	11,367	26,745
Total deferred inflows of resources	150,299	111,092	261,391
Net Position			
Net investment in capital assets	13,695,411	6,724,860	20,420,271
Restricted - Bond reserve	311,500	206,500	518,000
Unrestricted	1,135,933	2,835,799	3,971,732
Total net position	\$ 15,142,844	\$ 9,767,159	\$ 24,910,003

Village of Holly, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2022

	Enterprise Funds		
	Sewer Fund	Water Fund	Total Enterprise Funds
Operating Revenue			
Sale of water	\$ -	\$ 1,127,869	\$ 1,127,869
Sewage disposal charges	1,754,636	-	1,754,636
Interest and penalty charges	48,055	28,885	76,940
Recoveries	32,366	37,205	69,571
Charges to other funds	-	8,900	8,900
Total operating revenue	1,835,057	1,202,859	3,037,916
Operating Expenses			
Water treatment and transmission	-	1,075,758	1,075,758
Wastewater treatment	1,084,580	-	1,084,580
Other operation and maintenance	396,158	-	396,158
Billing and administrative costs	103,112	75,367	178,479
Depreciation	737,952	355,326	1,093,278
Total operating expenses	2,321,802	1,506,451	3,828,253
Operating Loss	(486,745)	(303,592)	(790,337)
Nonoperating Revenue (Expense)			
Investment income	6,029	23,605	29,634
Interest expense	(99,510)	(96,890)	(196,400)
Debt service charge	948,354	533,509	1,481,863
Cell tower leases	-	20,988	20,988
Total nonoperating revenue	854,873	481,212	1,336,085
Income - Before capital contributions	368,128	177,620	545,748
Capital Contributions			
Capital grants	-	118,039	118,039
Tap-in fees	156,000	126,800	282,800
Total capital contributions	156,000	244,839	400,839
Change in Net Position	524,128	422,459	946,587
Net Position - Beginning of year	14,618,716	9,344,700	23,963,416
Net Position - End of year	\$ 15,142,844	\$ 9,767,159	\$ 24,910,003

Village of Holly, Michigan

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2022

	Enterprise Funds		
	Sewer Fund	Water Fund	Total Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,834,496	\$ 1,199,436	\$ 3,033,932
Payments to suppliers	(497,992)	(464,746)	(962,738)
Payments to employees and fringes	(879,855)	(581,652)	(1,461,507)
Payments to other funds	(118,821)	(27,142)	(145,963)
Other payments	(10,168)	(6,080)	(16,248)
Net cash and cash equivalents provided by operating activities	327,660	119,816	447,476
Cash Flows Provided by Noncapital Financing Activities - Cell tower lease	-	20,988	20,988
Cash Flows from Capital and Related Financing Activities			
Receipt of capital grants	-	118,039	118,039
Tap-in fees	156,000	126,800	282,800
Purchase of capital assets	(45,046)	(606,959)	(652,005)
Principal and interest paid on capital debt	(833,388)	(481,494)	(1,314,882)
Debt service charge	948,354	533,509	1,481,863
Net cash and cash equivalents provided by (used in) capital and related financing activities	225,920	(310,105)	(84,185)
Cash Flows Provided by Investing Activities - Interest received on investments	6,029	23,605	29,634
Net Increase (Decrease) in Cash and Cash Equivalents	559,609	(145,696)	413,913
Cash and Cash Equivalents - Beginning of year	2,431,166	4,661,118	7,092,284
Cash and Cash Equivalents - End of year	\$ 2,990,775	\$ 4,515,422	\$ 7,506,197
Classification of Cash and Cash Equivalents			
Cash and investments	\$ 2,679,275	\$ 4,029,495	\$ 6,708,770
Restricted assets	311,500	485,927	797,427
Total cash and cash equivalents	\$ 2,990,775	\$ 4,515,422	\$ 7,506,197

Village of Holly, Michigan

Proprietary Funds Statement of Cash Flows (Continued)

Year Ended June 30, 2022

	Enterprise Funds		
	Sewer Fund	Water Fund	Total Enterprise Funds
Reconciliation of Operating Loss to Net Cash and Cash Equivalents from Operating Activities			
Operating loss	\$ (486,745)	\$ (303,592)	\$ (790,337)
Adjustments to reconcile operating loss to net cash and cash equivalents from operating activities:			
Depreciation	737,952	355,326	1,093,278
Changes in assets and liabilities:			
Receivables	(10,729)	(603)	(11,332)
Due to and from other funds	-	17,899	17,899
Accrued liabilities and other	95,927	65,483	161,410
Accounts payable	(8,745)	(14,697)	(23,442)
Total adjustments	814,405	423,408	1,237,813
Net cash and cash equivalents provided by operating activities	<u>\$ 327,660</u>	<u>\$ 119,816</u>	<u>\$ 447,476</u>

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2022

Retiree Health
Care Fund
(Employee
Benefits Fund)

Assets

Cash and cash equivalents	\$	59,853
Investments:		
Certificates of deposit		34,375
Mutual funds		295,347
Interest in pooled investments		20,163

Net Position Restricted for Postemployment Benefits \$ 409,738

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2022

	Retiree Health Care Fund (Employee Benefits Fund)
Additions	
Investment loss - Net change in fair value of investments	\$ (32,762)
Contributions:	
Employer contributions	14,553
Employee contributions	<u>9,045</u>
Total contributions	<u>23,598</u>
Total additions	(9,164)
Deductions - Benefit payments	<u>23,598</u>
Net Decrease in Fiduciary Net Position	(32,762)
Net Position Restricted for Postemployment Benefits - Beginning of year	<u>442,500</u>
Net Position Restricted for Postemployment Benefits - End of year	<u><u>\$ 409,738</u></u>

Note 1 - Significant Accounting Policies

Reporting Entity

The Village of Holly, Michigan (the "Village") 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. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Village.

Discretely Presented Component Units

Downtown Development Authority

The Downtown Development Authority (the "Authority" or the "DDA") 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 to 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.

Fiduciary Component Unit

Retiree Health Care Fund

The Retiree Health Care Fund is governed by the Village Council. Although the Retiree Health Care Fund is legally separate from the Village, it is reported as a fiduciary component unit because the Village Council serves as the board for the plan, and the plan imposes a financial burden on the Village.

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. The following is a summary of the significant accounting policies used by the Village:

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, as applicable. 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.

Note 1 - Significant Accounting Policies (Continued)

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 includes: (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, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the Village's water and sewer functions and various other functions. 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, if any, 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 it spends certain resources; separate funds allow the Village to show the particular expenditures for which specific revenue is used. The various funds are aggregated into the following fund types:

Governmental Funds

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

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

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the Village). 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

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 health care payments to retirees.

Note 1 - Significant Accounting Policies (Continued)

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 and internal service 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.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In the 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 government 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 health care-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 and state gas and weight tax revenue 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 and Cash Equivalents

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

Investments are reported at fair value or estimated fair value.

Note 1 - Significant Accounting Policies (Continued)

Inventories and Prepaid Items

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. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

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, totaling \$518,000, have been classified as restricted assets in the current year.

The Village had unspent bond proceeds of \$671,054 (\$391,627 for governmental activities and \$279,427 for business-type activities and the water fund) related to a capital project that is required to be set aside for future construction and other allowable bond purchases.

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 \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

Unearned Revenue

Unearned revenue represents money received that does not yet meet the criteria for revenue recognition. Unearned amounts are reported as liabilities. The Village is reporting \$225,000 in unearned revenue in the government-wide financial statements related to the sale of the Old Fire Station Property on a land contract. Title of the property will transfer at the end of the five-year agreement in 2026. The Village is also reporting \$646,191 in unearned revenue in the General Fund and government-wide financial statements related to American Rescue Plan Act cash received in advance of eligibility criteria being met.

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 lives 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 other financing sources, as well as bond premiums and discounts. The General Fund, Water Fund, and Sewer Fund are generally used to liquidate governmental long-term obligations.

Note 1 - 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 will not be recognized as an outflow of resources until then.

At June 30, 2022, the Village reported deferred outflows of resources for payments made to the pension plan after the measurement date and for changes in assumptions related to economic and demographic factors related to the total pension liability (see the table in Note 9 related to when amounts related to pensions will be recognized in pension expense). There are also deferred outflows reported for the OPEB plan that are detailed in Note 10. The Village also reported deferred outflows of \$36,748 in the Sewer Fund and \$46,045 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 will not be recognized as an inflow of resources (revenue) until that time.

The Village reports deferred inflows of resources related to pensions, as detailed in Note 9. There are also deferred outflows reported for the OPEB plan that are detailed in Note 10. The governmental funds report unavailable revenue from delinquent property taxes, special assessments, and a land contract. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Note 1 - Significant Accounting Policies (Continued)

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.

Property Tax Revenue

Property taxes are levied on July 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. 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 2021 tax is levied and collectible on July 1, 2021 and is recognized as revenue in the year ended June 30, 2022 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2021 taxable valuation of the Village totaled \$128.4 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 11.9176 mills for operating purposes. This resulted in approximately \$1,500,000 for operations. These amounts are recognized in the respective General Fund financial statements as tax revenue. The DDA received approximately \$208,000 of property tax revenue.

Pension

The Village 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 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. The General Fund and Water and Sewer funds are generally used to liquidate the pension obligation.

Other Postemployment Benefit Costs

The Village offers retiree health care benefits to retirees. The Village records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability and OPEB expense, information about the fiduciary net position of the Village's OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The General Fund and Water and Sewer funds are generally used to liquidate the OPEB obligation.

Note 1 - 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, Water Fund, and Sewer Fund, 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 Fund and Sewer Fund is charges to customers for sales and services. Operating expenses for enterprise 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.

Upcoming Accounting Pronouncements

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The Village does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Village is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Village's financial statements for the year ending June 30, 2023.

In April 2022, the Governmental Accounting Standards Board issued Statement No. 99, *Omnibus 2022*, which establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements, the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP), nonmonetary transactions, pledges of future revenue, the focus of government-wide financial statements, and terminology. The standard has various effective dates. The Village does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

Note 1 - Significant Accounting Policies (Continued)

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Village's financial statements for the year ending June 30, 2025.

Note 2 - 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. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2021	\$ (322,922)
Current year permit revenue	104,511
Related expenses - Direct costs	<u>(126,360)</u>
Current year shortfall	<u>(21,849)</u>
Cumulative shortfall at June 30, 2022	<u><u>\$ (344,771)</u></u>

Noncompliance with State Law

Public Act 196 of 1997 requires the Village to provide an investment report to the Village Council on a quarterly basis. This report was not provided during the fiscal year ended June 30, 2022.

Note 3 - 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 law also allows investments outside the state of Michigan when fully insured. 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 that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that 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, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Village has designated two 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 investments are in accordance with statutory authority.

Note 3 - 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, including component units, had bank deposits of \$7,313,373 (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.

At year end, the Village had the following investments:

Investment	Fair Value	Weighted-average Maturity
Primary Government		
Oakland County Government Investment Pool	\$ 4,064,542	536 days
Investment	Fair Value	Weighted-average Maturity
Fiduciary Funds		
Mutual funds	\$ 295,347	Not available
Interest in pooled investments (MERS Total Market Portfolio)	<u>20,163</u>	N/A
Total	<u>\$ 315,510</u>	

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 June 30, 2022, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Primary Government			
Oakland County Government Investment Pool	\$ 4,064,542	N/A	N/A

June 30, 2022

Note 3 - Deposits and Investments (Continued)

Investment	Fair Value	Rating	Rating Organization
Fiduciary Funds			
Mutual funds	\$ 295,347	N/A	N/A
Interest in pooled investments (MERS Total Market Portfolio)	<u>20,163</u>	N/A	N/A
Total	<u>\$ 315,510</u>		

Note 4 - Fair Value Measurements

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 assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the 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.

The Village has the following recurring fair value measurements as of June 30, 2022:

- Primary government - Investment pools of \$4,064,542 are valued using a matrix pricing model (Level 2 inputs).
- Fiduciary funds - Mutual funds of \$295,347 are valued using quoted prices (Level 1 inputs), and certificates of deposit of \$34,375 are valued using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals (Level 2 inputs).

The valuation method for investments measured at net asset value per share (or its equivalent) is presented in the table below.

Investments in Entities that Calculate Net Asset Value per Share

The Village holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

As of June 30, 2022, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
MERS Total Market Portfolio	\$ 20,163	\$ -	None	N/A

June 30, 2022

Note 4 - Fair Value Measurements (Continued)

The Oakland County Local Government Investment Pool (LGIP) is not registered with the SEC and does not issue a separate report. The pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized cost. Accordingly, the investment is reported at fair value. The fair value of the position in the pool is not the same as the value of the pool shares.

The MERS Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. The Municipal Employees' Retirement System (MERS) manages the asset allocation and monitors the underlying investment managers of the MERS Total Market Portfolio.

Note 5 - Capital Assets

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

Governmental Activities

	Balance July 1, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 397,145	\$ -	\$ -	\$ 397,145
Construction in progress	341,504	443,819	-	785,323
Subtotal	738,649	443,819	-	1,182,468
Capital assets being depreciated:				
Roads and sidewalks	9,979,393	-	-	9,979,393
Buildings and improvements	2,294,676	5,000	-	2,299,676
Furniture and equipment	973,555	112,699	-	1,086,254
Vehicles	1,657,425	-	-	1,657,425
Subtotal	14,905,049	117,699	-	15,022,748
Accumulated depreciation:				
Roads and sidewalks	9,396,144	210,600	-	9,606,744
Buildings and improvements	1,086,649	63,153	-	1,149,802
Furniture and equipment	785,466	56,589	-	842,055
Vehicles	1,310,248	80,574	-	1,390,822
Subtotal	12,578,507	410,916	-	12,989,423
Net capital assets being depreciated	2,326,542	(293,217)	-	2,033,325
Net governmental activities capital assets	\$ 3,065,191	\$ 150,602	\$ -	\$ 3,215,793

June 30, 2022

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	-	560,330	-	560,330
Subtotal	50,000	560,330	-	610,330
Capital assets being depreciated:				
Water and sewer distribution system	47,135,245	-	-	47,135,245
Equipment and vehicles	2,131,731	91,675	-	2,223,406
Buildings and improvements	296,689	-	-	296,689
Subtotal	49,563,665	91,675	-	49,655,340
Accumulated depreciation:				
Water and sewer distribution system	21,750,186	937,220	-	22,687,406
Equipment and vehicles	1,244,623	150,124	-	1,394,747
Buildings and improvements	11,793	5,934	-	17,727
Subtotal	23,006,602	1,093,278	-	24,099,880
Net capital assets being depreciated	26,557,063	(1,001,603)	-	25,555,460
Net business-type activities capital assets	<u>\$ 26,607,063</u>	<u>\$ (441,273)</u>	<u>\$ -</u>	<u>\$ 26,165,790</u>

Capital asset activity for the Village's component unit for the year ended June 30, 2022 was as follows:

Component Unit

	Balance July 1, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets being depreciated:				
Buildings and improvements	\$ 41,500	\$ -	\$ -	\$ 41,500
Equipment	13,250	-	-	13,250
Subtotal	54,750	-	-	54,750
Accumulated depreciation:				
Buildings and improvements	6,640	4,150	-	10,790
Equipment	3,786	1,893	-	5,679
Subtotal	10,426	6,043	-	16,469
Net capital assets being depreciated	44,324	(6,043)	-	38,281
Net capital assets	<u>\$ 44,324</u>	<u>\$ (6,043)</u>	<u>\$ -</u>	<u>\$ 38,281</u>

June 30, 2022

Note 5 - Capital Assets (Continued)

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

Governmental activities:		
General government	\$	27,264
Public safety		135,394
Public works		246,156
Recreation and culture		2,102
Total governmental activities	\$	<u>410,916</u>
Business-type activities:		
Water Fund	\$	355,326
Sewer Fund		737,952
Total business-type activities	\$	<u>1,093,278</u>
Component unit activities - DDA - Economic development	\$	6,043

Construction Commitments

The Village had the following significant construction commitments at year end:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Road paving and water main improvements	\$ 1,073,946	\$ 717,198

Note 6 - Interfund Receivables, Payables, and Transfers

The Village has made the following long-term advances between funds:

<u>Fund Borrowed From</u>	<u>Fund Loaned To</u>	<u>Amount</u>
Water Fund	General Fund	\$ 18,453

The advance from the Water Fund to the General Fund was made in 2017 and will be repaid over seven years. The General Fund will be paying back the money to the Water Fund with an interest rate of 3.10 percent.

Note 7 - 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 when issued. County contractual agreements and installment purchase agreements are also general obligations of the Village when issued. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties that 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 reassessment of the Village) are received. The Village does not currently have any county contractual agreements, installment purchase agreements, or special assessment bonds. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings and direct placements	\$ 99,000	\$ -	\$ (33,000)	\$ 66,000	\$ 33,000
Other debt - 2021 capital improvement bond	1,018,382	-	-	1,018,382	37,934
Unamortized bond premiums	57,573	-	-	57,573	-
Total bonds and contracts payable	1,174,955	-	(33,000)	1,141,955	70,934
Compensated absences	147,752	92,409	(90,204)	149,957	149,957
Total governmental activities long-term debt	<u>\$ 1,322,707</u>	<u>\$ 92,409</u>	<u>\$ (123,204)</u>	<u>\$ 1,291,912</u>	<u>\$ 220,891</u>

Note 7 - Long-term Debt (Continued)

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Other debt:					
General obligation	\$ 1,790,000	\$ -	\$ (330,000)	\$ 1,460,000	\$ 330,000
Revenue bonds	4,480,000	-	(760,000)	3,720,000	745,000
2021 capital improvement bond	726,618	-	-	726,618	27,066
Total other debt principal outstanding	6,996,618	-	(1,090,000)	5,906,618	1,102,066
Unamortized bond premium on refunding series 2014 bond (Water)	70,582	-	(14,116)	56,466	-
Unamortized bond premium on refunding series 2014 bond (Sewer)	184,149	-	(39,494)	144,655	-
Total bonds and contracts payable	7,251,349	-	(1,143,610)	6,107,739	1,102,066
Compensated absences	21,132	16,802	(15,497)	22,437	22,437
Total business-type activities long-term debt	<u>\$ 7,272,481</u>	<u>\$ 16,802</u>	<u>\$ (1,159,107)</u>	<u>\$ 6,130,176</u>	<u>\$ 1,124,503</u>

Revenue Bonds

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets and to pay debt service. Business-type activities utilize revenue bonds to finance the water and sewer system. The Village has pledged revenue from the debt service charge for the Water Fund 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 revenue from the debt service charge. The remaining principal and interest to be paid on the revenue bonds total \$2,301,202. During the current year, the revenue from the debt service charge for the Water Fund was \$533,509, compared to the annual debt requirements of \$451,026.

The Village has pledged revenue from the debt service charge for the Sewer Fund 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 revenue from the debt service charge. The remaining principal and interest to be paid on the revenue bonds total \$1,789,163. During the current year, the revenue from the debt service charge for the Sewer Fund was \$948,354 compared to the annual debt requirements of \$416,075.

Note 7 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities					Business-type Activities		
	Direct Borrowings and Direct Placements		Other Debt		Total	Other Debt		Total
	Principal	Interest	Principal	Interest		Principal	Interest	
2023	\$ 33,000	\$ 2,716	\$ 37,934	\$ 23,213	\$ 96,863	\$ 1,102,066	\$ 190,464	\$ 1,292,530
2024	33,000	2,716	40,852	22,031	98,599	1,214,148	149,469	1,363,617
2025	-	-	40,852	20,805	61,657	1,269,148	103,645	1,372,793
2026	-	-	40,852	19,580	60,432	1,269,148	54,739	1,323,887
2027	-	-	43,770	18,310	62,080	471,230	21,315	492,545
2028-2032	-	-	236,358	71,972	308,330	168,642	51,353	219,995
Thereafter	-	-	577,764	60,519	638,283	412,236	43,181	455,417
Total	\$ 66,000	\$ 5,432	\$ 1,018,382	\$ 236,430	\$ 1,326,244	\$ 5,906,618	\$ 614,166	\$ 6,520,784

Note 8 - 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 9 - Pension Plan

Plan Description

The Village participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS) 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.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Benefits Provided

The Municipal Employees' Retirement System of Michigan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

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

Retirement benefits for DPW/clerical and police/dispatch employees hired prior to July 1, 2006, as well as department heads, are calculated as 2.5 percent of the employee's final 5-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service. A reduced early retirement at 50 with 15 years of service is also available. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction.

Note 9 - Pension Plan (Continued)

Retirement benefits for employees hired after July 1, 2006 are calculated as 1.5 percent of the employee's final 5-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service. A reduced early retirement at 50 with 15 years of service is also available. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction

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

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Village 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

The following members were covered by the benefit terms:

Date of member count	December 31, 2021
Inactive plan members or beneficiaries currently receiving benefits	37
Inactive plan members entitled to but not yet receiving benefits	9
Active plan members	16
Total employees covered by the plan	62

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, 2022, the Village's contribution amounts were as follows: \$37,637 per month for DPW/clerical employees, \$30,983 per month for police officers and command employees, and 25.71 percent of annual pay for department heads.

Net Pension Liability

The Village has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2022 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2021 measurement date. The December 31, 2021 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

Note 9 - Pension Plan (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2020	\$ 16,462,247	\$ 8,082,364	\$ 8,379,883
Changes for the year:			
Service cost	167,515	-	167,515
Interest	1,218,137	-	1,218,137
Differences between expected and actual experience	121,402	-	121,402
Changes in assumptions	623,273	-	623,273
Contributions - Employer	-	902,974	(902,974)
Contributions - Employee	-	12,365	(12,365)
Net investment income	-	1,017,651	(1,017,651)
Benefit payments, including refunds	(1,035,793)	(1,035,793)	-
Administrative expenses	-	(12,796)	12,796
Miscellaneous other charges	-	63,331	(63,331)
Net changes	1,094,534	947,732	146,802
Balance at December 31, 2021	<u>\$ 17,556,781</u>	<u>\$ 9,030,096</u>	<u>\$ 8,526,685</u>

The plan's fiduciary net position represents 51.43 percent of the total pension liability.

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

For the year ended June 30, 2022, the Village recognized pension expense of \$1,403,625.

At June 30, 2022, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 63,394	\$ -
Changes in assumptions	311,635	-
Net difference between projected and actual earnings on pension plan investments	-	(586,613)
Employer contributions to the plan subsequent to the measurement date	508,890	-
Total	<u>\$ 883,919</u>	<u>\$ (586,613)</u>

Note 9 - Pension Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions of \$508,890 made subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2023	\$ 291,735
2024	(249,319)
2025	(175,482)
2026	(78,518)
Total	<u>\$ (211,584)</u>

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases of 3.0 percent, an investment rate of return (gross of investment expenses) of 7.25 percent, and the Pub-2010 mortality tables with future mortality improvements using scale MP-2019 applied fully generationally.

The actuarial assumptions used in the December 31, 2021 actuarial valuation date valuation were based on the results of an actuarial experience study for the period January 1, 2014 to December 31, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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.

Investment Rate of Return

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, 2021, 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	60.00 %	4.50 %
Global fixed income	20.00	2.00
Private investments	20.00	7.00

Note 9 - Pension Plan (Continued)

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 7.25 percent, as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net pension liability of the Municipal Employees' Retirement System of Michigan	\$ 10,537,157	\$ 8,526,685	\$ 6,840,795

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 of resources related to pensions, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported 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.

Assumption Changes

In the fiscal year ended June 30, 2022 (December 31, 2021 valuation), there were assumption changes that resulted in an increase in the calculated total pension liability. The assumptions changed during the year related to the investment rate of return.

Note 10 - Other Postemployment Benefit Plan

Plan Description

The Village provides retiree health care benefits to eligible pre-Medicare retired employees and their spouses, with a 50 percent contribution required from the retirees. Currently, the plan has 23 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.

Management of the Plan is vested with the Village Council.

Benefits Provided

The plan provides medical and prescription drug benefits for retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the plan. Retirees receiving benefits are required to contribute 50 percent of the monthly premiums to the plan.

June 30, 2022

Note 10 - Other Postemployment Benefit Plan (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	June 30, 2021
Inactive plan members or beneficiaries currently receiving benefits	2
Active plan members	<u>21</u>
Total plan members	<u><u>23</u></u>

Contributions

Retiree health care costs are paid by the Village on a pay-as-you-go basis. The Village has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2022, the Village made payments for postemployment health benefit premiums of \$23,598.

Net OPEB Liability

The Village has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2022 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2022 measurement date. The June 30, 2022 measurement date total OPEB liability was determined by an actuarial valuation performed as of June 30, 2021.

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at June 30, 2021	\$ 601,456	\$ 433,935	\$ 167,521
Changes for the year:			
Service cost	17,909	-	17,909
Interest	28,866	-	28,866
Differences between expected and actual experience	3,875	-	3,875
Changes in assumptions	322	-	322
Contributions - Employer	-	14,553	(14,553)
Contributions - Employee	-	9,045	(9,045)
Net investment loss	-	(24,197)	24,197
Benefit payments, including refunds	<u>(23,598)</u>	<u>(23,598)</u>	<u>-</u>
Net changes	<u>27,374</u>	<u>(24,197)</u>	<u>51,571</u>
Balance at June 30, 2022	<u><u>\$ 628,830</u></u>	<u><u>\$ 409,738</u></u>	<u><u>\$ 219,092</u></u>

The plan's fiduciary net position represents 65.2 percent of the total OPEB liability.

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

For the year ended June 30, 2022, the Village recognized OPEB expense of \$19,920.

June 30, 2022

Note 10 - Other Postemployment Benefit Plan (Continued)

At June 30, 2022, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,388	\$ (52,367)
Changes in assumptions	282	(14,496)
Net difference between projected and actual earnings on OPEB plan investments	<u>33,997</u>	<u>-</u>
Total	<u>\$ 37,667</u>	<u>\$ (66,863)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	Amount
2023	\$ (1,576)
2024	(1,048)
2025	(4,415)
2026	(1,730)
2027	(10,691)
Thereafter	<u>(9,736)</u>
Total	<u>\$ (29,196)</u>

Actuarial Assumptions

The total OPEB liability was determined by utilizing the alternative measurement method as of June 30, 2022, using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Expected Point in Time at Which Benefit Payments Will Begin to be Made

Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 59 or at the first subsequent year in which the member would qualify for benefits.

Marital Status and Dependency Status

Active employees and retirees covered under the terms of the OPEB plan who currently have spouses are assumed to be married to those spouses at retirement; those without spouses at the calculation date are assumed to be single at and throughout retirement.

Mortality

The June 30, 2022 mortality rates were based on the Pub-2010 General and Safety Headcount-weighted Mortality Tables with generational projection using the Projection Scale MP-2020. The June 30, 2021 mortality rates were based on the Pub-2010 General and Safety Headcount-weighted Mortality Tables with generational projection using the Projection Scale MP-2019.

Turnover

Non-group-specific, age-based turnover data from GASB Statement No. 75 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 purposes of allocating to periods the present value of total benefits to be paid.

Note 10 - Other Postemployment Benefit Plan (Continued)

Health Care Cost Trend Rate

The expected rate of increase in health care insurance premiums was based on rates published by the state treasurer for use under Michigan Public Act 202. A rate of 7.25 percent initially, reduced to an ultimate rate of 4.5 percent after 11 years, was used. In 2022, an initial rate of 7.25 percent was used.

Health Insurance Premiums

2022 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation Rate

An expected long-term inflation assumption of 2.3 percent was used.

Payroll Growth Rate

The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Investment Rate of Return

The investment rate of return was assumed to be 4.75 percent, net of OPEB plan investment expense, including inflation.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2022 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Global bonds	0.17 %
Global equity	6.40
Private equity	10.73

Note 10 - Other Postemployment Benefit Plan (Continued)

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

The following presents the net OPEB liability of the Village, calculated using the discount rate of 4.75 percent, as well as what the Village's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (3.75%)	Current Discount Rate (4.75%)	1 Percentage Point Increase (5.75%)
Net OPEB liability	\$ 269,581	\$ 219,092	\$ 172,117

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the Village, calculated using the health care cost trend rate of 7.25 percent, as well as what the Village's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.25%)	Current Health Care Cost Trend Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net OPEB liability	\$ 157,143	\$ 219,092	\$ 289,097

Investment Policy

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the OPEB board by a majority vote of its members. It is the policy of the OPEB board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the OPEB board's adopted asset allocation policy as of June 30, 2022:

Asset Class	Target Allocation
Global bonds	20.00 %
Global equity	60.00
Private equity	20.00
Total	<u>100.00 %</u>

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (5.58) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

June 30, 2022

Note 11 - Commitments

The Village has committed to a multiyear refuse collection agreement through June 30, 2024 at the following base rates:

- July 1, 2022 through June 30, 2023 at \$14.77 per month per unit
- July 1, 2023 through June 30, 2024 at \$15.21 per month per unit

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

Required Supplemental Information

Village of Holly, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,555,428	\$ 1,555,428	\$ 1,493,636	\$ (61,792)
Intergovernmental:				
Federal grants	118,000	118,000	16,261	(101,739)
State-shared revenue and grants	664,755	664,755	772,240	107,485
Charges for services	685,365	685,365	960,029	274,664
Fines and forfeitures	9,500	9,500	22,853	13,353
Licenses and permits	107,358	107,358	121,652	14,294
Investment income	5,000	5,000	4,311	(689)
Other revenue	306,400	306,400	282,558	(23,842)
Total revenue	3,451,806	3,451,806	3,673,540	221,734
Expenditures				
Current services:				
General government	486,748	486,748	479,584	7,164
Public safety	2,414,713	2,414,713	2,450,214	(35,501)
Public works	347,457	347,457	332,751	14,706
Community and economic development	19,650	19,650	29,170	(9,520)
Recreation and culture	38,000	38,000	40,083	(2,083)
Capital outlay	123,555	123,555	173,752	(50,197)
Total expenditures	3,430,123	3,430,123	3,505,554	(75,431)
Net Change in Fund Balance	21,683	21,683	167,986	146,303
Fund Balance - Beginning of year	1,417,676	1,417,676	1,417,676	-
Fund Balance - End of year	<u>\$ 1,439,359</u>	<u>\$ 1,439,359</u>	<u>\$ 1,585,662</u>	<u>\$ 146,303</u>

Village of Holly, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Fund

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Intergovernmental	\$ 487,877	\$ 487,877	\$ 582,178	\$ 94,301
Investment income	2,000	2,000	1,460	(540)
Other revenue	900	900	5,650	4,750
Total revenue	490,777	490,777	589,288	98,511
Expenditures				
Current services - Public works	290,839	290,839	271,254	19,585
Debt service - Interest and fiscal charges	-	-	18,820	(18,820)
Total expenditures	290,839	290,839	290,074	765
Net Change in Fund Balance	199,938	199,938	299,214	99,276
Fund Balance - Beginning of year	901,574	901,574	901,574	-
Fund Balance - End of year	<u>\$ 1,101,512</u>	<u>\$ 1,101,512</u>	<u>\$ 1,200,788</u>	<u>\$ 99,276</u>

Village of Holly, Michigan

Required Supplemental Information Schedule of Changes in the Net Pension Liability and Related Ratios Based on Measurement Date of December 31

	Last Seven Plan Years						
	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 167,515	\$ 190,341	\$ 174,556	\$ 175,024	\$ 150,929	\$ 149,549	\$ 146,181
Interest	1,218,137	1,142,861	1,144,107	1,100,938	1,082,606	1,058,227	1,009,586
Changes in benefit terms	-	-	-	(9,870)	-	-	-
Differences between expected and actual experience	121,402	136,272	(128,188)	251,499	(58,880)	14,767	20,630
Changes in assumptions	623,273	544,220	519,167	-	-	-	680,433
Benefit payments, including refunds	(1,035,793)	(987,852)	(974,536)	(981,026)	(934,072)	(902,403)	(834,266)
Net Change in Total Pension Liability	1,094,534	1,025,842	735,106	536,565	240,583	320,140	1,022,564
Total Pension Liability - Beginning of year	16,462,247	15,436,405	14,701,299	14,164,734	13,924,151	13,604,011	12,581,447
Total Pension Liability - End of year	\$ 17,556,781	\$ 16,462,247	\$ 15,436,405	\$ 14,701,299	\$ 14,164,734	\$ 13,924,151	\$ 13,604,011
Plan Fiduciary Net Position							
Contributions - Employer	\$ 902,974	\$ 747,334	\$ 718,816	\$ 633,522	\$ 508,093	\$ 476,580	\$ 546,242
Contributions - Member	12,365	14,280	13,920	6,337	-	-	-
Net investment income (loss)	1,017,651	1,017,442	892,527	(273,847)	880,274	726,751	(102,696)
Administrative expenses	(12,796)	(14,548)	(15,376)	(13,823)	(13,975)	(14,366)	(15,059)
Benefit payments, including refunds	(1,035,793)	(987,852)	(974,536)	(981,026)	(934,072)	(902,403)	(834,266)
Other	63,331	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	947,732	776,656	635,351	(628,837)	440,320	286,562	(405,779)
Plan Fiduciary Net Position - Beginning of year	8,082,364	7,305,708	6,670,357	7,299,194	6,858,874	6,572,312	6,978,091
Plan Fiduciary Net Position - End of year	\$ 9,030,096	\$ 8,082,364	\$ 7,305,708	\$ 6,670,357	\$ 7,299,194	\$ 6,858,874	\$ 6,572,312
Village's Net Pension Liability - Ending	\$ 8,526,685	\$ 8,379,883	\$ 8,130,697	\$ 8,030,942	\$ 6,865,540	\$ 7,065,277	\$ 7,031,699
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	51.43 %	49.10 %	47.33 %	45.37 %	51.53 %	49.26 %	48.31 %
Covered Payroll	\$ 1,183,982	\$ 1,410,133	\$ 1,406,517	\$ 1,445,146	\$ 1,232,612	\$ 1,233,542	\$ 1,178,050
Village's Net Pension Liability as a Percentage of Covered Payroll	720.17 %	594.26 %	578.07 %	555.72 %	556.99 %	572.76 %	596.89 %

Village of Holly, Michigan

Required Supplemental Information Schedule of Pension Contributions

	Last Ten Fiscal Years Years Ended June 30									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 827,974	\$ 665,038	\$ 631,401	\$ 633,522	\$ 566,882	\$ 459,643	\$ 493,462	\$ 624,340	\$ 472,763	\$ 347,307
Contributions in relation to the actuarially determined contribution	1,008,739	752,032	741,216	633,522	566,882	459,643	493,462	624,340	550,379	347,307
Contribution Excess	\$ 180,765	\$ 86,994	\$ 109,815	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,616	\$ -
Covered Payroll	\$ 954,675	\$ 1,172,474	\$ 1,406,517	\$ 1,233,542	\$ 1,232,612	\$ 1,233,542	\$ 1,178,050	\$ 1,322,030	\$ 1,237,915	\$ 918,677
Contributions as a Percentage of Covered Payroll	105.66 %	64.14 %	51.11 %	51.36 %	45.99 %	37.26 %	41.89 %	47.23 %	44.46 %	37.81 %

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, one year and six months prior to the beginning of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar - Closed basis
Remaining amortization period	20 years
Asset valuation method	5-year smoothed market
Inflation	2.50 percent
Salary increase	3.00 percent
Investment rate of return	7.35 percent - Net of pension plan investment expense, including inflation
Retirement age	Experience-based table of rates are specific to the type of eligibility condition
Mortality	MP-2019 applied fully generationally from the Pub-2010 base year of 2010
Other information	None

Village of Holly, Michigan

Required Supplemental Information Schedule of Changes in the Net OPEB Liability and Related Ratios Based on Measurement Date of June 30

	Last Six Fiscal Years					
	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 17,909	\$ 18,628	\$ 21,110	\$ 30,067	\$ 28,704	\$ 29,037
Interest	28,866	31,792	30,259	33,614	33,793	32,519
Changes in benefit terms	-	-	-	(146,998)	-	-
Differences between expected and actual experience	3,875	(69,940)	-	(764)	(36,559)	-
Changes in assumptions	322	(19,360)	3,514	18,772	-	(15,736)
Benefit payments, including refunds	(23,598)	(20,467)	(19,808)	(25,570)	(22,362)	(54,555)
Net Change in Total OPEB Liability	27,374	(59,347)	35,075	(90,879)	3,576	(8,735)
Total OPEB Liability - Beginning of year	601,456	660,803	624,531	715,410	711,834	720,569
Total OPEB Liability - End of year	\$ 628,830	\$ 601,456	\$ 659,606	\$ 624,531	\$ 715,410	\$ 711,834
Plan Fiduciary Net Position						
Contributions - Employer	\$ 14,553	\$ 14,123	\$ 13,571	\$ 19,695	\$ 14,320	\$ 54,555
Contributions - Active and inactive plan members not yet receiving benefits	9,045	6,344	6,237	5,875	8,042	-
Net investment (loss) income	(24,197)	32,492	2,134	20,627	(3,632)	4,421
Administrative expenses	-	-	-	-	(10)	-
Benefit payments, including refunds	(23,598)	(20,467)	(19,808)	(25,570)	(22,362)	(54,555)
Other	-	-	-	(1,159)	(2,013)	-
Net Change in Plan Fiduciary Net Position	(24,197)	32,492	2,134	19,468	(5,655)	4,421
Plan Fiduciary Net Position - Beginning of year	433,935	401,443	398,150	378,682	384,337	379,916
Plan Fiduciary Net Position - End of year	\$ 409,738	\$ 433,935	\$ 400,284	\$ 398,150	\$ 378,682	\$ 384,337
Net OPEB Liability - Ending	\$ 219,092	\$ 167,521	\$ 259,322	\$ 226,381	\$ 336,728	\$ 327,497
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	65.16 %	72.15 %	60.69 %	63.75 %	52.93 %	53.99 %

Village of Holly, Michigan

Required Supplemental Information Schedule of OPEB Contributions

	Last Ten Fiscal Years									
	Years Ended June 30									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 29,899	\$ 36,452	\$ 36,653	\$ 52,652	\$ 100,924	\$ 100,924	\$ 100,924	\$ 67,721	\$ 126,477	\$ 127,110
Contributions in relation to the actuarially determined contribution	14,553	13,810	15,410	19,695	14,320	5,000	-	38,359	38,359	38,359
Contribution Deficiency	<u>\$ (15,346)</u>	<u>\$ (22,642)</u>	<u>\$ (21,243)</u>	<u>\$ (32,957)</u>	<u>\$ (86,604)</u>	<u>\$ (95,924)</u>	<u>\$ (100,924)</u>	<u>\$ (29,362)</u>	<u>\$ (88,118)</u>	<u>\$ (88,751)</u>

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal costs
Inflation	2.30 percent
Health care cost trend rates	7.25 percent initially reduced to an ultimate rate of 4.50 percent
Salary increase	3.00 percent
Investment rate of return	4.75 percent - Net of investment expense
Retirement age	50 with 25 years of service for police and dispatch, 55 with 25 years of service for DPW and clerical and department heads
Mortality	Pub-2010 General and Safety Mortality Tables (Employee, Retiree, and Disabled, as appropriate) with generational projection using Projection Scale MP-2020
Other information	None

Village of Holly, Michigan

Required Supplemental Information Schedule of OPEB Investment Returns

	Last Six Fiscal Years Years Ended June 30					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return - Net of investment expense	(5.6)%	8.1 %	0.5 %	4.9 %	(1.0)%	1.2 %

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 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 columns show 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.

Excess of expenditures over appropriations in budgeted funds occurred due to unforeseen expenses. During the year, the Village of Holly, Michigan incurred significant expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual	Variance
General Fund	\$ 3,430,123	\$ 3,505,554	\$ (75,431)

Pension Information

Changes in Assumptions

In the fiscal year ended June 30, 2022 (December 31, 2021 valuation), there were assumption changes that resulted in an increase in the calculated total pension liability. The assumptions changed during the year related to the investment rate of return.

In the fiscal year ended June 30, 2021 (December 31, 2020 valuation), there were assumption changes that resulted in an increase in the calculated total pension liability. The assumptions changed during the year related to the mortality tables being updated.

In the fiscal year ended June 30, 2020 (December 31, 2019 valuation), there were assumption changes that resulted in an increase in the calculated total pension liability for the union and supervisors pension plan. The assumption changes during the year related to the investment rate of return and the inflation rate.

In the fiscal year ended June 30, 2016 (December 31, 2015 valuation), there were assumption changes that resulted in an increase in the calculated total pension liability for the union and supervisors pension plan. The assumptions changed during the year related to the investment rate of return, discount rate, and mortality tables.

Other Supplemental Information

Village of Holly, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2022

	Nonmajor Special Revenue Funds				Nonmajor Capital Project Fund	Total
	Local Streets Fund	Lake Improvement Fund	Solid Waste Fund	Holly Area Transportation Fund	Capital Project Fund	
	Fund	Fund	Fund	Fund	Fund	
Assets						
Cash and investments	\$ 57,100	\$ 2,597	\$ 64,105	\$ 12,797	\$ 62,649	\$ 199,248
Receivables:						
Special assessments receivable	-	3,676	59	-	-	3,735
Due from other governments	29,366	-	-	-	-	29,366
Restricted assets	-	-	-	-	391,627	391,627
Total assets	\$ 86,466	\$ 6,273	\$ 64,164	\$ 12,797	\$ 454,276	\$ 623,976
Liabilities						
Accounts payable	\$ 1,621	\$ -	\$ 31,330	\$ 1,048	\$ -	\$ 33,999
Accrued liabilities and other	-	-	-	-	4,242	4,242
Total liabilities	1,621	-	31,330	1,048	4,242	38,241
Deferred Inflows of Resources -						
Unavailable revenue	-	1,240	-	-	-	1,240
Total liabilities and deferred inflows of resources	1,621	1,240	31,330	1,048	4,242	39,481
Fund Balances						
Restricted:						
Roads	84,845	-	-	-	-	84,845
Capital projects	-	-	-	-	391,627	391,627
Lake improvement	-	5,033	-	-	-	5,033
Solid waste	-	-	32,834	-	-	32,834
Assigned:						
Capital projects	-	-	-	-	58,407	58,407
Senior transportation	-	-	-	11,749	-	11,749
Total fund balances	84,845	5,033	32,834	11,749	450,034	584,495
Total liabilities, deferred inflows of resources, and fund balances	\$ 86,466	\$ 6,273	\$ 64,164	\$ 12,797	\$ 454,276	\$ 623,976

Village of Holly, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

Year Ended June 30, 2022

	Nonmajor Special Revenue Funds				Nonmajor Capital Project Fund	Total
	Local Streets Fund	Lake Improvement Fund	Solid Waste Fund	Holly Area Transportation Fund	Capital Project Fund	
Revenue						
Special assessments	\$ -	\$ 5,317	\$ 334,850	\$ -	\$ -	\$ 340,167
Intergovernmental:						
Federal grants	11,075	-	-	23,711	-	34,786
State-shared revenue and grants	190,756	-	-	-	-	190,756
Charges for services	-	-	-	5,782	-	5,782
Investment income	154	-	-	-	-	154
Other revenue	1,800	-	540	-	-	2,340
Total revenue	203,785	5,317	335,390	29,493	-	573,985
Expenditures						
Current services:						
Public works	179,192	5,250	396,439	-	229,026	809,907
Senior transportation	-	-	-	47,421	-	47,421
Debt service	-	-	-	-	1,744	1,744
Total expenditures	179,192	5,250	396,439	47,421	230,770	859,072
Net Change in Fund Balances	24,593	67	(61,049)	(17,928)	(230,770)	(285,087)
Fund Balances - Beginning of year	60,252	4,966	93,883	29,677	680,804	869,582
Fund Balances - End of year	\$ 84,845	\$ 5,033	\$ 32,834	\$ 11,749	\$ 450,034	\$ 584,495